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27 June 2016

Dear Sir/Madam,

## **Options to refine the UK Competition Regime**

This is the Financial Services Consumer Panel response to the consultation on options to refine the UK competition regime. We have not responded to the individual consultation questions, but would like to provide a few high level remarks.

We believe the conventional approach to competition market studies is ineffective in financial services. In most financial services markets there is already abundant choice; the problem is that consumers cannot make sense of the options available to them. Prices are often obscure, for example, in 'free if in credit' banking. Comparison websites generally focus on headline price, concealing vital differences in product features. We are therefore concerned at the current trend for market studies to rely on demand-side remedies. Evidence tells us that trying to change consumer behaviour in the face of strong behavioural biases that firms can exploit to their advantage will not be effective.

Consumers can only drive competition if they switch (or firms believe they will switch) to a better value product or service. The CMA devoted a great deal of resource to the retail banking market study. Its analysis showed that producing better quality products and services confers no competitive advantage. This deep-seated problem is unlikely to be solved by relying on consumers to drive change, yet the CMA's proposed remedies do exactly that.

Changes to the competition regime need to address the particular problems of financial services markets. The CMA should use experts who understand how to change firms' behaviour, rather than rely on consumers to make sense of complex markets. It is important for the CMA to articulate its vision of what success looks like in the markets it investigates, and how it will be measured. There should be independent evaluation of the impact of the CMA's remedies and the CMA should be given specific powers to revisit remedies that do not achieve the intended outcomes (Q6).

Yours sincerely

Sue Lewis  
Chair, Financial Services Consumer Panel