

Veterinary Services for Household Pets in the UK

Consultation on proposed market
investigation reference

12 March 2024



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Summary

1. More than half of all UK households (57%) have a pet,¹ meaning that millions of people need to take their animal to the vet for routine care or to manage more serious or urgent concerns. It is important that this sector works well for everyone who uses it, and one of the CMA's medium-term priorities is to ensure that people can be confident that they are getting great choices and fair deals in areas where they spend the most money.²
2. In September 2023, the CMA launched a market review into veterinary services for household pets to explore whether consumers were getting a good deal when buying veterinary services and receiving the information they need to make good choices.³
3. As part of our market review, we ran a Call for Information (CFI) which consisted of online questionnaires for pet owners, people who work in the sector and other interested parties. We received an unprecedented response, with over 56,000 responses in total, including almost 45,000 from pet owners and over 11,000 from veterinary professionals, plus several hundred from interested third parties. We are very grateful to all those people who took the time to share their experiences with us and help inform our assessment. We also gathered information from and/or met with a range of other stakeholders, including the large veterinary groups, smaller vet businesses, industry bodies, insurance companies and animal charities. We also commissioned some qualitative consumer research with pet owners.

Our provisional concerns

4. Having reviewed this evidence, we are concerned that there may be a number of ways in which this market is not working as well as it could be for pet owners nor, potentially, for veterinary professionals themselves. We have identified five areas of concern:
 - (a) Consumers may not be given enough information to enable them to choose the best veterinary practice or the right treatment for their needs.
 - (b) Concentrated local markets, in part driven by sector consolidation, may be leading to weak competition in some areas.

¹ Statista, [Share of households owning a pet in the United Kingdom from 2012 to 2023](#).

² CMA, 2023, [CMA Annual Plan 2023 to 2024](#), Priorities.

³ <https://www.gov.uk/cma-cases/veterinary-services-market-for-pets-review>

- (c) Large integrated groups may have incentives to act in ways which reduce choice and weaken competition.
 - (d) Pet owners might be overpaying for medicines or prescriptions.
 - (e) The regulatory framework is outdated and may no longer be fit for purpose.
5. We are proposing to conduct a market investigation because that would enable us to use formal information gathering powers to obtain the full set of evidence that we would need to investigate these concerns further and to take direct action to address these concerns, if upheld.

Consumers may not be given enough information to enable them to choose the best veterinary practice or the right treatment for their needs

6. Competition is unlikely to work well if customers are unable to understand and compare different options and prices. However, we have found that it may be difficult for pet owners to obtain the information they need both to choose between local vet practices and to decide on a particular course of treatment.
7. There is a lack of transparency on prices and ownership that could weaken competition between vets and make it more difficult for consumers to choose the vet practice that best suits their needs:
- (a) We have observed that over 80% of vet practices have no pricing information on their websites, even for routine consultations or vaccines.
 - (b) Many local vets are now owned by large businesses and four out of the six largest corporate groups tend to retain the name and branding when they acquire an independently owned practice or small chain.⁴ This lack of clarity over ownership could give consumers the illusion of competition and make it more difficult for them to shop around between genuinely independent alternatives: when choosing a vet, a consumer may think they have compared different options in their local area without realising that they might all be owned by the same company. Of the instances we could check,⁵ almost a fifth of respondents to our CFI who thought they were registered with an independently owned practice were actually registered with a practice that was part of a large group.
8. When it comes to choosing which treatment is best for their pet and their circumstances, there are various reasons why pet owners might find it difficult to evaluate different options:

⁴ Medivet and Pets At Home (through its Vets4Pets brand) do operate uniform branding.

⁵ Not all respondents provided the details of the vet practice they use.

- (a) Most pet owners will be very keen to do the best for their pet but will not have the expertise to understand the clinical value of different treatments unless they are clearly explained. Pet owners are, therefore, likely to follow their vet's recommendation of a treatment plan.
- (b) In some cases, pet owners will be able and willing to make a considered decision, but at other times they may be making choices in circumstances when they are distressed or under time pressure (because the animal's condition is upsetting and/or requires a quick response). Our qualitative consumer research found that pet owners often did not ask for information about treatment and costs when they were feeling anxious or emotional about their pet's condition.
- (c) There may be barriers to seeking a second opinion or alternative price quote from another vet practice (eg the need to move the animal or pay for a second consultation fee).

9. It is, therefore, particularly important that consumers are provided with the information they need at the right time so that they can choose the treatment plan that is right for them. However, there is a lack of price transparency for consumers when choosing between treatment options, which could make it difficult for them to choose the treatment which best suits their pet and their circumstances. Pet owners told us that they were not always informed about the prices of tests, surgery or emergency care in advance of these taking place. For example:

- (a) around one fifth of respondents to our CFI said that they were not provided with any cost information before agreeing to tests;
- (b) around one in ten said they were not provided with cost information before their pet had surgery; and
- (c) around half said they were not informed about costs before agreeing to out-of-hours treatment.

Concentrated local markets, in part driven by sector consolidation, may be leading to weak competition in some areas

10. Consumers tend to choose a practice that is close to their home, and therefore local competition is important. A major development in the veterinary sector over the last 10 years has been the rapid, significant, and ongoing growth of a few large, corporate suppliers. In 2013, around 10% of vet practices belonged to large groups, but that share is now almost 60%, and many of the large groups have expressed an intention to continue expanding their business through the acquisition of independently owned practices.

11. Acquisitions on this scale have contributed to some areas having relatively little choice of first opinion veterinary practices. We have observed that there are some local areas, potentially representing around 12% of postcode districts.⁶ where a large corporate group owns at least two vet practices and has a market share of above 30%. Some of these areas include instances of a large corporate group owning multiple vet practices with no local competitors. As noted above, consumers will not always be aware that they are faced with a limited choice of supplier because the branding doesn't always indicate the ownership of the vet practice.

Large integrated groups may have incentives to act in ways which reduce choice and weaken competition

12. The increased presence of large corporate groups has meant that a business model which differs in some respects from that offered by independently owned practices or small chains has become increasingly prevalent. These large corporate groups have, to varying extents, invested heavily in equipment to provide the most sophisticated treatments, and also acquired businesses which sell related services, including specialist referral centres, crematoria, out-of-hours suppliers, and diagnostic laboratories.
13. The expansion of large suppliers, and their integration with related services, creates the potential for significant efficiencies in terms of shared management costs and greater purchasing power, as well as improved investment in diagnostics and sophisticated treatment options. This can bring benefits for pet owners. However, we are concerned that this could potentially be harming competition in the following ways.

The incentive and ability of large groups to concentrate on providing higher cost treatment options

14. The large, integrated corporate groups (especially those whose business models include significant investment in advanced equipment and/or affiliated services) may concentrate on providing more sophisticated, higher cost treatments in place of simpler, lower cost treatments even if some consumers would prefer that option.
15. In many cases, a range of treatments and tests could be considered to be appropriate for the pet and the pet owner at the time of consultation, ranging from doing nothing to a fully comprehensive, risk-averse test and treat programme. Where competition is working well, we might expect suppliers to offer and promote a full range of treatments to reasonably well-informed consumers who are able to make choices between different treatments, based on knowledge of the cost

⁶ There are 2,831 postcode districts. A postcode district comprises the letter(s) and the number(s) which precede the space, for instance, N1, BN1 or SW19.

implications, potential outcomes, and risks. However, because large integrated groups have become more prevalent across the sector, this range of options may not be presented to pet owners as frequently. The large integrated groups are likely to have the incentive to offer and promote highly sophisticated treatments because a) they have invested in expensive equipment in order to offer these services, and b) they own related services (such as diagnostic labs and referral centres) which might also receive revenue when additional tests or referrals are sold.

16. Various elements of the way that consumers approach buying vet services suggest that a strategy of promoting more sophisticated and expensive treatments is likely to be successful in many cases. These include: an owner's desire to do the best for their pet (sometimes in distressing circumstances or under time pressure); their comparative lack of knowledge around options and prices; their need to trust their vet (as caregiver for their animal), and potential barriers to seeking an alternative course of treatment (eg needing to pay a second consultation fee).
17. Respondents to the CFI reported an increasing trend of providing sophisticated, higher cost treatments in place of simpler, cheaper options. In response to our CFI, some veterinary professionals told us that the provision (and expectation) of a 'gold standard' level of care was a significant factor contributing to increased vet fees. In circumstances when people might prefer a lower cost option if they were fully informed, consumers may be overpaying for their pet's treatment.

The incentive and ability to keep referrals, diagnostics, out-of-hours and cremation services within the group, potentially leading to reduced choice, higher prices, lower quality and exit of independent competitors

18. The large groups have, to varying extents, invested in referral centres, diagnostics, out-of-hours and cremation services, and may therefore have an incentive to favour an in-group supplier for these services. Some responses to our CFI from people working in the sector suggested that the large groups have strategies to encourage consumers to use services owned by the same group. We have also found that, in some cases, the ability to direct increasing business to referral centres and other services can provide the motivation for acquiring new vet practices.
19. In the case of referral centres, the vet will typically recommend a particular option to the consumer; in the case of cremation services, the vet practice will typically offer to organise a cremation with their usual supplier, though the pet owner could choose to find an alternative. It appears likely that many pet owners go with the sole referral centre or crematorium they are directed to by their vet practice. For example, just around one in eight respondents to our CFI who told us about their experience of referrals said they were able to choose between different referral

options provided by their practice, and around two thirds of respondents either did not feel that they had a choice of crematorium or said that a choice wasn't important to them at that time.

20. This 'self-preferencing' could mean that consumers have a reduced choice of which service provider they use, which could lead to higher prices or a worse quality service (for example having to travel further or wait longer).
21. If vet practices within the large groups increasingly direct their consumers to suppliers within their group, this could have an impact on independent suppliers of these related services. If this leads to independent suppliers exiting the market, or no longer entering in certain areas, the weaker competition could lead to higher prices or reduced quality in these related services.

Pet owners might be overpaying for medicines or prescriptions

22. Vet practices sell prescription medicines as part of consultations and treatments, which may be convenient for the consumer (or necessary when the pet needs the medicine immediately). However, consumers can also buy prescription animal medicines from a third-party pharmacy, including online retailers, often at a lower price. Where a pet owner wishes to purchase medication from a third-party pharmacy, they need to first request a prescription from their vet, who will charge a fee.
23. Vets must advise clients, by means of a sign, that they can get a prescription and obtain the medicine elsewhere. However, around a quarter of respondents to our CFI were not aware that they could do this, and only about half of pet owners had actually done it for repeat medication. Most of the pet owners in our qualitative consumer research were unaware of this option.
24. We have seen data from some large vet businesses which suggests that medicines account for around 20-25% of their revenue. We are concerned that vet practices might have the incentive and ability to deter consumers from purchasing medicines elsewhere, for example by not explicitly reminding them of this option, by charging a high prescription fee or by only issuing prescriptions for short periods of time, meaning that the consumer would have to pay for prescriptions more frequently.
25. We also received several complaints from independent veterinary practices that online pharmacies sell animal medicines to consumers at a price lower than those available to many vet practices via the wholesale channel. The regulatory regime stipulates that vet practices need to buy their medicines from a provider that is licenced for wholesale supply, so this cheaper channel is not available to them.

The regulatory framework is outdated and may no longer be fit for purpose

26. The primary regulation in the industry dates from the mid-1960s.⁷ The Royal College of Veterinary Surgeons (**RCVS**) is the statutory regulator. However, its remit is in relation to individual practitioners, not in relation to practice owners or vet practices as businesses. The RCVS is responsible for enforcing industry regulations and maintaining and developing professional standards of vets and vet nurses, in part through its code of conduct.
27. This regulatory framework means that the RCVS has limited leverage over the commercial and consumer-facing aspects of veterinary businesses. In part to overcome this limitation, the RCVS runs a voluntary Practice Standards Scheme which applies to the vet practice rather than individuals. This encourages best practice, including in areas such as how prices are communicated to consumers. We understand that around 69% of eligible practices have signed up to this voluntary scheme,⁸ meaning that almost a third of the market has not committed to this approach.
28. Given our concerns about the possibility of weak competition in some areas, and the demand-side factors we have identified, our provisional view is that outcomes for consumers could be improved if regulatory requirements and / or elements of best practice could be monitored or enforced more effectively. As well as enabling us to impose legally binding orders which would apply to the entire sector (eg mandating the provision of pricing information), as part of an MIR we could make recommendations to government concerning changes to the regulatory framework.

We intend to further investigate these concerns and, if upheld, address them, through a market investigation

29. Having identified widespread potential concerns in this market, we are consulting on making a market investigation reference (**MIR**) to address these issues. A market investigation would enable us to use our statutory powers to compel parties to provide information and enables us to take direct action to address those concerns, if upheld.
30. Through a market investigation we can use formal powers to gather additional evidence, to investigate our concerns in more depth and shape any remedies. For example, we could:

⁷ [The Veterinary Surgeons Act, 1966.](#)

⁸ RCVS, [Practice Standards Scheme.](#)

- (a) Explore in more depth what types of information are currently available to consumers and what information they would find useful when choosing between vet practices or treatment options;
 - (b) Investigate further the extent to which consumers face limited choice of provider in certain local areas, and assess what impact this may have on outcomes;
 - (c) Examine profitability in the sector, to assess whether profits earned are consistent with the levels we might expect in a competitive market;
 - (d) Further assess the extent to which the integrated business model is limiting consumer choice in this sector, including assessing the ability of the large groups to self-preference when selling or recommending related services;
 - (e) Explore whether the regulatory regime contributes to consumers overpaying for medicine.
31. A market investigation would also allow us to take direct action to address many of our concerns and impose specific legally enforceable remedies which would apply to the whole sector.
32. The remedies that could be available to us at the end of a market investigation might include:
- (a) Mandating that information is provided to help give consumers more choice over the treatments available and the providers they use (eg on pricing, ownership links, the range of treatment options available, quality/outcome-related measures or options for purchasing medicines), including specifying how and when this should be provided;
 - (b) Mandating that such information is provided in a form that could support the development of customer comparison tools;
 - (c) Imposing maximum prices (eg for prescription fees or other services); and
 - (d) Targeted structural remedies (eg divestments of certain businesses or parts of businesses).
 - (e) Making recommendations to government concerning changes to the regulatory framework.
33. Although the statutory timetable for a market investigation runs for 18 months (with a potential additional 6 months for putting remedies in place), we consider that this would be the quickest way to address our concerns, if borne out, because of our ability to impose enforceable remedies directly at the end of a market investigation (through our order-making powers).

34. We recognise that this is a sector under pressure. We have heard concerns from those working in the sector about the pressures they face, including acute staff shortages, and the impact this has on individual professionals. We also recognise the ongoing concerns of many pet owners. If we proceed with a market investigation, we will be mindful of the burden for individual professionals and we will consider whether there is more that can be done in parallel to improve outcomes for consumers in the short term, even before the conclusion of any investigation (where doing so would be consistent with that investigation). For example:
- (a) We intend to publish some advice for consumers to help them acquire the information they need to purchase the vet services that are right for them.
 - (b) As part of any market investigation, we would expect to explore whether we would recommend any changes to the current regulatory environment. If we were able to reach conclusions on this before the end of the investigation, then we could publish these recommendations once we had developed them.
35. In addition, vet businesses themselves could decide to act immediately to improve the way the market works. One option would be to improve the quality of the information provided to consumers and how it is conveyed to them, for example, by providing clear prices and/or increasing the transparency of ownership links. We also understand that the RCVS is working on improved online advice for pet owners, and considering how to amplify guidance on how veterinary professionals can comply with its codes.

Outline of this document

36. This consultation document discusses:
- (a) Background and context on how the market for vet services works (section 1)
 - (b) The main competition concerns we have identified (section 2)
 - (c) The proposed scope of the market investigation (section 3)
 - (d) The case for making an MIR including why we consider the reference test is met and an MIR would be appropriate (section 3)
 - (e) The review of The Supply of Veterinary Medicinal Products Order 2005 (section 4)
 - (f) The details of our consultation and how to respond (section 5)

1. Background context

- 1.1 In this section, we provide some background context on suppliers in the market and describe how consumers approach purchasing vet services.
- 1.2 As part of our review into vet services, we have gathered a range of evidence:
- (a) We have engaged broadly across the sector, including with all six large corporate suppliers of veterinary services,⁹ independently owned veterinary practices, industry regulators, industry bodies, government agencies, the animal charity sector, and pet insurance companies, both through conversations and (in some cases) written requests for information or written submissions.
 - (b) As part of our review, we launched a call for information (**CFI**) on the CMA's website which attracted around 56,000 (completed and partial) responses: around 45,000 from pet owners and over 11,000 from people who work in the sector, including veterinary surgeons (**vets**), veterinary nurses (**vet nurses**) and practice managers.¹⁰ We also received several hundred responses from third parties, including retired vets and providers of other services in the sector. We note that, although we received a very large number of responses to our questions, the CFI was not a statistical survey and, as such, the evidence we obtained from it cannot be taken to be representative of the experiences of pet owners and the vet sector as a whole.¹¹ Nonetheless, we have gained very useful insights as to the key issues faced by pet owners and those who work in the sector (albeit not their prevalence) and it forms part of the basis for our proposal to look further at the market and test the evidence.
 - (c) We also commissioned qualitative market research, consisting of 64 in-depth interviews with pet owners across the UK who had used and paid for vet services within the last six months (**our qualitative consumer research**).¹² The aim of our qualitative research was to learn about the real-life experiences of a range of pet owners when buying treatments and services for their pets.

⁹ The six large corporate suppliers of veterinary services are: CVS Group plc (CVS), Independent Vetcare Limited (IVC), Linnaeus Veterinary Limited (Linnaeus), Medivet Group Limited (Medivet), Pets at Home Group Plc (Pets at Home), and VetPartners Limited (VetPartners).

¹⁰ There are around 27,000 vets and 19,000 veterinary nurses in the UK, meaning that it is likely we have heard from a considerable proportion of veterinary professionals as part of our call for information.

¹¹ It may be that people with the strongest views or those who had experienced the greatest difficulties chose to respond, and more of those who had a positive experience decided not to. We also cannot confirm that each response is from a separate individual as we are unable to confirm the identity of respondents.

¹² We have published the report on findings arising from the [market research](#) alongside this document.

- 1.3 We refer to this evidence throughout the following sections, to support our assessment of the sector. Whilst different aspects of this evidence might carry differing weight, our provisional view is that this evidence in the round provides clear support for our proposal to make an MIR. If we proceed with an MIR, we will gather additional evidence, in particular through our power to compel parties to provide information, in order to thoroughly investigate our concerns.

What we heard from pet owners and vets in response to our CFI

- 1.4 In response to our CFI, pet owners told us about their experiences across a range of topics, including how they choose a vet, what information they get when choosing between treatments or buying medicines, and whether prices for vet treatments are clearly presented. We set out what we heard from pet owners throughout this document, as and when relevant.
- 1.5 In response to our CFI, veterinary professionals told us that the main challenges facing the sector are difficult interactions with pet owners and staffing challenges. We summarise these responses here and set out other information that we heard from veterinary professionals throughout this document, as and when relevant.
- 1.6 Pet owners were frequently mentioned by people working in the sector, with responses suggesting that many pet owners struggle with the affordability of vet fees and often have little understanding of what the veterinary profession entails. We heard that vets sometimes face abuse from pet owners over what they consider to be high fees. Respondents from the sector acknowledged that fees have risen, making vet services less affordable for some, but they also told us about other factors which influence their interactions with pet owners:
- (a) Owners not understanding the true cost of veterinary care, partly because they compare it with the NHS which is free at the point of use.
 - (b) Increased pet ownership during the COVID-19 pandemic, with many new, inexperienced pet owners.
 - (c) People taking on pets they cannot afford and the popularity of breeds with inherent health problems.
 - (d) Pet owners not having insurance, with some vets suggesting this should be compulsory.
 - (e) Higher expectations driven by TV programmes such as *The Supervet*, where costs are never discussed.
- 1.7 The second main area raised by vet professionals was staffing, where they highlighted significant staff shortages. The most frequently mentioned staffing issue was the mental health of employees. The high suicide rate in the vet

profession was highlighted and reported to be fuelled by stress, overwork, abuse and frequent criticism in relation to prices.

- 1.8 We also heard that demand for vets and vet nurses has risen as a result of increased pet ownership (particularly since the COVID-19 pandemic) while many people have left the profession, largely due to stress and mental health concerns. Respondents told us that Brexit has led to fewer vets and vet nurses from the European Union working in the UK and that the number of graduates entering the profession is insufficient to compensate for those who are leaving. We heard that, as a result, existing staff are placed under additional, and significant, strain.

How the market works

The various types of vet services

- 1.9 General vet practices are known as first opinion practices (**FOPs**). This type of practice provides the bulk of a household pet's vet care, principally routine preventative care and treatment of minor injuries and illnesses. There are also other services that are relevant to our assessment of this sector:
- (a) Vets at FOPs may refer an animal to a specialist provider of a service (eg orthopaedic surgery, oncology or scans) at a referral centre or animal hospital.¹³ A household pet cannot receive specialist treatment without first being referred by a vet at a FOP, typically following a consultation.
 - (b) Other related services include diagnostic laboratory services (for blood tests or biopsies), out-of-hours care, and cremation services, which are commonly used after a pet has died.
 - (c) FOPs may also supply animal medicines or vets can issue a prescription for the consumer to purchase the medicine elsewhere.
 - (d) Further relevant services include pet care plans (which are provided by veterinary practices for a monthly fee and offer a package of services including annual check-ups, vaccinations, and flea/worm treatments), and pet insurance provided by insurance companies.

Regulation of vet services

- 1.10 The primary regulation in the industry dates from the mid-1960s.¹⁴ The Royal College of Veterinary Surgeons (**RCVS**) is the statutory regulator. It maintains a register of vet surgeons and vet nurses, is responsible for enforcing the industry

¹³ We call both of these 'referral centres' throughout this document.

¹⁴ [The Veterinary Surgeons Act](#), 1966.

regulations, and also for maintaining and developing professional standards of vets and veterinary nurses. The RCVS also operates a Code of Professional Conduct for all practising vets¹⁵ and a Practice Standards Scheme¹⁶ which applies to veterinary practices and is a voluntary initiative. These cover best practice, including in areas such as how prices are communicated to consumers. We understand that around 69% of eligible practices have signed up to the voluntary Practice Standards Scheme.¹⁷

- 1.11 The RCVS's formal remit, from legislation, is in relation to individual practitioners, not in relation to practice owners (who do not need to be qualified vets) or vet practices as businesses. The RCVS Legislation Working Party was established in 2017 with a mission to examine the Veterinary Surgeons Act 1966, and to make proposals for reform 'to ensure that the RCVS can be a 'modern and efficient regulator''.¹⁸ One of the recommendations of this group was that the RCVS should have statutory authority to regulate practices as well as vets and vet nurses.

The demand side – how consumers make choices when buying vet services

- 1.12 There are several vet services which pet owners might purchase and, therefore, different ways in which consumers might interact with the vet sector.

Choosing a first opinion practice

- 1.13 The first stage of engagement is typically choosing a local vet, or FOP. Around a third of respondents to our CFI considered only one practice, but over half told us that they considered more than one practice, including visiting several before making a choice.¹⁹ This differs from the findings of our qualitative consumer research which found little evidence of pet owners comparing veterinary practices before making their choice. In cases where CFI respondents considered just one vet practice, they said this was due to limited availability or a good recommendation for a particular practice (especially for its quality and pricing). Sometimes owners simply needed an urgent appointment, found a practice, then stayed with that one.
- 1.14 The evidence from our market review indicates that pet owners value location and convenience when selecting which vet to use, and that prices are rarely a factor. Almost half of respondents to our CFI felt that proximity to their home was either a very important or essential factor. In terms of other important elements of

¹⁵ [Code of Professional Conduct for Veterinary Surgeons - Professionals \(rcvs.org.uk\)](https://www.rcvs.org.uk).

¹⁶ [RCVS, Practice Standards Scheme](#).

¹⁷ Whilst the Practice Standards Scheme is described by the RCVS a 'voluntary initiative', under paragraph 4.3 of the [RCVS Code of Professional Conduct for Veterinary Surgeons](#) vets must maintain minimum practice standards equivalent to the Core Standards of the Practice Standards Scheme.

¹⁸ RCVS, Legislative reform consultation, [Executive summary](#).

¹⁹ The remainder could not recall what they did.

convenience, responses to our CFI indicated that consumers place particular value on a practice's opening hours, how easy it is to make an appointment, and whether there is parking nearby. Consumers also place weight on word-of-mouth (and sometimes social media) recommendations. The CMA's merger investigations, meanwhile, have found that people tend to select a vet practice within a short distance of their home.²⁰

- 1.15 The pet owners interviewed during our qualitative consumer research typically had not compared prices when choosing a vet, in the belief that any pricing differences would probably be small and would not compensate for an increase in inconvenience caused by using a vet located further away. However, the initial evidence we have gathered suggests that there are indeed price differences between FOPs, even for routine elements such as consultation fees and vaccinations, though these may partly relate to differences in the service quality (eg different consultation lengths). The CMA's merger investigations have also found that consumers appear to choose a vet practice based mainly on location (rather than price).²¹
- 1.16 Our qualitative consumer research found a strong inertia effect when it came to switching between vets. Consequently, it proved challenging to find research participants who had switched veterinary practices for reasons other than the common one of moving home. Of those that met this criterion, the two main reasons given for switching were a breakdown in trust and a lack of empathy and service.

Purchasing other treatments and services

- 1.17 Sometimes, pet owners need to make choices about diagnostic tests and treatments that go beyond routine or preventative services, or they may need to purchase cremation services after their pet has died. Among respondents to the CFI whose pet had been referred to a specialist vet practice for further treatment in the last 3 years, the three most common referrals were for scans, surgery, and laboratory tests (blood tests or biopsies).
- 1.18 Sometimes the pet owner has a choice over which provider to use for these services, and sometimes they do not:

²⁰ CMA, 2022, *CVS / Quality Pet Care, Decision on relevant merger situation and substantial lessening of competition*, paragraph 12, found that 80% of the Parties' customers were within around 9-12 minutes' drive time. The equivalent was 11-15 minutes for the Parties' customers in CMA, 2022, *Vet Partners Limited / Goddard / Holdco Limited, Decision on relevant merger situation and substantial lessening of competition*, paragraph 13.

²¹ For example, in *Vet Partners Limited / Goddard Holdco Limited, Decision on relevant merger situation and substantial lessening of competition*, paragraph 109, Parties noted that 'customers originally register with a practice due to its location and/or reputation'.

- (a) For treatment or scans at a referral centre, the vet will typically recommend a particular referral centre. However, the client could decide to use a different option, though this may require additional research on their part. The vet may or may not tell the consumer about different options.
- (b) For cremation services, a vet practice will typically have a contract with a particular supplier, and they will sell that cremation service directly to the consumer. However, a pet owner could choose a different crematorium and make their own arrangements.²²
- (c) For diagnostic tests which use a laboratory, the FOP may be able to do these in-house or might contract out to a diagnostic lab. When contracting out, the FOP will make these arrangements directly: the pet owner is not involved in this choice.

1.19 It appears that consumers are highly likely to use the referral centre that their vet recommends or go with the crematorium that the vet practice uses.

- (a) Almost half of the respondents to our CFI who had been referred for specialist treatments told us that their vet practice referred them to the referral centre they generally use, or recommended a single referral option, which the pet owner took. A small proportion of pet owners said they were able to choose between different referral options provided by their practice.
- (b) Our qualitative consumer research found that most pet owners trust their vet's recommendation, that they usually don't do their own research, and that their decisions about which referral centre to use are based on their vets' recommendations and availability.
- (c) Of those respondents to our CFI who had purchased a pet cremation service in the last 3 years, around a third felt they had a choice of crematorium, while over a third said they did not, and about a quarter said that a choice wasn't important to them at that time.

1.20 Our qualitative consumer research explored consumer experiences when deciding about diagnostic tests and treatment options. Although the research included a relatively limited number of consumers who had recently used these services, nonetheless some themes emerged. For example, in most instances, pet owners were positive about these experiences being professionally handled but, at the same time, they often expressed alarm at the prices of both diagnostic services and surgeries once all fees were taken into account. This was exacerbated in instances where a series of diagnostic tests or surgeries were required, as pet

²² Responses to our CFI from those working in the sector suggested that veterinary practices do not tend to offer a range of crematoria to customers with most practices offering the services of just one crematorium that they use.

owners felt obliged to continue investing once the initial decision had been made to proceed. Respondents to our CFI also praised the quality of many of the treatments they received from their vet practice, but many of them also said that prices were high or unclear.

Pet owners depend on their vet to help them make the right decision for themselves and their pet, but they may not always be given information to support this choice

- 1.21 Competition is unlikely to work well if consumers are unable to understand and compare different options and prices. Price information, even for routine procedures and appointments, is not always made easily accessible to customers. We have observed that many vets' websites do not list pricing information. For example, we reviewed around 1,400 websites for FOPs belonging to each the large corporate groups (which tend to follow a group-wide format) and found that 83% provided no pricing information. We also reviewed almost 1000 websites from independent vet practices and found a similar picture: 84% had no information on prices for treatments or services (not counting marketing for pet care plans).²³
- 1.22 A vet will need to examine an animal before recommending a course of action, so it is reasonable not to expect a price estimate for additional treatment or tests in advance of a consultation. However, our qualitative consumer research indicates that prices may not always be transparent to customers at the time they commit to a course of treatment. This was corroborated by some of the responses to our CFI. Many consumers reported that they were provided with an estimate before the treatment or diagnostic test (and that the estimate usually reflected the final price). However, some people told us that they were not given clear pricing information in advance of deciding on treatments or tests, though we emphasise that this may not reflect the overall proportion of pet owners:
- (a) Approximately half of CFI respondents had purchased diagnostic tests from their FOP. Of these, two in ten said they were not provided with any cost information (an estimate or a fixed price) for the tests, one in ten said they were given an agreed (fixed price), and most of the rest said the practice had provided them with an estimate. Where respondents had received an estimate, most (around two thirds) had paid exactly the estimated cost, but around a quarter said that the final cost was higher.
 - (b) Around one in ten respondents who told us about pricing for surgery said that they were not provided with information about the cost of surgery before the surgery took place.

²³ We have not reviewed all vet practices' websites nor drawn and reviewed a random sample of vet practices' websites, so this data is not necessarily representative of the whole sector, but it does give an indication that basic prices are frequently not easily available to consumers.

- (c) When using out-of-hours services, just under half of respondents told us they were not provided with information about the cost before treatment was provided.
- 1.23 Consumers also may not be willing or able to act on pricing information at the point they receive it – if they do – either because they don't want to question the expertise of their vet, because they feel emotional about their pet's condition, or because there are barriers to finding an alternative provider.
- 1.24 Most pet owners will not have the expertise to understand the clinical value of different options unless they are clearly explained. The majority of participants in the qualitative consumer research had a limited understanding of different treatment options when it came to veterinary care, the likely cost of these treatments, or whether the cost would differ from one veterinary practice to another. In contrast, vets were widely recognised as extensively trained experts in their field. Consequently, many pet owners in the research said that they did not feel able to voice doubts or question the advice of vets due to the vet's expertise and professional standing. IVC has cited evidence that 80% of owners would like to follow their vet's advice about preventative healthcare.²⁴
- 1.25 In some cases, pet owners will be able and willing to make a considered decision, but at other times they may be making choices in circumstances when they are distressed or under time pressure (because the animal's condition is upsetting and/or requires a quick response). Our qualitative consumer research found that pet owners often did not ask for information about treatment and costs when they were feeling anxious or emotional about their pet's condition. In cases of emergency out-of-hours care in particular, respondents in our qualitative consumer research generally considered that it was more important, at the time, to prioritise the immediacy of the care than to consider costs.
- 1.26 There may also be barriers to getting a second opinion, such as having to pay for an additional consultation, not wanting to move the pet, or the need to act quickly.

The supply side – the structure of the market

- 1.27 A major development in the veterinary sector over the last 10 years has been the rapid, significant, and ongoing growth of a few large, corporate suppliers. There are around 5,000 vet practices in the UK and around 1,500 owners of these, which range from large groups to independent vets with a single practice, as shown in Table 1.1 below. In 2013, around 10% of vet practices belonged to large groups, but that share is now almost 60%.

²⁴ IVC Evidensia, [We are IVC Evidensia](#), page 15.

Table 1.1: Number and share of FOP vet practices in the UK, 2023

<i>Supplier</i>	<i>Number of practices²⁵</i>	<i>Share of practices (%)</i>
IVC Evidensia	1,074	22
Pets at Home	447	9
CVS	405	8
VetPartners	392	8
Medivet	383	8
Linnaeus	168	3
Charities	83	2
Small chains / independents	1,968	40
Total	4,920	100

Sources: CVS, IVC, Linnaeus, Medivet, Pets at Home, RCVS, Vet Partners ²⁶

- 1.28 Of the large corporate suppliers, all but IVC have a share of practices of less than 10% at the national level, though evidence suggests that shares of particular groups are considerably higher in some local areas. Our analysis to date indicates that there are a significant number of areas where most practices are owned by only a few players (ie concentration is high). We discuss this further in paragraphs 2.12 to 2.15.
- 1.29 As well as the six large groups, there are around 340 smaller chains – accounting for just over 900 individual FOPs (with these chains ranging in size from 2 practices to around 50) – and around 900 single-clinic practices. There are also charities which provide and/or fund veterinary care for particular groups of pet owners (usually those on lower incomes). These cover both large national organisations, such as the People’s Dispensary for Sick Animals (PDSA),²⁷ as well as smaller charities.
- 1.30 The large groups have differing ownership and vertical integration models, to some extent. Mostly, they own their practices outright, but Pets at Home told us that most of its vet practices are operated on a joint venture model basis as 50/50 joint ventures with individual practice owners who are either vets, nurses and/or practice managers. Pets at Home provides commercial services to the practice owners in return for a service fee.
- 1.31 Many of the six large corporate vets have expressed a desire to continue expanding their businesses through the acquisition of smaller independent practices. For example:
- (a) The CMA report into the CVS/The Vet merger said that: ‘CVS internal documents highlight a general strategy of acquiring third party veterinary

²⁵ These may also be referred to as sites, branches, or clinics.

²⁶ Figures for IVC, CVS, Linnaeus, Medivet, Pets at Home and VetPartners provided by organisations themselves. Figures for charities and small chains/independents provided by the RCVS. Correct as of October 2023.

²⁷ [PDSA](#).

practices' and noted that CVS has a 'dedicated team committed to sourcing acquisitions'.²⁸

(b) VetPartners has a dedicated senior level 'Director of Acquisitions' employed to identify, assess, and execute acquisition opportunities.

(c) Five of the six large corporate groups appear to have information on their website aimed at independent vets, encouraging them to sell their practice.²⁹

1.32 Four out of six of the large vet groups keep the existing practice name and branding when acquiring independent practices, rather than advertising the change of ownership.³⁰ In addition, evidence from our qualitative consumer research suggests that consumers are generally unaware of whether their vet is independently owned or part of a large chain, and in some cases have an incorrect belief that it is independently owned. Of the instances we could check,³¹ almost a fifth of respondents to our CFI who thought they were registered with an independently owned practice were actually registered with a practice that was part of a large group.

1.33 Between 2021 and 2023, the CMA called in and reviewed four significant vet merger cases, some covering multiple transactions.³² In each of these cases, we identified horizontal competition concerns in some local areas and required divestment of certain practices. However, we have not been able to review all of the instances in which a large corporate group has bought an independently owned practice.

1.34 Some of the large corporate groups have also pursued acquisitions in related businesses (diagnostic labs, referral centres, and pet crematoria), as shown in Table 1.2. Of the largest providers, IVC, CVS, and Vet Partners have invested in the greatest variety of related businesses.

²⁸ CVS, [CVS Group plc Annual Report and Financial Statements 2021](#), pages 51 and 55.

²⁹ CVS, [Joining CVS](#), IVC, [Joining Our Family](#), Linnaeus, [join-us](#), Medivet, [partner-with-us](#), VetPartners, [your-practice](#).

³⁰ The exceptions are Medivet and Pets at Home.

³¹ Not all respondents provided the details of the vet practice they use and in other cases the postcode a respondent gave could not be matched with our dataset of vet practices..

³² CMA, 2023, [Medivet Group Limited / multiple independent veterinary businesses merger inquiries](#); CMA, 2022, [VetPartners Limited / Goddard Holdco Limited merger inquiry](#); CMA, 2023, [Independent Vetcare Limited \(IVC\) / multiple independent veterinary businesses merger inquiries](#); CMA, 2022, [CVS / Quality Pet Care merger inquiry](#).

Table 1.2: Vet groups' related businesses and services, 2023

	CVS	IVC	Linnaeus	Medivet	Pets at Home	VetPartners
Referral centre / animal hospital	✓	✓	✓	✓	✓	✓
Specific out-of-hours businesses	✓*	✓*				
Diagnostic laboratory	✓		✓	✓		✓
Crematoria	✓	✓				✓
Online pharmacy	✓	✓				✓

Sources: CVS, IVC, Linnaeus, Medivet, Pets at Home, Vet Partners

* CVS and IVC have confirmed ownership of specific OOH businesses. A specific out-of-hours business is a provider that focuses on out-of-hours veterinary care, including providing services to other FOPs to allow them to meet their obligations to make OOH available.

- 1.35 Our qualitative consumer research suggested that most pet owners were unaware of, and generally uninterested in, whether referral centres and other related services were owned by the same corporate group as their FOP. As we noted above (paragraph 1.19), many respondents to our CFI followed their vet's recommendation when using a referral centre or cremation service, or were not given multiple options, and our qualitative consumer research also found that most pet owners trust (and follow) their vet's recommendation.
- 1.36 As noted above (paragraphs 1.14 and 1.15), consumers tend to choose a practice that is close to their home, and therefore local competition is important. We have seen evidence that some aspects of the service provided by FOPs may be controlled centrally when they are part of a large group. Those aspects include pricing, staffing requirements/ratios, consultation periods, and what facilities the premises should have. We have seen that, according to their business models, different groups vary in how strictly they require local FOPs to follow any centrally set pricing, with some having pricing groups devoted to producing price lists for practices,³³ others providing recommendations or guidance to local practices on pricing,³⁴ and others having growth targets which senior management at an individual practice can decide how to accomplish (eg through pricing),³⁵ as well as other approaches. All providers generally allow some flexing of prices to reflect local conditions.
- 1.37 The expansion of large corporate suppliers creates the potential for significant efficiencies in terms of shared management costs and greater purchasing power, as well as improved investment in diagnostics, sophisticated treatment options, and professional skills development, all of which could provide benefits to consumers. However, this model may also bring downsides as we discuss in paragraphs 2.18 to 2.24 below.
- 1.38 Some of the corporate groups have told us that their scale delivers benefits to customers. We have seen evidence that, in general, the large corporate chains

³³ CVS response to Request for Information (RFI) 1.

³⁴ Pets at Home response to RFI1; IVC response to RFI1; VetPartners response to RFI1..

³⁵ Linnaeus response to RFI1.

have invested in their FOPs and related services, especially in diagnostic equipment, clinical equipment, and the practice premises itself.³⁶ For example, IVC says in its 2022 annual report: ‘We invest our money in refurbishments, facilities, equipment and technology so that our clinics can provide the best possible patient care.’³⁷ In addition, CVS says in its 2023 annual report: ‘We have a clear strategic focus to provide high-quality clinical care to animals, and key to the delivery of this is investment in our existing practice facilities, clinical equipment and technology, and expanding our Group through strategically aligned acquisitions subject to disciplined criteria.’³⁸

- 1.39 It is likely to be the case that more sophisticated treatments and better insights into the overall health of pets are available to customers because of these investments. Moreover, some corporates have told us that their larger scale enables them to better disseminate best practice across their estate of FOPs (regarding both clinical and business practices) and to use data to monitor and evaluate best practice and performance (eg evaluating differences in treatment mixes across practices or in medicine prescribing patterns).³⁹
- 1.40 As with human medicine, technological improvements and advances in animal medicine have meant that an increasingly advanced range of techniques and treatments can be offered. In the case of pets, this means that some can be restored to health when, in the past, they could only have been put to sleep. However, many of these new or sophisticated treatments are very costly, since they may require multiple consultations, diagnostic tests, scans, and/or the use of expensive equipment. We recognise, of course, that there is a wide spectrum of conditions and treatments and not every pet will require, or be offered, treatments using technologically advanced equipment.
- 1.41 The large corporate groups have also noted the increased potential to supply more sophisticated treatments to pet owners. CVS said in its latest annual report that this is ‘a favourable sector with continued humanisation of pets and appetite for innovation’.⁴⁰ Pets at Home has also said: ‘The continuing growth in the pet population over the past two years, combined with continued customer themes of pet humanisation, premiumisation and renewal, has increased the size of our market and scale of our opportunity.’⁴¹

³⁶ From discussions with corporate groups.

³⁷ [We are IVC Evidensia: The Global Leader in Veterinary Care- 2022](#), page 6.

³⁸ CVS annual report 2023, page 8. [CVS Group plc Annual Report and Financial Statements 2022](#).

³⁹ From discussions with corporate groups.

⁴⁰ CVS, [Annual report 2023](#), page 7.

⁴¹ Pets at home, [Annual report 2022](#), page 25.

2. Our competition concerns

- 2.1 In this section, we set out our competition concerns in relation to the supply of vet services and veterinary medicines for household pets in the UK:
- (a) We first identify potentially relevant features relating to both the demand and supply side of the market.
 - (b) We subsequently consider the possible effects of those features and outline why, in our provisional view, we have reasonable grounds to suspect that there may be features (or combinations of features) which are having an adverse effect on competition to the detriment of consumers.
- 2.2 We refer throughout this section to evidence that we have gathered as part of our market review into vet services for household pets. That evidence provides an objective basis for the suspicion we currently have that competition is not working as well as it should. A market investigation would give us the opportunity to test that evidence, and to gather more, as well as to explore our concerns in more depth, and to draw conclusions. It would also enable us to use our statutory powers to compel parties to provide information and, if appropriate, impose remedies directly to address our concerns.

Features of the market which may prevent, restrict or distort competition

- 2.3 In the previous section we presented some background on how the vet sector works, bringing out important elements of how veterinary services are bought and sold. The evidence suggests, in our provisional assessment, that the following features are present which may, either alone or in combination, prevent, restrict, or distort competition.
- 2.4 On the demand side, there are features which make it difficult for consumers to make well-informed choices when purchasing vet services. These include:
- (a) There is information asymmetry between consumers and vet practices which makes it difficult for consumers to assess treatment quality and options;
 - (b) Consumers may be vulnerable at the point of purchase, because of distress due to an unwell pet or the need to make a decision quickly;
 - (c) There is a lack of transparency around pricing, since few vet practices publish prices of common services, and the cost implications of more extensive treatments and tests may not always be effectively communicated to consumers;

- (d) There is a lack of transparency around ownership status, since several of the corporate groups do not advertise the common ownership of their practices or of related services (such as referral centres or crematoria).⁴² This makes it difficult for consumers who do shop around to know if they are comparing independent competitors.
- (e) There is a lack of transparency for consumers as to their options when buying veterinary medicines, and the pricing implications of different choices.

2.5 On the supply side, the rapid and significant market consolidation, alongside acquisitions of related services, has introduced the following relevant features:

- (a) A majority of FOPs are now owned by large corporate groups who, to varying degrees have a business model of investing in sophisticated equipment for their FOPs and related businesses in the value chain, including specialist referral centres, crematoria, and diagnostic laboratories;
- (b) There are a significant number of local areas where there is a high concentration of supply (ie few distinct providers) as a result of multiple acquisitions of independent vet practices or where there are few veterinary practices (usually due to demographics);
- (c) There may also be high concentration in diagnostic labs, referral centres, crematoria and out-of-hours providers in some areas.

2.6 In addition, weaknesses in the relevant regulatory frameworks make it difficult for the regulatory body to have leverage over the commercial and consumer-facing aspects of the provision of veterinary services.

How the relevant features might prevent, restrict or distort competition

2.7 We are concerned that some of these features, either alone or in combination, may be preventing, restricting, or distorting competition in the supply of veterinary services and prescribed veterinary medicines for household pets in the UK. We now discuss how these features could prevent, restrict, or distort competition and lead to worse outcomes for consumers in five broad areas:

- (a) Consumers may not be given enough information to enable them to choose the best veterinary practice or the right treatment for their needs;
- (b) Concentrated local markets, in part driven by sector consolidation, may be leading to weak competition in some areas;

⁴² Evidence from our CFI responses indicates that consumers are unlikely to know whether the related service that was being recommended to them by their vet was under the same ownership as their vet practice.

- (c) Large integrated groups may have the incentive and ability to act in ways which may reduce choice and weaken competition; and
- (d) Customers may be over-paying for medicines.
- (e) The regulatory framework is outdated and may no longer be fit for purpose.

Concern 1: Consumers may not be given enough information to enable them to choose the best veterinary practice or the right treatment for their needs.

- 2.8 Competition is unlikely to work well if customers are unable to understand and compare different options and prices. As described in paragraphs 1.12 – 1.26 above, there are some demand-side features of the market which may make it difficult for pet owners to choose the best FOP or right treatment for their needs, such as a lack of transparency around ownership and price, and factors which may hinder customers' ability to compare treatment options, for example, customers not having the expertise to understand the clinical value of different treatments unless they are clearly explained and, in some circumstances, needing to make a choice under pressure or when in distress.
- 2.9 As noted earlier (paragraph 1.32), four out of the six largest corporate groups do not operate under uniform branding, rather they retain the name and branding of the independently owned practice or small chain they have acquired.⁴³ This lack of awareness could give customers the illusion of competition. For example, when choosing a vet, a consumer may think they have compared different options in their local area and believe that they have assessed prices from different suppliers, without realising that they might all be owned by the same company.
- 2.10 People working in the sector also raised this in response to our CFI, and we heard concerns about some areas where most of the practices were owned by the same corporate group. These respondents also said that it was not always clear when this was the case, and worried that it gave consumers a false impression that they have a choice of options.
- 2.11 We consider that these features of the market may lead to competition not working as effectively as it could, which may lead to consumers paying more for veterinary care.

Concern 2: Concentrated local markets, in part driven by sector consolidation, may be leading to weak competition in some areas

- 2.12 There are around 5,000 vet practices in the UK. Since 2013, approximately 1,500 of these have been acquired by the six large corporate groups. Acquisitions on this

⁴³ Medivet and Pets At Home (through its Vets4Pets brand) do operate uniform branding.

scale have contributed to many local areas having relatively little choice of veterinary practices. We note, however, that the lack of competition in some local areas is unrelated to merger activity and may, for example, be because there is not sufficient local demand to sustain multiple veterinary practices.

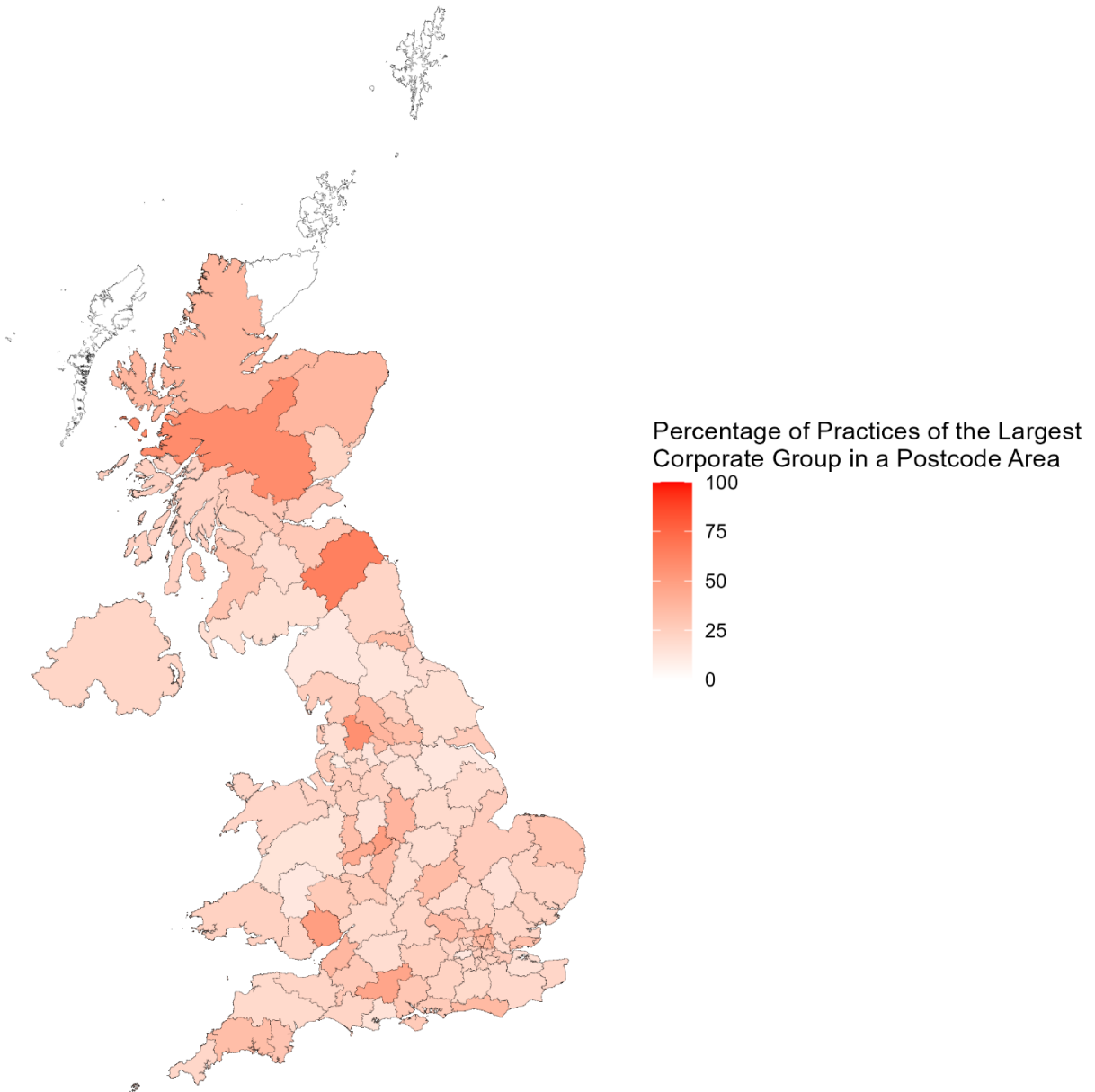
- 2.13 People working in the profession also told us that there was often a lack of choice for additional services, such as referral centres, crematoria, and out-of-hours services. As one veterinary professional put it: *‘Our clients do not have choices of vets. All but 2 practices are owned by corporate companies. They also own the crematorium, the online pharmacies and the out-of-hours and referral practices. Whichever way the client turns they are paying the same company. There is absolutely no competition.*
- 2.14 In the course of our market review, we have conducted a preliminary assessment of local areas based on postcode areas and postcode districts.^{44, 45} The heatmaps in Figure 2.1 and Figure 2.2 illustrate the share of vet practices (sites) of the largest corporate supplier in these areas (using darker shading for higher shares).⁴⁶ These heatmaps indicate where in the UK there may be a higher concentration of vet practices (specifically those that are part of corporate groups).

⁴⁴ The UK is divided into 121 postcode areas; these are then subdivided into postcode districts. A postcode district comprises the letter(s) and the number(s) which precede the space, for instance, N1, BN1 or SW19.

⁴⁵ The CMA reviewed four significant vet merger cases between 2021 and 2023. In these cases, the CMA applied catchment areas based on the area that 80% of the practice’s customers travel. This yields different results by case but typically the CMA has considered that FOPs compete over an area of a 10 to 20-minute drive time. Postcode districts are a lower level of disaggregation than postcode areas and more closely align with the catchment areas calculated in previous merger cases. However, they are not based on drive times or land area so can vary significantly in size across the UK.

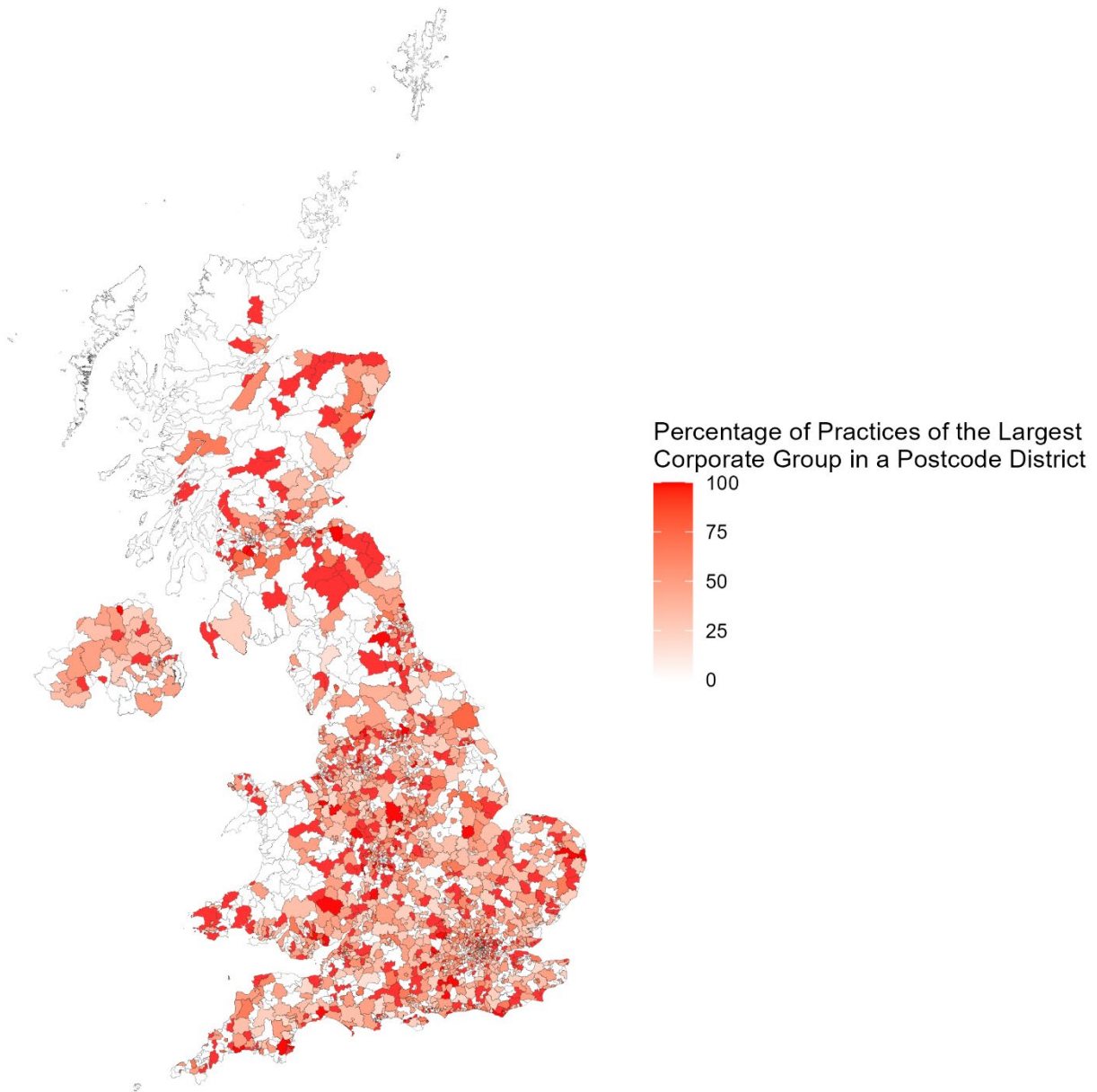
⁴⁶ Included in the heatmaps are veterinary practice premises classified by the RCVS as providing veterinary services. From this list the CMA has removed, where known, veterinary practices that do not offer general practice services for small animals.

Figure 2.1: Heatmap showing the share of vet practices of the largest corporate group in each postcode area across the UK



Sources: CVS, IVC, Linnaeus, Medivet, Pets at Home, RCVS, Vet Partners, CMA analysis

Figure 2.2: Heatmap showing the share of vet practices of the largest corporate group in each postcode district across the UK



Sources: CVS, IVC, Linnaeus, Medivet, Pets at Home, RCVS, Vet Partners, CMA analysis.

Note: The postcode districts that are coloured white (i.e. the largest corporate group has 0% of practices) include both districts that do not have any practices as well as those that only have independent practices. Similarly, the postcode districts that are coloured bright red (i.e. the largest corporate group has 100% of practices) include districts with only one practice as well as those with more than one practice that are owned by single corporate group.

2.15 These heatmaps (Figures 2.1 and 2.2) indicate that the number of areas with a high concentration of vet practices (those that are part of the corporate groups) materially increases when using postcode districts compared to the larger

postcode areas. The areas of high concentration based on postcode districts appear widespread rather than being limited to certain regions of the UK.

- 2.16 Our provisional assessment is that, out of a total of 2,831 postcode districts, there are 1,134 areas where there could be competition issues. These comprise:
- (a) Around 330 postcode districts where a large corporate group owns at least two FOPs and has a market share of above 30% (the CMA estimates that the value of vet services in these areas is £200-300 million). Some of these areas include instances of a large corporate group owning multiple vet practice sites with no local competitors.
 - (b) A further 804 postcode districts where there is one FOP with no competitor (we estimate that the value of vet services in these areas is £500-600 million). This could be due to demand or supply side constraints (eg insufficient demand to support multiple practices, or barriers to entry).
- 2.17 We based our preliminary assessment on postcode areas and postcode districts since they provide a clearly defined area that is based on population data. However, there will be FOPs on the boundary of a postcode area who compete closely with a FOP in an adjacent area. We would wish to conduct more detailed and sophisticated analysis of local concentration, taking into account customer location and willingness to travel, before reaching any firm view on competitive conditions in individual local markets.
- 2.18 Based on the evidence set out above, our provisional view is that there are reasonable grounds to suspect that there is, in this aspect, a feature or combination of features of a market or markets in the UK that prevents, restricts, or distorts competition in relation to local market competition:
- (a) As a result of high concentration, in part driven by sector consolidation, in some local areas, there may be limited competition in some local markets (either for FOP services or related services).
 - (b) This could lead to higher prices, lower service quality, and/or reduced levels of investment compared to local areas in which stronger competition is present.

Concern 3: Large integrated groups may have the incentive and ability to act in ways which may reduce choice and weaken competition

- 2.19 We are concerned that the increasing prevalence of the business model associated with large groups – that is, investing in sophisticated equipment and businesses which provide related services – could be leading to reduced choice or weaker competition, and thus to higher prices or consumers not being offered the services which best meet their needs.

- 2.20 The Office for National Statistics (ONS) estimates that the cost of veterinary and other pet services has increased by around 50% since 2015, considerably more than the overall rate of inflation.⁴⁷ In response to our CFI, people working in the veterinary sector noted several causes for increasing prices: higher costs (especially increased salary costs); increased provision (and expectations) of a ‘gold standard’ level of care; and the large groups adding additional management positions and implementing price rises.⁴⁸
- 2.21 Some of the largest suppliers have invested millions in specialist equipment, as noted in paragraph 1.38. Many of the large corporate groups, therefore, provide sophisticated diagnostics and advanced treatments in order to meet the demand from consumers wanting the very best for their pet. For example, CVS states a strategic objective ‘to have a culture of recommending the best possible treatments to our clients’.⁴⁹ Although many pet owners may greatly value access to these treatments, they may not be the right choice for everyone.
- 2.22 The large corporate groups, to differing extents, have also acquired related businesses in the value chain, including specialist treatment referral centres, crematoria, out-of-hours suppliers, and diagnostic laboratories, as noted in paragraph 1.34. Some adopt a ‘hub and spoke’ business model in which referral centres (hubs), for example, sit at the centre of a number of FOPs (the spokes) which direct consumers to these related businesses. In this way, the groups capture the additional revenue and profit streams within the wider business.⁵⁰
- 2.23 The scale and access to capital required means that this business model is more likely to be adopted by the very largest suppliers. As detailed in paragraph 1.27 there has been a significant increase in concentration in the market with the six largest players accounting for around 60% of the market, and therefore fewer practices which belong to small chains or are independently owned. This may have reduced the number of different business models operating in the sector, especially in locations where most or all of the FOPs are owned by a large corporate group.
- 2.24 The expansion of large suppliers, and their integration with related services, creates the potential for significant efficiencies in terms of shared management

⁴⁷ ONS, [Consumer price inflation timeseries: Veterinary and other service for pets](#) and [Consumer price inflation timeseries: all items](#).

⁴⁸ We did not include direct questions about veterinary fees in our CFI, but this was by far the most common theme mentioned by veterinary professionals in their open-ended responses.

⁴⁹ CVS, [Annual report 2023](#), page 23.

⁵⁰ For example, the hub and spoke model is discussed in: CMA, 2023, [Medivet / multiple independent veterinary businesses, Decision on relevant merger situation and substantial lessening of competition](#), paragraph 35; CMA, 2023, [Independent Vetcare Limited \(IVC\) / multiple independent veterinary businesses, Decisions on relevant merger situation and substantial lessening of competition](#), paragraph 41; CMA, 2022, [Vet Partners Limited / Goddard Holdco Limited, Decision on relevant merger situation and substantial lessening of competition](#), paragraph 48, and Mars, Incorporated, 2018, [Linnaeus, a Leading UK Provider of Veterinary Services, to Join Mars Petcare's Veterinary Health Group](#).

costs and greater purchasing power, as well as improved investment in diagnostics and sophisticated treatment options, and professional skills development. However, without effective competition, consumers may not see any benefits from these efficiencies in terms of lower prices.

2.25 Our provisional assessment is that the business model of the large corporate groups combined with some of the demand-side features outlined in paragraphs 1.12 to 1.20 could be leading to reduced choice and weaker competition, meaning that consumers are overpaying for their pets' care. This effect could occur in two ways:

- (a) The incentive and ability of large corporate groups to concentrate on providing higher costs treatment options;
- (b) The incentive and ability to keep referrals, diagnostics, out-of-hours and cremation services within the group, potentially leading to reduced choice, higher prices, lower quality and exit of independent competitors.

2.26 We consider these in turn.

The incentive and ability of large corporate groups to concentrate on providing higher cost treatment options

2.27 We are concerned that some large vet groups may be focused on selling the most comprehensive, risk-averse, or sophisticated treatment and testing options for a given condition, and therefore may not adequately encourage customers to consider simpler, lower cost options (including doing nothing). We consider that they may have the incentive (due to their business model) and the ability (as a result of how pet owners approach purchasing vet services) to do this.

2.28 We recognise that the provision of highly sophisticated treatment to pets may be beneficial to some consumers. However, we are concerned that, where the most sophisticated and highest cost care becomes the norm, and consumers are not presented with a range of treatment options, they will purchase the more expensive, 'premium' option even when they might have preferred a simpler and/or cheaper alternative had they been fully informed of the costs, potential outcomes and risks. In circumstances when people might prefer a lower cost option, consumers may be overpaying for their pet's treatment. This is likely to have a particularly adverse effect on poorer consumers in areas with a high concentration of practices that offer this business model.

Incentives to promote more sophisticated treatments in place of simpler options

2.29 An increased provision of more expensive, sophisticated treatments could happen in two ways:

- (a) The pet owner's FOP could recommend additional treatments, medicines, or tests that they can supply directly; or
 - (b) The FOP could recommend additional diagnostic tests, scans or treatments that would be provided outside the FOP. As noted above, the vet practice would organise the lab tests directly but would recommend a referral centre to the consumer for scans and advanced treatment (eg surgery).
- 2.30 Where the FOP is part of a large group which also owns diagnostic labs and/or referral centres in the area, there are likely to be incentives to encourage vets to recommend these services (and generate revenue for the group).
- 2.31 We recognise that there is necessarily a degree of uncertainty when caring for an animal and that the assessment of suitable options is a matter for expert judgement. We are not suggesting that individual vets would recommend options that act against an animal's best interest, rather that the large groups which employ them could (to differing extents) have the incentive to encourage their vets to promote the most expensive treatments and/or have weak incentives to inform consumers about lower cost options.
- 2.32 Industry regulation and guidelines from the RCVS might address incentives to over-treat an animal, as they prohibit vets from taking a course of action which would not be in the interests of the animal. However:
- (a) The legislation governing vet conduct pre-dates the significant structural and ownership changes in the industry and therefore the widespread integration of FOPs and related services.
 - (b) Our concern is about the increased provision of the most sophisticated level of treatment when a range of treatments might be available and appropriate, and the consumer might prefer a less expensive option, if fully informed of the different costs and likely outcomes. We are not suggesting that this is over-treatment (ie undertaking procedures that are not clinically justifiable).
- 2.33 We note that the concept of 'contextualised care' is currently a prominent topic in the veterinary sector and that this appears to represent a welcome initiative in assisting consumers to get the outcomes that are best for them and their pet. Contextualised care means taking an approach which is appropriate considering the overall circumstances of the pet and its owner (eg budget constraints and the owner's ability to properly care for an animal recovering from surgery). The charity RCVS Knowledge notes that: 'As vets, we have an ability to deal with diverse cases thanks to the advances in science, however, we also need to balance this

with an understanding of the additional patient and care givers/owners' factors surrounding a case'.⁵¹

Pet owners are likely to follow their vet's recommendation rather than seek alternatives

2.34 The ways that most consumers approach purchasing veterinary services suggest that a strategy of promoting more sophisticated and expensive tests and treatments is likely to be successful in many cases, even for consumers who would otherwise have opted for less expensive options if they had been fully informed. These demand-side features include:

- (a) an owner's desire to do the best for their pet (sometimes in distressing circumstances or under time pressure);
- (b) most pet owners' comparative lack of knowledge around options and prices;
- (c) pet owners' need to trust their vets (as caregiver for their animal); and
- (d) potential barriers to seeking an alternative course of treatment such as not being given timely information on the prices of these alternatives or needing to pay second consultation fee.

2.35 There is also some evidence that consumers may not keep price in the forefront of their minds when seeking treatment for their pet. As we noted earlier, in cases of emergency out-of-hours care in particular, respondents in our qualitative consumer research generally considered that it was more important, at the time, to prioritise the immediacy of the care than to consider costs. As Medivet has said, 'external studies show that spending on pets is generally the penultimate item that people cut, second only to baby food'.⁵²

We have seen some evidence there is increasing provision of higher cost, sophisticated treatment, in place of simpler options.

2.36 Concerns around an increased provision of higher cost, sophisticated care, to the exclusion of other options, have been raised by a number of stakeholders:

- (a) In response to our CFI, many veterinary professionals told us that the provision (and expectation) of a 'gold standard' level of care was a significant factor contributing to increased vet fees.
- (b) Some responses to the CFI suggested that large corporate suppliers were positioning all their practices to offer the more sophisticated and expensive

⁵¹ RCVS, [Maximising welfare benefits by contextualising case management](#).

⁵² Medivet Group Limited, [Annual Reports and Financial Statements \(for year ended on 30 April 2022\)](#), page 5.

options, to the exclusion of cheaper alternatives. For example, a veterinary professional told us: *'Our prices are high, but it costs a lot to provide a high level of care. However, I believe that clients can be made to feel they always have to choose the most expensive 'Gold Standard' and are not always given cheaper options to consider like they used to get.'* Some respondents suggested this means that in some local areas where all of the practices belong to the same group there may be no independently owned practice that might offer more affordable options. We also heard from the sector that more diagnostic tests are undertaken today than they were previously.

- (c) A survey by the RCVS in 2019⁵³ also highlighted concerns within the profession about increasing referrals for advanced treatment. For example, one respondent complained about: *'the referral [to specialist centres] of more and more cases pushing cost of vet care out of reach of many and leaving younger vets feeling that they are not capable of anything other than the most basic treatments. The corporates encourage internal referrals at great cost and younger vets become button pushers steering clients to other senior vets'*.
- (d) We have seen some evidence which suggests that vet practices, and staff within them, may be offered incentives on the basis of financial performance of the group, as may be expected with commercial entities, and that vets therefore could be incentivised to use in-group services to increase group financial performance. We also received some suggestions (in response to the CFI) that vets are encouraged or required to use in-group provision of related services where available.
- (e) We have heard directly from some in the pet insurance sector that they are concerned that consumers with insurance are steered toward a more expensive set of treatments than consumers without insurance (which may or may not involve a referral).⁵⁴ The Association of British Insurers told us that it is concerned about the increased rate of referrals in the market. The ABI has also noted a large rise in claims which it attributes to an increasing provision of higher cost treatments.⁵⁵

⁵³ RCVS, [The 2019 Survey of the Veterinary Profession - Professionals](#).

⁵⁴ We have also heard from some pet owners that vets often ask whether customers have insurance before discussing treatment options. Some customers are concerned that this indicates that different prices are being charged according to whether the customer has insurance. However, the preliminary evidence on this suggests that different treatments (at different price points) are being offered, rather than different prices for the same treatments.

⁵⁵ The ABI has said that there were 28% more claims on pet insurance in 2022 than 2021, the highest since they started collecting data in 2007. They say that: 'This substantial increase largely reflects the high cost of veterinary treatment, including drugs and diagnostic equipment, which can result in more expensive claims.' ABI, June 2023, [Insurers paid out over £1 billion to protect pets in 2022](#).

The incentive and ability to keep referrals, diagnostics, out-of-hours and cremation services within the group, potentially leading to reduced choice, higher prices, lower quality and exit of independent competitors.

- 2.37 The large groups have, to varying extents, invested in referral centres, diagnostics, out-of-hours and cremation services, and may therefore have an incentive to favour an in-group supplier for these services. Vet practices either choose the supplier on behalf of the customer (eg diagnostic testing and cremation services sold through the vet practice) or recommend a particular option (referral centres or out-of-hours services).
- 2.38 As noted above (paragraph 1.19), even where the customer has a choice, the vet practice's recommendation is very powerful in influencing the supplier that the consumer uses:
- (a) Around one in eight respondents to our CFI who told us about their experience of referrals said they were able to choose between different referral options provided by their practice. Almost half of respondents to our CFI who had been referred for specialist treatments told us that their vet referred them to the referral centre the vet practice generally uses, or recommended a single referral option which the pet owner took.
 - (b) Of those respondents to our CFI who had purchased a pet cremation service in the last 3 years, around two thirds either did not feel that they had a choice of crematorium or said that a choice wasn't important to them at that time.
- 2.39 Some responses to our CFI from people working in the sector suggested that the large groups have strategies to encourage clients to use services owned by the same group. This is illustrated well by one comment from a veterinary professional: *'Was informed can only use referral services ideally owned by [corporate group] unless [they] don't have specialist service. Leads to long time for referral appointment waiting times and having to go with their pricing structure. Feel like can't refer to other specialists out of ownership group unless good reason to do so. Feel like clients aren't given choices of referral centres dependent on price or location for client.'*
- 2.40 In some cases, the ability to direct increasing business to referral centres and other services can provide the motivation for acquiring additional FOPs. For example, the CMA's CVS merger decision notes that CVS wanted to acquire practices belonging to The Vet because, among other reasons, they would be able to redirect referrals and out-of-hours care to CVS facilities and internalise crematoria and laboratory revenues.⁵⁶

⁵⁶ CMA, 2022, *CVS / Quality Pet Care, Decision on relevant merger situation and substantial lessening of competition*, paragraph 23.

- 2.41 In a well-functioning market, we would expect a range of suppliers to be able to inform consumers of their services and, in turn, consumers would act on the information they receive. This would give pet owners a genuine choice over a range of services. In cases where a vet practice's recommendation of services is based on commercial considerations, such as ownership links, consumers may not be able to choose the service that best meets their needs in terms of price or quality (including treatment record, proximity to their home, waiting times or, in the case of a crematorium, a more personalised approach). This could lead to consumers paying more or receiving worse service than they would have done in a well-functioning market.
- 2.42 Given the role that vet practices play in directing business to particular suppliers, we are concerned that the increasing concentration in FOPs, combined with the incentive and ability of the large groups to prioritise in-group referrals, could increase barriers to entry and/or lead to reduced sales for competing businesses in related services. If this were sufficient to lead to the exit or lack of entry of some independent providers in these related services, the weaker competition could lead to higher prices or reduced quality.
- 2.43 We received 14 responses from independent animal crematoria in response to our CFI.⁵⁷ They expressed concerns around veterinary practices encouraging clients to use their own in-house services and not making them aware of alternatives. We were also told of contracts being terminated when the large groups switched to in-house provision.
- 2.44 These are issues which we consider merit further consideration, and we would wish to explore them further in any MIR.

Concern 4: Consumers may be over-paying for veterinary medicines⁵⁸

- 2.45 There are numerous regulations covering the dispensation of veterinary medicine. Of particular note, any medication classified as POM-V can only be supplied if it has been prescribed by a veterinary surgeon who has the animal under their care.⁵⁹ We have also been told that pharmacies (and veterinary practices) may sell only to end-consumers, with veterinary practices only permitted to buy from wholesalers.
- 2.46 Vets sell prescription medicines as part of consultations and treatments and many pet owners might find this convenient, or necessary if the pet needs the medicine immediately. We have seen data from some vet businesses which suggests that

⁵⁷ We currently estimate that there are just under 100 independently owned pet crematoria in the UK.

⁵⁸ We are focusing on veterinary medicines which require a prescription, not those which can be bought over the counter (which includes certain flea and worming treatments).

⁵⁹ This is the term for authorised veterinary medicinal products which can only be prescribed by a vet, under [The Veterinary Medicines Regulations 2013](#), Schedule 3, paragraph 4(1).

medicines account for around 20-25% of their revenue. Prescription medicines can also be bought from a third-party pharmacy, including some online retailers. Where a pet owner wishes to acquire medication from a third-party pharmacy, they need to first request a prescription from their vet, who will charge a fee.

- 2.47 The guidance to the RCVS Code of Professional Conduct states that vets must advise clients, by means of a large and prominently displayed sign, or signs, (in the waiting room or other appropriate area), that prescriptions are available and that clients can also purchase veterinary medicinal products from another veterinary surgeon or pharmacy. We understand that the RCVS offers a template for display in vet practices.⁶⁰
- 2.48 However, FOPs have an incentive to steer consumers to acquire medicines from them directly and an ability to do so (eg by not explicitly reminding consumers in person of their option to purchase elsewhere or by giving prescriptions – when requested – for short periods only and / or charging high prescription fees). Our qualitative consumer research indicates that many pet owners are unaware that they can buy animal medicines from pharmacies instead of from their vet. Among our few interviewees who were aware, only a few had learnt about this from the veterinary practice and most had discovered this information from friends or family members.
- 2.49 Among respondents to our CFI, while most were aware that they could ask their vet for a prescription and then buy the medication elsewhere, around a quarter were not clear that this was an option and slightly less than half had actually done so for repeat medication.
- 2.50 Thousands of respondents to our CFI complained about high prescription fees. Respondents said the prescription fee was typically around £20-25 although some people reported prescription fees of £30-40. An annual industry survey from the vet membership body the Society for Practising Veterinary Surgeons (SPVS) found the average prescription fee was around £18 in 2023.⁶¹ Some respondents to the CFI told us that they considered that their prescription volumes were small (eg for 3 months rather than 12 months) which resulted in more frequent prescriptions and higher overall prescribing fees.

Wholesaling costs versus retailing costs

- 2.51 The evidence currently available indicates that larger corporate groups can obtain medicines at much cheaper prices than smaller independent practices, as manufacturers offer significant volume-related rebates, but pressures to pass on

⁶⁰ RCVS, [Guidance on Fair trading requirements](#).

⁶¹ SPVS, [Fees Survey 2023](#), page 6 (members only access).

these savings to customers might be low if customers do not shop around for FOPs or medicine retailers.

- 2.52 We received several complaints from independent veterinary practices that some retail channels – notably online pharmacy channels – sell animal medicines at a price lower than the prices available to many vet practices via the wholesale channel.⁶²
- 2.53 In theory, independent vet practices facing relatively high wholesale prices could acquire medicines directly from the online pharmacies and, in turn, provide them to their customers at lower prices than they are currently charging. However, the regulatory regime stipulates that in order to supply to vet practices, a supplier, whether an online pharmacy or pharmaceutical company, needs to be licenced.⁶³ We intend to explore whether the regulatory regime contributes to consumers overpaying for medicines as part of an MIR, should we proceed.

Concern 5: The regulatory framework is outdated and may no longer be fit for purpose

- 2.54 The primary regulation in the industry dates from before non-vets were able to own vet practices, and from well before large corporate groups owned the majority of vet practices.⁶⁴ Its current remit is in relation to individual practitioners, not in relation to practice owners or vet practices as businesses, which means that the statutory regulator, the RCVS, has limited leverage over the commercial and consumer-facing aspects of veterinary businesses, for example how prices are communicated or whether there is transparency about ownership of vet practices or related services.
- 2.55 In part to overcome this limitation, the RCVS runs a Practice Standards Scheme which applies to the vet practice rather than individuals. This encourages best practice, including in areas such as how prices are communicated to consumers. However, as the report of the RCVS Legislation Working Group has pointed out, ‘it is a voluntary scheme and as a result there is no mechanism, to ensure standards across all practices through assessments.’⁶⁵ Moreover, while we understand that around 69% of eligible practices have signed up to this voluntary scheme,⁶⁶ that means that almost a third of the market has not committed to this approach.
- 2.56 Given our concerns about the possibility of weak competition in some areas, and the demand-side factors we have identified, our provisional view is that outcomes for consumers could be improved if regulatory requirements and / or elements of

⁶² Both within responses to the CFI and during interviews with independent vets.

⁶³ [Schedule 3 of The Veterinary Medicines Regulations 2013](#).

⁶⁴ [The Veterinary Surgeons Act](#), 1966.

⁶⁵ RCVS, Legislative reform consultation, [Executive summary](#).

⁶⁶ RCVS, [Practice Standards Scheme](#)..

best practice could be monitored or enforced more effectively. A market investigation would give us the opportunity to examine whether the right combination of regulatory requirements and enforcement mechanisms exist to help produce outcomes that would be consistent with a market that is working well.

Potential impact of our competition concerns

- 2.57 Our further provisional view is that the adverse effect on competition from the features we have identified is liable to be significant. In paragraphs 3.19 to 3.30 below, we consider the scale of the suspected competition problem, taking account of the size of the market, the proportion of it affected by the relevant features, and the persistence of these features. We observe that the size of the market and the value of the services we are concerned with is c.£5 billion; that the FOPs which are the focus for our concerns about large integrated groups potentially reducing consumer choice and/or weakening competition in related services account for around 60% of practices; that our concerns relating to pet owners' limited ability to make informed choices are liable to affect most people; and that the local areas in which there is high concentration but more competition may be possible involve services whose value may be between £200 million and £300 million.⁶⁷
- 2.58 In circumstances where we have reasonable grounds to suspect that the forces of competition are not operating to moderate the levels of services (treatment and care) and prices in the way we might expect in a well-functioning market, and when competition in some areas is limited, our provisional assessment is that the effects of the features we have identified are significant and should be examined in a market investigation.

⁶⁷ This is based on postcode districts, as noted above.

3. The case for a market investigation reference

3.1 In the previous section, we set out some features of the market(s) and explained how they might be weakening competition in this sector. In this section, we set out the following:

- (a) The scope of the proposed market investigation reference;
- (b) The relevant market and the extent to which we need to define it at this stage;
- (c) The legal framework for making an MIR;
- (d) Our provisional conclusion that the reference test has been met;
- (e) Our provisional views as to whether an MIR would be appropriate, given our provisional assessment that the reference test has been met.

Scope of the proposed market investigation reference

3.2 As set out in the draft Terms of Reference published as Appendix A to this document, we propose that the MIR should cover the supply of veterinary services for household pets in the UK.

3.3 For the purposes of the proposed reference, 'household pet' 'means an animal such as a dog or a cat (but not a farm animal) that is kept for companionship or protection and habitually resides in the owner's dwelling.

3.4 We are aware that the veterinary sector uses the term 'small animals' to refer to companion animals such as dogs, cat, rabbits, and certain small furry rodents (eg hamsters, gerbils), and excluding sheep, cattle, and horses. We are using the term 'household pets' to indicate that our focus is veterinary services supplied to consumers rather than people or places that may keep animals as part of a business (eg rodent house, petting zoo). We may also include vet services for birds and 'exotic' pets (those that are relatively rare or unusual to keep, such as lizards, rats, or tortoises).

3.5 'Veterinary services for household pets' includes, but is not limited to, the provision of:

- first opinion practice services;
- out-of-hours first opinion services;
- referral centre services;
- animal hospital services;

- pet cremation services;
- diagnostic laboratory services;
- pet care plans.

3.6 We propose that veterinary services for household pets should also include the supply of prescribed veterinary medicines for such pets in the UK and that this should also be included in the MIR. In section below, we set out that we will, to the extent appropriate, review The Supply of Veterinary Medicinal Products Order 2005 alongside any market investigation.

3.7 We do not propose to include the provision of pet insurance in the scope of the market investigation reference. However, it is likely that we would need to consider the way in which insurance influences how veterinary treatments might be offered and chosen.

The relevant market

3.8 In making an MIR, the CMA must specify the goods or services in relation to the supply or acquisition of which there may be an adverse effect on competition (AEC). However, as stated in the guidance on the making of MIRs, the CMA is not obliged to provide a precise definition of the market or markets to which any MIR relates.⁶⁸

3.9 In relation to the product market, our starting point has been the services offered through FOPs. This includes the direct supply of veterinary services for small animals, as well as the supply of prescribed medicines and other related services. When thinking about the product market, we have considered whether there is segmentation by factors such as:

- Whether the services are provided commercially or on a not-for-profit basis;
- The nature of the consultation, ie first opinion versus referral;
- Whether the services are provided during standard daytime hours or on an out-of-hours basis;
- The type of site where the veterinary service is provided, ie veterinary practice, veterinary hospital, or online.

3.10 In relation to geographic market definition, the material we have seen to date indicates that the veterinary sector operates at a local and regional level (depending on the service offered) as demand is essentially local. However, we

⁶⁸ The Office of Fair Trading (OFT), 2006, *Market investigation references: Guidance about the making of references under Part 4 of the Enterprise Act (OFT 511)* (OFT511), paragraph 4.8.

have not attempted to define the precise boundaries of the geographic markets at this stage.

- 3.11 In the light of the concerns we have identified, we propose that the goods and services that should be the subject of the MIR are those referred to in the draft Terms of Reference at Appendix A. We propose to consider further whether there is segmentation of those goods and services. We also propose to cover the whole of the UK in the scope of the MIR.

The legal framework

- 3.12 As set out above, the reference test is whether the CMA has ‘reasonable grounds to suspect’ that a feature or combination of features of a market or markets in the UK prevents, restricts, or distorts competition. It does not require the CMA to have concluded that there are, in fact, features of a market which prevent, restrict, or distort competition.⁶⁹

- 3.13 Where the reference test is met, the CMA can exercise its discretion to make an MIR. In our guidance on making MIRs, we set out four criteria which help to guide our exercise of that discretion. Namely, whether:

- (a) The scale of the suspected problem, in terms of its adverse effect on competition, is such that a reference would be an appropriate response.
- (b) There is a reasonable chance that appropriate remedies would be available.
- (c) It would not be more appropriate to address the concerns through undertakings in lieu of a reference (UILs).
- (d) It would not be more appropriate to address the competition problems through alternative powers available to the CMA or through the powers of sectoral regulators.⁷⁰

- 3.14 In considering these factors, we recognise that an MIR leads to significant costs, both to the CMA itself (and the public purse) and to the parties involved.

Provisional view on the reference test

- 3.15 For the reasons set out in section 2 of this consultation, the CMA’s provisional view is that there are reasonable grounds to suspect that one or more features (alone or in combination) in relation to the supply of veterinary services for

⁶⁹ This point was made clear by the Competition Appeal Tribunal in *Association of Convenience Stores v OFT*, [2005] CAT 36, paragraph 7.

⁷⁰ *OFT511*, paragraph 2.1.

household pets in the UK prevent, restrict, or distort competition and that the reference test is met.

- 3.16 Based on the evidence set out in the same section and the analysis below, we also have reasonable grounds to suspect that any adverse effect on competition resulting from the features that we have identified may lead to significant customer harm.

Views on the appropriateness of a reference

- 3.17 Having provisionally concluded that the reference test is met, we now go on to consider the factors relevant to the exercise of the CMA's discretion to make an MIR. We set out our views on the four criteria (as outlined in paragraph 3.13 as to whether an MIR is an appropriate response.

Scale of the suspected problem

- 3.18 We recognise that a market investigation is likely to impose a burden on the businesses concerned, including a potential impact on the morale of those working in the sector who are under considerable strain, and, in addition, requires a significant commitment by the CMA itself. We will only make an MIR when we have reasonable grounds to suspect that the adverse effects on competition of features of a market are significant.⁷¹
- 3.19 In determining the scale of the suspected problem, our guidance identifies three factors of particular significance:
- (a) the size of the market,
 - (b) the proportion of the market affected by the features, and
 - (c) the persistence of those features.⁷²

The size of the market

- 3.20 Estimates suggest that as many as 16 million households in the UK have at least one pet,⁷³ and we assume that most of these households will purchase veterinary services at some point during their pet's life.
- 3.21 Estimates of the overall size of the market for veterinary services for household pets in the UK vary, but we have found that the industry generally considers that

⁷¹ [OFT511](#), paragraph 2.27.

⁷² [OFT511](#), paragraph 2.28.

⁷³ Estimates suggest that 57% of households in the UK have a pet (Veterinary Practice, March 2023, [UK Pet Food releases its annual pet population data](#)) and that there are 28.2 million households in the UK (ONS, [Families and households in the UK 2022, households](#)).

FOP services are worth approximately £2 billion to £2.5 billion per year.⁷⁴ This figure does not include additional services not supplied by FOP practices (eg cremation services, diagnostic services, or specialist treatments at a referral centre) or the value of medicines.

- 3.22 When these additional services and medicines are taken into account, some estimate that the overall value of the industry is around £5.7 billion a year.⁷⁵

The proportion of the market affected by the features

- 3.23 With respect to our concerns about consumers paying more for treatment due to a lack of information and ability to compare prices across practices, and the supply of medicines to pet owners, our provisional assessment is that a large proportion of customers will be affected. We consider that customers at any of the UK's vet practices are likely to be impacted by a lack of effective competition in the supply of medicines to pet owners. The demand-side features that we outlined above are likely to apply to the majority of customers, as these relate to the ways in which people generally approach the purchase of vet services.
- 3.24 As regards our concerns relating to local market concentration, we have identified 330 postcode districts where a corporate group owns at least two FOPs and has a market share of above 30% (we estimate that the value of vet services in these areas is £200 million to £300 million), as outlined in paragraph 2.57.
- 3.25 The CMA's concern about FOPs that are part of large integrated groups potentially reducing consumer choice and weakening competition in related services is liable to affect a significant proportion of customers who use such vet practices. In this regard, the CMA notes that all of the six largest groups – accounting for 60% of veterinary practices – own one or more types of related service such as referral centres (owned by all six of these groups), and diagnostic laboratories (owned by five of these six groups).⁷⁶ Further, even FOPs that are not integrated in this way can have arrangements with only one or a limited number of suppliers of such related services, so our concerns over the impact of reduced choice and weaker competition in the supply of these related services may extend beyond customers of the large integrated groups.
- 3.26 Our concern about the regulatory environment being outdated could potentially apply to a large share of the market but, in particular, to the 31% of practices which are not part of the RCVS's voluntary practice standards scheme.

⁷⁴ See, for example, Pets At Home Group plc, [Annual Report and Accounts 2023](#), page 12.

⁷⁵ IBISWorld, [Veterinary Services in the UK](#), November 2023.

⁷⁶ Pets At Home does not own any diagnostic laboratories.

The persistence of those features

- 3.27 Our assessment is that our concerns about the lack of information for consumers to compare prices across practices and concerns in the supply of pet medicines have been persistent features that are likely to continue without intervention. Concerns around the licensing regime and high prescription fees are also likely to be enduring.
- 3.28 Our concerns regarding large integrated groups potentially having the incentive and ability to reduce consumer choice and weaken competition, by their nature are about the structure of the market and how consumers are informed of their available options. These are persistent features of the market. Given the stated intention of many of the large corporate groups to continue expanding through acquisition, some of the supply-side features that we have identified may be expected to become more prevalent.
- 3.29 Likewise, our concerns regarding local market concentration arise from persistent structural features of those local areas.
- 3.30 Concerns around the regulatory regime are likely to persist until there is legislative reform.

Provisional conclusion on the scale of the suspected problem

- 3.31 Our provisional conclusion, therefore, is that the scale of the suspected problems, in terms of the adverse effects on competition, is likely to be significant. That is a strong indicator that it would be appropriate to conduct a market investigation.

Availability of appropriate remedies through a market investigation

- 3.32 The availability of remedies is part of our assessment when considering whether to make an MIR. This is not, however, an assessment of the appropriateness of such remedies.
- 3.33 At this stage, we consider that there may in principle be a number of possible remedies, either singly or in combination as a 'package' of remedies, to the potential competition problems and resulting detrimental effects we have identified. A non-exhaustive list of potential remedies that a market investigation could consider, most of which would not be available to us otherwise, includes:
- Mandating what information should be provided to customers, as well as how and when this should be provided, in order to make it easier for them to make an informed choice when selecting a FOP (eg information on pricing (possibly for a standardised list of treatments), ownership of veterinary practice, quality/outcome-related measures).

- Mandating what, how and when information is provided to customers to help give them more choice over treatments/tests and providers of related services such as referral centres and crematoria (eg information on the range of options open to them, pricing, ownership of related services, quality/outcome-related measures, level of expertise of related services).
- Tools to allow consumers to access and utilise pricing and quality information, such as a website where consumers can compare practices or ‘open data’ solutions to facilitate the provision of comparison tools.
- Annual ‘wake-up’ letters from vet practices to pet owners registered with them to reconsider their choice of FOP.
- Mandatory information to be provided to customers regarding the price of medicines separate to other charges (eg the consultation or prescription fee) and their right to purchase medicines from a third party, and to obtain more than 1-3 months’ supply of medicines at a time.
- Imposing a maximum prescription fee, or maximum prices for other services, if we were to find that this was warranted.
- Targeted structural remedies, whether in relation to FOPs in some local areas and/or some related services.
- Making recommendations to government concerning changes to the regulatory framework.

Provisional conclusion on the availability of appropriate remedies through an MIR

3.34 Therefore, we provisionally consider that appropriate remedies are likely to be available through an MIR. As with all interventions of this potential scale and significance, the design, and any ongoing involvement with stakeholders, including the RCVS, would need to be considered carefully prior to implementation to ensure that remedies were effective and practical, as well as reasonable and proportionate.

Availability of undertakings in lieu of a reference

3.35 The CMA can accept undertakings instead of making an MIR (‘undertakings in lieu’ or ‘UILs’). Those undertakings would be legally enforceable commitments by relevant firms or people to take certain action in order to remedy, prevent, or

mitigate the AEC we are concerned about, or any detrimental effect the AEC has or is likely to have on customers.⁷⁷

- 3.36 To accept UILs, we must consider the need to achieve as comprehensive a solution to the AEC as is reasonable and practicable and minimise any resulting detrimental effects on customers.⁷⁸ We may also take into account, as appropriate, how the undertakings would affect any relevant existing customer benefit.
- 3.37 Our guidance notes that such UILs are ‘unlikely to be common’ given that, in many cases, we will be at too early a stage in our assessment of the possible competition problems to judge whether undertakings will achieve a sufficiently comprehensive solution. It also says that this is more likely to be the case, ‘... when the adverse effects on competition arise from market features involving several firms or industry-wide practices’,⁷⁹ and notes the practical difficulties in negotiating undertakings with several parties.
- 3.38 At this stage, we cannot exclude the possibility that one or more market participants may offer UILs following publication of this consultation. If this were the case, we would consider them.
- 3.39 Prior to this consultation, no party had submitted a proposal for UILs. However, some of the large corporate groups, who together own around 50% of vet practices in the UK, have jointly approached us to engage in preliminary discussions about remedies that they argue would address our concerns more quickly than further CMA action.
- 3.40 The basis on which these large corporate groups could or should reach a joint agreement that would address our concerns across the whole market is not clear. That is a matter we intend to consider further. What they have proposed are remedies including: providing a price list for common treatments to facilitate comparison between clinics; (where not already offered) providing written price estimates in advance of treatments; (where not already offered) providing explanations for the treatment plan proposed, and, where there are multiple equally appropriate treatment options, explaining these; making clear which groups own FOPs and referral services (at the point of referral); removing certain incentives (where these incentives exist) to refer consumers to referral centres or for diagnostic procedures within the same company group; and providing written information on any fees charged relating to prescriptions and the option to get a

⁷⁷ The CMA has the power under section 154 of the [Enterprise Act 2002](#) (**EA02**) to accept undertakings in lieu of a reference (UILs) instead of making a MIR.

⁷⁸ Before accepting undertakings in lieu, the CMA is obliged to: ‘have regard to the need to achieve as comprehensive a solution as is reasonable and practicable to the adverse effect on competition concerned, and any detrimental effects on customers so far as resulting from the adverse effect on competition’ (see section 154(3)).

⁷⁹ [OFT511](#), paragraph 2.21.

prescription and purchase medicines elsewhere. These groups have also proposed a number of measures relating to compliance with the remedies that they consider will encourage adoption by other practice groups and independent vets.

- 3.41 Even if these proposals were put forward as UILs, we would not be minded to accept them as such. They relate to some of our provisional concerns about transparency, but not all of them, and do not relate to some of our other concerns, for example, our broader concerns about a business model based on in-group referrals which may hinder consumers in choosing from a range of suppliers or a service that best meets their needs at a competitive price; the prices of prescription fees, medicines, and other services (such as cremations or out-of-hours services), or local concentration in certain areas. There is therefore a considerable gap between our provisional concerns and the proposed remedies. The remedies are also put forward by firms covering around 50% of the market, while our concerns relate to the conduct of multiple firms and in some cases apply across the market.
- 3.42 A benefit of a market investigation is that we could use formal powers to gather additional evidence, to investigate our concerns in more depth and shape any remedies. For example, we could:
- (a) Explore in more depth what types of information are currently available to consumers and what information they would find useful when choosing between vet practices or treatment options;
 - (b) Investigate further the extent to which consumers face limited choice of provider in certain local areas, and assess what impact this may have on outcomes;
 - (c) Examine profitability in the sector, to assess whether profits earned are consistent with the levels we might expect in a competitive market;
 - (d) Further assess the extent to which the integrated business model is limiting consumer choice in this sector, including assessing the ability of the large groups to self-preference when selling or recommending related services;
 - (e) Explore whether the regulatory regime contributes to consumers overpaying for medicine.
- 3.43 The above points can only be fully explored through a formal investigation, after which we will be better placed to evaluate a package of remedies that can address any concerns that are supported by the evidence. For a complex market, with an array of features which may be preventing, restricting or distorting competition, it can be very difficult to determine what would provide a sufficiently comprehensive

solution without gathering considerable evidence and conducting a thorough analysis.

- 3.44 Accordingly, we are not, in our provisional view, able to judge that the proposed remedies would provide as comprehensive a solution as is reasonable and practicable to the possible competition problems we have identified. This does not, of course, prevent individual firms deciding unilaterally to make improvements to the way they operate, for example, to increase price transparency.

Alternative powers available to the CMA or to sectoral regulators

- 3.45 We have considered whether alternative powers are available and, if so, whether it would be more appropriate to use those to address the features we have identified.
- 3.46 In particular, we have considered whether using our powers in relation to competition law prohibitions on anticompetitive agreements or abuse of a dominant position, and/or in relation to consumer protection law, would be appropriate in this case. We have not, however, identified conduct for which enforcement action under our other powers might be more appropriate.
- 3.47 The industry is not specifically regulated by a dedicated competition and/or consumer law sector regulator and therefore competition and/or consumer law enforcement by such a regulator is not an option in this case.
- 3.48 We could consider conducting a market study in this sector. We are not, however, minded to pursue that course of action in this case. We have already engaged in a review that, in our provisional assessment, gives us reasonable grounds to suspect that the features of the market we have identified are adversely affecting competition. Given the nature and potential significance of our competition concerns, we consider that it is important not to delay action. That, in our view, is more likely to be achieved by moving to an MIR, rather than risking the delay that might be incurred if we do a market study first. A market investigation, like a market study, would enable us to use formal information gathering powers and to undertake the necessary further evidence gathering and analysis. An investigation, unlike a study, would also enable us to use the set of formal remedy powers that we provisionally assess we may need to address our concerns.

Provisional conclusion on the appropriateness of a reference

- 3.49 For the reasons set out above, we provisionally consider that it is appropriate to exercise our discretion to make an MIR in relation to the supply of veterinary services for household pets in the UK.

Provisional decision

3.50 In the light of the information set out above, we propose to make an ‘ordinary’⁸⁰ MIR within the meaning of section 131(6) of the Enterprise Act 2002 in respect of the supply of veterinary services for household pets in the UK.

⁸⁰ As opposed to a cross-market reference – section 131A(2A) and (6) of the EA02. See CMA, [Market studies and investigations - guidance on the CMA's approach: CMA3](#), (CMA3) paragraphs 2.31-2.37.

4. Review of The Supply of Veterinary Medicinal Products Order 2005

- 4.1 In 2003, the Competition Commission (CC) – a predecessor body of the CMA – published its report on veterinary medicines.⁸¹ This report followed complaints by animal owners and farmers about what they perceived to be the high price of prescription-only veterinary medicines. The remedies were intended to make it easier for consumers to shop around for veterinary medicines and, by encouraging pharmacists and other outlets to enter the market, to aid the development of a more competitive market. *The Supply of Veterinary Medicinal Products Order 2005 (the 2005 Order)* implemented some of the recommendations in the CC report.⁸²
- 4.2 The 2005 Order contains some provisions that may be relevant to any MIR we make and some that are less likely to be relevant. It:
- Prohibits discrimination by veterinary surgeons between pet owners to whom they provide prescriptions and those to whom they do not in:
 - the price they charge for relevant veterinary medicines; and
 - the fee they charge for veterinary services other than giving prescriptions.
 - Requires veterinary manufacturers who engage in some form of direct relationship with customers (either vets or pharmacists) to inform those customers every three months and on request of the net price at which they supplied relevant veterinary medicinal products to that customer in the previous three months;
 - Requires veterinary manufacturers to inform veterinary surgeons or pharmacists on request of the price for which they would be willing to supply relevant veterinary medicinal products in the next three months;
 - Makes it unlawful for veterinary manufacturers and veterinary wholesalers to discriminate unreasonably between veterinary surgeons and pharmacists.
- 4.3 The CMA has a statutory duty to monitor and review remedies from previous market investigations. In particular, we have a duty to consider whether, because of a change in circumstances, a previous order, such as the 2005 Order, is no longer appropriate and needs to be varied or revoked.

⁸¹ Competition Commission, *Veterinary Medicines: A report on the supply within the United Kingdom of prescription-only veterinary medicines*.

⁸² *Supply of Veterinary Medicinal Products Order 2005*

- 4.4 If we decide to make an MIR as proposed, and our concerns about the supply of veterinary medicines for household pets make it appropriate to do so, we will conduct a review of the 2005 Order. We would do so to the extent appropriate, if any, and following the appropriate process. That may involve further consultation and may be done in parallel to the MIR, particularly if there are procedural efficiencies in doing so.

5. Consultation

- 5.1 Given our provisional conclusions that the reference test has been met and our provisional view that it would be appropriate for us to exercise our discretion to make a reference in relation to the supply of veterinary services for household pets in the UK, we are now commencing a period of consultation.
- 5.2 We welcome representations from interested parties on the proposed reference decision set out in this consultation and the draft Terms of Reference in Appendix A. We have already received a significant number of responses from members of the public and from individual veterinary professionals in response to our call for information and we have taken those responses into account when forming our decision to consult on an MIR.
- 5.3 We are particularly interested in submissions which engage with our provisional analysis of the market, as set out in this document, and our proposal to make an MIR. Respondents may wish to consider the following questions:
- Do you consider that our analysis is correct with respect to the suspected features of concern in the supply of veterinary services and related services for household pets in the UK? You may wish to answer this in relation to specific points such as:
 - Whether consumers are given enough information to enable them to choose the best veterinary practice or the right treatment for their needs;
 - Whether concentrated local markets may be leading to weak competition in some areas;
 - Whether large integrated groups may have incentives to act in ways which reduce choice and weaken competition;
 - Whether pet owners might be overpaying for medicines or prescriptions.
 - Whether the regulatory framework remains fit for purpose.
 - Do you consider that our analysis is correct with respect to the reference test being met in relation to the supply of veterinary services and related services for household pets in the UK?
 - Do you agree with our proposal to exercise our discretion to make a reference in relation to the supply of veterinary services for household pets in the UK?

- Do you consider that the proposed scope of the reference, as set out in the draft Terms of Reference published alongside this document, would be sufficient to enable any adverse effect on competition (or any resulting or likely detrimental effects on customers) caused by the features referred to above to be effectively and comprehensively remedied?
- Do you have any views on our current thinking on the types of remedies that an MIR could consider? Are there other measures we should consider?
- Do you have any views on areas where we should undertake further analysis or gather further evidence as part of an MIR in relation to the supply of veterinary services for household pets in the UK? We would particularly welcome any specific evidence from respondents in support of their views.

5.4 Any submissions must be provided no later than **5:00pm on 11 April 2024** by emailing: VetServicesReview@cma.gov.uk

5.5 We may decide to publish anonymised submissions from individuals on our case page. Please clearly mark your submission as confidential if you do not want it to be published and let us know if you would prefer not to be named.

5.6 We intend to publish all responses from businesses and other organisations on our case page except those marked as confidential. Please clearly highlight any confidential information in your submission and provide a non-confidential version of your submission for publication.

5.7 We will redact, summarise, or aggregate information in published reports where this is appropriate to ensure transparency whilst protecting legitimate consumer or business interest. While the information you provide will primarily be used for the purposes of the consultation on whether a reference should be made (and, if so, in what form), where appropriate, we may also use information provided as part of this consultation in relation to the CMA's other functions. For example, we may share your information with another enforcement agency (such as local Trading Standards Services) or with another regulator for them to consider whether action is necessary.

5.8 Personal data received in the course of this consultation will be processed in accordance with our obligations under the UK GDPR, the Data Protection Act 2018, and other legislation designed to protect individual privacy.

5.9 Following careful consideration of the responses to this consultation, we will publish a final decision on whether or not to make an MIR in respect of the supply of veterinary services for household pets in the UK.

5.10 We recognise that this is a sector under pressure. We have heard concerns from those working in the sector about the pressures they face, including acute staff

shortages, and the impact this has on individual professionals. We also recognise the ongoing concerns of many pet owners. If we proceed with a market investigation, we will be mindful of the burden for individual professionals and we will consider whether there is more that can be done in parallel to improve outcomes for consumers in the short term, even before the conclusion of any investigation (where doing so would be consistent with that investigation). For example:

- (a) We intend to publish some advice for consumers to help them acquire the information they need to purchase the vet services that are right for them.
- (b) As part of any market investigation, we would expect to explore whether we would recommend any changes to the current regulatory environment. If we were able to reach conclusions on this before the end of the investigation, then we could publish these recommendations once we had developed them.

5.11 In addition, vet businesses themselves could decide to act immediately to improve the way the market works. One option would be to improve the quality of the information provided to consumers and how it is conveyed to them, for example, by providing clear prices and/or increasing the transparency of ownership links.

Appendix A: Terms of Reference

- A.1 The Competition and Markets Authority (CMA) in the exercise of its power under sections 131 and 133 of the Enterprise Act 2002 (the Act) hereby makes an ordinary reference to the Chair of the CMA for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 for an investigation into the supply in the United Kingdom of veterinary services for household pets, including the supply of prescribed veterinary medicines for such pets.
- A.2 The CMA has reasonable grounds to suspect that a feature or a combination of features of the market for the supply of those goods and services in the UK prevents, restricts, or distorts competition.
- A.3 For the purposes of this reference:
- (a) 'household pet' means an animal such as a dog or a cat, but not a farm animal, that is kept for companionship or protection and habitually resides in the owner's dwelling.
 - (b) 'veterinary services' includes but is not limited to the provision of:
 - (i) first opinion practice services;
 - (ii) out-of-hours first opinion services;
 - (iii) referral centre services;
 - (iv) animal hospital services;
 - (v) pet cremation services;
 - (vi) diagnostic laboratory services; and
 - (vii) pet care plans,
 - (viii) but excludes the provision of insurance for household pets.
- A.4 'Prescribed veterinary medicines' means prescription-only medicines prescribed by a veterinary surgeon and prescription-only medicines prescribed by a veterinary surgeon, pharmacist, or suitably qualified person.