

Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach: CCPC Opening Statement by Fergal O'Leary

I would like to thank the Committee for the invitation to speak to you today about dual pricing in the insurance market. I am a Member of the CCPC and responsible at Commission level for our consumer protection division, public awareness, product safety and policy work. I am joined by Áine Carroll who is the Director of Communications and Policy.

We are aware that the Committee's primary focus in this matter to date has been in relation to insurance and we will offer our views on this. Given, however, that the CCPC's role is economy wide, we will also provide details of our work on pricing strategies in a broader context. I hope that this will be of use to the Committee as it considers these matters.

By way of very brief introduction, the CCPC works to improve consumer welfare across the economy. We do this through enforcing competition and consumer protection laws, through our advocacy efforts and through our consumer information activities. Currently, we are active in a number of markets including; ticketing, public transport procurement, the motor sector, nursing homes and in the retail sector for pricing and product safety.

Sectoral regulation

Over the last number of decades, we have seen the benefits that competition and market liberalisation have brought in many sectors. Telecoms is a good example of this as consumers went from the situation of having a single provider and getting a new telephone line took weeks to now where there is choice, competition and innovation in the market. However, sectors where consumers are vulnerable, or where there is a low level of competition or where the potential for harm is high require a higher level of supervision and intervention. Sectoral regulators have

access to industry information, enables them to build up knowledge and expertise so that they can see market trends or issues as they develop. They can also if required take preventative steps or alter the rules so that they reflect new market dynamics.

In addition to sector specific regulation and regulators, the CCPC enforces competition and general consumer protection laws, provides information to consumers and advocates on their behalf. The roles of sectoral regulators and the CCPC are complementary, in that regulators can deal with problems which are specific to their industry while we can identify and analyse broader cross-cutting trends.

Financial services

Financial services are particularly complex markets for consumers to navigate, because of the risk, value and importance of the products involved. In recent years, the CCPC has been extremely active in the sector. As the Committee will be aware, we currently have an ongoing investigation into potential price signalling in the motor insurance sector. We have assisted the European Commission in their investigation. Most recently we commenced a study into the public liability insurance market, this is an important piece of work for us.

We also work to improve consumer welfare through our advocacy efforts and our financial education programmes. We undertook a detailed examination of the mortgages market, making recommendations in relation to improving competition and identified issues with consumers' ability to navigate cashback offers. Having witnessed a significant increase in the popularity of PCP car finance, we completed a market study including commissioning research to understand consumers' experiences with PCP finance and as a result we made recommendations that they should fall within the same regulatory scheme as car loans and other financial products. In recent weeks a consultation has been opened on a Bill which we hope will address this regulatory gap.

Our financial education work is of significant priority to us, and in addition to extensive public awareness campaigns we provide mortgages, savings, current accounts, credit cards and personal loan money tools on our website to help consumers compare rates and make informed decisions. Last year we published the first financial well-being study ever conducted in Ireland. The research examined the behaviours and circumstances that influence financial decision making and the extent to which people are able to make their current financial needs and their financial resilience

to do so. Through our financial education programme we have also delivered independent personal finance information to thousands of employees in workplaces across the country. We also work with the Central Bank and Financial Services and Pensions Ombudsman to ensure the information we provide to consumers is up to date and to share insights or trends that we are seeing in our engagement with consumers.

Evolving markets

I mentioned that competition has brought about choice and innovation for consumers. It is also a fact that businesses, where they have one, will use their information advantage to try and maximise the prices they charge. Therefore in order for the full benefits of competition to be realised consumers need to be active participants in markets by researching their options and availing of better deals through switching. Over the last decade, as part of our public awareness work we have used research to identify the sectors where consumers are most and least active and identified what contracts could produce significant savings if consumers moved. We have advocated on behalf of consumers for improvements to be made in switching processes in a number of markets. We have run numerous consumer information campaigns targeting sectors where consumers may benefit from switching providers. Specifically, in financial services, we developed (and recently redeveloped) cost comparison tools to help consumers compare products more easily. Last year, the tools provided details of 518 financial products and received over 180,000 visits.

More recently, however, it is increasingly felt that this may not be enough. Through our market monitoring and participation in European groups, we are aware of concerns in relation to pricing strategies. Relevant reports include the work done by the Financial Conduct Authority and the Competition and Markets Authority in the UK who have examined loyalty penalties across financial services and other sectors. We have also looked at the use of dual pricing bans (and other initiatives) in US States.

In addition, two weeks ago the European Council adopted the Omnibus Directive to modernise consumer law. Among other things it provides for enhanced transparency in online transactions, in particular regarding the use of online reviews, personalised pricing based on algorithms or higher ranking of products due to paid placements. In relation to personalised pricing the

Directive amends Article 6 of the Consumer Rights Directive to insert a specific requirement to inform consumers when the price is 'personalised, on the basis of automated decision-making'.

A number of reasons have been put forward as to what has changed and why advising consumers to switch may no longer be a sufficient response in all markets:

- Digitalisation – there is a greater opportunity for businesses to know more about us and exploit that information
- Loyalty penalty – businesses increasingly know that many consumers don't have the time or the ability to switch so consumers experience successive price increases (price walking). Loyalty is no longer rewarded, this is disappointing but it is a reality for consumers
- Products are getting more complex which makes switching more difficult – this amplifies the above.

What is the CCPC doing?

From our experience in examining dozens of markets per year we know that the solutions are rarely the same across different sectors. The most effective solutions come from an accurate understanding of the problems and their impact on consumers, as illustrated in our work on PCP, mortgages, waste collection and nursing home contracts. Having that clarity not only ensures effective solutions but crucially an in-depth understanding of the issues ensures that there are no unintended consequences, such as one consumer group benefitting from an intervention at the detriment of another.

Although work has been undertaken internationally to look at the issues and there have been measures introduced to address them, it is important to stress that the solutions for Ireland need to be developed with the realities of our markets in mind.

As our remit is economy wide there is an onus on us to look at practices which may be of concern across all markets, to identify where the detriment is and the potential solutions.

Therefore, building on our previous switching research, the CCPC is undertaking considerable consumer research into pricing strategies in key consumer markets (including utilities and financial products). We will look at the incidence of switching and price checking, the impact of loyalty penalties on particular groups of consumers for example older consumers or those with

low financial wellbeing. We will examine the role and impact of contracts rolling over. We also think it is important to understand consumers' perception of fairness – are some happy to pay more so that everybody pays the same price?

Without pre-empting that work I expect that it will result in the following actions in 2020:

- It will provide a basis for our advocacy work which will include, where appropriate, making recommendations to Government, sectoral regulators and advocacy groups to address any identified consumer harm. This will focus in particular on groups of consumers who may find it hard or impossible to switch providers.
- Specifically in relation to insurance, we will engage with the Central Bank as our research and their market study progresses. We will share the results of the research with the Financial Services and Pensions Ombudsman also.
- We will use the research to engage with national and European counterparts to share information and keep up to date with developments.
- It will provide the basis for a public awareness campaign which will inform and provide information to consumers as to how they can switch service providers.

Conclusion

I am acutely aware that the Committee is concerned with and has undertaken considerable work in examining dual pricing to date. The CCPC recognises the importance of this work and is committed to playing our part, as quickly as we can, in providing an evidence base for firm actions to help consumers. Áine and I would welcome any questions and comments that you may have.