

# Consultation Response

Ref 1317

Submission to the Competition and Markets Authority  
market study into digital comparison tools

May 2017

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## **About Age UK**

Age UK is the country's largest charity dedicated to helping everyone make the most of later life. The Age UK network comprises around 140 local Age UKs reaching most of England. We provide information and advice to around 5.9 million people each year. We work closely with Age Cymru, Age NI and Age Scotland.

## **About this consultation**

In September 2016 the Competition and Markets Authority (CMA) launched a market study into digital comparison tools (DCTs) used by consumers to compare and/or switch products/services in a range of markets.<sup>1</sup> It is examining whether DCT markets are working well for consumers, and will determine how to maximise the benefits DCTs offer.

Age UK is concerned that some older people face barriers to comparing and switching in a range of essential service markets, and are disadvantaged as a result. Given the key role DCTs play in enabling consumers to compare and switch, it is vital that they work for all consumers. Our comments apply mainly to the energy market, but may also apply to other essential service markets (i.e. broadband, landline, financial services).

## **Key points and recommendations**

1. A majority of older people do not use the internet or smartphones. This means many are unable to access DCTs. We recommend that 'access' be included in all DCT accreditation schemes (as in Ofcom's scheme) and/or any new cross-sector principles.
2. Given the expansion of comparison/switching apps, the CMA should assess the risk that consumers without smartphones are increasingly excluded from the best deals.
3. Some people live in vulnerable circumstances that can make it difficult to use DCTs, e.g. visual impairment, dexterity problems, cognitive impairment or decline. We welcome the CMA's interest in this group of consumers. Even those who are online may not be confident DCT users. DCTs must become more practically accessible and user-friendly to these consumers; otherwise, wider market solutions may be needed to ensure they can access a fair deal.
4. We share the CMA's concerns re the 'hollowing out' of products, where DCTs prominently display products that do not meet older people's needs. DCTs should clearly highlight any product factors (exclusions, rebates, etc.), that can result in consumers making less of a saving, or gaining less of a benefit, than they expect, and encourage consumers to filter by non-price factors.
5. New DCT users may be unaware they are not seeing the whole market, and so may miss out on good deals. Multi-homing is unrealistic for many new or unconfident users. The CMA should look at possible solutions, including establishing whole-of-market comparison tools in all essential service markets (like the Citizens Advice energy tool) and requiring DCTs to link to them, or establishing a league table of DCTs that includes market coverage metrics, to help people choose one.
6. DCTs should disclose which deals are subject to commission, and should rank by price according to the final price the consumer pays inclusive of commission.
7. The CMA should consider how price discrimination impacts DCT users.
8. Major safeguards are needed to ensure that personal data remains the property of the individual consumer.

9. Given that many consumers are unaware of accreditation schemes, DCTs that are not accredited should be required to prominently display this fact. We strongly support the introduction of cross-sector principles, which should include access and user-friendliness, and should be mandatory for DCTs in essential service markets.
10. The CMA should not rely solely on DCTs to drive competition, but should also look at other methods of increasing competition, such as switching guarantee schemes, reforming the structure of markets, or incentives for firms to keep prices low.

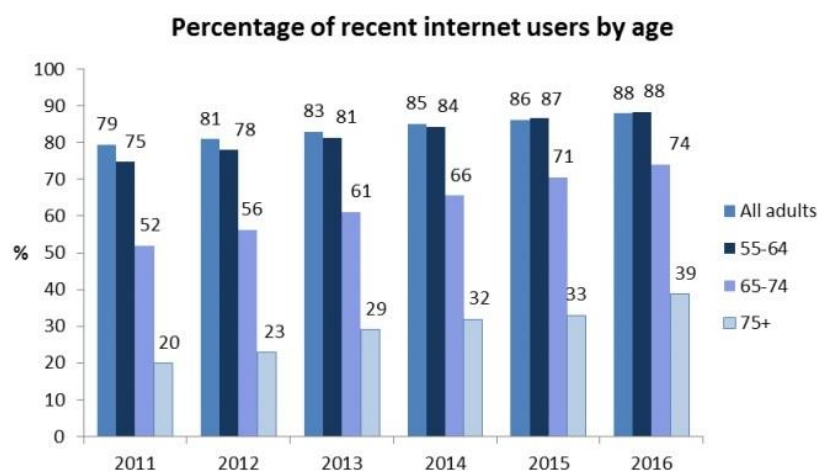
## 1. Access channels, internet use

Older people are diverse. Many are comfortable using the internet, shopping around for different products/services and switching; in contrast, others are not online or live in vulnerable circumstances. While we appreciate that the scope of the study excludes offline DCT services, we nevertheless highlight that many older people are unable, or struggle, to use online services. Despite the provision of telephone-based support by some DCTs, it is not clear to us the extent of this provision or older people’s awareness of it.

Figure 1 shows that:

- Among people aged **75+**, the proportion who have used the internet in the last three months (‘recent users’) has nearly doubled in the last five years, from 20 per cent to 39 per cent. However, a **majority (61 per cent)** are not recent users.
- Among people aged **65-74**, the proportion who are recent users has grown from 52 per cent to 74 per cent. This means **a quarter (26 per cent)** are not recent users.
- Among people aged 55-64, 1 in 8 (12 per cent) are not recent users.

Figure 1. Recent internet use by age



(Source: *Internet users in the UK 2016*, ONS (table 1B). Recent users are people who have used the internet in the last 3 months.)

The key point is that **a significant percentage of older people do not use the internet and therefore are not able to access DCTs and the financial benefits that follow.**

There are also important equality issues: older women, disabled people and people in lower-socio economic groups (see Table 1 below) are less likely to use the internet.

In terms of online activities, only 29 per cent of older internet users (aged 75+) use it for ‘transactions’, compared to 50 per cent of all ages.<sup>2</sup> Three in four internet users of all ages

(75%) say they have made savings through any of: buying something online; comparing prices online (51%); using a price comparison website (37%); booking travel online or using vouchers. In contrast, less than half (47%) of internet users aged 75+ say they have made savings in any of these ways.<sup>3</sup>

Table 1. Non-internet users, by age and socio-economic background

% NON-INTERNET USERS	All	16-24	25-34	35-44	45-54	55-64	65-74	75+
AB	5%	0%	0%	1%	0%	4%	12%	35%
C1	8%	2%	0%	3%	6%	6%	22%	58%
C2	20%	0%	4%	8%	3%	26%	46%	80%
DE	22%	7%	6%	16%	15%	32%	35%	81%
All	13%	3%	3%	6%	6%	16%	29%	64%

(Source: Ofcom, 2016.<sup>4</sup>)

Telephone-based interactions, if done well, can work for older consumers not online. One older person told us about a positive experience speaking to a DCT on the phone to obtain information on different utilities providers. They said the advisor was very helpful, filtering out the relevant information. (Read about older people’s views on what makes good or bad phone interactions in our *Age-friendly business* report.<sup>5</sup>)

We recommend the CMA continue to look explicitly at this key issue of access. The recent UKRN report<sup>6</sup> highlights that Ofcom’s Accreditation Scheme includes a provision that the ‘service must be accessible to all, and provide offline options’. Ofgem’s Confidence Code includes no such provision. We recommend that accreditation schemes across other essential service markets require DCTs to be accessible to all and provide offline options.

Further, only 8 per cent of people aged 75+ use a smartphone.<sup>7</sup> Given the expanding number of comparison/switching apps, the CMA should assess the risk that older people (and others) without smartphones become increasingly excluded from the best deals.

Other questions for the CMA to investigate include:

1. What can (and do) DCTs do to make their services accessible to people offline?
2. Should DCTs be required or encouraged to run a telephone-based service?
3. If not, should DCTs be required or encouraged to refer to a telephone-based service?
4. To what extent would enabling people offline to access DCTs increase consumer engagement, increase business for DCTs, and benefit consumers?

## 2. Vulnerable circumstances, unconfident consumers

We think a feature of well-functioning markets is that consumers in a range of vulnerable circumstances are able to confidently engage and achieve good outcomes. We agree with the CMA that consumers need to have confidence and understanding to fully benefit from DCTs. We note that Ofgem recently consulted on introducing a broad vulnerability principle that ‘clarifies to suppliers that to uphold their obligation to treat all domestic customers fairly, they need to make an extra effort to identify and respond to the needs of customers who are in vulnerable situations.’<sup>8</sup> You can read our full response on our website,<sup>9</sup> but here we highlight some of the key circumstances older people face that can make their engagement with DCTs difficult, and which DCTs need to account for.

## **Visual impairment**

- One in 7 (14%) people aged 65+ have sight loss that affects their day-to-day living. This increases to 35 per cent for those aged 75+ and 50 per cent for those aged 90+. <sup>10</sup> This can make it difficult for people to use online services.
- DCTs need to be designed with this in mind. RNIB recommends Web Content Accessibility Guidelines. <sup>11</sup> Voice recognition could make DCTs more user-friendly.

## **Dexterity impairment**

- There are an estimated 10 million people in the UK suffering from arthritis.
- This, and other conditions affecting people's manual dexterity, can make it difficult for people to use a computer and access DCTs.
- A telephone-based service could help these consumers.

## **Cognitive impairment**

- 850,000 people are estimated to be living with dementia in the UK, of whom 808,000 are aged 65+. By 2051, this is projected to exceed 2 million. <sup>12</sup>
- While many people get help from relatives, including those with Power of Attorney, DCTs must be as approachable, understandable and user-friendly as possible.

## **Cognitive decline**

- Just under half of UK adults have a numeracy attainment age of 11 or below. <sup>13</sup>
- While people's cognitive skills change at different rates, cognitive decline as people grow older can exacerbate difficulties dealing with novel or complex information. (Age UK's 'Staying Sharp' web resource explains how thinking skills change with age. <sup>14</sup>)
- DCTs should present information in as clear a way as possible, using plain English. Research suggests other advice for presenting choice to older consumers. <sup>15</sup>

Many people not considered 'vulnerable' in these ways still struggle with DCTs due to a lack of confidence. Recent Citizens Advice research shows that DCTs<sup>16</sup>

'are not well set up for vulnerable or unconfident consumers. Unconfident deal finders expected the experience to be overwhelming and found the first attempt time-consuming and frustrating.'

This research also found that the same consumers were impressed with the deals on offer and wanted to build their confidence using DCTs. We repeat the Citizens Advice call for DCTs to take steps to be more approachable, less complex and easier to use. This is a key point – DCTs and policymakers should focus on the practical reality for unconfident or vulnerable consumers, and take action to ensure they have a better user experience.

## **3. Hollowing out, bad outcomes**

We share the CMA's concerns that some DCTs have an undue focus on price to the exclusion of other factors, resulting in consumers purchasing lower quality products that do not meet their needs ('hollowing out'). This is particularly an issue for older people who may need non-standard products. For example, some people with a health condition may be shown cheaper insurance products, but not realise that those products do not cover them because of health condition exclusions. One option for tackling this might be for

DCTs to highlight more strongly their filter mechanisms and actively encourage people to look at non-price features.

We are also concerned about cases where people switch but end up paying *more* than before. Examples include paying more for energy than expected due to losing the Warm Home Discount rebate or through inaccurate consumption estimates on the part of the DCT (better use of consumption data may prevent this). The Financial Ombudsman Service found in favour of an older person who switched bank account on the basis of the travel insurance included, only to later discover there was an 80 year age limit, meaning he could not use it.<sup>17</sup>

We recommend that DCTs clearly highlight the factors that can result in consumers making less of a saving, or gaining less of a benefit, than is immediately apparent. The CMA should address this issue, especially given that a lack of confidence in the benefits of switching is a barrier to switching more generally.

#### **4. Market coverage, ‘multi-homing’**

We are concerned that unconfident or new DCT users may miss out on the best deals by only using one DCT, not knowing that other deals are available elsewhere. The given solution is to consult more than one DCT (‘multi-homing’). We find this problematic – given that many people are only getting to grips with the basic idea of shopping around and switching (e.g. those who don’t realise you can switch energy supplier), the further idea that you need to consult *multiple* DCTs, each with different market coverage, is likely to be very difficult to grasp. Further, given that consumers should regularly do this for *multiple* essential services (e.g. energy, telecoms, insurance) the cumulative impact is significant and can present an overwhelming level of complexity or novelty.

We recommend the CMA look at the merits of requiring DCTs to display a clear and prominent link to the Citizens Advice whole-of-market energy comparison tool.<sup>18</sup> We also recommend that regulators fund new whole-of-market DCTs in all essential service markets, similar to the Citizens Advice tool, and require DCTs to clearly link to these. We also support the Citizens Advice idea of a league table of DCTs, including metrics on market coverage, user-friendliness and transparency, to help people choose one that meets their needs. And we recommend that DCTs are required to refer consumers to independent sources of information (e.g. Money Advice Service).

We note the disparity in research on whether consumers feel whole-of-market coverage is important; CMA research suggests that a majority (82%) are happy with the level of DCT market coverage, while Citizens Advice research suggests that whole-of-market coverage is important to a majority (94%) of energy consumers. Given that consumer satisfaction with market coverage is subjective and potentially subject to error (e.g. not knowing the coverage of the DCT they used), we recommend the CMA test consumer *outcomes*, i.e. does market coverage impact whether or not people end up getting a good deal?

#### **5. Commission, transparency, price discrimination**

We echo the Citizens Advice call for DCTs to ‘disclose early during the search process which deals are subject to commission taken’,<sup>19</sup> and for search results filtered by price to be ordered according to the *final* price the consumer will pay, including commission.

Commission deals and introducer fees will also influence the coverage of the DCT, and the CMA needs to be alert to deals which cannot be matched by new or competitive providers, or those operating in niche markets, and which therefore impede competition.

A further point related to transparency is that many consumers do not realise they are subject to price discrimination, i.e. the price a supplier offers one consumer is different to that offered to other consumers for the same product. While pricing on the basis of risk may be justifiable, it must comply with the Equality Act 2010, and pricing on the basis of market activity (e.g. 'loyal' customers getting a worse deal) is regarded by many people, and indeed some regulators,<sup>20</sup> as unfair. This is a complex issue but any study of switching and the role of DCTs must address it. The CMA should consider how price discrimination impacts DCT users, in particular new or unconfident ones. There is a strong case for making it much clearer to consumers which products are differentially priced.

## **6. Personal data**

DCTs should not share or sell consumers' data to third parties without consumers' full and informed consent. Major safeguards are needed to ensure that data remains the property of the individual.

## **7. Accreditation, cross-sector standards**

We are concerned that the current DCT accreditation regime is not strong enough. For example, in the energy market over 80 per cent of consumers are not aware of the Ofgem Confidence Code.<sup>21</sup> When consumers who are *unaware* of accreditation schemes visit a DCT, they don't know to look for the accreditation – therefore, it will not influence their decision of which DCT to use. We recommend that DCTs that are not accredited are required to prominently display this fact.

We strongly support the CMA idea of a set of cross-sector principles for DCTs. Given the importance of essential service markets to people's wellbeing, and the increasing role of DCTs in helping consumers engage, it is key that DCTs achieve an adequate standard. Further, a cross-sectoral approach would make the landscape more understandable for new or unconfident consumers dealing with multiple markets.

These principles should cover accessibility (offline options), user-friendliness, market coverage transparency, disclosure of commission, hollowing out of products, consumer control of data, and highlighting key product features that could lead to a bad deal. We recommend that DCTs in essential service markets be required to follow these principles.

## **8. Barriers to switching, increasing competition**

Even if DCTs worked better, they would still not be a complete solution to a lack of consumer-driven competition, because of 'upstream' barriers to switching. We have outlined previously<sup>22</sup> some of the key barriers, including:

- Digital exclusion.
- Vulnerable circumstances.
- Lack of confidence in the benefits of switching, including unexpected losses or exclusions.
- Complexity in comparisons, including bundling.
- Lack of knowledge of if or how you can switch.
- Fear of disconnection or disruption.



The CMA should not rely solely on DCTs to drive competition, but also look at other methods. We recognise the introduction of ‘switching guarantees’ in energy and current accounts. Echoing Citizens Advice,<sup>23</sup> we recommend that policymakers in other sectors (e.g. insurance, telecoms), develop similar guarantees. However, the design of such schemes should be informed by the current account switching scheme, which has had mixed success.<sup>24</sup> Other options for increasing competition could include reforming the structure of markets, or incentives for firms to keep prices low.

## 9. Final comments

Looking at the broader picture, Age UK believes many older people are paying much more than they could or should for essential services like energy, landline, broadband and insurance. We do not think it is fair or reasonable to expect all consumers – including those who are new to DCTs, unconfident, or living in vulnerable circumstances – to regularly compare and switch multiple essentials.

We fully support the CMA in investigating the DCT market; DCTs clearly have the potential to help people compare, switch and make savings, but without adequate market place standards they also have the potential to confuse and distort choice. It is vital the CMA looks at whether switching leads to better outcomes, not just whether or not switching has taken place. We would also like a key outcome of the study to be that DCTs improve how they engage and support people who are not online, are new to this activity and so are unconfident, and/or live in vulnerable circumstances.

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<sup>1</sup> <https://www.gov.uk/cma-cases/digital-comparison-tools-market-study>

<sup>2</sup> Adults' media use and attitudes Ofcom, 2016. Fig 14, p 38.

<sup>3</sup> [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0026/80828/2016-adults-media-use-and-attitudes.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0026/80828/2016-adults-media-use-and-attitudes.pdf)

<sup>4</sup> Treat figures with caution due to low sample sizes. This table uses a slightly different measure than Figure 1.

<sup>5</sup> <http://www.ageuk.org.uk/latest-news/age-friendly-business/>

<sup>6</sup> <http://www.ukrn.org.uk/wp-content/uploads/2016/09/201609027-UKRN-PCWs-Report.pdf>, accurate as of Sept 2016.

<sup>7</sup> [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0026/80828/2016-adults-media-use-and-attitudes.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0026/80828/2016-adults-media-use-and-attitudes.pdf)

<sup>8</sup> <https://www.ofgem.gov.uk/system/files/docs/2017/02/standards-conduct-suppliers-retail-energy-market.pdf>

<sup>9</sup> [http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Policy/consumer-issues/Age UK response to Ofgem consultation on supplier Standards of Conduct March 2017.pdf?dtrk=true](http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Policy/consumer-issues/Age%20UK%20response%20to%20Ofgem%20consultation%20on%20supplier%20Standards%20of%20Conduct%20March%202017.pdf?dtrk=true)

<sup>10</sup> Living with sight loss: Updating the national picture. RNIB and NatCen, 2015

<sup>11</sup> <http://www.rnib.org.uk/about-rnib/web-accessibility-statement>

<sup>12</sup> [http://www.ageuk.org.uk/Documents/EN-GB/Factsheets/Later\\_Life\\_UK\\_factsheet.pdf?dtrk=true](http://www.ageuk.org.uk/Documents/EN-GB/Factsheets/Later_Life_UK_factsheet.pdf?dtrk=true)

<sup>13</sup> <https://www.fca.org.uk/publication/occasional-papers/occasional-paper-8.pdf>

<sup>14</sup> <http://www.ageuk.org.uk/health-wellbeing/staying-sharp/thinking-skills-change-with-age/>

<sup>15</sup> <https://www.fca.org.uk/publication/discussion/dp16-01.pdf>, Chapter entitled 'Behavioural insights into the ageing mind'.

<sup>16</sup> [https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/FutureofDigitalComparisonTools%20\(1\).pdf](https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/FutureofDigitalComparisonTools%20(1).pdf)

<sup>17</sup> <http://www.financial-ombudsman.org.uk/publications/ombudsman-news/130/issue130.pdf>

<sup>18</sup> <https://energycompare.citizensadvice.org.uk/>

<sup>19</sup> [https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/FutureofDigitalComparisonTools%20\(1\).pdf](https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/FutureofDigitalComparisonTools%20(1).pdf)

<sup>20</sup> <http://www.insurancejournal.com/news/southeast/2015/05/19/368635.htm>

<sup>21</sup> [https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/FutureofDigitalComparisonTools%20\(1\).pdf](https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/FutureofDigitalComparisonTools%20(1).pdf)

<sup>22</sup> [http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Policy/safe-at-home/cr to BIS call for evidence on consumer landscape and quicker switching.pdf?dtrk=true](http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Policy/safe-at-home/cr%20to%20BIS%20call%20for%20evidence%20on%20consumer%20landscape%20and%20quicker%20switching.pdf?dtrk=true), and

[http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Policy/housing/Ref 3615 Age UK %20response %20to BIS switching consultation.pdf?dtrk=true](http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Policy/housing/Ref_3615_Age_UK_%20response_%20to%20BIS%20switching%20consultation.pdf?dtrk=true)

<sup>23</sup> [https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/FutureofDigitalComparisonTools%20\(1\).pdf](https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/FutureofDigitalComparisonTools%20(1).pdf)

<sup>24</sup> <https://www.fca.org.uk/publication/research/making-current-account-switching-easier.pdf>