

## **RESOLUTION FOUNDATION SEMINAR: LAUNCH OF COMPARISON WEBSITES RESEARCH REPORT TO STAKEHOLDERS**

The Resolution Foundation held a seminar on Thursday 11<sup>th</sup> October 2007 to launch the Foundation's new report 'Compare & Contrast: How the UK comparison website market is serving financial consumers'. The purpose of the seminar was to facilitate discussion on the Foundation's research findings and to discuss its proposal for a new voluntary code of practice for the sector.

**Patrick South, Acting-Chief Executive of the Resolution Foundation**, chaired the seminar and opened the meeting. He began by explaining why the Foundation had undertaken its research:

### 1/ Increasing popularity of sites

Comparison websites are becoming increasingly popular amongst consumers, with 45% having used one in the last year to help them make a financial decision. They are therefore also attracting ever more public and industry interest and comment in the media. He pointed to the example of Direct Line who have openly criticised comparison websites as 'middle men' and do not allow their products to appear on them.

### 2/ Policy debate and generic financial advice

The growth of the sector is important in the wider context of efforts to improve financial capability, as they help people make informed financial decisions. There is also a link with the work of the Thoresen Review of Generic Financial Advice, which will report in the New Year, with its interim report due imminently.

### 3/ Target group

The Foundation is particularly interested in access to financial services and financial advice among low to moderate income earners. Comparison sites are increasingly important for this income group who are often unable to access conventional forms of financial advice.

Having thanked the external experts who had helped the Foundation with the report, Patrick stressed that the aim of the research was to provide a 'snapshot' of the sector as a whole and not an exercise in comparing sites against each other.

**Claudia Wood, the Foundation's Head of Policy & Research**, then delivered a presentation summarising the report's key findings. She began by talking through the project's research objectives and methodology. This comprised two main elements:

- In-house research to assess the sites, with the criteria chosen and the results validated by the 'expert group'.
- Consumer testing commissioned from Opinion Leader.

She then presented the detailed findings from the research against each of the project's nine criteria in turn: accuracy of the information provided, completeness of the information provided, relevance of the fact find, clarity of information and terms explained, consumer experience, flexibility of the information presented, market coverage, impartiality, and the ease with which consumers can act on the information received.

Claudia then summarised the main findings as follows:

**Key strengths:**

1/ Market coverage and user guides/information

Overall, the market coverage claimed by most sites was high, and there was a good provision of user guides, user forums, pod casts and other sources of information available on the sites to help consumers understand their finances.

2/ Consumer experience

The results from the consumer testing were very positive, with many sites having features which were commended by consumers.

3/ Manipulation of data

The options available for manipulating data was also one of the sector's strengths, with the vast majority of sites enabling the consumer to sort, filter, shortlist or otherwise change the presentation of comparative information to suit their preferences.

4/ Responsiveness to previous criticisms

The research had also shown that the sector had responded well to previous criticisms, such as the accusation that sites could damage consumer's credit ratings by encouraging multiple credit applications, which had been addressed by offering various tools to enable consumers to assess their own credit rating and select appropriate products.

**Key weaknesses:**

1/ Transparency of commercial relationships

The research showed that only a minority of sites were explicit about their commercial relationships and funding arrangements, whilst many provide little or no explanation at all. Whilst commercial sponsorship is necessary to generate revenue and keeps sites free to use for the consumer, Claudia argued that that these arrangements, and how they affect site content, should be more transparent. This is an area that needs immediate attention so that the consumer trust is not compromised.

2/ Requiring personal contact details to access data

The research showed that some sites require site users to provide personal contact details before accessing data. Many people access these sites precisely because they want to compare products themselves and not rely on a brokerage service – so the passing on of contact details to a brokering service should be optional for the consumer, not a mandatory practice.

3/ Explanation of technical terms

Many sites also failed to provide clear explanation of technical terms and abbreviations, making some tables extremely challenging to read. This should be addressed so that people can make informed decisions without being confused by complex jargon.

4/ Personalisation of savings and credit cards information

Most sites presented consumers with a generalised list of information in relation to these products which may not suit their individual circumstances. Claudia suggested that more questions regarding consumers' spending/savings behaviours should be asked in order to generate more personalised and appropriate product lists.

Patrick then chaired a discussion on the report. This fell into two main areas; reflections on the findings; and the way forward and the potential introduction of a code of practice.

### **Reflections on the findings**

#### 1/ User ratings

There was some discussion on the use of consumer ratings on the sites. The Foundation's user testing had found that consumers found these ratings very helpful. However, the point was also raised that they are open to manipulation and can be misleading. The consensus was that, whilst they are helpful for consumers, safeguards should be in place to prevent manipulation, and it should be clear that they should only act as general indicators of consumer satisfaction.

#### 2/ Transparency

There was consensus that transparency is a key issue for the market to address, with a strong recognition that maintaining consumer trust is pivotal to the industry. Sites should therefore be explicit about how they are funded, explain the true nature of their sponsorship and affiliate arrangements, and how features such as best buys and editors picks work.

#### 3/ Accessibility & IT literacy

Although many sites are designed for people with varying levels of IT literacy, the Foundation's consumer testing had highlighted frustration among consumers who found it difficult to navigate sites and sometimes ended up buying inappropriate products as a result. There was consensus that site design should prevent this as far as possible, and it was suggested that sites should use consumer testing to address this. It was also pointed out that this was the sites' best interests as people would recommend them to other users.

There was also some discussion about the relationship between comparison sites and the 'digital divide' which reduced access to the sites among some sectors of the population. This issue was also raised in the context of delivering generic financial advice. Two of the website providers said that the industry would respond to market demand, with one provider highlighting that it already provided a telephone information service.

### **Voluntary code of practice**

There was consensus that the introduction of a voluntary code of practice would be a positive development and strong support for such a code being led by the industry. There was also discussion about what such a code should include, with models from other sectors cited as best practice examples. There was then consideration of what the next steps in the process should be.

The question of how such a code should be governed attracted a lot of debate. It was agreed that the governor of the code should vigorously enforce it with sanctions applied against those not abiding by it. This was deemed crucial to ensure consumer trust. Three potential governance options were suggested, although it was noted that none of them necessarily provided a natural home for this function.

#### 1/ Stakeholder Forum

It was generally agreed that a code would work best if the standards were designed by relevant industry stakeholders. It was also suggested that a stakeholder forum made up of key stakeholders could then act as a governing body.

#### 2/ FSA

The concept of the FSA acting as governor of a code of practice was thought unsuitable by both representatives of the FSA and the industry as it is not in a position to endorse or accredit particular products because this falls outside its regulatory remit.

#### 3/ Trade Body

It was suggested that a trade body could be established to manage the code. However, some argued that such a body would act in the interests of its members, and would not therefore be the champion of the consumer. It was also suggested that such a body could be bureaucratic and would be likely to work to the level of their slowest members.

### **Additional Points**

#### 1/ Thoresen Review

One contributor pointed out that the landscape could change significantly when the Thoresen Review reports; standards may be necessary so that a generic advice service can point to comparison sites as a source of product-specific information.

#### 2/ Multiple codes

It was highlighted that some sites may be covered by multiple codes. It might therefore be both more efficient and consumer friendly to have a single code for the comparison industry as a whole, rather than separate sector-specific codes.

#### 3/ Equity Release

It was suggested that the experience of the equity release market, which provided a good example of an industry policing itself, might provide an example to draw from. However, the loss of consumer trust in the industry and its difficulty in earning this back, despite the implementation of a code of conduct, shows how important it is for the comparison site industry to act quickly.

### **Conclusion and next steps**

The need for a voluntary code of practice was strongly endorsed by those present, as was the need to move quickly. It was noted that MoneyExpert have suggested a meeting of CEOs from the leading sites, chaired by Professor Merlin Stone, to discuss a way forward. It was agreed that this could provide a catalyst for action. On this basis, the actions agreed were:

- MoneyExpert's initiative should be taken forward as an ideal opportunity for an early meeting between the leading sites to discuss a way forward
- The Foundation should follow up with MoneyExpert to discuss its potential involvement in this meeting
- The Foundation would also further explore existing good practice and look into the equity release example

## Appendix 1

### List of Attendees

Sonia Abrahams	Opinion Leader
Robin Amlot	Moneyextra
Phil Anderson	Citigate on behalf of Moneyexpert
Cara Brown	Resolution Foundation
Claire Cunningham	A4E
Anna Djeibel-Jung	HM Treasury
Ben Forsyth	Prudential
Caroline Gardner	Deloitte
Kathy Hall	National Audit Office
Elizabeth Hoskins	ABI
Nick Hurman	Aegon
Gavriel Magonet	Motley Fool
Paul Montague-Smith	HSBC
Anna Nicolaou	FSA
Nicola O'Reilly	National Consumer Council
Mark Penman	Resolution Foundation
Rebecca Rennison	Resolution Foundation
Stephen Rumbelow	Moneyfacts
Patrick South	Resolution Foundation
Doug Taylor	Which?
Jane Vass	Age Concern
Phil Willocks	Norwich Union
Claudia Wood	Resolution Foundation
Wendy van den Hende	PfEG
Jackie Nowell	Citizens Advice
John Rowland	Cicero Consulting
Elaine Sanmarco	Citizens Advice
Alexander Cowen Wright	Moneysupermarket