



Comparestack Limited
100 Avebury Boulevard
Milton Keynes
United Kingdom
MK9 1FH

comparestack.com
moneygains.co.uk

Thursday, 11 February 2021

Classification: Non-confidential

Response to Consultation on changes to the Domestic Marketing Code of Practice

Background

Comparestack is a FinTech (financial technology) company which specialises in digital comparison tools. In Northern Ireland, Comparestack operates a newcomer price comparison website (PCW) providing an electricity comparison service under the consumer brand 'Moneygains' (moneygains.co.uk).

Comparestack welcomes the Utility Regulator's review of the Domestic Marketing Code of Practice and the opportunity to respond to the proposed changes.

Indeed, we first formally requested a review of elements within the code in October 2018 and have since then been calling for changes to ensure all elements remain fit for purpose and in the best interest of consumers. We are pleased that our strong representations to the Utility Regulator and CMA on this matter have been recognised.

In light of our line of business our responses are primarily focussed on the impact (direct or in-direct) of changes to price comparison websites.

Comparestack advocates a principles-based approach to regulation and treats people fairly in-line with the CARE principles - being Clear, Accurate, Responsible and Easy to use¹. We will always work to ensure the best possible outcomes for our customers.

We urge the Utility Regulator to carefully consider any application of a one-size fits all approach to regulation and avoid specifying narrow implementation detail which could be detrimental to innovation and market competition.

¹ <https://www.gov.uk/government/publications/digital-comparison-tools-summary-of-final-report/digital-comparison-tools-summary-of-final-report>

Responses to the detailed questions

Q1) Do respondents have any objections to the removal of the prohibition on annual bill comparisons that is currently in the Domestic Code of Practice

No. Comparestack would welcome removal of the prohibition on annual bill comparisons from the Domestic Marketing Code of Practice.

Comparestack agrees with the Utility Regulators assessment that tariffs can no longer be easily compared on the basis of unit rates alone, and that an accurate representation requires consideration of several component parts - unit rate, standing charges and associated monetary discounts e.g., welcome credit.

Q2) Are there any issues with the deletions and/or new drafting in the Domestic Code of Practice (Annex I to this consultation paper).

Yes.

It is our interpretation that updated drafting of the Code of Practice is unclear and several elements are not suitable for PCWs.

We would recommend the below changes to Section 5.8, Section 6.3, Section 7.7, Section 8.3, Section 9.10, in the context of Price Comparison Websites:

1. The 'estimated annual bill figure' should account for all charges and any monetary discounts the customer should reasonably expect to receive within 12 months.

We assert that consumers expect any relevant discounts to be accounted for in the calculation.

Example business logic

Annual estimated bill figure – (Unit Rate inc VAT x Annual Unit Usage) + (365 x Standing Charge Rate inc VAT) – (monetary discounts).

Included discounts: Paperless, Switching/Welcome, Payment Method, Additional Promotional Credit/Bonus to be received within 12 months

Excluded discounts: Bonuses to be credited after 12 months, cashback, non-financial incentives, vouchers

2. The estimated annual bill figure should be calculated using the customers actual usage rates where possible. Using an average consumption rate is a blunt approach, and not appropriate for many customers.

In order to provide a customer with an accurate quote, it is highly preferable to ask for their actual unit rate usage figures or actual bill amounts. Where the customer does not have these figures, the PCW may choose to offer the option of an average rate as a means of approximation.

Adopting an average rate for all quotes, will degrade the service severely, resulting in no more than a 'best buy' table which the CMA itself describe as 'basic' and 'simple'².

Furthermore, we will be unable to complete the switching journey for customers without obtaining their expected usage levels. This has the potential to be very confusing for consumers.

Additionally, presenting results purely on the basis of an average rate, will inevitably lead to poorer customer outcomes for cohorts of customers. We have verified this through means of a price sensitivity exercise, further data can be shared on a confidential basis should this be required. For example, a low usage customer may achieve a greater saving from a tariff with a large welcome bonus, whereas a high usage customer may benefit from a tariff with the lowest possible unit rate.

Whilst using a benchmark figure may be somewhat useful for energy suppliers own marketing activities or certain agents, it is not appropriate in the context of price comparison websites which can offer a more tailored personalised service with a high degree of precision and rigour.

Customer Journeys for all 4 PCWs operating in Northern Ireland currently prompt users to provide their estimated bill or unit usage to enable personalised recommendations to be produced. This is considered standard practice within the industry.

² <https://assets.publishing.service.gov.uk/media/59c93546e5274a77468120d6/digital-comparison-tools-market-study-final-report.pdf>