



# MoneySuperMarket's response to Ofgem's Confidence Code Review

September 2016

### About MoneySuperMarket.com:

MoneySuperMarket.com is the UK's leading price comparison website. We provide free, online tools to help people manage, save and grow their money, by enabling them to compare and switch Insurance, Money and Home Services products from nearly 700 providers.

MoneySuperMarket.com is part of the Moneysupermarket Group PLC, an established member of the FTSE 250 index. In 2015, we helped six million families save an estimated £1.6bn on their household bills, including 1.6m people who got a better deal on their finances and half a million households that switched their energy supplier.

Moneysupermarket.com Limited is an appointed representative of Moneysupermarket.com Financial Group Limited, which is authorised and regulated by the Financial Conduct Authority (FCA FRN 303190) for the insurance, mortgage and consumer credit products it offers. For energy products, MoneySuperMarket.com is accredited under the Ofgem Confidence Code.

## 1.0 Response structure

Section 1 of this response covers the following issues: MoneySuperMarket's position on Ofgem's proposals for the 'Whole of Market' (WOM) remedy; an explanation of why we believe WOM is not in the interests of consumers and will have a negative impact on competition; MoneySuperMarket's thoughts on the Confidence Code audit process; and, finally, our thoughts on the RMR remedy.

Section 2 of the response contains MoneySuperMarket's answers to the questions posed by Ofgem in their consultation.

## 1.1 Overall remarks

MoneySuperMarket strongly supports the CMA's recommendation to remove the 'whole of market' (WOM) requirement for energy price comparison websites (PCWs). We believe it will benefit consumers by strengthening the ability of PCWs to provide the best possible deals to consumers by negotiating exclusive deals with suppliers.

Ofgem's proposal in response to the CMA's recommendation – a phased implementation of the removal of the WOM requirement – is something, therefore, that MoneySuperMarket does not fully understand. The key explanation offered in the consultation paper is that it would make Ofgem's approach to auditing more challenging. We do not see this argument to be more persuasive than the CMA's conclusions on the benefits that consumers could receive through the removal of the WOM requirement. We would encourage Ofgem to reconsider its position and implement the CMA's recommendation to the letter.

The logic behind the CMA's recommendation to remove WOM was sound. In acknowledgement of the resoundingly positive role that PCWs play in the energy market, it wanted to replace a requirement that severely restricted their ability to act in the best interests of consumers, with a requirement for greater transparency.

MoneySuperMarket is completely committed to transparency: on our site, a consumer is only ever a click away from a clear explanation of how we work and how we get paid. We continuously monitor and seek to enhance the levels of information we provide to our customers.

MoneySuperMarket does not limit the amount of tariffs customers see. In our experience, consumers use more than one PCW when shopping around for a new tariff. Thus competition between PCWs helps ensure consumers see a range of tariffs and many very competitive deals. This trend will increase further as the RMR remedy that removes the four tariff restriction comes into effect, encouraging PCWs to negotiate exclusive tariffs with suppliers.

Furthermore, our research has found minimal difference between the cheapest tariffs available through our website and others on the market. We believe that by pushing PCWs to list all the deals on the market, WOM adds uncertainty for customers when they only stand to make marginal, if any, savings. It would, therefore, seem that consumers receive very little real benefit from the WOM requirements.

## 1.2 The negative impacts of WOM on competition

MoneySuperMarket has found that WOM has three negative impacts on competition.

- **Diminishes ability of PCWs to negotiate deals**

At MoneySuperMarket, we have a team of energy experts who work with our existing partner suppliers to deliver the best deals for our customers. This model has enabled us to consistently deliver market leading deals, including a MoneySuperMarket exclusive that delivered the cheapest tariff in the UK for the past five years.

Our bargaining power with suppliers is based on our trusted brand and the fact that we are an incredibly cost-effective customer acquisition tool. With the WOM requirement in place, suppliers who do not work with us are able to benefit from essentially free advertising by being listed on our site, yet MoneySuperMarket has absolutely no ability to negotiate deals with them.

Crucially, we are also free for our customers. Our business model is that suppliers pay for customers to switch to them, rather than customers having to pay to switch suppliers. Continuing to show a WOM view, including suppliers who don't pay for switches, provides a challenge to our 'free to customer' philosophy.

- **WOM does not actually help competition or smaller entrants**

The current WOM position is also a barrier to new supplier growth. Whilst a few suppliers may be able to achieve #1 price position, and thus grow their customer base through the 'free traffic' they receive by being visible on PCWs, the vast majority of new entrants cannot achieve this. As a result, it provides little incentive to new entrants to engage with PCW's as they cannot achieve a price position against the non-commercial deals to support their own growth. A truly competitive landscape between suppliers and PCW's would support all suppliers and consumers.

- **WOM following the relaxation of the four tariff rule**

Like the CMA, we are sceptical of the continuing efficacy of WOM following the relaxation of the four tariff rule. We fear this could lead to an increase in suppliers

'gaming the system', particularly by releasing many similar priced tariffs in order to crowd out competitors on PCW results pages. Far from driving consumer engagement, WOM is therefore likely to actively increase confusion and apathy.

Enabling PCW's to manage their results tables and tariff proliferation (page 9 / 1.11c) will ensure this does not happen and will also relieve Ofgem of the burden of 'policing' the 40+ suppliers tariffs which are likely to become more numerous and complex in their structure following the relaxation of the four tariff rule.

### 1.3 The Confidence Code audit process

MoneySuperMarket is open to looking at how the Confidence Code audit process can be made more robust to ensure that some of the concerns within this document are addressed. In particular, MoneySuperMarket would be open to looking at two areas: customer trust and supplier equitable treatment and competition.

The relaxation on RMR rules afforded to suppliers under the Ofgem open letter earlier this year has already opened up numerous great deals for consumers. Suppliers have embraced this 'relaxation' and are beginning to innovate in tariff development ahead of the formal licence condition changes.

As an accredited PCW, MoneySuperMarket would like to request a similar 'open letter of intent' from Ofgem to accredited PCW's to enable us to work with new and existing suppliers in developing a range of tests and options on our results page to drive increased customer engagement and savings. We would be happy to work to the following principles laid down in the consultation document:

- Page 15 / 2.8 (CMA's recommendation)
- Page 17 / 2.13 and 2.14 (Ofgem proposals)

MoneySuperMarket believes this sits within the spirit of the wider move to principles - based system of regulation. We also believe it will deliver a stronger incentive to engage for consumers.

### 1.4 RMR Remedy

Our research shows that consumers use more than one PCW when shopping around for a new energy tariff. MoneySuperMarket believes strongly a single, comparable way to calculate tariffs is required so that consumers can compare tariffs between PCWs and their existing tariff. Competition amongst PCWs needs to be based on the deals offered by the sites rather than on the methods they use to calculate savings.

## 1.5 Concluding remarks

As they progress with the development of their recommendations, we believe it is important for Ofgem to remember part of their original rationale for encouraging the CMA to conduct their investigation into the energy market: namely, the need to address the significant 'lack of customer engagement' that exists in the market.

The phased approach to WOM removal currently being proposed by Ofgem will do little, if anything, to improve customer engagement. Consumers need transparency and a selection of great deals that can help them save money. Ofgem accredited PCWs like MoneySuperMarket provide consumers with just that. With the majority of customers on STV tariffs standing to save £300 if they switch supplier, we believe it is counter-productive to be focussing on whether PCWs are showing every single available tariff on the market.

Further, we believe that the potential variation in how tariffs are calculated and presented to consumers under the proposed RMR remedy is likely to confuse consumers who shop around and reduce engagement in the energy market.

We have provided answers to Ofgem's specific questions in Section 2 of this response and we would be delighted to discuss our positions with the team at Ofgem should there be any questions about them. If this would be of interest, please do not hesitate to contact MoneySuperMarket's Public Affairs Manager, Rob McNamara, at [robert.mcnamara@moneysupermarket.com](mailto:robert.mcnamara@moneysupermarket.com).

## 2.0 Answers to Questions

**Question 1:** Do you agree that we should implement the proposed removal of some of the changes we made to strengthen the WoM requirement in the 2015 Code review?

We believe that Ofgem should go further than their current proposals allow for by implementing the CMA's recommendation in full and removing the WOM requirement in its entirety. Doing so, will give PCWs the freedom to deliver the best possible deals for customers.

**Question 2:** With reference to Table 2, do you agree with our rationale, and proposed policy changes around the **partial default view**?

We do not see the arguments and rationale for the partial view to be more persuasive than the CMA's conclusions on the benefits to consumers from the removal of the WOM requirement.

**Question 3:** With reference to Table 2, do you agree with our rationale, and proposed policy changes around the WoM **filter choice**?

We do not see the arguments and rationale for the filter choice to be more persuasive than the CMA's conclusions on the benefits to consumers from the removal of the WOM requirement.

**Question 4:** With reference to Table 2, do you agree with our rationale, and proposed policy changes around the WoM **filter wording/testing**?

We would prefer an approach based on transparency and clarity of market coverage (as proposed by the CMA).

This approach would be more in step with Ofgem's wider moves towards a more principles-based approach to regulation. Should Ofgem require it, we would have no concerns with sharing our testing of consumer awareness of market coverage with Ofgem.

**Question 5:** Do you agree that sites should test the prominence, clarity and intelligibility of their messaging with consumers and that Ofgem should monitor this?

Yes. See above.

**Question 6:** With reference to Table 3, do you agree that the proposed Code wording reflects our proposals? If not, please: explain why and suggest and explain any alternative proposals.

N/A.

**Question 7:** Do you agree with our rationale, and proposed policy changes around the **removal of Personal Projection**? If not, please: explain why and suggest and explain any alternative proposals.

MoneySuperMarket believes strongly that suppliers having different ways of calculating rates is harmful to consumers. Competition needs to be based on the deals offered rather than on the methods used to calculate savings. It is for this reason that we would like to see the same personal projection method used by all suppliers.

We acknowledge that the personal projection has its flaws and requires improvement - in particular, consumers need to be made much more aware of how projections work. We would encourage Ofgem to work with industry and consumer groups to understand how best this can be done.

In the meantime, however, MoneySuperMarket has concerns that Ofgem's current approach to this issue is unclear. Further information on this would be most welcome.

**Question 8:** Do you agree with our rationale, and proposed policy changes about including the **pre-2015 code content** on factors an accredited price comparison website should and should not include when deriving a consumer's estimated annual costs? If not, please: explain why and suggest and explain any alternative proposals.

We agree with much of the pre-2015 code content but, as explained in the answer above, we believe it is crucial that all suppliers and PCWs are using the same method to calculate the personal projection.

**Question 9:** With reference to Table 4, do you agree that the proposed Code wording reflects our proposals? If not, please: explain why and suggest and explain any alternative proposals.

Yes, we agree that the proposed Code wording reflects the current proposals. However, as previously mentioned, we disagree with the removal of the personal projection.



**Question 10:** Do you agree with our assessment that no changes are required to the TIL references within the Code?

Yes we agree that no changes are required to the TIL references within the Code.

**Question 11:** Do you agree that these initiatives are out of scope for this review and that we should monitor their progress to be aware of potential impacts in the future of these initiatives?

Yes.

**Question 12:** Do you believe there are any other initiatives we should be keeping abreast of to ensure a joined-up approach to our policy development work?

Yes. We have noted that face-to-face activity seems to be on the increase, so we would recommend including that in the code and providing a better framework for PCWs to engage in that activity.