

Veterinary services for household pets in the UK

Decision to make a market investigation reference

23 May 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 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 were 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.
 - (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.

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>.

- (e) The regulatory framework is outdated and may no longer be fit for purpose.
5. We are today launching a market investigation because this will enable us to use formal information gathering powers to obtain the full set of evidence that we 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 groups⁴ tend to retain the name and branding when they acquire an independently owned practice or small chain.⁵ 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, 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.⁶
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:
- (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

⁴ The six largest groups are: CVS Group plc (**CVS**), Independent Vetcare Limited (**IVC Evidensia**), Linnaeus Veterinary Limited (**Linnaeus**), Medivet Group Limited (**Medivet**), Pets at Home Group Plc (**Pets at Home**), and VetPartners Limited (**VetPartners**).

⁵ Medivet and Pets At Home (through its Vets4Pets brand) do operate uniform branding.

⁶ Not all respondents provided the details of the vet practice they use.

they are clearly explained. Pet owners are likely, therefore, 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,⁷ 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 the lower cost 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 implications, potential outcomes, and risks. However, the increasing prevalence of

⁷ 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.

large integrated groups across the sector may be leading to a situation where this range of options is not presented to pet owners as frequently. The large integrated groups may 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 (such as needing to pay a second consultation fee).
17. Some of the corporate vet groups' responses to our consultation said these sorts of incentives do not exist and that vets are prevented by the regulatory rules in the RCVS Code from acting in the ways we are concerned about. However, respondents to the CFI, including veterinary professionals, 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. We have also seen evidence that appears to be consistent with our concerns and investigating this area of concern further is an important reason for making an MIR.

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 therefore may have an incentive to favour an in-group supplier for these services. Some responses to our CFI and the consultation on the proposal to make a market investigation reference 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. The evidence we have seen so far indicates that many pet owners go with the sole referral centre or crematorium they are directed to by their vet practice. For example, only a minority (around one in eight) of 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 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.⁸ The Royal College of Veterinary Surgeons (RCVS) is the statutory regulator. However, its statutory 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 veterinary 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,⁹ meaning that almost a third of the market has not committed to this approach. Moreover, it is not clear how, in practice, compliance with the Code and the voluntary Scheme is monitored and enforced.
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 a market investigation we can make recommendations to government concerning changes to the regulatory framework.

We consulted on making a market investigation reference and received strong support

29. Having identified widespread potential concerns in this market, we proposed to take further action using our statutory powers and, in particular, by conducting a market investigation. A market investigation enables us to use our statutory

⁸ [The Veterinary Surgeons Act](#), 1966.

⁹ RCVS, [Practice Standards Scheme](#)..

powers to compel parties to provide information and enables us to take direct action to address those concerns, if upheld.

30. Prior to making a market investigation reference, the CMA is required to consult publicly on the proposed reference and its scope. On 11 March 2024, therefore, we consulted on making a market investigation reference (**MIR**) to address these issues, giving interested parties (and those who would potentially be affected) 4 weeks to respond. The CMA considers this consultation process to be an important part of its decision-making, and we are grateful to all those respondents that have taken the time to provide their views.
31. The responses we have received to the consultation – from individual veterinary professionals, regulators and representative bodies, and animal charities, as well as other interested parties – overwhelmingly endorsed our proposal to conduct a market investigation, as well as noting some additional factors that we should bear in mind as we proceed. These included noting the potential impact on trust between pet owners and vets, urging caution over potential unintended consequences of remedies, and engaging with the proposed scope of our investigation.
32. The large corporate vet groups did not support a market investigation in this sector, arguing that it would be detrimental to people working in the profession, and that they had offered to voluntarily implement some changes which, they say, would address the concerns we have identified. These measures mainly covered increased transparency (for pricing, ownership, and options for treatment and purchasing medicines), as well as a limited commitment to removing certain incentives for vets to refer customers within the same corporate group. Our view is that these proposals – whilst all positive actions which in any event remain open to the businesses in question to implement immediately – fell some way short of providing a comprehensive solution to our multiple concerns and would have covered only part of the market.
33. Overall, we consider that the evidence and arguments offered in response to our consultation generally provide additional support for the concerns we have identified and, where they are not supportive, do not offer sufficient weight to counteract them. The CMA Board, having reviewed all these additional arguments and evidence in the round, has therefore decided that we should proceed with a market investigation reference.

A market investigation enables us to further investigate these concerns and, if upheld, address them, with appropriate remedies

34. A market investigation is a detailed examination of whether there is ‘an adverse effect on competition’ (AEC) in a market for goods or services.¹⁰
35. 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 expect to:
- (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, including in what form and at which points;
 - (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 whether there is an ability and incentive to limit consumer choice when providing treatments or recommending related services, in particular when vet practices are part of large integrated groups; and
 - (e) Explore whether the regulatory regime is not enabling the market to function as well as it could (including whether it contributes to consumers overpaying for medicine).
36. 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. The remedies that could be available to us at the end of a market investigation 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;

¹⁰ An adverse effect on competition could have a detrimental effect on consumers through higher prices, lower quality, less choice or less innovation.

- (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);
- (d) Targeted structural remedies (eg divestments of certain businesses or parts of businesses); and
- (e) Making recommendations to government concerning changes to the regulatory framework.

Next steps

37. This document constitutes the CMA Board's decision to make an MIR, and therefore marks the launch of our market investigation.
38. A market investigation is led by an independent Group drawn from the CMA's panel of members,¹¹ and the Group members are the sole decision-makers (supported by a team of CMA staff, including specialists in law, economics, and accounting matters). The CMA Board has appointed five experts to the Group in this case, as set out on our [case page](#).
39. The statutory timetable for a market investigation runs for 18 months (with a potential additional 6 months for putting remedies in place)¹², meaning that (barring any extension) we will need to deliver our final report – including outlining any remedies we wish to put in place – by 22 November 2025. We are consulting with the main parties to this investigation on our administrative timetable (the timing for various steps we will take within the overall statutory timetable) and this will be published on our [case page](#) once it is finalised. Subject to that consultation, our plan is as follows. The initial months of the investigation will be spent gathering additional evidence from a wide range of stakeholders and conducting analysis. Between October and December 2024, we plan to publish working papers which will set out our initial thinking. In February or March 2025, we plan to publish our provisional decision, and interested parties will be able to make submissions in response, in order to influence our final decision.
40. Despite the lengthy timetable, we consider that this would be the quickest way effectively and comprehensively to address our concerns, if borne out, because of our ability to impose enforceable remedies directly at the end of a market

¹¹ The CMA's panel is comprised of individuals appointed through open competition for their experience, ability and diversity of skills in competition economics, law, finance and business. For more information see <https://www.gov.uk/government/organisations/competition-and-markets-authority/about/our-governance#cma-panel>.

¹² The 18 months investigation period and 6 months remedies period may be extended by up to 6 and 4 months, respectively, if we consider there are special reasons for doing so (s137(2A) and s138A(2) of the Enterprise Act 2002 (EA02)).

investigation (through our order-making powers). We also consider that it is important for the Group to take the time to properly assess our potential concerns in a sector which affects many millions of pet owners – and impacts thousands of veterinary professionals – and to consider any remedies carefully before deciding to implement them.

41. The CMA Board has also exercised its right to publish an advisory steer to the inquiry Group setting out its expectations regarding the scope of the investigation. The Board has advised the Group to focus in particular on those areas most affecting consumers, run an expeditious investigation (without compromising a thorough examination of the issues), and implement an effective communication and engagement strategy in the interests of consumers, veterinary professionals, and other stakeholders. The Group is expected to consider the steer from the CMA Board but remains an independent decision maker. We have published this advisory steer alongside this document on our [case page](#).
42. 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 (especially about transparency and high prices for treatments, medicines, and prescriptions). These messages were all strongly repeated from veterinary professionals and pet owners in responses to the consultation.
43. As we proceed with a market investigation, we will be mindful of the burden on individual veterinary professionals, and we will continue to take care that our public communications on this sector are evidence-based and measured.
44. We will also 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 (and where doing so would not prejudge the outcome of investigation). For example:
 - (a) Alongside this document, we have published some [advice for consumers](#) to help them to navigate purchasing vet services and to have good conversations with their vets and veterinary nurses.
 - (b) As part of any market investigation, we would expect to explore whether improvements can be made even within the current regulatory framework (considering the RCVS's current powers and duties), as well as continuing to engage with government and other bodies on future regulatory reform.
45. 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 considering how to amplify guidance on how veterinary professionals can comply with its codes. We note that the BVA has recently published guidance on transparency and client choice, setting out some 'voluntary actions which veterinary practices may wish to take in light of some of the provisional areas of concern identified by the CMA's review'.¹³

Outline of this document

46. This document:

- (a) Summarises the evidence base we have used to form our views (section 1);
- (b) Summarises the responses to our earlier Call for Information from pet owners and veterinary professionals (section 2);
- (c) Provides a general overview of responses to our consultation on making an MIR, including whether broadly in favour or not (section 3);
- (d) Provides some brief background on the veterinary sector in the UK (section 4);
- (e) Sets out our preliminary competitive assessment at the current stage of the process, that is when making the MIR (section 5), including:
 - (i) outlining features of the market which may prevent, restrict, or distort competition,
 - (ii) summarising our five concerns, and
 - (iii) summarising additional detail from responses to our consultation as they relate to each concern;
- (f) Sets out the reasons why the CMA has decided to make an MIR, including why we consider the reference test is met and an MIR would be appropriate, and summarising additional relevant detail from consultation responses (section 6);
- (g) Discusses our intention to review of The Supply of Veterinary Medicinal Products Order 2005 (section 7).

¹³ [Transparency and client choice guidance | British Veterinary Association \(bva.co.uk\)](https://www.bva.co.uk/transparency-and-client-choice-guidance)

1. Our evidence base

1.1 As part of our market review into veterinary services for household pets in the United Kingdom, we gathered evidence from a range of sources:

- (a) We have engaged broadly across the sector, including with all six large corporate suppliers of veterinary services,¹⁴ independently owned veterinary practices, the industry regulator (the Royal College of Veterinary Surgeons), industry bodies, government (The Department for Environment, Food & Rural Affairs, and The Veterinary Medicines Directorate), the animal charity sector, and pet insurance companies, both through conversations and (in some cases) written requests for information or written submissions.
- (b) 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.¹⁵ 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 so 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.¹⁶ 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 decision 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**).¹⁷ 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.

1.2 We also received 150 responses to our consultation, from:

¹⁴ 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).

¹⁵ 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.

¹⁶ 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.

¹⁷ We published the [report on findings arising from the market research](#) alongside our consultation.

- (a) the six large veterinary groups,
- (b) the regulator (the Royal College of Veterinary Services (RCVS)),
- (c) 52 individual veterinary professionals (including 45 vet surgeons and 7 vet nurses),
- (d) 9 organisations which represent veterinary professionals,
- (e) 7 animal charities,
- (f) other interested parties (such as consumer groups, the Association of Private Pet Cemeteries and Crematoria, and Jollyes¹⁸), and
- (g) 47 responses from pet owners.¹⁹

1.3 We refer to these responses where relevant in this section and the following sections. They are another important part of our decision to investigate further. We have published the (non-confidential) responses from organisations alongside this document on our [case page](#).

1.4 In order to make a market investigation reference, the CMA must have reasonable grounds to suspect that one or more features (alone or in combination) in relation to a market prevent, restrict, or distort competition in the supply of goods or services in the United Kingdom (known as 'the reference test').²⁰ In order to make an MIR, we do not need to have proved that position, but we need to have a 'genuine suspicion' and an objective basis for that suspicion. The market investigation will enable us to use our statutory information gathering powers to compel businesses to provide additional information, in order to thoroughly investigate our concerns, reach conclusions as to whether our concerns are justified and, if so, put in place remedies to address them.

¹⁸ Jollyes is a chain of large pet superstores, with stores across the UK. Jollyes also offers Community Pet Clinics in 75 of their stores which offer vaccinations, medicines and microchipping.

¹⁹ As well as 47 formal responses to our consultation from pet owners, we received an additional 197 communications on this topic from pet owners during the consultation window.

²⁰ Section 131 of the Enterprise Act 2002.

2. Summary of responses to our earlier Call for Information

2.1 Before turning to the responses to our consultation in general terms, by way of background, we first briefly recap on the responses to our Call for Information launched on 7 September 2023.

Individual veterinary professionals

2.2 In response to our CFI, veterinary professionals told us that two of the main challenges facing the sector were difficult interactions with pet owners, and staffing challenges. We summarise these responses here.

2.3 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 veterinary professionals sometimes face abuse from pet owners over what they consider to be high fees. By far the most common theme mentioned by veterinary professionals was the increase in fees for pet owners in recent years. Respondents 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 since the start of 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 rarely, if ever, discussed.

2.4 Another main area raised by veterinary 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 was reported to be fuelled by stress, overwork, abuse, and frequent criticism in relation to prices.

2.5 We also heard that demand for vets and vet nurses has risen as a result of increased pet ownership (particularly since the start of the COVID-19 pandemic) while many people have left the profession, including due to stress and mental

health concerns. Respondents told us that Brexit has led to fewer veterinary professionals 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.

Pet owners

2.6 We summarise the information we obtained through our CFI under several categories which represent different stages in the customer journey when purchasing veterinary services: choosing a vet, choice of related services (including tests and treatments), pricing, and medications.²¹

Choosing a first opinion practice

2.7 The first stage of engagement is typically choosing a local vet, or first-opinion practice (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.²² 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.

2.8 The top 5 most important factors respondents reported when choosing a vet were:

- Location
- Recommendation
- Appointment availability
- It was a small, independent practice and not part of a large group
- They liked the staff and practice when they visited.

2.9 When respondents to the CFI were asked whether they had a preference, over half reported preferring an independently owned practice, although almost a third did not think it mattered if a practice was part of a large group or independently owned. Notably, in almost a fifth of instances we could check,²³ respondents who

²¹ Over 44,000 pet owners started the call for information questionnaire, of which more than 33,000 fully completed it.

²² The remainder could not recall what they did.

²³ Not all respondents provided the details of the vet practice they use.

thought they were registered with an independently owned practice were actually registered with a practice that was part of a large group.

Choice of related services

- 2.10 Among respondents to the CFI whose pet had been referred to a specialist vet practice for further treatment in the last three years, the three most common referrals were for scans, surgery, and laboratory tests (blood tests or biopsies).
- 2.11 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 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.

Pricing

- 2.12 Many respondents highlighted concerns around pricing across various veterinary services.
- 2.13 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.
- 2.14 Around one in ten respondents who told us about pricing for surgery said that they were not provided with any pricing information about the cost of surgery before the surgery took place. A similar number were provided with a fixed price, and around seven in ten were provided with an estimate. Three in ten said the final price was

higher than the information provided prior to the surgery suggested, while six in ten said it was the same.

- 2.15 When using out-of-hours services, just under half of CFI respondents told us they were not provided with information about the cost before treatment was provided.

Medicines

- 2.16 Almost two thirds of CFI respondents had bought medication directly from their veterinary practice in the last 3 years. By far the most common reasons for repeat medications were flea, tick, and worm prevention treatments. Among the CFI respondents, 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.
- 2.17 Thousands of respondents to our CFI complained about high prescription fees. 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 2023.²⁴ Some respondents to the CFI told us that they considered prescription volumes to be small (eg a supply for 3 months rather than 12 months) which resulted in more frequent prescriptions and higher overall prescribing fees.

²⁴ SPVS, [Fees Survey 2023](#), page 6 (members only access).

3. Responses to our consultation on a proposal to make a market investigation reference

- 3.1 Here we summarise the responses to our consultation in general terms, including whether respondents were in favour of a market investigation. Later, in section 5, we cover the five areas of concern which we outlined in our consultation and pull out key specific comments which we received on each of these concerns in the responses. In section 6, we consider any specific comments on whether the reference test was met and on factors relevant to the CMA's exercise of its discretion, as well as on the scope of the market investigation.
- 3.2 Non-confidential versions of the responses we received from organisations have all been published on our [case page](#). Responses from individual veterinary professionals are summarised in the relevant sections of this document.
- 3.3 The responses, as a whole, were in favour of the CMA taking forward a market investigation, overwhelmingly so in terms of numbers of positive responses compared with more cautious or negative responses. The supportive responses, to varying degrees, expressed agreement across all of the five potential concerns we identified. All responses which engaged with the issue agreed that the regulatory framework needed reform. Five of the large corporate groups were opposed to an MIR, while CVS was more neutral, and all of them expressed an intention to cooperate with a market investigation if it went ahead.

The large corporate groups

- 3.4 In their responses, five out of six of the large corporate groups opposed our proposal to make an MIR. CVS did not explicitly oppose an MIR, saying that it was 'optimistic the CMA process can lead to improvements in the standard of care and the client experience across the veterinary sector'. All six large corporate vet groups (including CVS) expressed disappointment that we had not accepted a package of measures proposed by some of the large corporate groups to improve communication between vets and pet owners, to increase transparency around pricing and ownership, arguing that these would have addressed the majority of the issues highlighted by the CMA in its consultation. This offer is discussed in section 6 below.
- 3.5 All six of the large corporate groups highlighted the pressures on people working in the veterinary sector, in particular mental health challenges, staff shortages and problems with retention. Most argued that a lengthy MIR could have an unintended but significant negative impact on the sector, including on consumer confidence in vets. Five out of six of the groups referred to reports of increased abuse of veterinary professionals as a result of publicity for our findings and said that additional pressure could cause some vets or vet nurses to leave the profession.

- 3.6 We recognise the concerns raised about the impact of any investigation on the individuals working in the sector. We will continue to be extremely careful in any communications we release about why we are doing this work and the ways in which this market may not be working well. We also consider that improvements in the functioning of the market for veterinary services should benefit the individuals working within it, as well as reassuring consumers that they are getting a good deal when they visit the vet.
- 3.7 Some of these six large vet corporate groups argued that any problems in the sector were not related to competition but rather stemmed from a combination of rising costs, staff shortages (problems with recruitment and retention), increased pet ownership, and consumer-driven issues (a lack of understanding of the true costs of pet ownership and increased expectations of sophisticated care). Medivet argued that the UK veterinary sector was 'highly competitive and functioning well', citing evidence about the diversity of business models and new entry. Others said they did not have the kinds of incentives suggested in our consultation and / or were prevented from so acting by the requirements of the RCVS Code. IVC Evidensia also contended that we had only identified 'provisional concerns' and had not provided any 'reliable evidence' of such incentives operating in practice.
- 3.8 As we said in our consultation (paragraphs 3.39 to 3.44), five of the six large corporate vet groups told us they would be willing to put in place measures which, they said, largely addressed our concerns. These measures mainly covered increased transparency (for pricing, ownership, and options for treatment and purchasing medicines), as well as a limited commitment to removing certain incentives for vets to refer customers within the same corporate group.
- 3.9 In their responses to the consultation, these five corporate groups argued that their proposals would improve outcomes in the sector – and would resolve the majority of our concerns – more quickly and without the need for an extended investigation, with its associated strain on the industry. Pets at Home said that – based solely on the CMA's description of the proposals – they did 'appear to provide a basis for an industry-wide code of conduct that would address these concerns'.²⁵ They all, therefore, to varying degrees, expressed disappointment that the CMA did not accept these measures instead of pursuing a market investigation.
- 3.10 As we discuss in more detail below (section 6, where we evaluate the appropriateness of making an MIR) we do not consider that these measures, as proposed, offer a sufficiently comprehensive solution to the concerns that we have identified. We had included a provisional view to that effect in the consultation but also said that, if parties offered us formal undertakings in lieu of an MIR (UILs), we

²⁵ Pets at Home response, paragraph 13. Though they also reserved the position as they had not seen the detail.

would consider them. In response to the consultation, the corporate groups did not propose any improved package of measures nor offer them as UILs.

Regulatory bodies, representative bodies, and other veterinary businesses

Royal College of Veterinary Surgeons (RCVS)

3.11 The RCVS agreed that an MIR 'may be an appropriate next step'. The RCVS highlighted the mental health concerns in the sector but also referred to the '11,000 submissions from veterinary professionals who may welcome the CMA's intervention'. The RCVS welcomed the need to modernise the regulatory framework and review both the complaints and disciplinary system and the role of veterinary nurses in their response. Regarding the concerns over medicines, the RCVS said that 'it will be important to ensure that in any push for lower prices, there is no unintended impact on either practice sustainability, and thus access to care, or the vital pharmaceutical research and development pipeline'.

The British Veterinary Association (BVA)

3.12 The British Veterinary Association (BVA) submitted a joint response to our consultation with: British Small Animal Veterinary Association, Society of Practising Veterinary Surgeons, British Veterinary Nursing Association and Veterinary Management Group. The response agreed with the proposal to make an MIR and that the scope should be limited to household pets (while suggesting that the ultimate impact of the MIR process on 'mixed' practices, particularly in geographies where veterinary care is limited, should also be considered). However, the response also said that there were areas of concern that have the potential to be addressed by voluntary transparency measures.

Other representative bodies and veterinary businesses

3.13 We also received a separate response from the British Veterinary Nursing Association (BVNA). The BVNA was supportive of an MIR, agreeing that the reference test had been met and that it was an opportunity for regulatory reform. The BVNA agreed that consumers may find it difficult to understand or compare prices, and consumers and the veterinary teams would benefit from increased transparency of costs. They were also supportive of more transparency on ownership. BVNA agreed that large vet groups had the capability to focus on higher cost treatments and 'looked forward to more detailed study in this area'. They also said that there was a need to further investigate the way that vet businesses procure medicines.

- 3.14 The British College of Veterinary Specialists, Royal School of Veterinary Studies, the Scottish Chief Veterinary Officer, RAMP, and XL Vet (a company formed by 63 independently owned veterinary practices across the UK) – plus two other professional stakeholders who have submitted confidential responses – all supported a market investigation. These responses generally agreed that it was important that consumers were provided with more information and some welcomed further investigation of the incentives of large corporate groups. XL Vet and one additional professional respondent noted that high medicine costs might be cross-subsidising other services.

Individual veterinary professionals

- 3.15 We received 52 responses from individual veterinary professionals, including 45 vets and 7 vet nurses. The vast majority of veterinary professionals that responded to the consultation were in favour of an MIR, noting problems with the corporatisation of the sector, the need for regulatory reform and lack of consistency in pricing for medicines. However, a minority strongly opposed our proposal, principally due to the potential impact on the workforce (exacerbating mental health concerns) and the potential for damage to the relationship between the vet and the pet owner. These responses are summarised in more detail below, when we consider responses in relation to each of our potential concerns.

Animal charities

- 3.16 We heard from 7 animal charities who were strongly supportive of us doing a market investigation and we summarise additional points from each of their responses in turn.
- 3.17 The **RSPCA's** response was supportive of our making an MIR, focusing in particular on our concerns regarding transparency, corporate incentives and the regulatory framework, while also emphasising the RSCPA's view that, more consideration needs to be given to animal welfare which, it submitted, should be at the centre of any discussion of veterinary services. It also cautioned the CMA to be aware of the impact on staff working in the veterinary sector, particularly in connection with remedies, and against a 'race to the bottom' on pricing with costs increasing elsewhere.
- 3.18 The **Scottish SPCA** noted the lack of information for consumers, said that there were areas in Scotland where all practices were owned by a corporate group (in some cases the same one), noted rising costs in connection with corporatisation, said ensuring prescription fees were set at an affordable level should be a consideration, and suggested that the investigation could explore the possibility of regulatory changes allowing the prescription of human generic drugs where there is no proven detriment to animal welfare.

- 3.19 The **PDSA** said that demand for their services had risen in line with cost-of-living challenges and noted that they deliver a 'pragmatic but good quality, defined' first-opinion service. The PDSA said that its key areas of concern were: being able to secure national suppliers of goods and services at the right price, potential increases in the cost of providing out of-hours services, recruitment issues within the veterinary sector and rising locum costs, the impact of the rising cost of living on pet owners, and lack of regulation for associated pet care providers (e.g. behaviourists, trainers).
- 3.20 **Blue Cross** noted the rapidly increasing demand for its (free or subsidised) veterinary services, due to increasing unaffordability of private veterinary care. Blue Cross also outlined the changing external context, such as the advancement of veterinary medicine, increased expectations of services (and veterinary professionals' fears of complaints), that has posed significant challenges to clinicians in charitable settings. It stressed the importance of providing a range of options for an owner when their animal is unwell as a recommendation from this investigation, and in particular tailoring this to the owner's circumstances. It pointed out that this has been discussed across the profession over the last few years within a welfare-centric approach, termed pragmatic, or contextualised, care and that this is an area in which charities have shared experience, with the practical, pragmatic and context driven approaches being routinely taken for animals under their care. It pointed out that an understanding of the wholesale costs of veterinary medications may be helpful.
- 3.21 **Assistance Dogs UK** highlighted its belief that the consolidation into large integrated groups is having a major impact not only on the disabled owners of assistance dogs, but, at times, on the dogs themselves. It highlighted a number of specific concerns including: 'spiralling costs', no clear or easy choice regarding services and pricing, inflexible 'top-down' processes which could be hampering clinicians' freedom of action (citing in particular their belief that certain animals had been exposed to lengthy and potentially unnecessary procedures), and an increasing use of referrals services, rather than local treatment options. They also noted the increasing need for financial assistance provided by charities.
- 3.22 **Dogs Trust** noted a number pressures evident in its work, including a shortage of clinical staff, increased pet ownership and increased costs. With respect to an MIR, it highlighted pricing structures, transparency around referrals and the need to highlight pathways for contextualised care, as well as reviewing existing regulation (in particular to increase the participation of veterinary nurses and other professionals). It stated that guidance should be given on what qualifications, skills and experience a particular vet has, and what constitutes a specialist. It also highlighted the importance for any investigation to distinguish between the veterinary industry and the veterinary profession in its communications and thereby support those working in clinical practice.

3.23 Similarly, **Cats Protection** said it was in favour of an MIR, while noting that there should be a clear separation between the veterinary industry and those working within the profession. It also highlighted its belief that better access and support for contextualised care would benefit cat welfare by allowing their owners to access reasonable veterinary care.

Other stakeholders

3.24 The **Association of Private Pet Cemeteries and Crematoria** was strongly in favour of an MIR, saying that there was not enough transparency provided regarding the cremation services offered to enable consumers to make an informed choice. They also said that vets are often only allowed to refer within group or to specific crematoria the practice has links with and that corporate groups without their own crematoria business tend to use the other corporates rather than independent providers.

3.25 **Which?** also strongly supported our proposal to investigate the veterinary sector through an MIR, agreeing that the evidence suggested that the market was not working well for pet owners. They referred to their own consumer research which highlighted concerns over transparency and potential 'over-treatment'.²⁶

3.26 The **Countryside Alliance** supported our proposal to make an MIR, agreeing that there were problems with transparency and that an increase in corporate practices had led to a loss of choice in some areas. They also agreed that there was an incentive for corporate groups to sell additional treatments and that it wasn't always clear when referrals were internal.

Pet owners

3.27 Pet owners were generally supportive of us doing further work in this area. Their responses focused on a few key themes which are summarised below in order of how frequently they were mentioned in responses:

- Medicines: saying that pet medicines could be found much cheaper online than in the veterinary practice; raising concerns that animal-specific drugs were much more expensive than human versions (i.e. paracetamol).
- Prescriptions: suggesting that the cost of prescriptions had in some cases increased to £20-£30 in recent years; and that the prescription cost sometimes offset the savings of buying medicines online.

²⁶ [Consumer harm in veterinary services - Which? Policy and insight](#)

- Price: noting substantial price increases for services and medications; with a few respondents saying that they were not informed of price rises by practices.
- Transparency: citing the difficulty of finding pricing and ownership information online and in practice.
- Pet insurance: identifying high and increasing premiums in the last few years; and questioning whether insurance impacted on the price and type of services offered by veterinary practices.
- Complaints: several respondents told us about issues they had when resolving complaints with veterinary practices. These respondents felt there was a lack of transparency regarding complaint procedures and options for redress.

4. Background

4.1 In this section, we provide some background context on suppliers in the market and describe how consumers approach purchasing vet services. A more complete outline of these issues can be found in our [consultation document](#).

How consumers purchase vet services

4.2 This subsection summarises paragraphs 1.12 to 1.26 of the consultation document, which contain more detail and evidence on the demand-side characteristics of this sector.

4.3 General veterinary practices are known as first opinion practices (FOPs). They operate as 'GPs' for animals and provide the bulk of a household pet's care. They may also commission diagnostic tests (eg blood tests) or refer animals for scans or more complex treatments at a referral centre. A household pet cannot receive specialist treatment without first being referred by a vet at a FOP, typically following a consultation. Other relevant services are pet care plans, out-of-hours treatments, cremation services, and the supply of medicines (or prescriptions to obtain medicines).

4.4 From our qualitative consumer research and responses to our CFI, we have gained an insight into how consumers approach buying vet services. Evidence suggests that the demand side of the veterinary services market has the following characteristics:

- People tend to choose a vet (FOP) based on location (or other aspects of convenience, such as parking or opening hours) rather than on price;
- There is a high degree of inertia when it comes to switching between vets.
- People tend not to compare prices between FOPs, partly because they assume they would all charge roughly the same (which is not the case);
- Many pet owners want to do the best for their pet, and therefore they may not be particularly price sensitive;
- Pet owners may be making decisions in emotional circumstances or under time pressure if they are upset about their pet's condition, urgent treatment is required, or their pet may need to be euthanised;
- Consumers are often unwilling to challenge or question the recommendation of their vet, or push to ask about costs or alternative services;
- There is often very little transparency of prices:

- We found that the majority of websites of vet practices²⁷ had no pricing information, even for basic services.
- In response to the CFI, we heard that people were not always told the prices for treatments, surgery, or out-of-hours care in advance of committing to purchasing the service.²⁸
- There was also sometimes a lack of transparency about options: we heard that consumers are not always effectively informed about their options when purchasing medicines or being offered tests and treatment plans.
- There is also a lack of transparency around ownership: many of the large groups have kept the name and branding of the independently owned vet practices they have acquired.²⁹ As a result, a pet owner may believe that they are choosing between independent competitors when in fact they are comparing practices which are part of the same group.
- Consumers are highly likely to use the referral centre that their vet recommends or go with the crematorium that their vet practice uses, rather than do their own research.³⁰

4.5 The purchase of vet services also differs from many other markets in that the welfare of an animal – who cannot participate in the decision – is affected by the choices made.

The market

4.6 This section summarises paragraphs 1.27 to 1.41 of the consultation document which outline the supply-side characteristics of the vet sector in more detail.³¹

4.7 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 (FOPs) in the UK. In 2013, around 10% of these practices belonged to large groups, but that share is now almost 60%. Many of the large corporate groups have expressed an intention to continue expanding through acquisition of independent practices.

4.8 The large corporate groups are CVS, IVC Evidensia, Linnaeus, Medivet, Pets at Home and VetPartners. IVC is the largest, with around 22% of all first opinion

²⁷ Our research of approximately half of all vet practice websites found that 84% had no pricing information, across both large groups and independently owned vets.

²⁸ See the consultation document, paragraph 1.22.

²⁹ Medivet and Pets at Home are the exceptions.

³⁰ See the consultation document, paragraph 1.19.

³¹ [Veterinary Services for Household Pets in the UK: Consultation on proposed market investigation reference \(publishing.service.gov.uk\)](https://publishing.service.gov.uk).

practices. All the others have a share of practices of below 10%, though evidence suggests that shares of particular groups are considerably higher in some local areas.

- 4.9 To differing extents, these large corporate groups have also acquired businesses which supply related services, such as referral centres, diagnostic labs, animal crematoria, and out-of-hours providers. Of the largest providers, IVC Evidensia, CVS, and Vet Partners have invested in the greatest variety of related businesses. 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.³²
- 4.10 The expansion of the large groups means that a different business model is becoming important in this sector. There is 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.
- 4.11 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.

Medicines

- 4.12 Vet practices sell prescription medicines as part of consultations and treatments. These are subject to certain regulatory rules and requirements, some of which were put in place following a previous market investigation by the Competition Commission.³³
- 4.13 In particular, while consumers can obtain prescription medicines from their vet during consultations and treatments, and this may be convenient for them (or necessary when the pet needs the medicine immediately), they can also get a

³² 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*.

³³ CC (2003), *Veterinary Medicines: A report on the supply within the United Kingdom of prescription-only veterinary medicines*. See also section 7 of the present document.

prescription from their vet (for a fee) and buy animal medicines from a third-party pharmacy, including online retailers, often at a lower price. Vets must advise clients, by means of a sign, that they can get a prescription and obtain the medicine elsewhere.

- 4.14 The regulatory regime also requires that veterinary practices need to buy their medicines from a provider that is licenced for wholesale supply, rather than another source such as an online pharmacy.

Regulation of vet services

- 4.15 The primary regulation in the industry dates from the mid-1960s.³⁴ 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 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 vets³⁵ and a Practice Standards Scheme³⁶ 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.³⁷
- 4.16 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'.³⁸ 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.

³⁴ *The Veterinary Surgeons Act*, 1966.

³⁵ [Code of Professional Conduct for Veterinary Surgeons - Professionals \(rcvs.org.uk\)](#).

³⁶ [RCVS, Practice Standards Scheme](#).

³⁷ 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.

³⁸ RCVS, Legislative reform consultation, [Executive summary](#).

5. Competitive assessment

5.1 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, after taking account of the evidence we have gathered so far and the responses to our consultation, we have decided that we have reasonable grounds to suspect that there may be features (or combinations of features) which are having an adverse effect on competition.

5.2 We refer throughout this section to evidence that we have gathered as part of our market review into vet services for household pets, including what we have heard in response to our consultation on making an MIR. 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 will enable us to use our statutory powers to compel parties to provide information and therefore give us the opportunity to test this evidence, and to gather more, in order to explore our concerns in more depth, and to draw conclusions.

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

5.3 Based on the evidence we have seen as part of our market review and the responses to the consultation, we consider that the following features are present which we suspect may, either alone or in combination, prevent, restrict, or distort competition.

5.4 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 veterinary 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).³⁹ 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 about their options when buying veterinary medicines, and the pricing implications of different choices.

5.5 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 is 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 veterinary 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.

5.6 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

5.7 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;

³⁹ 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;
- (d) Customers may be over-paying for medicines; and
- (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.

- 5.8 Competition is unlikely to work well if customers are unable to understand and compare different options and prices. As described in paragraphs 5.3 and 5.4, 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 price and practice ownership, 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.
- 5.9 As noted earlier (paragraph 4.4), 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.⁴⁰ 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.
- 5.10 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.
- 5.11 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.

⁴⁰ Medivet and Pets At Home (through its Vets4Pets brand) do operate uniform branding.

Consultation responses relevant to this concern

The corporate groups

- 5.12 In their responses, most corporate groups suggested that their remedy proposals (which we discuss from paragraph 6.58 below) would have been a preferable way to address our concerns in this area and/or disagreed with the basis of our concern: see, for example, Medivet’s submission on the CFI evidence, which we discuss at paragraph 5.22 below. At the same time, some (Pets at Home,⁴¹ Medivet⁴²) did explicitly recognise in principle the importance of these issues to consumers, for example, in respect of corporate ownership of clinics or pricing transparency. Some corporate groups outlined a commitment to investment in training to support conversations between pet owners and their staff.

Regulators, representative bodies and consumer bodies

- 5.13 A number of regulators, representative bodies, and consumer bodies who responded to our consultation agreed that consumers often have not received enough information to enable them to make informed decisions. A number of respondents agreed, in particular, that ownership of practices was not always transparent and were supportive of improving transparency of both pricing and ownership.
- 5.14 The BVA highlighted the importance of providing information on different options and prices to clients at the right time, while cautioning against a blunt, ‘one size fits all’ regulatory tool. The APPCC raised concerns around a lack of information provided about cremation services (including their ownership) and highlighted the fact that such decisions were often made under stressful circumstances. The BVA also noted challenges posed by price lists, such as reducing the risk that inaccurate comparisons would be drawn by clients.
- 5.15 The BCVS also noted that it was currently very difficult for consumers to understand the differing levels of expertise available between specialist referral practitioners, and the extent to which the price of their services reflects (or does not reflect) that expertise.

Animal charities

- 5.16 The majority of charities who responded (SSPCA, RSPCA, Dog’s Trust, Assistance Dogs UK, PDSA) outlined a lack of transparency regarding ownership of practices, and the pricing and quality of treatments. Alongside this, some charities detailed the pressure on the veterinary profession and changing

⁴¹ Pets at Home response, para 7(b).

⁴² Medivet response, para 3.3.

expectations of owners, which they suggested may have led to an increased fear of legal or disciplinary action (RSPCA, Dog's Trust, Blue Cross), potentially influencing the treatment options vets provide.

- 5.17 The RSPCA suggested that simply presenting multiple options to pet owners would not be helpful, since most were not knowledgeable enough to make a better-informed choice than a vet's recommendation, while recognising the importance of ensuring that such a recommendation was not influenced by business targets.

Individual vets

- 5.18 The majority of respondents in this category agreed that consumers were not given enough information to make the best choices about veterinary practices and treatment options.
- 5.19 Some responses said that corporate ownership was not advertised clearly enough, meaning clients were often unaware that their veterinary practice was owned by a large group. One respondent even said that their corporate employer had specifically told their vets not to inform clients about the change of ownership. Relatedly, a number of respondents said they did not believe that clients were provided with appropriate information or options regarding referrals. Concern was raised about a lack of transparency where related services were owned by corporates, or where a financial incentive was in place to refer to a particular provider. Respondents said that increased transparency regarding the ownership of practices and related services would help to improve consumer choice and maintain trust within the community.
- 5.20 A number of respondents said that transparency of pricing information should be increased, for example, through itemised invoices and published price lists. One response said that practices rarely itemise costs for cremation services, perhaps due to the low costs paid by the practice in comparison with the prices paid by pet owners. However, vets said that it could be difficult for consumers to compare prices for anything beyond the most basic procedures. One respondent said that pressure placed on vets to keep consultation times short has led to less information being shared with clients.
- 5.21 Responses also mentioned that many clients were willing to pay higher prices for a quality service. However, some respondents said that there was a lack of transparency around the quality of services on offer as well as the vet's levels of qualification and expertise, particularly in relation to referral vets. Some vets who responded believed that clients often incorrectly assumed they had been referred to a specialist when they had not.

Concern 1: Assessment and conclusions

5.22 As noted at paragraph 5.12 above, Medivet submitted that the CMA's concerns regarding price transparency were not borne out by the CFI responses, citing (for example) the consultation document where it referred to around one fifth of respondents who said they were not provided with any cost information before agreeing to tests. Medivet inferred from this that '80% of respondents' were provided with cost information before agreeing to tests and argued that this did not support an assertion of a lack of price transparency.⁴³ However, the CMA does not consider that Medivet's submission on this point removes the reasonable basis for its suspicions that a lack of price transparency is part of the features of the market adversely affecting competition, and that should be investigated further. In this regard, the CMA notes:

- (a) The CFI responses are only one part of wider evidence discussed in the consultation document that substantiates our concerns regarding price (and other forms of) transparency. For example, this concern was also supported by our qualitative consumer research and our review of vet practices' websites.
- (b) The CFI was not a statistical survey and, as a result, its evidence cannot be taken to be representative of the experiences of pet owners and the veterinary sector as a whole. It is possible that the respondents to the CFI were more engaged consumers, who were more likely to ask about price.
- (c) The CFI findings presented do not account for the quality of the pricing information provided (ie whether the pricing information was sufficient).
- (d) Even if this evidence wholly reflects the true situation – that is, it is the case that the large majority of pet owners do, in fact, know the cost of tests before committing to them – it remains the case that a substantial minority of all pet owners (amounting to hundreds of thousands of consumers) commit to tests for their animal without knowing how much it is likely to cost.

5.23 It appears that the industry has recognised that there are some transparency issues in this sector. For example, the measures the corporate groups offered were almost all aimed at improving transparency for pet owners, with regards to pricing, ownership, and options for treatment. We also note the recently published guidance for vets from the BVA,⁴⁴ which outlines 'actions which veterinary practices may wish to take in the light of the CMA's review'. Based on the evidence we have gathered so far and the consultation responses which engaged with this concern, we consider that there are reasonable grounds to suspect that

⁴³ Medivet consultation response, paragraph 3.1.

⁴⁴ [Transparency and client choice guidance | British Veterinary Association \(bva.co.uk\)](https://www.bva.co.uk/transparency-and-client-choice-guidance).

there are features in this regard which prevent, restrict, or distort competition and that this concern contributes to our reasoning for making a market investigation reference.

- 5.24 We note that a large proportion of the responses endorsed our concerns that consumers may not be given enough (or the right) information to enable them to choose the best veterinary practice or the right treatment for their needs. We also note there are measures which some of the large corporate groups put forward just before we launched the consultation and which they suggested would improve transparency and provide clients with improved information. The nature and extent of the comments which we received indicate to us that that this is an area which requires further investigation and would not be fully addressed by the transparency measures which the five large corporate groups discussed with us.
- 5.25 We would, nonetheless, encourage, the large corporate groups to pursue potential improvements which they can make alongside the investigation.

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

- 5.26 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 scale have contributed to many local areas having relatively little choice of veterinary practices. We also note, however, that the lack of competition in some local areas is unrelated to merger activity and, for example, may be because there is not sufficient local demand to sustain multiple veterinary practices.
- 5.27 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.
- 5.28 In the course of our market review, we conducted a preliminary assessment of local areas based on postcode areas and postcode districts.^{45, 46} Our analysis (see paragraphs 2.14 to 2.15 of the consultation document) indicates 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 with the larger postcode areas. The areas of high concentration based on

⁴⁵ 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.

⁴⁶ 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.

postcode districts appear widespread rather than being limited to certain regions of the UK.

- 5.29 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).

Consultation responses relevant to this concern

The corporate groups

- 5.30 In response to this concern, most of the large corporates outlined their commitment to competition or their experience of the field being highly competitive. They also outlined the benefits of corporate ownership or suggested that any analysis on local concentration should take account of real experiences.
- 5.31 The large corporates made a number of submissions in relation to this concern, including:
- (a) IVC Evidensia⁴⁷ argued that the evidence for the CMA's concerns in this area is not 'reliable' and cited the limitations (discussed in our consultation document) of postcode analysis.
 - (b) VetPartners⁴⁸ submitted that there would be reasons to differentiate between thresholds applied in mergers analysis versus a market investigation, and also urged consideration of local demographics and characteristics.
 - (c) Medivet challenged this concern, submitting that barriers to entry are low (citing growth in the sector and claiming there are no barriers to switching, citing vets' obligations under the RCVS Code) and that the sector is 'highly competitive'.⁴⁹

⁴⁷ IVC Evidensia response, paragraphs 3.2–3.3.

⁴⁸ VetPartners response, paragraph 6.

⁴⁹ Medivet response, paragraph 1.

- (d) Pets at Home did not explicitly challenge the concern itself but did suggest that such concerns would be more appropriately addressed through the use of the CMA's merger powers and that the imposition of divestiture remedies would be 'draconian' and give rise to 'unforeseen consequences' for, for example, investment in the sector.⁵⁰

Regulators, representative bodies, and consumer bodies

- 5.32 The responses from representative and consumer bodies tended to agree that there were concentrated local markets which were leading to weak competition, particularly in related services. Which? considers that it is 'highly plausible' that high levels of local concentration will have adverse effects for consumers, and referred to its own pricing research.
- 5.33 Some (such as RAMP and APPCC) suggested that businesses providing related services – in this case musculoskeletal referrals and cremation services – in concentrated areas often struggled to secure referrals, particularly from corporates.
- 5.34 The BVA recognised that local competition was important, and that continued acquisition was a strategy of many of the larger corporate groups. It supported the CMA obtaining the evidence necessary to investigate this concern, while urging that careful consideration be given to unintended consequences of targeted structural remedies such as divestments (citing concerns such as the prospect of job losses and additional workloads).⁵¹

Animal charities

- 5.35 One charity (the Scottish SPCA) commented that there are some areas where all practices were owned by one corporate group, suggesting that owners in rural areas of Scotland in particular often had very little choice. The RSPCA submitted that loss of competition in local areas had had adverse effects on the availability of charitable discounts (or loss of a service entirely).
- 5.36 The PDSA suggested that any structural remedies should take account of knock-on effects on other businesses, for example, suppliers and that any divestment should be done in a way which is sustainable.⁵²

⁵⁰ Pets at Home response, paragraphs 17–20.

⁵¹ BVA response, paragraphs 29–31.

⁵² PDSA response, page 5.

Individual vets

- 5.37 Overall, a significant number of respondents in this category agreed that concentrated local markets resulted in weak competition in certain areas. This was of particular concern in rural areas where there may not be high enough demand to support effective competition.
- 5.38 Some respondents said that in some areas one or two corporates owned most or all businesses, with FOPs, referral centres, and out-of-hours care mentioned specifically. It was also said that, due to a lack of clear branding and transparency of ownership in some practices, consumers were unaware of their own lack of choice.
- 5.39 One respondent said that independent practices often relied on referral partnerships and that, with fewer independent referral practices, their ability to choose the best option could be compromised.
- 5.40 Some said prices have increased in concentrated areas, but it was also said that different corporates took different approaches to pricing, with some imposing the same fee structure throughout practices and others setting prices at a local level.
- 5.41 Two respondents said that it was common practice for corporate groups to include non-compete clauses in their contracts preventing vets from working in or setting up rival practices within a certain mile radius. This made it difficult for vets to move practices, or to establish new, independent practices.
- 5.42 There was some support for the possibility of divestments. One respondent said any divestments should be openly advertised to avoid a situation where all divested practices are sold to other corporate groups.

Concern 2: Assessment and conclusions

- 5.43 We have considered these responses carefully, especially the objections from the large corporate groups outlined above from paragraph 5.30. In response to the comments on our preliminary analysis, we note that we based this on postcode areas and postcode districts since they provide a clearly defined area that is based on population data. We agree that our analysis based on postcodes is preliminary and capable of refinement. However, it raises initial concerns – a suspicion that competition may not be working as well as it could in a well-functioning market – based on the sorts of thresholds applied in merger analysis. That analysis can be developed so that we undertake a more detailed and sophisticated analysis of local concentration, for example, using an area around each vet practice based on how far most customers travel to the vet, rather than using postcode areas. Nonetheless, the postcode area analysis is a basis for further investigation.

- 5.44 We consider that – taking into account the evidence we have gathered and our analysis so far, together with the range of consultation responses – we have 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 concentration.
- 5.45 We take account of the significant support for our concerns in this regard. None of the responses which questioned our analysis so far cause us to think that our concerns in this regard are unfounded or do not merit further investigation. There is an objective basis for a real suspicion that merits further investigation to see if it is warranted.
- 5.46 We also note the cautions on the difficulties that may be involved with remedies which involve divestment of FOPs, and the potential unintended consequences that may arise. As with all interventions of this potential scale and significance, the design, and all potential consequences, would need to be considered carefully prior to implementation to ensure that remedies were effective and practical, as well as reasonable and proportionate. The Group will bear these considerations in mind when it considers the statutory questions⁵³ and that will be part of the investigation, not a reason not to undertake it.

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

- 5.47 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.
- 5.48 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.⁵⁴ 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.⁵⁵
- 5.49 Some of the largest suppliers have invested millions in specialist equipment, as noted in paragraph 1.38 of the consultation and paragraphs 14 and 5.5 above.

⁵³ [Section 134 Enterprise Act 2002](#).

⁵⁴ ONS, [Consumer price inflation timeseries: Veterinary and other service for pets](#) and [Consumer price inflation timeseries: all items](#).

⁵⁵ 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.

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. Although many pet owners may greatly value access to these treatments, they may not be the right choice for everyone.

- 5.50 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. 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.
- 5.51 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 of the consultation (and paragraph 4.7 above), 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.
- 5.52 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, and professional skills development. However, without effective competition, consumers may not see any benefits from these efficiencies in terms of lower prices.
- 5.53 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 of the consultation document (and paragraph 5.7 above) may 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 cost 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.
- 5.54 We consider these in turn.

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

- 5.55 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.
- 5.56 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.

Incentives to promote more sophisticated treatments in place of simpler options

- 5.57 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.
- 5.58 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).
- 5.59 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.
- 5.60 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).

5.61 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 (for example, budget constraints and the owner’s ability to properly care for an animal recovering from surgery).

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

5.62 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.

5.63 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.

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

- 5.64 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 options, to the exclusion of cheaper alternatives. 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 2019⁵⁶ also highlighted concerns within the profession about increasing referrals for advanced treatment.
 - (d) We have seen some evidence which suggests that veterinary 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.
 - (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).⁵⁷ The Association of British Insurers has noted a large rise in claims which it attributes to an increasing provision of higher cost treatments.

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.

- 5.65 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

⁵⁶ RCVS, [The 2019 Survey of the Veterinary Profession - Professionals](#).

⁵⁷ 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.

favour an in-group supplier. Veterinary practices either choose the supplier on behalf of the customer (eg diagnostic testing and cremation services sold through the FOP) or recommend a particular option (referral centres or out-of-hours services).

- 5.66 As noted in paragraph 1.19 of the consultation document, even where the customer has a choice, the veterinary practice's recommendation is very powerful in influencing the supplier that the consumer uses. 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. So, too, did some responses to the consultation. 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 additional FOPs.⁵⁸
- 5.67 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 veterinary 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.
- 5.68 In addition, 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.

⁵⁸ See, for example, the Medivet merger decision, which notes that the factors considered by Medivet when acquiring a veterinary practice include location of the practice in relation to existing Medivet practices, particularly proximity to Medivet hubs and spokes. [Full text decision \(publishing.service.gov.uk\)](#), paragraph 28.

Consultation responses relevant to this concern

The corporate groups

- 5.69 Most of the corporate groups argued that they didn't have the ability or incentive to provide higher cost treatment in place of simpler options and that they placed great importance on contextualised care.⁵⁹ In particular:
- (a) CVS said that it trained vets to communicate with pet owners (including on contextualised care), while noting that pricing conversations with pet owners could be challenging;⁶⁰
 - (b) IVC Evidensia stated its commitment to contextualised care, noted that the RCVS Code requires vets to provide independent care in pets' best interests.⁶¹ It specifically argued that its data corroborates its view that customers are not steered towards more expensive treatments, citing falls in the number of diagnostic patient transactions and that only a small percentage of patients receive a referral, with a 'declining trend of referrals to IVC centres';⁶²
 - (c) IVC Evidensia summarised the benefits of corporate ownership, including support for vets from central functions, research and data sharing, employee benefits and investment;⁶³
 - (d) Linnaeus said this concern had 'no application to Linnaeus', citing the RCVS code and its commitment to contextualised care;⁶⁴
 - (e) Medivet said it trains its vets in contextualised care and that its vets have full flexibility to offer customers different treatment options;⁶⁵ and
 - (f) VetPartners urged the CMA to 'be mindful of the risk of chilling new investments' by putting significant investments by vet groups 'at the heart of a potential theory of harm'.
- 5.70 In terms of incentives to generate referrals and to keep them in-group:

⁵⁹ 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).

⁶⁰ CVS response, para 4.

⁶¹ IVC Evidensia response, paras 1.6 and 4.

⁶² IVC Evidensia response, para 4.5(iii).

⁶³ IVC Evidensia response, para 2.

⁶⁴ Linnaeus response, para 11.

⁶⁵ Medivet response, para 3.3(b)(ii).

- (a) CVS said that it does not offer any financial incentives to its vets or vet nurses based on the services they personally deliver or referrals to other CVS group services;
- (b) IVC Evidensia submitted that, consistent with RCVS guidelines, it did not incentivise vets to refer customers to its own specialists. It also submitted that there should be no concern regarding encouraging customers to use in-group out-of-hours, diagnostics, and cremation businesses (which it characterised as typically business-to-business services), as distinct from the services of specialist referrals centres that are provided directly to the customer, though it did not offer a rationale for this assertion;⁶⁶
- (c) Pets at Home outlined its business model which it referred to as 'distinctly pro-competitive' that, it said, 'guarantees that clinical and pricing decisions are made locally by independent practice owners' and ensures it is 'transparent with customers as regards treatment pricing and options'. It also notes that it has no specialist referral divisions/practices and is clearly branded as Vets4Pets, Vets for Pets, and Companion Care.

Regulators, representative bodies, and consumer bodies

- 5.71 Many respondents agreed with this concern, for example, Which?, BVNA, BCVS, Countryside Alliance, APPCC and RAMP. Some (RAMP, APPCC) suggested that corporate practices would often only refer either in-house or to services they had links with rather than providing a choice to pet owners. There was also concern that clients were often not aware that their practice owned or had links to the referral service (APPCC, Countryside Alliance). The APPCC also highlighted that such decisions were often made by pet owners under stressful circumstances.
- 5.72 Some respondents (RAMP, BVNA) suggested that corporates may have had the incentive and capability to focus on more expensive equipment and techniques over alternative options. However, while supporting the CMA's proposal to investigate this concern in more detail, the BVA was strongly opposed to any suggestion that vets preyed on pet owners in promoting more sophisticated or expensive treatments; its submission also focused on the potential efficiencies which, it said, self-preferencing could bring to customers.

Animal charities

- 5.73 Some charities pointed to increased costs and lack of choice as outcomes connected with corporatisation. For example, the RSPCA's response was very supportive of the investigation of the CMA's concerns in this respect, noting its belief that the concern identified by the CMA is 'a key factor that is resulting in

⁶⁶ IVC Evidensia response, para 5.

animal welfare detriment'. It also suggested that business models that relied on referrals tended to result in the de-skilling of vets located in FOPs, as more complex procedures were now carried out by the (in-group) referral unit. Similar concerns regarding the over-use of referrals were raised by Assistance Dogs UK.

- 5.74 The RSPCA and Scottish SPCA also asserted that some animals are left with no treatment options due to increasing costs associated with such business models.

Individual vets

- 5.75 Many respondents agreed that large corporates had incentives to act in ways which reduce choice. A prominent factor identified by respondents was the impact of referrals weakening competition.
- 5.76 Many respondents said that referrals were usually made to services owned by the same group. Additionally, one response said that corporates had bonus or share schemes, providing vets with a financial incentive to recommend expensive tests (which is consistent with some evidence we have seen). Another said that vets in a corporate group were required to make in-group referrals. One vet said that some corporates (for example, CVS) employed their own peripatetic clinicians,⁶⁷ providing an incentive for FOPs to keep referrals in house in order to retain a large portion of the referral cost.
- 5.77 Another response said that vets were encouraged to refer in house or to another branch despite what they perceived to be a lack of experience, equipment, or qualifications at the destination of referral. Additionally, a respondent said that vertical integration had reduced competition for third-party services such as diagnostic laboratories, in-house laboratory equipment, crematoria, referral services, out-of-hours services, and equipment purchases. It was said that it may have also reduced vets' clinical freedom to prescribe certain medicines.
- 5.78 One respondent said that FOPs should make it clear whether there is a financial interest when referring. Additionally, they should not be allowed to refer within group without offering a clinic outside of the group.
- 5.79 A few responses mentioned that they did not believe the RCVS Code had been adhered to in respect to referrals, suggesting pet owners were not being informed about the level of expertise of referral surgeons. They also suggested the Code is not strong enough as it does not enforce full disclosure to pet owners of the referral structure.

⁶⁷ A peripatetic surgeon is a 'mobile' vet who has no fixed base and who travels to appointments at different locations to take referrals.

Concern 3: Assessment and conclusions

- 5.80 We have carefully considered the responses on this issue, in particular those from the large corporate groups which most strongly opposed the proposal to make an MIR. As we have noted, our concern is not that vets are breaching the RCVS Code with respect to treatments being offered, but that the business models of some of the large, integrated vet groups, and the incentives and ability they have, may mean consumers are more often presented with more expensive, premium, treatment options, even if they would prefer a lower cost alternative if fully informed - irrespective of whether this may be consistent with the RCVS Code.
- 5.81 We also are concerned that large corporate groups may be favouring in-group services, which could reduce choice for consumers, with the possible effect of raising prices, reducing quality or restricting competition. In a well-functioning market, we would expect consumers to be able to make informed choices between a range of options. Under the market investigation regime, we can investigate whether the way services are being provided – either those that may be characterised as ‘business to business’ or ‘business to consumer’ services – means that consumers are not able to make well-informed choices in this way.
- 5.82 We have seen evidence from the corporate groups which, notwithstanding their consultation responses, suggests that this is a genuine concern. For example, we have seen internal documents from the large groups which suggest that there may be incentives for vets to increase revenue or to use in-group services. We have also seen evidence that suggests that FOPs do favour in-group referrals when available. Some of the consultation responses from regulators, representative bodies and consumer bodies, and veterinary professionals also support our view that this concern should be investigated.
- 5.83 As we have identified above, some of the corporate groups⁶⁸ operate a ‘hub and spoke’ business model in which their first-opinion veterinary practices (the spokes) direct consumers to related businesses such as referral centres (the hubs), thus capturing (and possibly, encouraging) the additional revenue and profit streams within the wider business.
- 5.84 The ONS evidence cited above, and the submissions from insurance companies, are also consistent with, albeit not determinative of, our suspicions in this regard. The corporates’ consultation responses do not, therefore, resolve our concern or remove the bases for it.
- 5.85 Based on the responses which engaged with this concern, including those from individual vets, we consider that there are reasonable grounds to suspect that

⁶⁸ Especially Medivet, VetPartners and Linnaeus, though ICV retains this when it acquires a group of practices that are operating under this model.

there are features relating to the business model of large integrated groups which, as noted above, may prevent, restrict, or distort competition. This concern contributes to our reasoning for making an MIR. We will have the power to gather additional evidence of this nature by using our statutory powers as part of the market investigation.

- 5.86 We note that the Group will need to explore the benefits which vertical integration may bring in terms of enhanced efficiency and consumer welfare as part of its investigation. Moreover, if the Group decides that, despite the existence of some efficiencies that benefit customers, there is still an adverse effect(s) on competition in the market, these efficiencies may be taken into account as relevant consumer benefits if and when the Group considers possible remedies.

Concern 4: Consumers may be over-paying for veterinary medicines⁶⁹

- 5.87 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.⁷⁰ 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.
- 5.88 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 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.
- 5.89 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.⁷¹
- 5.90 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

⁶⁹ 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).

⁷⁰ 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).

⁷¹ RCVS, [Guidance on Fair trading requirements](#).

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 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.

- 5.91 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 2023.⁷² Some respondents to the CFI told us that they considered prescription volumes to be small (eg a supply for 3 months rather than 12 months) which resulted in more frequent prescriptions and higher overall prescribing fees.

Wholesaling costs versus retailing costs

- 5.92 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 these savings to customers might be low if customers do not shop around for FOPs or medicine retailers.
- 5.93 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.⁷³
- 5.94 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 licensed.⁷⁴ We intend to explore whether the regulatory regime contributes to consumers overpaying for medicines.

⁷² SPVS, [Fees Survey 2023](#), page 6 (members only access).

⁷³ Both within responses to the CFI and during interviews with independent vets.

⁷⁴ [Schedule 3 of The Veterinary Medicines Regulations 2013](#).

Consultation responses relevant to this concern

The corporate groups

- 5.95 The large corporate groups' submissions addressed this concern to a limited extent, including:
- (a) Pets at Home⁷⁵ submitted that certain changes to the regulatory regime could address this concern, such as removing restrictions on the use of (cheaper) substitutable human health drugs; however, it regarded an MIR as an unnecessary step in bringing those changes about. It also observed that an aspect of this concern regarded transparency and, to that extent, the remedies proposed by the five large corporate groups could address this concern; and
 - (b) CVS noted the clinical activities involved in the prescription process and that are reflected in their prescription fee (which they submitted was at the 'lower end' of the range reported in our consultation document).

Regulators, representative bodies, consumer bodies and other veterinary businesses

- 5.96 A number of respondents from regulatory, representative bodies, and consumer bodies recognised the CMA's concern around the cost of medicine.
- 5.97 Which? submitted that their own research had found that barriers to competition may be resulting in consumers over-paying for veterinary medicines. Which? also highlighted aspects of regulation it considers merit further investigation as potentially having an adverse effect on consumers, for example, the effects of the prescribing cascade.⁷⁶
- 5.98 The BVA⁷⁷ supported further investigation of this concern, noting that the disparity in prices between online pharmacies and wholesalers is a concern expressed by many BVA members, particularly given that, in many cases, medicine is required to be dispensed at a FOP and so it will be impractical for a customer to source it from, for example, a third-party pharmacy. The BVA emphasised the costs involved in prescribing, and suggested that some concerns around prescription fees could be addressed via communication and increased understanding; it also

⁷⁵ Pets at Home response, paragraph 23(b) and paragraph 11(c).

⁷⁶ The prescribing cascade describes the provision under the Veterinary Medicines Regulations which allows vets to prescribe medicines (for animals) that would not otherwise be permitted, for example, because there is no suitable veterinary medicine authorised. It also could encompass the circumstances under which they can do so and the steps they should take when doing it. See, for example, <https://www.gov.uk/guidance/the-cascade-prescribing-unauthorised-medicines>

⁷⁷ BVA joint response, paras 39 to 45.

submitted that clinical judgment should determine the length of time a prescription covers. We also note that the BVA's recently issued guidance for vets suggests that they should proactively offer a prescription where clinically appropriate and quote the cost of purchasing the prescribed medicine directly from the practice.⁷⁸

- 5.99 Some respondents advised caution. The Scottish Chief Veterinary Officer and XL Vet suggested that medicine prices often cross-subsidised other services, and the RCVS noted the complex regulatory environment applying to medicines, suggesting actions to lower prices must not have unintended impacts on FOP sustainability or pharmaceutical research and development. NOAH (an industry membership group) stressed the importance of regulation in terms of safety, quality, and efficacy; it also argued that the existing prescribing cascade is important to maintain a business case for the development of veterinary medicines.

Animal charities

- 5.100 A number of responses from some charities referred to their own experiences of high prices of medications. For example, the Scottish SPCA highlighted the difference between medication supplied in FOPs versus compared with online pharmacies, welcomed an investigation of how prices are set, and suggested that the investigation could explore the possibility of regulatory changes allowing the prescription of human generic drugs where there is no proven detriment to animal welfare.
- 5.101 Assistance Dogs UK noted that elderly and disabled people may have found it challenging to access medication online, and that in their experience high mark-ups were applied to the prices of veterinary medicines. Blue Cross noted the role of bulk-purchasing power and that it is sometimes unable to supply medicines as cheaply as online pharmacies.
- 5.102 The RSPCA noted that medicines may be cross-subsidising the provision of other animal treatment and cautioned that a decrease in medicine-linked income could have adverse effects on animal welfare.

Individual vets

- 5.103 Several respondents mentioned that, historically, vets have undercharged for their services and instead applied a mark-up to veterinary medicines to cover costs. They suggested that capping the mark-up on medications sold in practices may result in higher charges for veterinary services such as consultations.

⁷⁸ [bva-transparency-and-client-choice-guidance.pdf](#).

- 5.104 While many respondents were in favour of increasing the transparency of costs for medications, several responses stated that medication pricing should continue to be determined by individual veterinary practices. This was due to differences in the cost of storage, wastage of medications (due to expiry), and the fact that practices paid different prices for the same medication due to significant differences in discounts received from wholesalers.
- 5.105 Many respondents mentioned that veterinary surgeons were bound to prescribe medications using the prescribing cascade. Several responses were highly critical of the cascade, particularly as they felt it limited the uses of generic medications. It was suggested that greater use of suitable generic medications may reduce costs for clients. Two other respondents supported the cascade in its current format and mentioned its role in ensuring animal welfare standards and research and development of new animal medications.
- 5.106 Several respondents mentioned that veterinary practices can only buy drugs from a limited number of VMD approved sources which reduces practices' ability to shop around for the best prices for medications. Respondents who worked in or owned independent practices raised concerns that online pharmacies were able to sell veterinary medications at cheaper prices than they could purchase from licensed wholesalers. As noted above, we also heard this concern from vets in response to our CFI.
- 5.107 Some respondents were concerned that several large online pharmacies were owned by corporate groups. They suggested this reduced competition as corporate practices could charge for a written prescription, which may then be fulfilled by clients at an online pharmacy that they own, therefore keeping the profit within the group. A respondent from an independent practice was also concerned that by providing a written prescription they were losing profit to a direct corporate competitor. Responses also said that corporates themselves discouraged consumers from receiving written prescriptions to purchase online, encouraging them to buy the medication at a higher price from the practice.
- 5.108 Some responses highlighted the need for practices to charge for written prescriptions. Respondents told us that prescriptions were legal documents with steps to follow including taking time to review records, decide on appropriate medication choice, and complete the prescription. Additionally, a respondent suggested clients often need further guidance regarding how to fulfil any prescriptions from third-party pharmacies or call the practice for follow-up advice which can further increase costs associated with providing prescriptions.
- 5.109 One respondent said that certain corporate-owned practices were now limiting the length of prescriptions, resulting in clients being charged further consultation fees and prescription fees. They felt this was unnecessary for chronic health medications such as anti-inflammatory painkillers.

5.110 Two respondents were strongly against imposing any mandatory length of prescription. They both recommended that the length of prescription should be determined by the individual vet (not veterinary practice) and should be in the best interest of the animal. They suggested an excessively long prescription length may lead to clients using excessive medication which is no longer needed.

Concern 4: Assessment and conclusions

- 5.111 We note that most respondents to the consultation agreed with the bulk of our concern that consumers may be over-paying for veterinary medicines. However, one of the corporate vets' groups (Pets at Home⁷⁹) said that changes could be made to the regulatory regime that would address some of our concerns without the need for an MIR, and that the measures offered voluntarily by the corporate groups could address our concerns relating to transparency around the ability to obtain prescriptions from FOPs and buy medicines elsewhere. Other respondents cautioned about the risks of unintended consequences of lower prices for medicines and said that prescription lengths should be a matter of clinical judgement.
- 5.112 We observe that none of those responses suggested there is no basis for our concern in relation to veterinary medicines and the prices consumers pay. The evidence is as set out in the consultation and above, and reinforced in some cases by the consultation responses.
- 5.113 We understand Pets at Home's response in relation to transparency to be consistent with our concern about the ineffectiveness of the existing requirements relating to what consumers should be told about medicines and prescriptions (including when and how they should be told it). For the reasons set out elsewhere in this document (paragraphs 6.61 to 6.63), we do not consider the voluntary measures offered by certain of the corporate groups to be sufficient. In addition, we note that changes to the regulatory regime for veterinary medicines may require review and amendment of the Order the Competition Commission made in 2005 following its earlier investigation of the market for veterinary medicines.⁸⁰ That is a measure the CMA has the power (and duty) to review, and we could do so in conjunction with a market investigation.⁸¹
- 5.114 Accordingly, based on the evidence and the consultation responses which engaged with the concerns set out above about consumers over-paying for veterinary medicines, we consider that there are reasonable grounds to suspect that there are features of the market relating to veterinary medicines which may

⁷⁹ Pets at Home response, para 23(b).

⁸⁰ See section 6 of this document.

⁸¹ Again, see section 6.

prevent, restrict, or distort competition. This concern contributes to our reasoning for making a market investigation reference.

- 5.115 The Group will take into account the concerns raised in responses when undertaking its analysis and considering remedies. Those are matters to be assessed in a market investigation, not reasons for not making an MIR.

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

- 5.116 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.⁸² Its current statutory 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 veterinary practices or related services.
- 5.117 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.’⁸³ Moreover, while we understand that around 69% of eligible practices have signed up to this voluntary scheme,⁸⁴ that means that almost a third of the market has not committed to this approach.
- 5.118 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. 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.

⁸² [The Veterinary Surgeons Act](#), 1966.

⁸³ RCVS, Legislative reform consultation, [Executive summary](#).

⁸⁴ RCVS, [Practice Standards Scheme](#).

Consultation responses relevant to this concern

The corporate groups

- 5.119 All of the large corporate groups (except Linnaeus) said that the regulatory framework should be reviewed if a decision is taken to launch an MIR, and a number identified specific areas where the regulatory framework could be reformed: for example, IVC Evidensia,⁸⁵ Pets at Home,⁸⁶ and VetPartners⁸⁷ noted existing restrictions on the duties of veterinary nurses as an issue, and CVS highlighted its support of introducing mandatory practice regulation.⁸⁸
- 5.120 Pets at Home also submitted that an MIR was not required to address this concern, submitting that the CMA could make recommendations outside the MIR framework.⁸⁹

Regulators, representative bodies and consumer bodies

- 5.121 Respondents that engaged with this question agreed that regulation was outdated, with RAMP and the RCVS referring to existing reform proposals. The RCVS said a review of the complaints and disciplinary system is necessary, and RAMP advised consideration of an ombudsman in the sector.
- 5.122 In terms of other views:
- (a) Many respondents suggested that regulation should apply to practices as opposed to just veterinary professionals (BVA, RAMP, RCVS, Which?, Scottish Chief Veterinary Officer).
 - (b) Some also suggested changes to the regulation of professionals, such as an expansion of the role of vet nurses (RCVS), regulation of musculoskeletal professionals, and protection of the 'specialist' title (RAMP, BCVS).
 - (c) The APPCC suggested that cremation services should also be regulated.

Animal charities

- 5.123 The majority of the responses from charities stated that the regulatory framework was not fit for purpose or outlined new regulation as a solution to some of their concerns. Blue Cross suggested there was a climate of fear surrounding complaints and litigation which could lead to more expensive treatment due to defensive medicine, a concern echoed in the RSPCA's response. The RSPCA

⁸⁵ IVC Evidensia response, paragraph 8.2(iii).

⁸⁶ Pets at Home response, paragraph 23(a).

⁸⁷ VetPartners response, paragraph 5.

⁸⁸ CVS response, paragraph 4.

⁸⁹ Pets at Home response, paragraph 22.

also highlighted that an effect of the Veterinary Surgeons Act 1966 is that individual veterinary professionals carry all the risk, while their employers profit. The RSPCA noted that this distinction between industry and individual vets may not be present in the public's mind, and suggested that there was a shortfall of analysis of the potential adverse effects of this framework's impact on individual professionals including 'a target culture'.

- 5.124 The Dogs Trust suggested changes to definitions of professionals and the widening of veterinary nurses' ability to carry out procedures. Others (Scottish SPCA, PDSA) raised concerns regarding the lack of regulation of other related services such as canine fertility clinics, and ownership of FOPs by non-vets (Scottish SPCA).

Individual vets

- 5.125 Respondents who commented on the regulatory framework perceived regulation as an important aspect of ensuring quality in veterinary care. The majority of responses from veterinary professionals agreed with the concern that the current regulatory framework is outdated and no longer fit for purpose. Many respondents were concerned that the regulatory framework no longer reflected the structure of the industry since it predates the changes which allowed non-vets to own veterinary practices.
- 5.126 Some respondents were particularly concerned that only individual practitioners were covered under the current remit, limiting the control that the RCVS had over the industry. Several respondents suggested that this remit needed to be extended to practice owners or veterinary practices as businesses in order to be able to hold them accountable for standards of care and informed choice.
- 5.127 A minority of respondents felt that the expansion and mandatory adoption of the PSS⁹⁰ could help address some of the regulatory and consumer concerns we laid out in our consultation document.
- 5.128 Other respondents felt that, since its inception, the PSS had expanded in scope and one response said it had become 'a box-ticking exercise'. Concerns were raised that the infrequency of practice inspections for members of this scheme could let poor performance continue for some time. Veterinary professionals who owned or worked in independent practices mentioned that accreditation with the PSS involved a high level of administrative tasks. These responses suggested that smaller independent practices may have found this more difficult and time-

⁹⁰ The RCVS runs a voluntary Practice Standards Scheme (PSS) for vet practices. Currently around 69% of veterinary practices are members of this scheme.

consuming compared with corporate groups who may have larger staff teams and central office support.

- 5.129 Several respondents were concerned about the current enforcement measures, impartiality, and transparency of the RCVS. One respondent raised that minutes of board meetings were not made available due to commercial sensitivity. Another respondent was concerned that corporate groups had a high level of influence on the RCVS. Several respondents raised concerns that some veterinary professionals were not following aspects of the Code of Conduct. These responses felt enforcement of this code by the RCVS was limited.
- 5.130 Several responses from both veterinary surgeons and veterinary nurses wanted the title of 'veterinary nurse' to be protected and their role in diagnosis and treatment in practice to be expanded. These respondents suggested this would better reflect the level of training required to work as a veterinary nurse, as well as assist in reducing workload in practices.

Concern 5: Assessment and conclusions

- 5.131 All respondents who commented on the issue – including the corporate groups – agreed that there was a need for regulatory reform, though respondents made different suggestions about what might be needed. There is evidence, described above and set out in the consultation, of possible shortcomings in the current regulatory rules (for example, about the transparency of information relating to treatment options, price and practice ownership) that may be addressed by order-making remedies in a market investigation, and of flaws in the broader regulatory framework that may be addressed via CMA recommendations to the RCVS and/or government.
- 5.132 On those bases, we consider that there are reasonable grounds to suspect that the inadequacy of the current regulatory framework is a feature of the market adversely affecting competition. That assessment contributes to our reasoning for making a market investigation reference.

6. The case for a market investigation reference

6.1 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 market investigation reference and the relevant market;
- (b) The legal framework for making an MIR;
- (c) Our conclusion that the reference test has been met;
- (d) Our view that an MIR would be appropriate, given our assessment that the reference test has been met.

Scope of the market investigation reference and the relevant market

6.2 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.⁹¹

6.3 In the consultation document (paragraph 1.13) we said that, 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. We said that, 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 to which a pet is subject, 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.

6.4 We also noted in the consultation (paragraphs 1.13 and 1.14) that, in relation to the geographic market, the material we have seen to date indicates that the

⁹¹ 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.

veterinary sector operates at a local and regional level (depending on the service offered) as demand is essentially local. However, we said we have not attempted to define the precise boundaries of the geographic markets at this stage.

6.5 In the light of the concerns we identified, we proposed that the goods and services that should be the subject of the MIR are those referred to in the draft Terms of Reference, published alongside the [consultation document](#). We proposed to consider further whether there is segmentation of those goods and services. We also proposed to cover the whole of the UK in the scope of the MIR.

6.6 We consulted on a definition of 'Veterinary services for household pets' that 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.

6.7 We considered 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 7 below, we set out that we will, to the extent appropriate, review The Supply of Veterinary Medicinal Products Order 2005 alongside any market investigation.

Types of pet included in our scope

6.8 We proposed that, as set out in the draft Terms of Reference, the MIR would cover the supply of veterinary services for household pets in the UK.

6.9 For the purposes of the proposed reference, we said that '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.'

6.10 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).

- 6.11 Some respondents to the consultation addressed this issue. For example:
- (a) PDSA said that care should be taken not to inadvertently exclude rabbits and other non-traditional companion animals. Consideration should be given to onward impacts on other, out-of-scope areas such as farm animals, equine, and lab services.
 - (b) The Countryside Alliance said that the CMA should also consider the provision of veterinary services to non-commercial equines since services are often provided by the same vets as smaller pets.
 - (c) IVC Evidensia expressed doubt about including birds and exotic pets in the scope of any MIR but considered this as 'less likely to impact on the overall scope of an MIR'.
 - (d) The Chief Veterinary Officer of Scotland questioned whether it was right to restrict scope to household pets, rather than companion animals more generally thereby including horses, which often are treated as pets, or even extended to include agricultural or food production animals as well.
 - (e) Assistance Dogs said that working dogs should be included and noted that many live as household companions.
- 6.12 Having considered these responses, we do not intend to exclude vet services for birds and 'exotic' pets (those that are relatively rare or unusual to keep, such as lizards, rats, or tortoises). However, we do not intend to focus specifically on issues that owners of these types of pets may face.
- 6.13 We also do not intend to consider veterinary services which are aimed at more 'professional' consumers, such as farms, stables, or petting zoos. We have decided, in light of the concerns we have identified, as set out in section 5 above, to concentrate on the provision of vet services for 'ordinary' consumers who, in many cases, may be less experienced consumers of these services and less able to navigate the complexity of the market. However, we consider that any remedies that we may implement to improve the way the market works for general consumers and the most common pets should also help to improve outcomes for more exotic pets and for customers with farm animals and horses.

Pet insurance

- 6.14 In the consultation (paragraph 3.7) we said that we did not propose to include the provision of pet insurance in the scope of the market investigation reference, but

that it was likely that we would need to consider the way in which insurance influences how veterinary treatments might be offered and chosen.

- 6.15 Some respondents explicitly agreed that insurance did not need to be included (eg IVC Evidensia). Others supported our proposal to consider the impact that insurance provision has on the supply of veterinary services for household pets, and some suggested that we should go further. For example:
- (a) The BVNA suggested that the insurance market should be considered for its impact on consumer decision making.
 - (b) The BVA said that it had heard concerns from members about elements of the insurance market including pharmacies owned by insurance companies.
 - (c) PDSA recommended further analysis on how the provision of insurance had impacted vet services and what changes may occur from owners not being able to afford premiums.
 - (d) The Countryside Alliance said that the CMA should consider insurance in further detail than it proposes to since the fact that more owners have insurance is leading to increasing fees.
 - (e) Which? said that it recognised our reasons for excluding from the MIR the provision of pet insurance as such but agreed it would be necessary to understand the role insurance plays in the provision of treatment.
- 6.16 We intend to exclude the provision of pet insurance as a financial product from our market investigation into the provision of veterinary services. However, the fact that some pet owners have insurance and others do not is highly relevant for our consideration of the market for veterinary services, as is the way in which insurance may be taken into account by vets when recommending treatments. It may also be relevant to consider the ability – or lack of it – of insurance companies to put pressure on the sector to constrain treatment levels or prices. We will therefore encourage the Group to take into account the impact of certain elements of pet insurance on the provision of veterinary services for household pets in the UK but not investigate the provision of insurance or the insurance market itself. We have made a minor amendment to the Terms of Reference which reflects this position and the CMA Board’s advisory steer to the Group also refers to the position in respect of pet insurance.
- 6.17 One of the main issues raised with regard to pet insurance was the difficulties in obtaining insurance, or switching insurer, when pre-existing conditions are present. The FCA’s Consumer Duty places requirements on insurers to ensure they are delivering good outcomes for consumers, particularly in terms of fair value, good customer support and understanding of the products they are

purchasing. The FCA is monitoring insurers' implementation of the Duty and keeps under review whether action is needed.

Other comments on the scope of our market investigation

- 6.18 Pets at Home further suggested in this context that an MIR could be narrowed to focus solely on the vertically integrated business model. We do not agree with this because we consider that there are wider concerns in this sector, as set out in section 5 above. For example, that consumers may not be given the information they need to choose the right treatment or practice, that consumers may be overpaying for medicines and that provision of vet services may be highly concentrated in some local areas, leading to reduced competition.
- 6.19 Various responses suggested additional areas which we might consider as part of our market investigation. These included:
- (a) The Scottish SPCA suggested we should explore 'corporates' deals with drug manufacturers' and 'high costs for euthanasia'.
 - (b) The RSCPA said that further analysis was needed around how the industry caters to owners of different financial means.
 - (c) Several of the animal charities noted the importance of animal welfare, and how this should not be forgotten in the exploration of good consumer outcomes.
- 6.20 We propose that the Group should explore all of these areas, at least to some level of detail, in our market investigation.

Conclusions on the scope of the market investigation reference and the relevant market

- 6.21 Having taken account of all the responses to the consultation, including those specifically on its scope as set out above, we have decided that the scope of the MIR should be as proposed in our consultation. We will adopt the proposed Terms of Reference subject to the clarificatory amendment in relation to insurance referred to in paragraph 6.16 above.

The legal framework

- 6.22 In order to make a market investigation reference, we must be satisfied that the reference test is met, and then assess whether an MIR would be appropriate.
- 6.23 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.⁹²

6.24 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.⁹³

6.25 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, as well as the potential impact on individuals who are working in the profession.

The reference test

6.26 We set out in the consultation (paragraph 3.15) the CMA's provisional view 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 household pets in the UK prevent, restrict, or distort competition and that the reference test is met in this case.

6.27 None of the responses to our consultation made effective submissions, in our view, that the reference test was not met. We note, for example, that IVC sought to do so, contending that our competition concerns were based on 'provisional conclusions' and lacked 'reliable evidence.'⁹⁴ We note, too, that Medivet's response⁹⁵ included a contention that competition in the market is working well, and that CVS⁹⁶ put forward the view that 'several' of our concerns arise from challenges that are intrinsic to the vets sector. However, the overwhelming

⁹² This point was made clear by the Competition Appeal Tribunal in *Association of Convenience Stores v OFT*, [2005] CAT 36, paragraph 7.

⁹³ [OFT511](#), paragraph 2.1.

⁹⁴ IVC Evidensia response, para 3.

⁹⁵ Medivet response, para 1.

⁹⁶ CVS response, para 4.

majority of respondents either explicitly agreed that the reference test was met, or put forward views consistent with that conclusion.

- 6.28 The Competition Appeal Tribunal has confirmed that the statutory reference test is a low bar. It requires a ‘genuine suspicion’ of ‘a possibility, which is more than fanciful’ and an objective basis for that suspicion (which must be reasonable, but may involve ‘little or no proof or evidence’ and on investigation may turn out to be wrong).⁹⁷
- 6.29 For the reasons set out in section 5 of this document, and having considered the responses to our consultation and evidence we have gathered to date, our decision 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 household pets prevent, restrict, or distort competition in the UK and that the reference test is therefore met. The fact that we have, at this stage, identified concerns (what IVC referred to as ‘provisional conclusions’) based on limited evidence is a reflection of the stage of our work so far, and of the nature of the statutory test for making an MIR. They are not reasons why the statutory test is not met nor reasons why we may not make a reference.

Views on the appropriateness of a reference

- 6.30 Where the reference test is met, our guidance says we will consider these criteria in deciding whether to exercise the discretion to make a reference:
- (a) The scale of the suspected problem and whether an MIR would be an appropriate response;
 - (b) Whether there is a reasonable chance that appropriate remedies would be available in a market investigation;
 - (c) That it would not be more appropriate to address the concerns through UILs; and
 - (d) That it would not be more appropriate to use the CMA’s alternative powers or those of sectoral regulators.
- 6.31 We set out the CMA’s provisional views on the appropriateness of a reference in the consultation document (paragraphs 3.17 to 3.48), and we summarise the main points again here, alongside consultation responses which are relevant to these criteria.

⁹⁷ [Airwave Solutions Limited & Ors v CMA \[2022\] CAT 4, paragraph 9\(1\)](#)

First criterion: scale of the suspected problem

- 6.32 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.
- 6.33 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.

The size of the market

- 6.34 Estimates suggest that as many as 16 million households in the UK have at least one pet – over 57% of households – and we assume that most of these households will purchase veterinary services at some point during their pet’s life.
- 6.35 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 FOP services are worth approximately £2 billion to £2.5 billion per year. 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.
- 6.36 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.

The proportion of the market affected by the features

- 6.37 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 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.

- 6.38 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 paragraphs 2.16 and 2.57 of our consultation document.
- 6.39 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 consumers 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). 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.
- 6.40 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.

The persistence of those features

- 6.41 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.
- 6.42 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.
- 6.43 Likewise, our concerns regarding local market concentration arise from persistent structural features of those local areas.
- 6.44 Concerns around the regulatory regime are also likely to persist until there is legislative reform.

Consultation responses

- 6.45 As set in section 5 of this document, and to some extent in the preceding paragraphs of this section 6, some of the corporate groups' responses to the consultation contended that they do not have some of the incentives or ability we have identified, and one argued that competition is working well in the market. Those responses can be understood as, at least in part, a challenge to our provisional views in relation to the size of the market, the proportion of the market affected by the identified features, and/or the persistence of those features as reasons for making an MIR.
- 6.46 We have considered those points, and set out the reasons for our assessment that our concerns in those regards are well founded, in section 5 of this document. The overwhelming majority of responses to the consultation did not challenge our provisional views as to this set of considerations in the decision to make an MIR.

Conclusion on the scale of the suspected problem

- 6.47 Our conclusion, therefore, is that the scale of the suspected problem, 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.

Second criterion: availability of appropriate remedies through a MIR

- 6.48 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.
- 6.49 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, is set out in Table 6.1 below. That table also sets out which of our first four concerns they could help address. These types of remedies could be reinforced by a recommendation to Government and/or the RCVS to update and strengthen the regulatory framework (relating to Concern 5, that the regulatory framework may no longer be fit for purpose) to bring about effective monitoring and enforcement (eg of codes of conduct in the sector).

Table 6.1: Potential remedies in our market investigation⁹⁸

Remedy	Concern			
	1	2	3	4
Information measures: Mandating what information should be provided to customers and how (eg for making informed choices on first-opinion practice (FOP), medicines, treatment options, and related services such as referral centres and crematoria)	x		x	x
Horizontal divestments: Eg of FOPs in some local areas to address local concentration concerns		x		
Technology driven market-opening measures: Facilitating the growth of new technologies that could strengthen competition.				
<ul style="list-style-type: none"> One example is open data tools that enable consumers to access and utilise pricing information, and quality/outcome information, and/or allow competitors in related services to offer pet owners alternative options/quotes to those offered by the pet owner's FOP. Such technology change could facilitate consumer choice over FOPs and related services, help address anti-competitive effects of vertically integrated business models, and facilitate greater competition from online pharmacies. 	x		x	x
Codes of conduct: Requirements for vets / vet practices to provide choice-oriented care (eg a range of appropriate treatment options or choice of provider for related services)	x		x	x
Regulation of the incentives and targets that groups use to influence vets' conduct such as restrictions on the financial or other incentives vets may have to refer in-group, to limit consumer choice over treatment options and providers of related services, and to limit consumers' use of online pharmacies.	x		x	x
Vertical divestments/separation: Divestment of related services (diagnostic / referral centres, crematoria)			x	
Review and variation of the 2005 Medicines Order to ensure consistency with any MI findings and remedies.				x
Price caps, if proportionate and needed to make a package of remedies effective (eg on prescription fees) and/or if we find little scope for effective competition (eg in crematoria, out of hours services)			x	x

Consultation responses

6.50 Some of the responses to the consultation commented on our proposed remedies, supporting them or offering caution. For example:

- (a) The Federation of Independent Veterinary Practices FIVP was supportive of structural changes, whilst others (the RCVS and the BVA) raised concerns around possible unintended consequences of any structural remedies, such as effects on access to care, job losses, creating additional workload for neighbouring practices, and adverse effects on client choice.
- (b) The RCVS also suggested that maintaining access to care would need to be taken into account in the context of any structural remedies (for example, if

⁹⁸ 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. Concern 2: Concentrated local markets, in part driven by sector consolidation, may be leading to weak competition in some areas. Concern 3: Large integrated groups may have incentives to act in ways which reduce choice and weaken competition. Concern 4: Pet owners might be overpaying for medicines or prescriptions.

businesses serving remote areas are subsidised by more profitable practices in a group).

- (c) The RSCPA expressed the concern that focus on consumer value does not come at the expense of animal welfare.⁹⁹
- (d) The BVA said that there was currently insufficient underlying data (or standardisation) to facilitate reliable quality/outcome information for consumers; in addition, there were concerns that requiring vets to collect such data, and the standardisation that would be required, could have adverse consequences on the profession.¹⁰⁰
- (e) The Scottish SPCA submitted that, in a remedies context, consideration could be given to the ownership of vet practices, setting prescription fees at an affordable level and the possibility of regulatory changes allowing the prescription of human generic drugs where there is no proven detriment to animal welfare.
- (f) The PDSA welcomed measures to improve transparency of pricing, but said that care should be taken that any price lists were standardised and comparable and that standardisation across the sector would be needed before any quality measures were put into place. They also noted that any divestments would need to be sustainable.¹⁰¹

6.51 Some respondents offered suggestions of additional remedies. For example, RAMP suggested that an ombudsman be created for the veterinary sector.¹⁰²

Conclusion on the availability of appropriate remedies through an MIR

6.52 Having considered the responses to our consultation, we conclude that our view that there are appropriate remedies available through an MIR which would not be available through other means remains valid. Those responses are, in our assessment, better understood as identifying the sort of matters to be taken into account in formulating any package of remedies. They do not indicate that the possible remedies we have highlighted are unavailable.

6.53 In that connection, we note in particular the caution about unintended consequences of some remedies. As with all interventions of this potential scale and significance, the design, and all potential consequences, would need to be

⁹⁹ RSPCA

¹⁰⁰ BVA/BVNA/SPVS/BSAVA joint response and [PDSA response

¹⁰¹ PDSA response, page 5

¹⁰² RAMP

considered carefully prior to implementation to ensure that remedies were effective and practical, as well as reasonable and proportionate.

- 6.54 Where respondents have suggested alternative remedies to consider, we will take this into account when we consider what, if any, remedies may be appropriate during the course of our market investigation.

Third criterion: the availability of undertakings in lieu of a reference

- 6.55 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.¹⁰³
- 6.56 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.¹⁰⁴ We may also take into account, as appropriate, how the undertakings would affect any relevant existing customer benefit.
- 6.57 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',¹⁰⁵ and notes the practical difficulties in negotiating undertakings with several parties.
- 6.58 We noted in the consultation (paragraphs 3.39 to 3.44) that five of the six largest corporate vet groups had indicated that they would be prepared to take certain voluntary measures, relating to information provision and transparency, and to the removal of certain incentives, which they said would address the CMA's concerns. The consultation set out why we did not consider those measures to be sufficient, given that they did not address all our concerns, did not cover the whole market, and were not offered as UILs. We said that, nonetheless, if we were offered UILs in response to the consultation, we would consider them.

¹⁰³ The CMA has the power under section 154 of the [Enterprise Act 2002](#) to accept undertakings in lieu of a reference (UILs) instead of making a MIR.

¹⁰⁴ 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)).

¹⁰⁵ [OFT511](#), paragraph 2.21.

Consultation responses

- 6.59 The large groups did not offer any UILs in response to our consultation, despite the opportunity to do so. Therefore, there are no undertakings in lieu of a reference for us to consider and this is not an option for the CMA in place of making an MIR.
- 6.60 Most of the large corporate groups did express disappointment that we had not accepted their offer to take the voluntary measures. They made submissions that the measures would address at least some of our concerns and do so more quickly than a market investigation and without what they said would be the adverse effects of undertaking an investigation.
- 6.61 For completeness, we note that we would have been unlikely to accept the measures proposed by the parties even if they had been offered as UILs. They are, as we said in the consultation, limited in their ability to address the range of potential concerns we have identified and, in particular, offer nothing to address our concerns about local concentration and little to address our concern that large corporate groups may have the incentive or ability to operate in ways which may reduce competition and choice.
- 6.62 We also note that, even if these measures addressed our concerns, they would be implemented by firms which cover only 50% of vet practices. However, our concerns over poor consumer information and consumers potentially overpaying for medicines apply widely across the industry.
- 6.63 In addition, as we explained in the consultation, we cannot fully understand the extent of the concerns in the sector until we have completed our in-depth analysis, using the formal powers available to us via the market investigation. It is therefore difficult to judge fully the extent to which these actions would remedy the concerns we have identified.

Conclusion on UILs

- 6.64 Given the above, the option of accepting UILs is not open to us. As far as this criterion is concerned, it points us to making an MIR.

Fourth criterion: alternative powers available to the CMA or to sectoral regulators

- 6.65 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.
- 6.66 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.

- 6.67 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.
- 6.68 We could consider conducting a market study in this sector. We do not, however, consider that this is the right course of action in this case. We have already engaged in a review that 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.

Consultation responses on alternative powers available to the CMA or to sectoral regulators

- 6.69 In the consultation (paragraphs 3.45 to 3.48), we set out provisional views that alternative powers were not available to the CMA or alternative regulators, as set out in the preceding paragraphs. In response, Pets at Home submitted that we would be able to use our merger control powers to address the effects of consolidation (corporate acquisitions) in the market. We do not agree. Our concerns relate, amongst other things, to a range of possible market-wide consequences of consolidation that has taken place. Our merger powers would enable us, in principle (but subject to turnover or supply thresholds being met), to address the effects of future acquisitions and some that had occurred and not been notified to us or made public. That would not address the breadth of our concerns.

Conclusion on the appropriateness of a reference

- 6.70 For the reasons set out above, we 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.

Decision to make a market investigation reference

- 6.71 In the light of the information set out above, we have decided to make an 'ordinary' 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.
- 6.72 We are therefore publishing, alongside this document:
- (a) All consultation responses from organisations who said that their response was non-confidential or where they provided a non-confidential version.
 - (b) The Terms of Reference for the MIR.
 - (c) The Board steer to the Group.
 - (d) Details of the Group.
- 6.73 In addition, we have published some [consumer tips](#) to help guide pet owners when purchasing vet services.

7. Review of the Supply of Veterinary Medicinal Products Order 2005

7.1 In 2003, the Competition Commission (CC) – a predecessor body of the CMA – published its report on veterinary medicines. 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 the CC adopted 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. One of those remedies - The Supply of Veterinary Medicinal Products Order 2005 (the 2005 Order) - implemented some of the recommendations in the CC report.

7.2 The 2005 Order contains some provisions that may be relevant to the market investigation we have decided to undertake 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.

7.3 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.

7.4 None of the respondents to the consultation specifically addressed our proposal to review the 2005 Order, beyond the more general points about the supply of animal medicines to consumers covered under concern 4 above.

7.5 As part of this market investigation, we will conduct a review of the 2005 Order. We will 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 market investigation, particularly if there are procedural efficiencies in doing so.