



# The real deal: how do price comparison websites measure up?

Recommendations for regulators, operators and users of price comparison websites

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## Introduction

With a proliferation of deals on the market and the complexity of products and services, price comparison websites (PCWs) can be very useful to consumers in helping them compare a large number of offers quickly and easily, or facilitate switching.

It is not surprising that the popularity of PCWs is growing, and increasingly they are becoming a key source of the information that guides consumers' purchasing decisions. In 2010, the Office of Fair Trading (OFT) report, *Advertising of Prices*, showed 73 per cent of consumers had used a PCW; up from 62 per cent in 2009. Research from Civic Consulting reports that 81 per cent had used one in 2011.<sup>1</sup> According to our recent research, 56 per cent declared they have used a PCW in the past two years, and 52 per cent switched or purchased directly through a PCW.<sup>2</sup>

## Opportunities

The growth of the price comparison tool market is undoubtedly fuelled by consumer demand for third party services that can:

- save time and money when navigating through the maze of market deals
- take the hassle of switching suppliers, such as energy companies
- help to understand their consumption needs and potentially lead to changes in consumption behaviour.

As a result of growing take up, PCWs are considered by many as a tool of consumer empowerment, which can help to shift traditional asymmetries in information and power between a consumer and a supplier.

The UK Government's consumer empowerment strategy, *Better Choices: Better Deals, Consumers Powering Growth*, sees price comparison tools as an important vehicle of consumer empowerment, and encourages consumers to make use of the PCW channel to help them make better and more informed choices.<sup>3</sup> Furthermore, the UK Government's midata initiative,<sup>4</sup> which aims to give consumers access to core consumption and transaction data, is set to power a new breed of comparison tools that can offer consumers bespoke comparisons based on their specific requirements and their actual use of a service.

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1 [http://ec.europa.eu/consumers/consumer\\_research/market\\_studies/docs/study\\_ecommerce\\_goods\\_en.pdf](http://ec.europa.eu/consumers/consumer_research/market_studies/docs/study_ecommerce_goods_en.pdf)

2 <http://www.consumerfutures.org.uk/files/2013/07/Price-Comparison-Websites-Consumer-perceptions-and-experiences.pdf>

3 <http://www.bis.gov.uk/assets/biscore/consumer-issues/docs/b/11-749-better-choices-better-deals-consumers-powering-growth.pdf>

4 <https://www.gov.uk/government/news/the-midata-vision-of-consumer-empowerment>

## Challenges ahead

The price comparison market itself faces many challenges, and the success of the government strategies relies on the assumptions that:

- PCWs can deliver a trustworthy and reliable service
- consumers continue to engage with the comparison tools market
- favourable market conditions exist that enhance further development and innovation of price comparison tools to the benefit of market competition and the consumer.

### Impartiality, reliability and trust

Today's consumers are faced with an increasing choice of PCWs. Some sites relate to specific markets such as gas and electricity, insurance, car hire, flights or electrical appliances. Others offer price comparisons on a range of consumer goods and services. They also differ in terms of the business models they operate; some get information through direct arrangements with suppliers while others scrape information from suppliers' websites. In addition, the sites vary with regard to sources of financial revenues they generate; some rely on advertising revenues, adverts and sponsored links, some are paid commission for a completed sale or switch, while others are owned by the suppliers themselves.

In addition, the price comparison intermediaries market continues to evolve and now, alongside more established PCWs that focus primarily on giving information and advice, a new generation of services that build on the price comparison model is emerging. These services include collective switching sites, group purchasing, mobile apps or more sophisticated consumption data analysers.

The nuances of business models and commercial arrangements are not always visible and known to consumers, yet they may impact on the quality and impartiality of advice that consumers rely on. These factors may also determine whether or not consumers end up with a better deal as a result of using the service.

The issues of impartiality, reliability and accuracy of information have been of particular concern to regulators and consumer bodies and were highlighted in recent research. For example, Civic Consulting research (2011) found that some PCWs lacked adequate information on delivery costs, delivery times, taxes and product availability, as well as clear information about default rankings.<sup>5</sup> The OFT web sweep of 55 PCWs identified scope for improvements in terms of greater clarity about the way search results are presented and identification of the business that operates the websites, as well as privacy policies and their complaints and redress processes.<sup>6</sup> Our own research found that although PCWs are a useful platform for a basic search,

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5 [http://ec.europa.eu/consumers/consumer\\_research/market\\_studies/docs/study\\_ecommerce\\_goods\\_en.pdf](http://ec.europa.eu/consumers/consumer_research/market_studies/docs/study_ecommerce_goods_en.pdf)

6 <http://www.out-law.com/articles/2012/november/oft-urges-100-price-comparison-websites-to-address-issues-undermining-consumers-trust/>

displaying a high proportion of relevant search details, they do not guarantee automatic savings.<sup>7</sup> For example, only 21 per cent of investigated sites guaranteed savings in real terms if a switch or purchase took place through their site, rather than directly from the supplier. Their performance standards varied in terms of clarity on ordering of search criteria, selection of suppliers and how they generate income.<sup>8</sup> Also, not all PCWs allow more tailored searches specific to individual needs, and some lack clarity on costs.<sup>9</sup>

### **Re-think the current approach to improving market practices**

In response to some of the concerns, various initiatives have been taking place in order to improve the functioning of the PCW market. Some of these led to the development of accreditation schemes to certify the quality of PCWs.

An example of this is the Confidence Code – a voluntary accreditation scheme for PCWs in the energy sector that was managed by Consumer Focus. The scheme was originally set up by (and has since returned to) the energy regulator, Ofgem, and aimed to reassure energy consumers that information displayed by accredited PCWs is impartial, comprehensive and accurate. It was similar to the accreditation scheme established by Ofcom for price comparison tools.

Research suggests that accredited comparison tools are likely to perform better on a number of criteria, and our mystery shopping found that the degree of good performance was higher on accredited sites in comparison to non-accredited ones.<sup>10</sup> Similarly, preliminary findings from the European Commission's 2012 Internet Service Provider (ISP) study found that PCWs accredited or run by regulators scored higher in five out of seven assessed criteria, including user-friendliness, market coverage of offers, clarity of information on offers and price.<sup>11</sup>

However, accreditation schemes are little known to consumers; in our research only 16 per cent of PCW users declared knowledge of them.<sup>12</sup> In part, this low level of consumer awareness can be attributed to the passive degree of trust in price comparison tools. Consumers often assume that search results are generated in an even-handed way. Indeed, consumers in our research had rarely, if ever, considered that PCWs supply anything other than an extremely useful service based on reasonably accurate and impartial data. Given the present levels of awareness and understanding, accreditation appears to be an answer to a question that consumers are not asking. Instead, take up in services seems to be driven by the scale of PCW advertising budgets. According to our research, 85 per cent of surveyed consumers use one of the so-called 'Big Four' PCWs that dominate the

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7 <http://www.consumerfutures.org.uk/files/2013/05/Comparing-comparison-sites.pdf>

8 Ibid

9 Ibid

10 Ibid

11 [http://ec.europa.eu/consumers/consumer\\_research/market\\_studies/internet\\_services\\_provision\\_study\\_en.htm](http://ec.europa.eu/consumers/consumer_research/market_studies/internet_services_provision_study_en.htm)

12 <http://www.consumerfutures.org.uk/files/2013/07/Price-Comparison-Websites-Consumer-perceptions-and-experiences.pdf>

market and only 4 per cent use other sites.<sup>13</sup> Currently, only one of the Big Four sites is accredited by a regulator quality assured scheme (Ofgem).

This leads us to question whether the actions of regulators or designated consumer bodies are actually effective in stimulating consumer engagement with trusted intermediaries in order to close the market to unscrupulous entrants and enhance greater trust in the sector.

### **Address barriers to market growth**

PCWs do not operate in a vacuum, but are volatile to the supply and the demand of the market. Hence any actions undertaken by regulators should also address the more difficult nuances of the market, which can be the root cause of PCW shortfalls. These actions should include in-depth scrutiny of supplier practices that impact on performance of PCWs, as well as better understanding of consumer behaviour and needs.

For example, PCW market coverage and supplier selection relies on the willingness of suppliers to provide up-to-date, accurate, interoperable, and detailed data on their products and services in order to facilitate reliable comparisons that meet individual consumer preferences and needs. Similarly, addressing switching barriers that impact on the functioning of the PCW market is likely to increase take up and benefit consumers by taking away the hassle of changing to a new supplier.

It is also important that regulators address the problem of consumers' limited understanding of their bills and consumption needs, which often leads to them inputting incorrect data on PCWs when searching for a better deal, or subscribing to a package that exceeds their real consumption needs. Our research found that consumers often do not know the exact level of their consumption or usage, and when in doubt, they are more likely to look for a bigger and more inclusive package in order to avoid extra costs.<sup>14</sup> This is particularly common when considering mobile phone and internet packages where there are cost implications for exceeding defined volumes of minutes, text or internet downloads. However, this is also prevalent in other utility sectors. Consequently, when looking for the best deal, consumers may be evaluating packages that overestimate their requirements. The mobile comparison site, billmonitor, reported a similar conclusion, with its survey showing that three quarters of British consumers are on the wrong mobile tariff and are overpaying nearly £200 a year as a result.<sup>15</sup>

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13 Ibid

14 Ibid

15 <http://crave.cnet.co.uk/mobiles/uk-mobile-subscribers-overpaying-200-a-year-in-wrong-tariff-foolishness-50003458/>

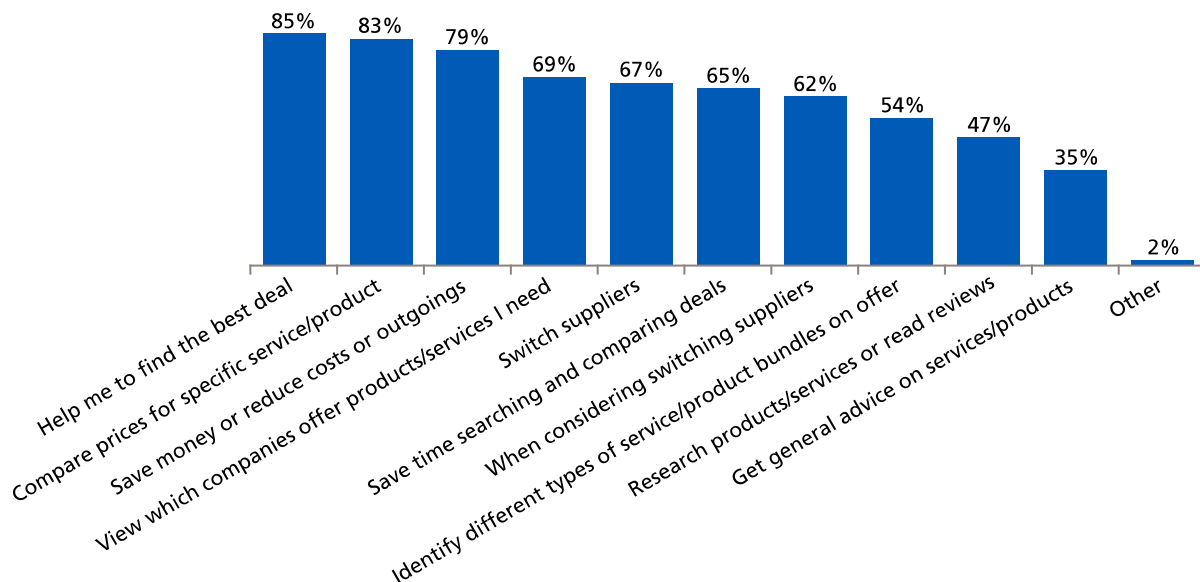
## Consumer engagement: the dichotomy of trust

Increasingly, consumer engagement with markets is channelled through PCWs. According to our recent research, 56 per cent of consumers surveyed declared they had used one in the past two years and 52 per cent switched or purchased directly through a PCW.<sup>16</sup>

Our research found that consumers use PCWs to:

- bargain hunt to get the best deal (85 per cent)
- compare prices (83 per cent)
- save money (79 per cent)
- identify providers (69 per cent)
- switch (67 per cent) either through the PCW or directly with the supplier.

Figure 1: What PCWs are used for<sup>17</sup>



Base: 980 (all respondents who have used a price comparison website in the last two years)

People tend to use PCWs for searching or switching services in markets such as insurance, travel and utilities. This is related to the prevalent use of PCWs in purchasing:

- products highlighted in PCW advertising: all of the Big Four<sup>18</sup> have promoted their use in connection with car or home insurance
- products that people buy most routinely, such as insurance, which is renewed annually
- products that are relatively expensive, such as insurance premiums and utilities.

<sup>16</sup> <http://www.consumerfutures.org.uk/files/2013/07/Price-Comparison-Websites-Consumer-perceptions-and-experiences.pdf>

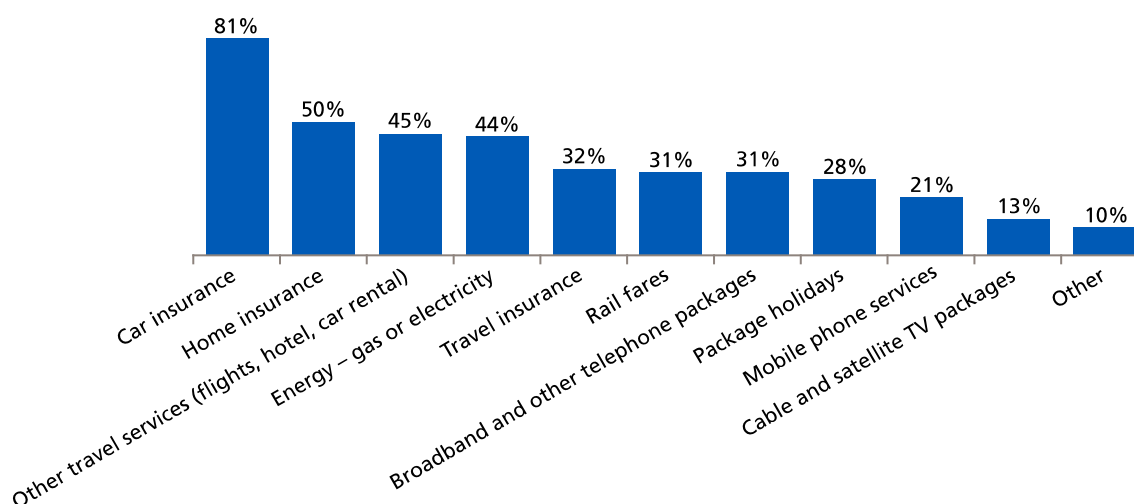
<sup>17</sup> Ibid, p.20

<sup>18</sup> MoneySupermarket.com, ComparetheMarket.com, GoCompare.com, Confused.com



In addition, these markets are often perceived by consumers to be complex; characterised by a proliferation of offers, information overload and product complexity, with a high risk of choosing unsuitable products and ending up on a worse deal.

**Figure 2: Products/services that PCWs are used for<sup>19</sup>**



Base: 1,068 (all respondents who have used a price comparison website in the last two years)

## Take up

The majority (85 per cent) of consumers who use PCWs go to one of the Big Four, and only 8 per cent use other sites,<sup>20</sup> which include quality assured sites approved by a regulator accreditation scheme such as Ofgem’s Confidence Code<sup>21</sup> or Ofcom’s Price Calculator<sup>22</sup>.

Take up corresponds to the level of consumer awareness, with 83 per cent able to name one or more of the Big Four sites but only 6 per cent aware of one of the rest.<sup>23</sup> Even fewer (less than 1 per cent) are aware of collective switching sites and next generation sites, though interest in the latter is growing. The *Big Switch* collective switching initiative for consumers in the energy market – set up by Which? and the campaigning platform 38 Degrees – resulted in some 287,000 consumers registering their interest in the

<sup>19</sup> <http://www.consumerfutures.org.uk/files/2013/07/Price-Comparison-Websites-Consumer-perceptions-and-experiences.pdf>, p.22

<sup>20</sup> Ibid

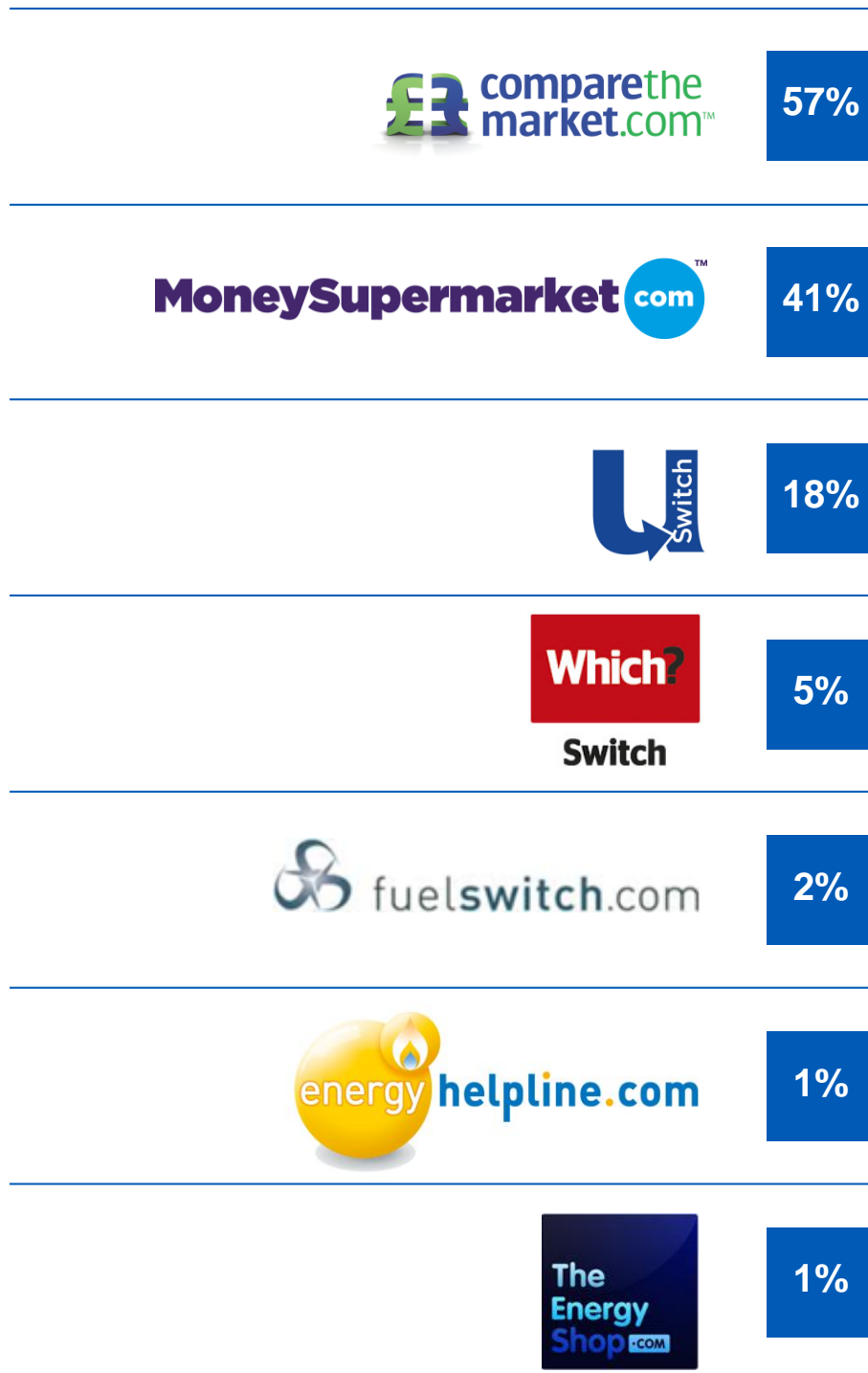
<sup>21</sup> <https://www.ofgem.gov.uk/information-consumers/domestic-consumers/switching-your-energy-supplier/confidence-code>

<sup>22</sup> <http://consumers.ofcom.org.uk/price-comparison/>

<sup>23</sup> <http://www.consumerfutures.org.uk/files/2013/07/Price-Comparison-Websites-Consumer-perceptions-and-experiences.pdf>

initiative, of which around 37,000 switched to the winning energy provider and achieved an average saving of £223.<sup>24</sup>

Figure 3: PCW awareness<sup>25</sup>

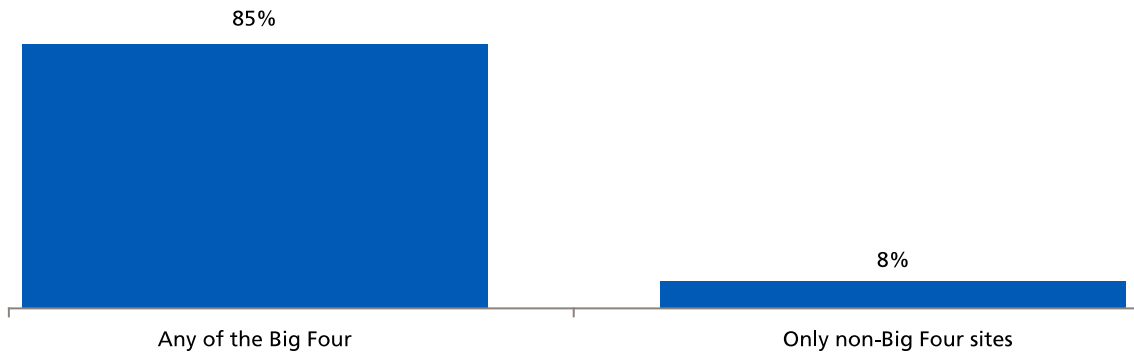


24 <http://www.consumerfocus.org.uk/files/2011/12/Presentation-for-BIS-collective-purchasing-event.pdf>

25 <http://www.consumerfutures.org.uk/files/2013/07/Price-Comparison-Websites-Consumer-perceptions-and-experiences.pdf>

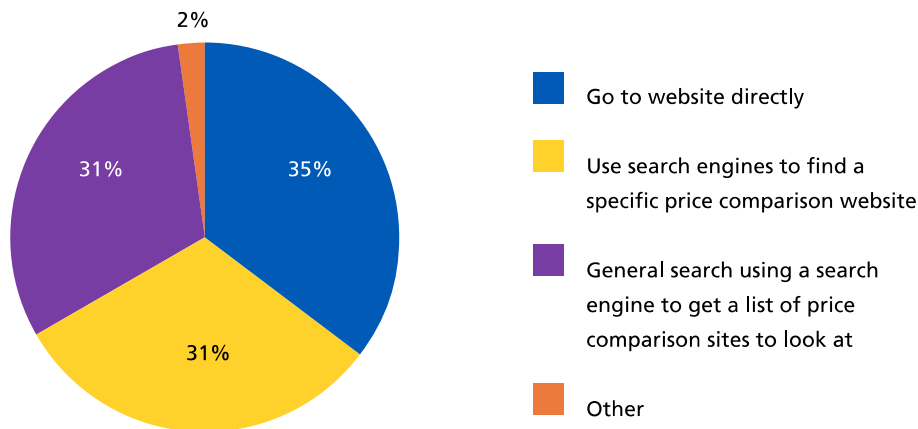
Undoubtedly high profile advertising campaigns run by the Big Four are one of the key drivers of consumer take up, influencing the consumer journey to particular sites. For example, 66 per cent of people who search for PCWs online are familiar with the site names and either go directly to a specific website or use search engines to find specific sites (see Figure 5).

**Figure 4: PCWs used<sup>26</sup>**



Base: 1,050 (all respondents who have used a price comparison website in the last two years)

**Figure 5: Finding PCWs<sup>27</sup>**



Base: 980 (all respondents who have used a price comparison website in the last two years)

<sup>26</sup> Ibid, Figure 4.7, p.18

<sup>27</sup> Ibid, p.20

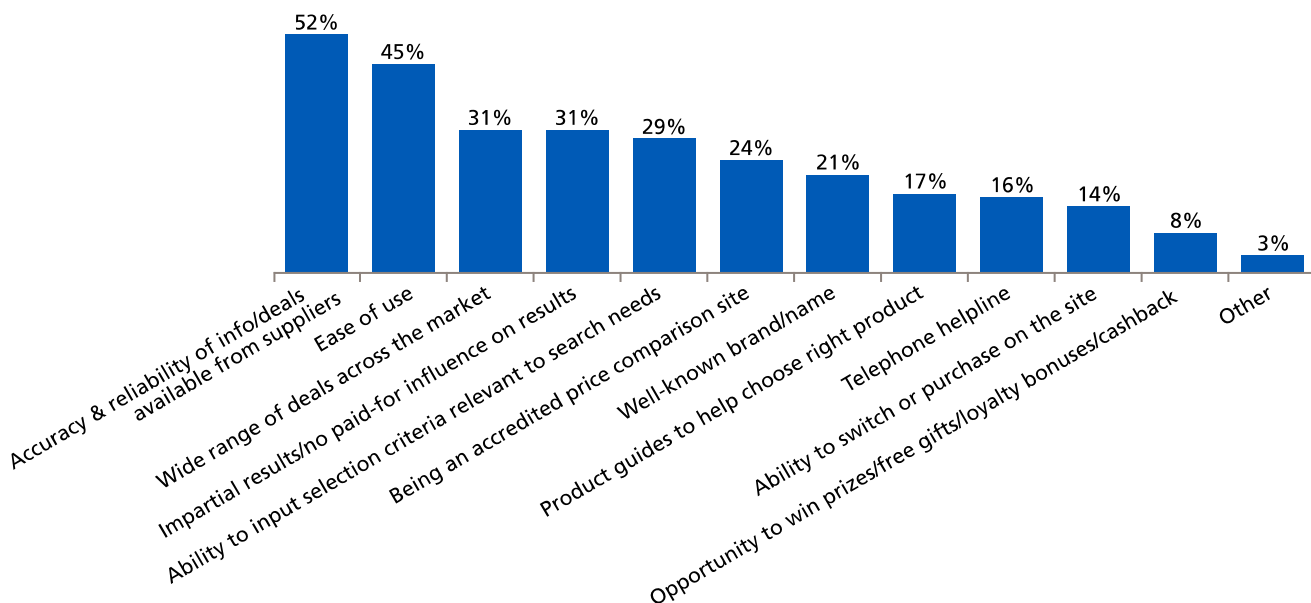
## Usability expectations

Consumers expect PCWs to be accurate, reliable and easy to use. According to our research, 52 per cent considered accuracy and reliability of information and 45 per cent ease of use as the most important factors when using a PCW.<sup>28</sup>

Another important feature is ease of use. PCW users prefer websites that have a clear uncluttered layout, headings and banners that are easy to read and understand, with a logical design and flow. Consumers also appreciate an explanation for technical terms they might be unfamiliar with.

One of the reasons for negative experience is not being able to customise or tailor the search according to the user's own criteria. In particular, consumers cited not allowing enough customisation in terms of the search criteria, or not asking all the questions the consumers thought needed to be asked of them to get accurate and relevant search results. In the case of energy tariffs, consumers should be able to use a tool that calculates their approximate consumption based on their last bill or other information readily available to the user. People get frustrated answering pre-questions requiring specific information that they do not have to hand or being asked for specific information at an early stage, or not being allowed to provide incomplete answers with a view to completing these later in the process.

**Figure 6: Most important features when using PCWs**



Base: 980 (all respondents who have used a price comparison website in the last two years)

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28 Ibid

## Switching

The use of PCWs as a switching or purchasing portal is growing. A survey of online consumers for the OFT's *Advertising of Prices* market study, published in December 2010, found that only 15 per cent of those surveyed purchased through a PCW, whereas our 2013 research indicates that 52 per cent switched or purchased directly through a PCW.<sup>29</sup>

Use of a PCW as an intermediary portal to switch remains dominated by the car and home insurance, and energy markets; 77 per cent of consumers used a PCW to switch car insurance and 37 per cent did so for their energy supplier and home insurance. In comparison, only 7 per cent have bought landline or mobile telephone services via a PCW, and only 3 per cent TV services. The low switching levels via PCWs for telecommunication utilities correspond to low consumer satisfaction with using PCWs for switching mobile or broadband services. Gas and electricity markets score more highly. Consumers point out that the renewal notices issued by the insurance sector act as a trigger to look for more competitive offers to switch to. In contrast, consumers within the telecommunication sector tend to haggle with retaining providers in order to achieve savings rather than switch.

In addition, consumers cite unappealing contract terms, high costs of early termination rates, fear of service disruption and limited choice of quality providers offering good mobile coverage or high broadband speeds in their locations as reasons that prevent them from switching.<sup>30</sup>

## Consumer trust

Our research indicates that consumers have a passive degree of trust and assume that the search results returned have been generated in an even-handed way. For example, 73 per cent of surveyed people who use PCWs describe them as 'fairly reliable', and 52 per cent 'useful' in helping to find a good deal.<sup>31</sup>

Yet despite a high level of consumer satisfaction indicated by these figures, more in-depth investigation suggests that the trust may be 'on thin ice' as consumers are in the habit of verifying results on other sites or on the phone. Some still have concerns about buying through a 'middleman', rather than directly from the provider. This relates to either consumer preference to speak to their current providers before switching (63 per cent), unwillingness to provide the data that the sites require (30 per cent), or preference to purchase offline (27 per cent). The research also found there is little evidence of loyalty to particular sites; a large majority (83 per cent) of PCW users typically visit multiple sites as part of the process. The findings also indicate that people rely on assumptions about the PCW's pricing details, ranking criteria and

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29 <http://www.consumerfutures.org.uk/files/2013/07/Price-Comparison-Websites-Consumer-perceptions-and-experiences.pdf>

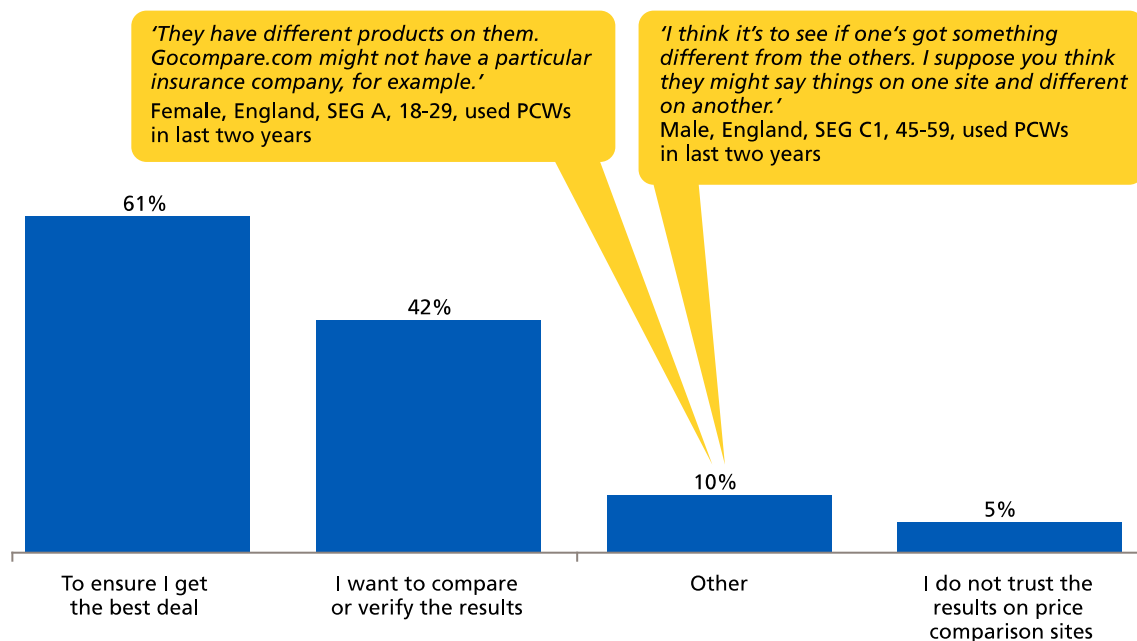
30 <http://www.consumerfutures.org.uk/files/2014/03/Broad-but-low.pdf>

31 <http://www.consumerfutures.org.uk/files/2013/07/Price-Comparison-Websites-Consumer-perceptions-and-experiences.pdf>

benchmarking on which suppliers are selected, rather than accurate information when making purchasing decisions.<sup>32</sup>

Consumers are also unsure about how PCWs operate and how they make a profit. Many scored PCW performance as poor with regard to clarity about whether companies can influence their ranking by paying (54 per cent). The research suggests that most consumers suspect that providers can and do pay these websites in order to influence comparison results. However, half of those who believe this happens say it would not influence their choice of PCW. This finding seems to run contrary to consumer expectation of PCWs to be accurate and reliable, with half of consumers (52 per cent) specifying 'getting accurate and reliable information' as one of the three most important factors when using a PCW. It also implies that consumers have little understanding of how PCWs operate. Hence there is a need to make consumers aware of basic rules when using price comparison tools, and particularly those less savvy consumers who may not be familiar with all the nuts and bolts of the price comparison tool market.<sup>33</sup>

**Figure 7: Reasons for looking at multiple PCWs<sup>34</sup>**



32 Ibid

33 Ibid

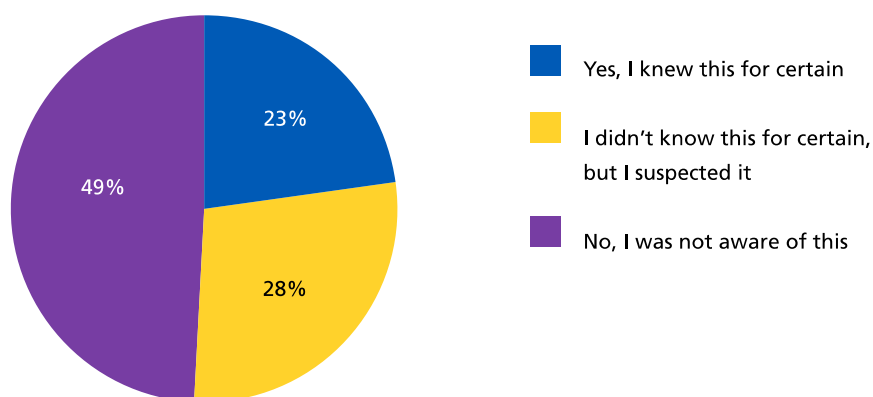
34 Ibid, Figure 5.2, p.35

## Major concerns

### Transparency and impartiality of comparisons

Consumers expect information provided on PCWs to be impartial and not influenced by commercial arrangements between website operators and suppliers. In fact, according to our research, few have knowledge about how PCWs operate and generate income (see Figure 8).

**Figure 8: Understanding of PCW business models: knowledge of paying for ranking<sup>35</sup>**



Base: 980 (all respondents who have used a price comparison website in the last two years)

Lack of transparency over whether suppliers can influence product ratings by paying or whether the selection of suppliers is influenced by commercial relationships can give consumers a false impression that they are getting the best deal when this may not be the case. Yet evidence suggests that PCW operators are not always transparent about their business models. This is despite the fact that the consumer protection regulations (CPRs) place requirements on businesses to disclose commercial relationships, where that information is material to the consumer's decision.<sup>36</sup> Our mystery shopping survey of PCWs across six regulated markets found market variations in disclosing information about how PCWs generate income, as illustrated by Table 1.

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<sup>35</sup> Ibid

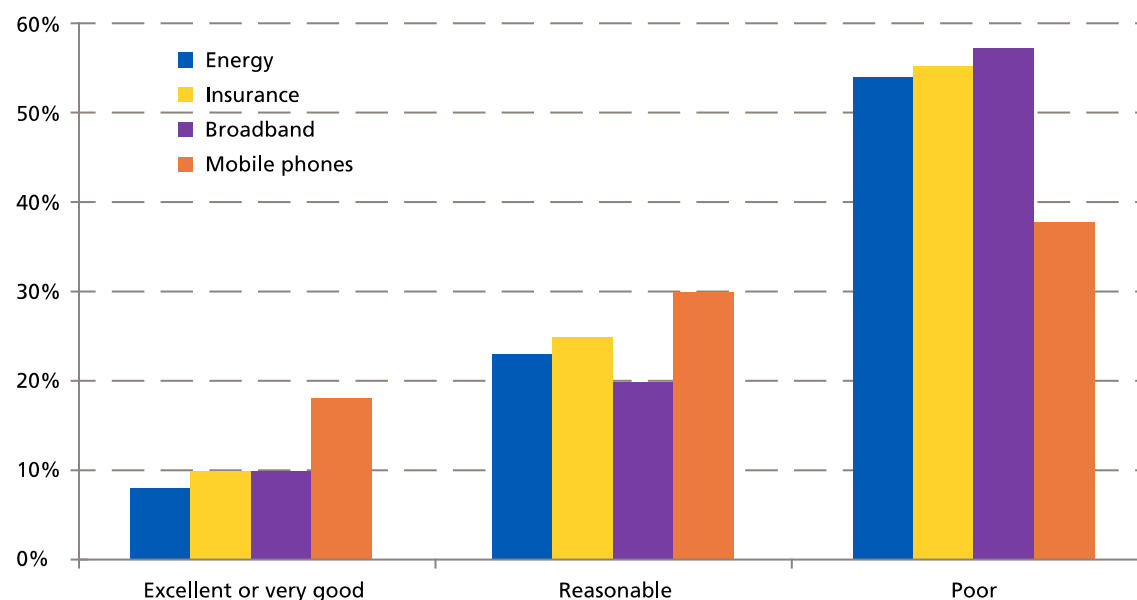
<sup>36</sup> OFT (2012). *Price Comparison Websites. Trust, Choice and Consumer Empowerment in Online Markets*, p.15.

**Table 1: Transparency about how PCWs generate income<sup>37</sup>**

	Total	B'band	Energy	Insurance	Mobile phone	Holidays	Rail fares
Base: all websites	(99)	(16)	(18)	(30)	(15)	(13)	(7)
	%	%	%	%	%	%	%
Explains how the site generates income	56	69	83	70	40	15	0
Base: all websites explaining how the site generates income	(55)	(11)	(15)	(21)	(6)	(2)	(0)
	%	%	%	%	%	%	%
Paid on completion of a successful application/switch	82	73	93	76	100	50	-
From advertising sales	16	36	7	14	17	0	-
Providers pay to appear on the comparison site	9	18	0	14	0	0	-
Paid per 'click through' to a provider's site	9	18	0	10	0	50	-
Other means	11	9	7	19	0	0	-

Lack of transparency on business models and commercial relations correlates to low consumer satisfaction with PCWs being open and clear about whether suppliers can influence ranking by paying, as indicated by Figure 9.

**Figure 9: Clarity on whether suppliers can influence ranking by paying<sup>38</sup>**



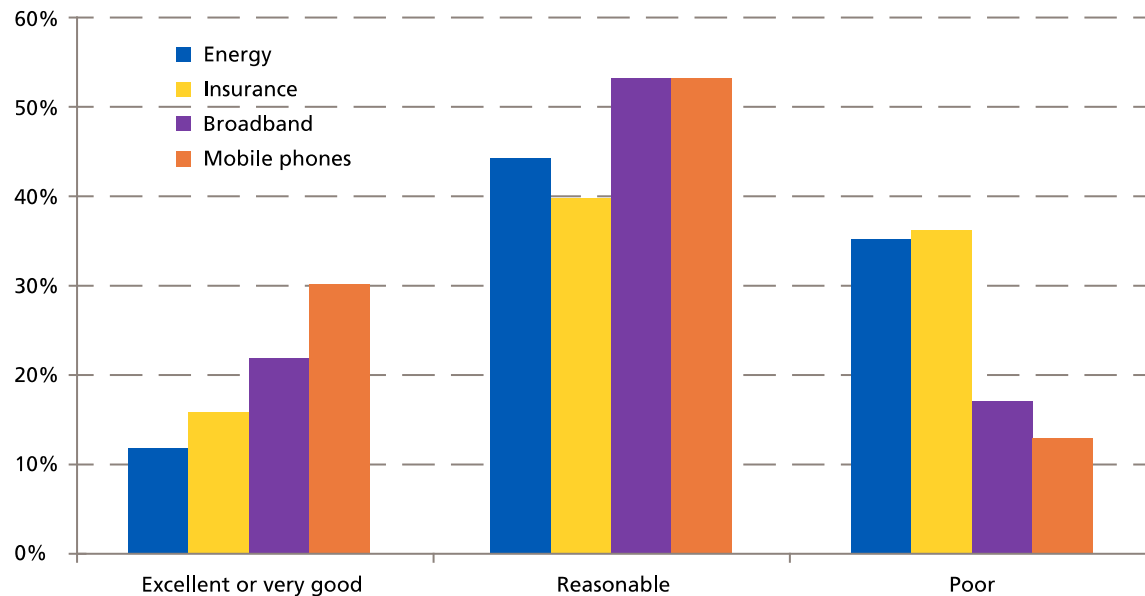
<sup>37</sup> <http://www.consumerfutures.org.uk/files/2013/05/Comparing-comparison-sites.pdf>, Table 7I from mystery shopping survey, p.28

<sup>38</sup> <http://www.consumerfutures.org.uk/files/2013/07/Price-Comparison-Websites-Consumer-perceptions-and-experiences.pdf>



Consumers also lack clarity about market coverage and the way suppliers included in the ranking are selected, as indicated by Figure 10. People seem generally confused why some suppliers are not listed, for example, whether it is to do with personalisation of the quote, a preference of the supplier not to appear on PCWs,<sup>39</sup> or other reasons.

**Figure 10: Clarity about how suppliers are selected<sup>40</sup>**



Our mystery shopping survey across six regulated markets found that overall, only half of the investigated sites gave information about the number of providers compared, and only 11 per cent provided an explanation as to why some suppliers or products might not be included (see Table 2).

<sup>39</sup> For example, Direct Line highlights its absence from PCWs in advertising campaigns.

<sup>40</sup> <http://www.consumerfutures.org.uk/files/2013/07/Price-Comparison-Websites-Consumer-perceptions-and-experiences.pdf>

**Table 2: Information about market coverage<sup>41</sup>**

	Total	B'band	Energy	Insurance	Mobile phone	Holidays	Rail fares
Base: all websites	(99)	(16)	(18)	(30)	(15)	(13)	(7)
	%	%	%	%	%	%	%
Identifies number of providers compared	51	37	61	60	53	38	29
Explains why some providers/products might not be included	11	12	11	17	7	8	0
Provides an explanation of how it calculates the results of a comparison	22	31	61	7	20	0	14

### Information quality

Consumers regard accuracy and reliability of information as one of the most important features when using PCWs. This implies they believe that deals displayed on PCWs are up to date and available from suppliers, and any restrictions and limitations on costs are clearly explained. In order to make an informed purchasing decision, consumers also need to be certain about criteria used to calculate the results of a comparison and ratings, such as most popular, best price, featured deals, deals available to switch directly via PCW only, and so on). Our research indicates that PCWs perform well with regard to accuracy of information on availability of offers. Across six investigated markets (energy, broadband, mobile phones, insurance, package holiday and railway fares), 85 per cent of products displayed on PCWs were found on the relevant supplier site. However, their performance varies when it comes to accuracy on costs, and clarity about the reasons for the cost differential (see Tables 3, 4, 5 and 6).

**Table 3: How costs on supplier sites compare to the costs on PCWs<sup>42</sup>**

	Total	B'band	Energy	Insurance	Mobile phone	Holidays	Rail fares
Base: all mystery shops except package holidays where product found on supplier site	(435)	(108)	(100)	(102)	(70)		(55)
	%	%	%	%	%	%	%
Supplier site cost was...							
...same as price comparison website	59	75	47	50	83	-	36
...higher than price comparison website	21	14	29	30	7	-	20
...lower than price comparison website	20	11	24	20	10	-	44

41 <http://www.consumerfutures.org.uk/files/2013/05/Comparing-comparison-sites.pdf>,

Table 7j from mystery shopping survey, p.27

42 Ibid, Table 7g, p.25

Also, few sites explain the reason for varying costs or give details when prices were last updated (see Tables 5 and 6). There are also market variations in placing restrictions and limitations on costs (see Table 4).

**Table 4: Additional restrictions/limitations on costs<sup>43</sup>**

	Total	B'band	Energy	Insurance	Mobile phone	Holidays	Rail fares
Base: all mystery shops exc. rail fares and package holidays	(463)	(122)	(116)	(114)	(111)		
	%	%	%	%	%	%	%
No additional restrictions/limitations in any of first 5 quotes	62	41	47	94	67	-	-
Base: all mystery shops	(596)	(122)	(116)	(114)	(111)	(77)	(56)
	%	%	%	%	%	%	%
No additional restrictions/limitations appeared when making application	85	73	86	92	78	95	87
Base: all mystery shops exc. rail fares, package holidays and insurance	(349)	(122)	(116)		(111)		
	%	%	%	%	%	%	%
No additional costs in any of first 5 quotes	52	38	52	-	67	-	-
No additional costs appear when making application	77	68	95	-	68	-	-

**Table 5: Can see the reason for cost differences<sup>44</sup>**

	Total	B'band	Energy	Insurance	Mobile phone	Holidays	Rail fares
Base: all mystery shops except package holidays where the product was found on a supplier site at a different cost	(178)	(27)	(53)	(51)	(12)		(35)
	%	%	%	%	%	%	%
Yes, can see the reason for the cost difference	22	41	15	6	33	-	37

43 Ibid, Table 7d, p.24

44 Ibid, Table 7h, p.25

**Table 6: Clarity about price updating<sup>45</sup>**

	Total	B'band	Energy	Insurance	Mobile phone	Holidays	Rail fares
Base: all mystery shops	(596)	(122)	(116)	(114)	(111)	(77)	(56)
	%	%	%	%	%	%	%
Note beside quotes to say when prices were last updated	17	16	58	4	3	6	4
Base: all websites	(99)	(16)	(18)	(30)	(15)	(13)	(7)
	%	%	%	%	%	%	%
Website says how often prices updated	30	63	50	20	20	15	0

Our desk-based research suggests there is a scope for improvement in information transparency, especially concerning provider/product rating, frequency of updates and clarity about market coverage claims.

## Liability and redress

Access to complaint handling and redress in case things go wrong are part of fundamental consumer rights, which are designed not only to protect consumers but also increase their confidence with the market. Complaint handling and redress are particularly relevant to PCWs that facilitate switching or purchasing services where part of the transaction is handled on the consumer's behalf. In 2012, the OFT web sweep of PCWs identified concerns related to the sites' shortfalls in providing complaint policies and contact details.

Our mystery shopping survey of PCWs across six markets found that only 45 per cent of the examined sites had a complaint policy in place.<sup>46</sup>

Our recent desk-based research found that, although all of the examined sites provided information on contact details, some did not display information about their complaint policy or provide specific contact details in case of a complaint. We also found that only some sites indicated a timeframe for the complaint policy and gave details about how to complain against a third party.

Another area of concern is liability exclusions in relation to services offered by PCWs, such as facilitating a purchase or switch. The desk-based investigation found that none of the examined PCWs accepted liability for information accuracy, loss or damage resulting from poor information quality and advice given, or third party products and services. Liability exclusions put consumers in a weak position in the event that they suffer financial loss as a result of a poor PCW service, such as if they switch to a worse energy tariff as the result

<sup>45</sup> Ibid, Table 7m, p.28

<sup>46</sup> <http://www.consumerfutures.org.uk/files/2013/05/Comparing-comparison-sites.pdf>, Table 8p, p.46

of inadequate PCW advice or incur unexpected costs such as cancellation fees that were not communicated at the point of sale.

## **Protection of personal data**

One of the barriers to full consumer engagement with the PCW market, such as making use of the switching service, relates to privacy concerns. Our research indicates that consumers are unsure how their personal details will be used by PCWs; whether they will be shared with third parties or subsequently result in unsolicited marketing. According to our data, 30 per cent of PCW users have not used a PCW to switch because they are hesitant to provide the personal details that the process would require.<sup>47</sup> Our quantitative survey data showed that 13 per cent of people who have not used a PCW in the last two years cited reluctance to give their personal details to a third party as the reason behind this.<sup>48</sup>

These concerns are a direct result of the practices adopted by PCWs, which set data sharing with third parties as a default position. Although analysis of PCW privacy policies indicates that the majority of the sites we examined offered consumers the ability to opt out of direct marketing from PCWs and third parties, these policies are biased towards operators. Firstly, the steps to opt out are difficult to find. Secondly, consumers are required to actively 'opt out' of sharing their data with third parties or being marketed to in this way, rather than 'opt in', which is a simpler process and allows passive consumers to be protected.

In particular, consumer concerns regarding the treatment of their personal data are justified in cases where consent to sharing personal data with a new supplier is necessary, for example, to facilitate the switching process. As an illustration, 8 out of 15 investigated sites mentioned that they pass personal data to the new supplier in order to process the switch.

Hence more reassurance and overt consent via an 'opt in' option are required in order to increase consumer confidence that personal data is processed and shared strictly with consent, securely and with purpose limitation, that is, solely for the purpose of obtaining a quote or switching.

## **Impediments to market growth**

When evaluating the performance of PCWs, it is important to consider wider market issues that may impact on their functioning:

- Are the identified problems within the remit of PCWs to resolve?
- Are they a manifestation of systemic market issues, which require action from regulators themselves?

In particular, we identified a number of issues related to supplier practices and consumer behaviour that policy makers and regulators need to address in order to enhance the potential benefits of PCWs for consumers.

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<sup>47</sup> <http://www.consumerfutures.org.uk/files/2013/07/Price-Comparison-Websites-Consumer-perceptions-and-experiences.pdf>

<sup>48</sup> Ibid

### Availability of data

Data sharing between individuals and service providers, and between intermediaries and suppliers, is still limited. Difficulties in obtaining the right data in the right format, and in understanding it when it is available, are key constraints to market growth. In particular, the availability of more detailed data, such as about the quality of service – which goes beyond the upfront information about price and basic features often highlighted in suppliers' marketing – is an issue.

In some cases, difficulty in obtaining data from suppliers can be linked to the supplier's strategy not to be listed on PCWs, or deciding to supply data to selected PCW partners only, or simply putting pressure on PCWs to exclude the offers of key competitors.

Undoubtedly, ease of access to data impacts on the level of market coverage and selection of suppliers, and hence determines the overall reliability and quality of information provided by PCWs. Also, difficulty in obtaining data drives up costs for PCWs, as pointed out by Stelios Koundouros, founder and CEO of billmonitor: "A large part of our costs are driven by the technical difficulties we have in getting the data. That hinders our ability to make some money."<sup>49</sup> Ultimately, high costs of data access are likely to eat into the potential level of savings that could be achieved by PCW users.

But despite concerns about the problem of data availability, regulators are either slow to respond or are adopting different policy solutions. Both Ofcom and Ofgem recognise the importance of comprehensive market coverage of offers as a pre-requisite to information reliability and accuracy. Hence their voluntary PCW accreditation schemes require accredited sites to provide a comprehensive coverage of telecom and energy suppliers. The Financial Conduct Authority (FCA) takes a different view and does not place an obligation on the PCWs it regulates to ensure consumers are provided with a comprehensive coverage of suppliers and offers. Instead, it relies on PCW transparency provisions so that PCWs communicate information about their market coverage clearly to consumers. However, as our research indicates, PCWs are not necessary transparent about their selection of suppliers and offers.

The concern is that different sets of rules applied by various sector-specific regulators may create confusion among consumers, giving them a false impression that all sites obey the same standards.

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<sup>49</sup> <http://www.consumerfutures.org.uk/files/2014/01/The-Rise-of-the-Consumer-Empowering-Intermediary-Ctrl-Shift.pdf>

### Switching barriers

Switching barriers are impediments to the growth of switching sites. Despite the fact that PCWs are increasingly being used as a switching portal, activity is concentrated in the insurance market. Our research found that out of the switches that take place through PCWs:

- 77 per cent are for car insurance
- 37 per cent are for energy and home insurance.

In comparison:

- only 7 per cent of consumers have bought landline or mobile telephone services via a PCW
- only 3 per cent have bought TV services.

Consumers point out that the annual renewal notices issued by the insurance sector, accompanied by the lack of gains in being loyal to a supplier, serve as triggers to look for more competitive offers and switch. However, in other markets, the lack of competitive offers, fear of service disruption, delays in switching or retention practices of suppliers are cited as barriers to switching.

The Ctrl-Shift report, *The Rise of the Consumer Empowering Intermediary*, confirms that PCW operators consider obstacles to the switching process as a key barrier to their business.<sup>50</sup> “The whole switching process takes six weeks,” notes Archana Luthra. “Why? What is it that takes six weeks?” “Switching should be a one-click process,” agrees Stelios Koundouros. “You don’t need 24 hours to send out a Porting Authorisation Code (PAC). It can take a few seconds.”<sup>51</sup>

Although regulators claim to tackle the switching impediments, sometimes the speed or effectiveness of their actions can be questioned. Indeed, Ofcom’s switching review has taken years and has yet to deliver a more consumer-friendly switching process.

### Structural barriers

The Ctrl-Shift report pointed to the influence of the overall marketplace context, including the strength of competition forces, on the functioning of intermediary services such as PCWs.<sup>52</sup> In markets where few competitive offers exist, few consumers will be incentivised to switch, and hence intermediary switching sites can only play a limited role in reversing consumer inertia.

Our mystery shopping survey of PCWs across six regulated markets indicates that switching or purchasing directly through price comparison sites only guaranteed savings in 21 per cent of cases.<sup>53</sup>

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50 Ibid

51 Ibid

52 Ibid

53 <http://www.consumerfutures.org.uk/files/2013/05/Comparing-comparison-sites.pdf>

If a consumer bought directly from the supplier as opposed to via the PCW, many products would have an identical cost. This indicates that the lack of savings is not necessarily down to PCW practices, but rather reflects the overall functioning of particular markets. In markets where few competitive offers exist, few consumers will be incentivised to switch and even PCWs cannot perform miracles.

Given the fact that the key driver of consumer switching lies in consumer expectation of achieving gains, regulators need to steer their policy interventions towards ways that would pay consumers for switching suppliers.

#### **Limited consumer understanding of consumption data**

One of the obstacles to consumer engagement with markets is a lack of consumer understanding of the bills they receive from suppliers, which also impedes their understanding of their consumption needs. Archana Luthra of Cheap Energy Club points to complex bills in the energy market: “The key, key limitation in the market right now is consumers’ ability to get the information they need to switch. If they cannot read energy bills they cannot be empowered. There is still a massive amount of confusion – bewilderment – out there. The tariff names that consumers see on their bill are completely different to what suppliers give comparison sites. Consumers don’t understand and give up.”<sup>54</sup>

Our research in testing consumer perceptions and experiences of PCWs found that consumers often do not know the exact level of their consumption or usage, and when in doubt, they are more likely to look for a bigger and more inclusive package in order to avoid extra costs.<sup>55</sup> The research found anecdotal evidence that this is particularly common when considering mobile phone and internet packages where there are cost implications for exceeding defined volumes of minutes, text or internet downloads.<sup>56</sup>

Consequently, when looking for the best deal, consumers may be evaluating packages that overestimate their requirements.<sup>57</sup> A similar conclusion was reported by billmonitor; its survey showed that three quarters of British consumers are on the wrong mobile tariff and are overpaying nearly £200 a year as a result.<sup>58</sup>

Consumers’ limited understanding of their consumption data was at the forefront of the UK Government’s midata initiative, launched in April 2011.<sup>59</sup> The aim of midata was to give consumers new rights to access their personal transaction data in an electronic, portable and machine-readable format. It was envisaged that PCWs were to play a crucial role in helping consumers realise the benefits of the midata programme. The idea was that intermediary

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54 <http://www.consumerfutures.org.uk/files/2014/01/The-Rise-of-the-Consumer-Empowering-Intermediary-Ctrl-Shift.pdf>

55 Ibid

56 Ibid

57 Ibid

58 <http://www.cnet.com/uk/news/uk-mobile-subscribers-overpaying-200-a-year-in-wrong-tariff-foolishness/>

59 <https://www.gov.uk/government/news/the-midata-vision-of-consumer-empowerment>



services, such as PCWs working on behalf of consumers, can offer consumers the ability to understand their consumption behaviour and potentially to get a better deal as a result.

However, the success of this initiative will also depend on consumer trust and engagement, the willingness of suppliers to provide consumption data and the level of regulators' effectiveness in enforcing midata ideas.

### **Regulatory barriers**

The regulatory and enforcement landscape that governs the PCW market is fairly complex. There is a suite of voluntary and binding regulations already in existence that can be applied to PCWs and a number of regulators have an interest in PCWs, often with specific applicable regulation or guidance, as shown in Table 7. These include regulators such as the Competition and Markets Authority (CMA), the Financial Conduct Authority (FCA), telecommunication regulator Ofcom, energy regulator Ofgem, the Office of the Rail Regulator (ORR), Trading Standards, the Information Commissioner's Office (ICO), the Advertising Standards Authority (ASA) and the Civil Aviation Authority (CAA). The multiplication of involvement of several regulators requires a co-ordinated approach in order to maximise regulatory effectiveness.

However, so far, the regulators' response to improving the functioning of PCWs across markets has been fragmented and disjointed. Some of the responses led to the development of accreditation schemes to certify the quality of PCWs, such as the Ofcom and Ofgem accreditation schemes. Others led to market investigation, as in the case of the CMA, the FCA or the Office of Fair Trading (OFT).

The type of regulatory action depends on the scope of regulatory powers each regulator has over PCWs in specific market sectors. For example, the CMA has general oversight over PCWs and the FCA directly regulates financial services PCWs. By contrast, Ofgem and Ofcom have no direct regulatory powers over PCWs, hence the establishment of voluntary accreditation schemes for sector-specific PCWs to improve their performance. However, rising concerns over information reliability and overall service quality of PCWs throw into question the effectiveness of regulators' initiatives.

The lack of a unified regulatory approach to PCWs with specific rules, guidance and varied levels of consumer protection in areas such as remedies and redress, makes it difficult for consumers to effectively and confidently navigate these sites.

**Table 7: Regulators remit and interest in relation to the key PCW issues<sup>60</sup>**

	Financial	Energy	Air travel	Telecoms	Rail	All other sectors
Potentially misleading claims (for example regarding market coverage)	FCA ASA CMA	Ofgem ASA CMA	CAA ASA CMA	Ofcom ASA CMA	ORR ASA CMA	CMA* ASA TS
Data Privacy	FCA ICO ASA	Ofgem ASA ICO	CAA ICO ASA	Ofcom ICO ASA	ORR ICO ASA	ICO ASA
Potentially misleading omission of company details	FCA	Ofgem ASA	CAA	Ofcom	ORR	CMA* TS
Potentially misleading omission that a PCW has commercial links to vendors of products compared	FCA ASA CMA	Ofgem CMA	CAA ASA CMA	Ofcom ASA CMA	ORR ASA CMA	CMA* ASA TS
Results don't reflect a consumer's search criteria	FCA CMA	Ofgem CMA	CAA CMA	Ofcom CMA	ORR CMA	CMA* TS
Absence of complaints and redress policy	FCA CMA	Ofgem CMA	CAA CMA	Ofcom CMA	ORR CMA	CMA* TS
Exclusion of liability for search and comparison services	FCA CMA	Ofgem CMA	CAA CMA	Ofcom CMA	ORR CMA	CMA* TS

\*This function was carried out by the Office of Fair Trading until the CMA took it over from 1 April 2014

### Direct regulation

As mentioned earlier, the FCA directly regulates operators of PCWs specialising in financial services, and PCW operators need to adhere to the principles set out in the FCA handbook. However, despite what is regarded as rigorous FCA principles over the past five years, the FCA and its predecessor, the Financial Services Authority (FSA), carried out a string of reviews into practices of general insurance comparison websites.<sup>61</sup> A recent FCA thematic review concluded that the comparison websites under investigation did not always ensure that consumers were given appropriate information about the nature of the service they provided, nor did they always disclose potential conflict of interests.<sup>62</sup> As a result of the investigation, the FCA has asked PCW operators to improve market practices in identified areas of concern to ensure consumers get a product that meets their needs.<sup>63</sup> The recently created CMA, which took over the functions of the Competition Commission (CC) and certain consumer functions of the OFT from April 2014, has the scope to play an important role in ensuring co-ordination and a more joined-up approach to

60 Ibid

61 Ibid. These included: FSA review into general insurance comparison websites (May 2008), FSA review into insurance comparison websites (November 2008), FSA issuing guidance on the selling of general insurance policies through PCWs (October 2011).

62 <http://www.fca.org.uk/news/price-comparison-websites-failing-to-meet-fca-expectations>

63 Ibid

supervision of the PCW market. Its latest investigation into the private motor insurance market has already led to imposing a ban on price parity agreements between PCWs and insurers that prevented insurers from making their products available to consumers elsewhere more cheaply.<sup>64</sup> However, time will show whether they are prepared to undertake a more comprehensive review of PCWs across all markets, including energy, telecom, holiday and travel.

In the past, the OFT (CMA's predecessor) carried out a web sweep of PCWs across markets that identified scope for improvements in terms of greater clarity about the way search results are presented and identification of the business that operates the websites, as well as privacy policies and their complaints and redress processes. It resulted in the OFT writing to operators of PCWs, urging them to ensure their sites are compliant with relevant CPRs and to improve information clarity.<sup>65</sup>

### **Voluntary accreditation**

Neither Ofgem nor Ofcom have direct regulatory powers over PCWs operating in the energy and telecommunications markets, hence voluntary accreditation was one of the mechanisms put in place to drive up performance of those markets.

Ofgem set up a voluntary accreditation scheme – the Confidence Code – for PCWs in the energy sector that aimed to ensure that information displayed by accredited PCWs is impartial, comprehensive and accurate.<sup>66</sup>

The telecommunication regulator Ofcom established an accreditation scheme for price comparison tools giving information on telecommunications services.<sup>67</sup> Ofcom's scheme aims to provide quality assurance for consumers that the information displayed on its accredited sites is accessible, accurate, up to date, transparent and comprehensive.

Research suggests that accredited comparison tools are likely to perform better on a number of criteria. For example, Consumer Focus mystery shopping found that the degree of good performance was higher on accredited sites in comparison to non-accredited ones. Similarly, preliminary findings from the European Commission's 2012 ISP study found that comparison websites accredited or run by regulators scored higher in five out of seven assessed criteria, including user-friendliness, market coverage of offers, clarity of information on offers and price.<sup>68</sup>

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64 <https://www.gov.uk/government/news/cma-finalises-changes-for-car-insurance>

65 <http://webarchive.nationalarchives.gov.uk/20140402142426/http://www.of.gov.uk/news-and-updates/press/2012/113-12>

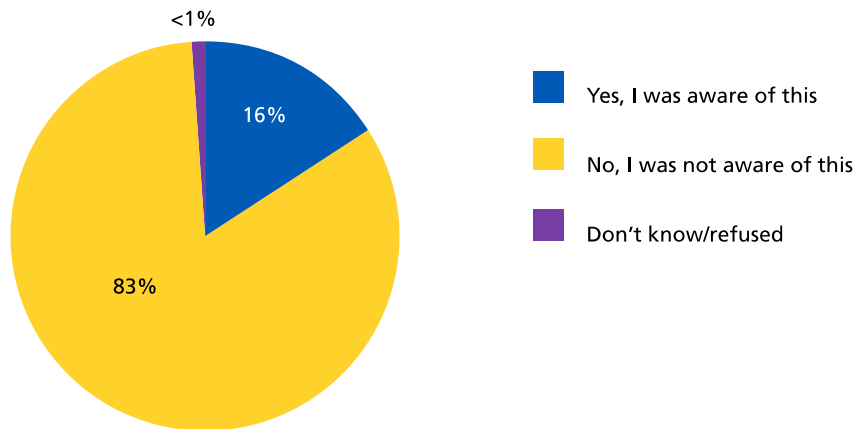
66 <http://stakeholders.ofcom.org.uk/consultations/ocp/statement/pricescheme/consumerfaq/>

67 Ibid

68 [http://ec.europa.eu/consumers/consumer\\_research/market\\_studies/internet\\_services\\_provision\\_study\\_en.htm](http://ec.europa.eu/consumers/consumer_research/market_studies/internet_services_provision_study_en.htm)

Nevertheless, evidence also shows that consumer awareness and understanding of accreditation schemes is low; our research found that only 16 per cent of consumers who have used a PCW in the past two years were aware of these schemes.<sup>69</sup> The same research indicates that, despite low awareness, consumers would see value in accreditation as a means to provide them with an extra level of reassurance and trust in the PCW market, and might also give some current non-users the confidence to use them.

**Figure 11: Awareness of accreditation schemes<sup>70</sup>**



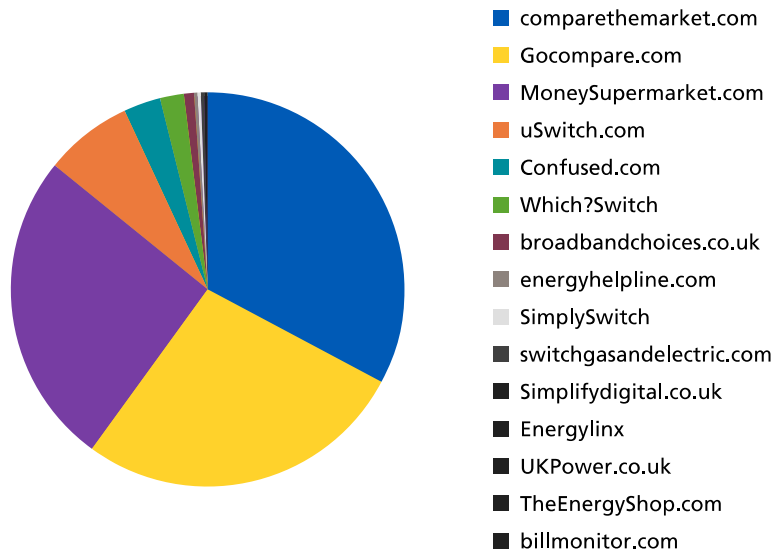
Base: 980 (all respondents who have used a price comparison website in the last two years)

Similarly, PCW take up of accreditation schemes such as those from Ofcom and Ofgem, especially among the so called Big Four who dominate the market, is low. Only one of the Big Four – Moneysupermarket – is approved by Ofgem's accreditation scheme. These schemes seem to attract sector-specific PCWs who generate lower overall market share in comparison to the Big Four, as illustrated in Figure 12.

<sup>69</sup> <http://www.consumerfutures.org.uk/files/2013/07/Price-Comparison-Websites-Consumer-perceptions-and-experiences.pdf>

<sup>70</sup> [Ibid](#)

**Figure 12: Consumer take up in selected PCWs; which PCWs have been used?<sup>71</sup>**



The challenge for both accreditation schemes is not only to meet consumer expectations that accredited sites will go beyond the reliability and accuracy of information, but also to improve access to complaint handling and redress, as well as guaranteeing safety of handling personal data. Our research into PCW accreditation indicates that some consumers expect the accrediting organisations to actively intervene on their behalf in the event of wrong-doing or misrepresentation.<sup>72</sup> Similarly, as data protection remains a core concern for many consumers, and in particular the treatment of data submitted to PCWs during a product search, consumers expect that accreditation should drive up PCW performance in this area.<sup>73</sup>

71 Ibid

72 Price Comparison Website Accreditation, eDigital, forthcoming.

73 Ibid

## Conclusion

The PCW market has grown from strength to strength over recent years and is now seen by many as a tool of consumer empowerment. Although PCWs are slowly beginning to address traditional imbalances in information and power between consumers and suppliers, there are still issues highlighted in this paper that need to be addressed to make the market work for consumers.

In particular, it is important to tackle these in the context of an emerging market of next generation intermediaries (NGIs) that are built on the price comparison model. These include switching sites, group purchasing, mobile apps and more sophisticated consumption data analysers.

### Message for regulators

Regulators have an important role to play in addressing some of the issues arising from the functioning of PCWs as part of their daily job of market supervision and enforcement. However, when doing so, it is essential they step out of the industry silos that they regulate and cooperate more closely with other regulators in tackling some of the cross-sector challenges arising in the PCW market. The UK Regulators Network<sup>74</sup> could serve as a starting platform for a more joined-up approach.

One of the areas of work could be to consider a 'unified' approach to the existing accreditation for PCWs and future NGIs that would address some of the shortfalls of the existing schemes identified in this paper. The 'unified' accreditation would entail building on common principles and 'trust mark' type branding while responding to the characteristics of individual sectors. Developing this approach could help consumers easily identify and use quality assured PCWs and NGI services. This approach could also potentially lead to an accreditation model that would grant consumers protection and access to redress that is equivalent to their entitlements when dealing directly with a regulated supplier.

Another cross-sector area to take on could be the development of a more strategic approach to data, such as tackling issues of data access, portability and interoperability, or clarifying security issues around sharing personal credentials with data aggregators. This could help in the development of much-needed guidance on high-level data sharing principles for PCWs, NGIs and the wider industry.

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<sup>74</sup> <http://www.ukrn.org.uk/>

The accessibility of PCWs and NGIs to consumers who face barriers to online access could be yet another cross-sector issue to consider. In particular, action is needed to help consumers who are not confident internet users to get access to a price comparison tool through at least one additional communication channel free of charge, or at minimal cost. This is especially important for consumers in vulnerable situations who may lack trust in engaging with price comparison sites using online tools.

### **Message to PCW operators**

We reiterate our previous calls for PCW operators to reassure consumers that their trust in price comparison services is well founded. That means ensuring independence, impartiality, transparency and accuracy of information provided.

In particular, we recommend that price comparison tool operators:

- ensure a clear distinction between sponsored or advertised links, and ranked search results based on consumer preferences
- improve clarity around ranking of results
- ensure prices displayed are accurate, up to date and comprehensive (for example, if they include additional costs such as a delivery charge or any compulsory extra charges)
- do not misrepresent their independence
- do not post fictitious recommendations
- are open about suppliers who have paid for prominence
- have fair complaint handling and redress policies
- have clear privacy policies that give consumers an opportunity to 'opt out' of data sharing.

### **Message to consumers**

We recommend consumers to go through an accredited site if available. We also advise consumers to:

- check that information on deals is not being filtered out
- check how often the information is updated
- use a number of different price comparison sites before committing to a product or service
- check the identity of the business operating the price comparison site, including its business address and not just its website address, before going ahead with a purchase or switch.

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