Extended Warranties on Domestic Electrical Goods

Final Decision on a Market Investigation Reference

June 2012
## CONTENTS

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 INTRODUCTION AND BACKGROUND</td>
<td>4</td>
</tr>
<tr>
<td>2 THE REFERENCE TEST AND THE OFT’S DISCRETION</td>
<td>7</td>
</tr>
<tr>
<td>3 THE UNDERTAKINGS</td>
<td>14</td>
</tr>
<tr>
<td>ANNEXE A: ASSESSMENT OF THE UIL</td>
<td>21</td>
</tr>
<tr>
<td>ANNEXE B: THE UIL</td>
<td>26</td>
</tr>
</tbody>
</table>
1 INTRODUCTION AND BACKGROUND

Introduction

1.1 Following the publication of its market study\(^1\) on extended warranties (EWs) on domestic electrical goods (DEGs) on 7 February 2012 (the market study), the Office of Fair Trading (the OFT) consulted with interested parties on the following decisions:

- its provisional decision not to make a Market Investigation Reference (MIR)
- its provisional decision to accept Undertakings in Lieu (UIL) of a MIR from Dixons, Comet and Argos (the Undertaking parties).

Following careful consideration of the consultation responses, the OFT agreed some modifications to the UIL with the Undertaking parties and carried out a further short consultation regarding those modifications.

1.2 This document sets out the reasons why, having considered all the responses from the consultations referred to above, the OFT has decided not to make a MIR to the Competition Commission (CC). The OFT considers that the UIL, as modified, will effectively address its competition concerns regarding EWs.

Background

1.3 The market study found that despite some positive improvements in the market for EWs, there remain some significant concerns that the market is not working as effectively as it could, resulting in consumers getting a poorer deal than they would in a more competitive market. In particular:

- Point of sale (POS) providers still dominate the EW market with around two-thirds of EW sales.

\(^1\) The market study report can be found at: [www.ofg.gov.uk/shared_ofg/markets-work/OFT1403.pdf](http://www.ofg.gov.uk/shared_ofg/markets-work/OFT1403.pdf)
• Effective shopping around is relatively low – only a quarter of consumers shop around for an EW.

• Information asymmetries exist - consumers generally have insufficient information to make an informed decision about the value for money of different EWs.

• Prices for Pay As You Go (PAYG) EWs, where consumers pay for a rolling monthly EW contract, are relatively high when compared to the prices of comparable fixed term EWs.

1.4 The OFT provisionally decided that the statutory test for making a MIR (the Reference test), under section 131 of the Enterprise Act 2002 (EA02), was met as the OFT has reasonable grounds for suspecting that several features of the market prevent, restrict or distort competition in the supply of EWs. When the OFT considers that the Reference test is met, the OFT has a discretion to decide whether to make a MIR to the CC.

1.5 In exercising its discretion over whether to make a MIR, the OFT can consider whether there are appropriate UIL that could address the competition concerns identified. During the market study, the Undertaking parties, whilst disagreeing with the OFT’s analysis, offered UIL which they considered would be sufficient to address the OFT’s competition concerns. The UIL were developed in discussion with the OFT and included the following requirements on the Undertaking parties:

• To maintain and publicise an EW Comparison website, to enable consumers to compare the EWs offered by different providers more easily and to make shopping around easier.

• To provide more accessible information via in-store leaflets and on their websites, including information about the availability of alternative providers.

• To conduct regular independent mystery shopping exercises to help ensure that shoppers get accurate information from sales staff and report back to the OFT on the results.
To provide clear information, both on the EW Comparison website and in-store, about the annual equivalent prices of PAYG EWs to help shoppers understand the longer term costs of these products (where such PAYG EWs are sold).

1.6 The OFT decided that it was minded to accept the UIL. It considered that they achieved as comprehensive a solution as is reasonable and practicable to the adverse effects on competition and any detrimental effects on customers so far as resulting from the adverse effects on competition. The OFT therefore provisionally decided not to exercise its discretion to make a MIR, subject to considering the responses to both the first consultation with interested parties on the original proposed UIL and the short further consultation on the modified UIL.

1.7 Further detail on many of the issues covered in this document can be found in the market study.

2 Section 154(3) of EA02.
2 THE REFERENCE TEST AND THE OFT’S DISCRETION

2.1 In order to make a MIR, the OFT must have reasonable grounds for suspecting that any feature, or combination of features, of a market in the UK for goods and services prevents, restricts or distorts competition in connection with the supply or acquisition of any goods or services in the UK or a part of the UK. Where this threshold is met, the OFT has a discretion as to whether to make a MIR.

2.2 For the purposes of the Reference test, the relevant market features can be either structural in nature or can relate to the conduct of suppliers or customers. In practice there may not be a clear divide between structural features and those relating to conduct.

2.3 Based upon the analysis conducted during the market study (as set out in more detail in chapters 4 and 5 of the market study), the OFT has decided that there are reasonable grounds for suspecting that the following features of the EW market prevent, restrict or distort competition:

- **The persisting POS advantage** enjoyed by retailers, which gives them a competitive advantage over other providers. This ultimately limits competition by restricting expansion by other providers and limits consumer choice.

- **Shopping around remains limited**, with no more than a quarter of consumers doing so. Many consumers are still unaware of the existence of alternative providers. Moreover, the **complexity of the EW product restricts the effectiveness of shopping around** by making it more difficult for consumers to make effective comparisons between EWs available at different providers. This ultimately diminishes the incentives of suppliers to compete effectively in order to win custom.

- **Information asymmetries** between suppliers and consumers mean that consumers are unable to evaluate effectively the costs and
benefits of EWs offered by different providers, and are less able to assess whether the EWs offered are value for money.

2.4 These features ultimately lead to consumer choice being restricted and mean that consumers are likely to be paying higher prices than they otherwise would in a more competitive market.

**Exercise of discretion**

2.5 The OFT has a discretion, rather than a duty, to make a MIR where the Reference test is met. The OFT’s MIR guidance sets out four criteria, all of which must be met before the OFT decides to make a MIR.

- Appropriateness of a MIR: the scale of the suspected problem, in terms of its adverse effect on competition, is such that a MIR would be an appropriate response to it.

- Availability of remedies: there is a reasonable chance that appropriate remedies will be available.

- Alternative powers: it would not be more suitable to deal with the competition issues identified by applying the Competition Act 1998 (CA98) or using other powers available to the OFT.

- Undertakings in lieu: it would not be more appropriate to address the problem identified by means of UIL.

The OFT’s assessment against these criteria is presented below.

**Appropriateness of a MIR**

2.6 A critical factor in assessing whether a MIR is appropriate is whether it is proportionate to the scale of the competition concerns identified. The OFT guidance on MIRs notes that a MIR will only be made when the OFT

---

has reasonable grounds to suspect that the adverse effects on competition of features of a market are significant. The following three criteria are relevant to whether adverse effects on competition are significant, and thus whether a MIR may be appropriate:

- the size of the market
- the proportion of the market affected by the features that prevent, restrict or distort competition, and
- the persistence of the features identified as adversely affecting competition.

2.7 Overall, the OFT considers that the features it has identified are likely to have a significant detrimental effect on consumers through higher prices for EWs and less choice than might be expected in a more competitive market.

2.8 In relation to the particular factors in the OFT’s guidance, firstly, the OFT notes that the EW market is large, with sales of around £1bn a year. A relatively small reduction in any of the adverse effects which the CC may find would offset the costs of a MIR and would have a beneficial impact for large numbers of consumers.

2.9 Secondly, a significant proportion of the market is affected by the features which give rise to the OFT’s competition concerns. For example, the limited frequency and effectiveness of shopping around has effects across the EW market. In addition, the inability of consumers to evaluate value for money effectively affects all consumers, so that they generally find it difficult to make the purchasing choices which best meet their needs.

2.10 Thirdly, the features identified as adversely affecting competition are unlikely to be of short duration. Whilst there is evidence that there have been recent market improvements, these improvements are occurring at a relatively slow rate. For example, if the current trends in shopping around continue it would take over 12 years for the proportion of consumers shopping around to be of a similar magnitude to the
proportion of consumers shopping around for general insurance. Moreover, many features of the market such as the POS advantage, complexity of EWs and consumer difficulties in assessing value for money are long standing. Indeed, some of these were explicitly considered during previous investigations by the competition authorities.

2.11 The OFT’s guidance also indicates that where the OFT is confident that there are offsetting customer benefits arising from the market features that adversely effect competition, it will not make a MIR. Whilst the OFT recognises that purchasing at POS does give rise to some level of convenience for consumers, it has not had access to sufficient information during the market study to assess the extent of such a benefit (indeed no party has sought to specifically quantify this benefit). The OFT cannot therefore be confident that any offsetting customer benefits outweigh the likely detriment arising from the adverse effect on competition.

Availability of remedies

2.12 It is not for the OFT to determine which remedies would or would not be appropriate in the context of a market study. The OFT is required to assess whether there is a reasonable chance that remedies would be available to the CC if it finds one or more adverse effects on competition following a detailed investigation. In the case of EWs, the OFT envisages several potential remedies could be implemented by the CC to address the competition concerns which it has raised if the CC decided that they had an adverse effect on competition. These could include:

- **Behavioural remedies**: Such as improving information to consumers at POS and through improving the ability of consumers to make effective comparisons between EWs offered by different providers.

- **Structural remedies**: Such as prohibiting retailers from being permitted to supply EWs at the POS of the accompanying DEG, along the lines of the Payment Protection Insurance (PPI) Market Investigation Order 2011. However, there was evidence of much
lower rates of shopping around and lower claims ratios for PPI than the OFT found for EWs during the market study.

2.13 The OFT notes that, in addition to the specific remedies referred to above, the CC also considered a wide range of other potential remedies to address the adverse public interest findings which it identified during its investigation in 2003 and which were not implemented through the Supply of Extended Warranties on Domestic Electrical Goods Order 2005 (the EW Order). In principle, many of these potential remedies would still be available to the CC should it conclude that there was an adverse effect on competition.4

Alternative powers

2.14 The OFT has considered whether it would be more appropriate for the OFT to use alternative powers to deal with the features of the market which give rise to its competition concerns. However, the OFT does not consider that alternative powers could address these market features in an effective and efficient manner. The OFT has not received evidence of an agreement between undertakings, decisions by associations of undertakings or concerted practices which have as their object or effect the prevention, restriction or distortion of competition of the type which the OFT could address under the Chapter I prohibition of the CA98 and/or Article 101 of the Treaty on the Functioning of the European Union (TFEU). Furthermore, the OFT has not received evidence of conduct on the part of one or more undertakings which amounts to the abuse of a dominant position of the type which the OFT could address under the Chapter II prohibition of the CA98 and/or Article 102 of the TFEU.

2.15 The OFT and consumer organisations, such as Which?, have also previously engaged in various consumer education initiatives in relation to EWs. Whilst the OFT considers that these could have an impact on

4 Further information on these potential remedies can be found in the report of the CC’s investigation into EWs on DEGs (2003), paragraphs 2.382 to 2.417.
consumer purchasing behaviour, such action alone is highly unlikely to
address the long standing features of competition concern in this market.

**Undertakings in Lieu**

2.16 Under section 154 of the EA02, the OFT has the power to accept UIL if
it considers that it has the power to make a MIR under section 131 of
the EA02 and otherwise intends to do so. In accepting UIL, the OFT
must have regard to the need to achieve as comprehensive a solution as
is reasonable and practicable to the adverse effect on competition
concerned and any detrimental effects on consumers so far as resulting
from the adverse effect on competition.

2.17 The OFT’s guidance indicates that UIL are unlikely to be common
because:

- In many cases, the OFT will not have done a sufficiently detailed
  investigation of the competition problem, prior to making a MIR, to
  be able to judge with any certainty whether particular UIL will
  achieve as comprehensive a solution as is reasonable and
  practicable.

- Trying to negotiate UIL with several parties, in circumstances in
  which possible adverse effects on competition have not been
  comprehensively analysed, is likely to pose serious practical
difficulties. By contrast, where an adverse effect on competition
  arises from the conduct of a very few firms there may be more
  scope for accepting UIL, provided that the OFT is confident that they
  will achieve a comprehensive solution.

2.18 The OFT considers that these issues do not arise in relation to EWs.
Firstly, in addition to the market study, the EW market has been
considered in depth by the competition authorities.\(^5\) These previous
investigations have enabled the OFT to have a sufficiently detailed

\(^5\) Further details of these investigations can be found at chapter 2 of the market study.
understanding of market dynamics to assess whether the UIL provided will achieve as comprehensive a solution as reasonable and practicable. Secondly, it is possible to achieve UIL which have wide market coverage from the three major POS providers, which together account for around two thirds of the POS market.\(^6\) The OFT has also obtained a voluntary agreement from D&G, the largest non-POS EW provider, that it will display pricing information in relation to certain EW products\(^7\) on the EW Comparison Website. Finally, the EW Comparison website will be open to all providers who meet limited minimum criteria. This means that it could include a wide range of providers which offer paid for EWs (see also paragraphs 3.7 and 3.8 below for a discussion on certain issues regarding EW products whose price is included in the price of the DEG).

2.19 The OFT therefore considers that if sufficient UIL are available to address the competition concerns it has identified, then accepting UIL instead of making a MIR would be appropriate in this case. The OFT’s assessment of the UIL offered by the Undertaking parties in relation to EWs is considered in the next chapter.

\(^6\) Based on OFT calculations of market shares in Mintel (2011), Extended Warranties – UK.

\(^7\) Those EWs available at POS and 45 days after the purchase of the DEG.
3 THE UNDERTAKINGS

3.1 Following publication of the market study and the proposed UIL in February 2012, the OFT, consistent with section 155 of the EA02 and its practice on proposed decisions not to make a MIR, consulted with interested parties on the proposed UIL to inform its final decision on whether to accept them and not to make a MIR to the CC.

3.2 Subsequent to its consideration of the consultation responses and discussions with interested parties, the OFT decided that the proposed UIL should be modified to address more effectively the OFT’s concerns about how the market for EWs operates. Consistent with section 155(4) of the EA02, the OFT held a further consultation in May 2012 on these proposed modifications to inform its decision on whether to accept them and not to make a MIR to the CC.\(^8\)

3.3 In particular, the proposed modifications upon which the OFT consulted were intended to:

- facilitate the use of the EW Comparison website at POS by consumers with internet-enabled mobile devices
- ensure that various different types of EWs can be displayed on the EW Comparison website (including multiple appliance EWs)
- improve access to the EW Comparison website for EW providers other than the Undertaking parties.

3.4 As with the consultation on the proposed UIL, no respondents to the further consultation on the modified UIL challenged the OFT’s analysis of the competition concerns in the market, or otherwise suggested that the statutory reference test was not met, and none specifically opposed the

\(^8\) Available at [www.of.gov.uk/shared_of/buiness_leaflets/enterprise_act/of1308.pdf](http://www.of.gov.uk/shared_of/buiness_leaflets/enterprise_act/of1308.pdf)

\(^9\) Full details of the modifications can be found at: [www.of.gov.uk/shared_of/markets-work/OFT1417.pdf](http://www.of.gov.uk/shared_of/markets-work/OFT1417.pdf)
proposed decision not to make a MIR. In addition, most respondents across both consultations welcomed the UIL, with several EW providers indicating a willingness, in principle, to display their EWs on the EW Comparison website.

3.5 However, one party repeated its suggestion that the UIL should be modified to include two further provisions; firstly, an obligation for the major retailers to provide in-store quotes from a number of EW providers and, secondly, a provision that gives consumers the ability to transact with their chosen EW provider in-store using the EW Comparison website.

3.6 The OFT carefully considered these suggestions both following the initial consultation on the proposed UIL and following the consultation on the modified UIL. The OFT has not been persuaded to change its view that these modifications would not be a proportionate response to the competition concerns identified.

3.7 Another interested party welcomed the fact that, under the modified UIL, the EW Comparison website will alert consumers, alongside the search results, to the availability of EW products whose price is included within the overall price of the DEG. However, the same party said that the EW Comparison website should be more explicit in naming the EW providers who supply an EW whose price is included in the overall DEG price.

3.8 The OFT has considered this latter point in detail and considers that making such a modification to the UIL would not be necessary to ensure the overall effectiveness of the EW Comparison website. The OFT considers that the effectiveness of the EW Comparison website is not dependent on having all types of EW product specifically represented, so long as consumers are made aware of their existence and the EW Comparison website is open to a range of EW providers, both of which the OFT has taken action to secure in the UIL. In addition, there is potential for consumers to be misled if such EWs are represented as having no cost, when in fact their price is included within the overall price of the DEG.
3.9 Following careful consideration of the responses to the consultation on the modified UIL, the OFT has decided that no further modification of the UIL is required.

3.10 The Undertaking parties have now provided UIL which require them to:

- Establish, maintain and participate in an EW Comparison website, which should be capable of being read using an internet-enabled mobile device. This will enable consumers to compare the EWs offered by different providers more easily. The EW Comparison website will be generally open to POS and non-POS EW providers who meet certain limited minimum criteria. It will present information on the various EWs available in a neutral manner, including multiple appliance EWs, and will also explain the availability of EW products whose price is included within the overall price of the DEG. This will enable consumers more readily to be aware of and compare the EWs offered by a range of providers.

- Publicise the hyperlink to the EW Comparison website, in a specified, prominent position on their websites and in-store leaflets and establish a marketing fund which will be used to achieve the visibility of the EW Comparison website on the first page of a Google search result when certain relevant terms are searched.

- Improve the prominence and accessibility of key information to consumers, such as the availability of alternative providers and information on consumers' statutory and cancellation rights, through the inclusion of a key points box in in-store leaflets at POS and on their websites.

- Engage in regular mystery shopping exercises, conducted by an independent organisation, to monitor whether consumers are provided with accurate information by sales staff when they are considering whether to purchase an EW and report the results of these to the OFT.
• Provide specified value for money information to the OFT (such as information which would enable the OFT to calculate claims ratios) to enable it to monitor, as appropriate, the value for money of the EWs provided by the Undertaking parties. This could be used for the OFT to determine whether and, if so, what further interventions in the market may be appropriate.

• Improve the transparency of PAYG pricing through including annual equivalent prices for PAYG EWs on the EW Comparison website and on in-store information, and reminding consumers who have held the PAYG EW for a significant period of time that they have done so.

OFT Assessment

3.11 The OFT’s assessment of the various elements of the UIL, considering the concerns which the UIL is attempting to address, and the purpose and effect of the UIL is considered in Annexe A.

3.12 In the light of the foregoing and the analysis in Annexe A, the OFT considers that the UIL, as a package, will enhance the ease and effectiveness of shopping around by consumers, thereby leading to increased numbers of consumers who shop around and more consumers considering alternative, non-POS providers. Such behavioural change by consumers should provide an incentive for EW providers to compete more vigorously, by enhancing their EW offer and improving their value for money.

Other facts which the OFT considers justify the acceptance of the UIL

3.13 The OFT carefully considered the likelihood that such UIL would be effective in remedying the adverse findings identified during the market study. In doing so, the OFT has paid particular regard to the following sources and following findings:
• The OFT’s impact evaluation,\(^\text{10}\) which found that the main reasons why those consumers who shopped around for EWs did so was the provision of relevant information, including pricing information, sales staff saying that there were other providers and leaflets saying that there were other suppliers. The OFT considers that this indicates that the provision of further relevant information to consumers in an appropriate and accessible format is likely to have a sufficient effect in changing consumer behaviour. Moreover, the mystery shopper exercise should enhance the OFT’s ability to monitor compliance with the EW Order, which could help to ensure that the full effect of the EW Order is realised.

• The OFT has consulted previous guidance prepared by the OFT on consumer remedies, and by the FSA and the European Commission on the effective design of price comparison websites referred to in chapter 6 of the market study. It has reflected the key points of this guidance in the EW Comparison website. The OFT has also taken account of the effectiveness of price comparison websites in stimulating competition in some other sectors.

• The OFT has considered various empirical research regarding the sale and provision of EWs, including academic papers (referred to in chapter 4 of the market study) and focus group information (referred to at footnote 125 of the market study).

3.14 The OFT also recognises that the UIL will impose a burden on the Undertaking parties, particularly to set up and maintain the EW Comparison website. The OFT has obtained information on the estimated cost of the key aspects of the UIL from parties. It considers that the UIL provide a proportionate means of effectively addressing the adverse effects, without imposing significant financial burdens on the Undertaking parties.

\(^{10}\) Further information on the OFT’s impact evaluation can be found at paragraph 2.7 of the market study.
3.15 The OFT has considered the potential that the UIL could have a negative effect, most particularly by the EW Comparison website facilitating co-ordination between EW providers. The OFT notes that, pursuant to the EW Order, there is already significant information regarding retail pricing for EWs in the public domain. The UIL merely make it easier for consumers more readily to access this information. Moreover, no information of a confidential nature (such as future retail price intentions) will be exchanged between EW providers as a result of this website. The different business models of the various EW providers (for example, POS as against non-POS) and the different characteristics of the EWs supplied by different providers also make it less likely that co-ordination would be sustainable. The OFT has also considered whether the EW Comparison website could be used as a signalling mechanism, whereby an EW provider (or providers) could credibly convey information about itself (for example, its intention to increase prices) to another EW provider. The OFT will consider whether there is any evidence of such behaviour, in the form of frequent increases in EW prices. If so, it will consider whether any further action would be appropriate. However, the OFT’s view is that the risk of such behaviour can be mitigated and is not sufficient to outweigh the likely benefits of the EW Comparison website.

Conclusion

3.16 In conclusion, the OFT has decided that, although the Reference test is met, the balance of evidence and the resulting assessment points in favour of the OFT exercising its discretion not to refer the market for EWs to the CC. This is because the OFT has decided to accept UIL, which it considers will achieve as comprehensive a solution as is reasonable and practicable to the adverse effect on competition concerned and any detrimental effects on customers so far as resulting from the adverse effects on competition. The UIL are published at Annexe B of this document.

Next steps

3.17 The OFT will engage in appropriate steps to publicise the UIL, particularly through working with interested parties, such as consumer
organisations, to help consumers become aware of the key aspects of the UIL. It will then monitor parties’ compliance with the UIL (and the EW Order). Moreover, subject to an assessment against its Prioritisation Principles, it will undertake an evaluation of the effectiveness of the UIL in improving outcomes for consumers at an appropriate point.

3.18 The UIL will remain in place until, consistent with section 154(6) of EA02, they are varied or superseded by another UIL or released by the OFT. Pursuant to s154(7) of EA02, the OFT will, as soon as reasonably practicable, consider any representations received by it in relation to varying or releasing the UIL. Potential grounds for variation or release by the OFT could be market developments\(^\text{11}\) which may mean that the undertakings, or any part of them, are no longer appropriate or that the UIL do not effectively address the adverse effects identified by the OFT during the market study.

\(^{11}\) For example, in the event that developments in website design and technology make the commitments with respect to the publicity for the website impractical or ineffective for an undertaking Retailer to deliver.
**ANNEXE A: Assessment of the UIL**

<table>
<thead>
<tr>
<th>Undertaking¹²</th>
<th>Situation it is attempting to address</th>
<th>Purpose and effect of the undertaking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish and maintain the EW Comparison website (Undertaking 2 and 3)</td>
<td>The persisting retailer POS advantage, which restricts competition between providers and restricts consumer choice. The limited incidence and effectiveness of shopping around, complicated by the complexity of the EW product. Information asymmetries, which limit consumers’ ability to assess value for money.</td>
<td>The EW Comparison website is intended to provide an effective and accessible means for consumers to compare EWs at POS to those offered by alternative providers, including through conducting in-store comparisons on internet-enabled mobile devices. The OFT considers that this is likely to be of relevance to a wide range of consumers, not simply those purchasing DEGs online, as some 80 per cent of consumers shop around online for DEGs, who therefore may also consult the EW Comparison website before making an EW purchase. This should help to facilitate more effective shopping around, encourage consumers to consider a wider range of EW providers and provide a mechanism which alternative providers can use to enter and expand in the EW market. Multi-appliance EWs will be listed on the EW Comparison website, and the website will also include a statement</td>
</tr>
</tbody>
</table>

¹² See Annexe B for full details of the relevant section of the UIL.
explaining the availability of EWs where the price of the EW is included within the overall price of the DEG.

The comparative information on EW product features enables consumers more effectively to evaluate the value for money of particular EWs, assisting them in taking a better informed purchasing decision. Moreover, the enhanced competition for EWs arising from the EW Comparison website may help to ensure that EW prices more accurately reflect the costs of providing them without the consumer having to undertake an assessment of the value of the EW.

To establish appropriate governance arrangements for the website to ensure it is sustainable and is capable of addressing the adverse effects on competition identified by the OFT, the OFT will be a member of the EW Comparison website Steering Group, which will work with the Website Manager to ensure that the objectives of the UIL regarding the EW Comparison website are achieved.

<table>
<thead>
<tr>
<th>Publicity for the EW Comparison website (Undertaking 4)</th>
<th>The persisting retailer POS advantage, which restricts competition between providers and restricts consumer choice.</th>
<th>To ensure that sufficient consumers become aware of, and use, the EW Comparison website, such that it has the effects specified above.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In particular, this is intended to enable the 80 per cent of consumers shopping</td>
<td></td>
</tr>
<tr>
<td></td>
<td>on the internet to have an adequate choice of EWs.</td>
<td></td>
</tr>
</tbody>
</table>
The limited incidence and effectiveness of shopping around.

The inability of consumers to assess effectively the value for money provided by different EW providers.

Mystery shopping (Undertaking 5)

The persisting retailer POS advantage, which restricts competition between providers and restricts consumer choice.

The limited incidence and effectiveness of shopping around.

The inability of consumers to assess effectively the value for money provided by different EW providers.

To help ensure that EW sales staff at the major EW providers provide accurate information to consumers about the nature of the EW to enable consumers to take a more informed decision as to the value for money of the EW they are considering purchasing.

To the extent that consumers are aware of alternative providers and ask EW sales staff about those alternative providers, this should help ensure that EW providers provide consumers with accurate information about the availability of alternative providers. This should help, albeit to a lesser extent than other elements of the UIL package, to facilitate more effective shopping around and to encourage consumers to consider a wider range of EW providers.
| Key points information at POS (Undertaking 6) | The persisting retailer POS advantage, which restricts competition between providers and restricts consumer choice.  
The limited incidence and effectiveness of shopping around. |
| Information on PAYG EWs (Undertaking 6) | Higher priced PAYG EWs  
The enhanced transparency of PAYG EW prices, through the publication of annual equivalent information on in-store materials is intended to ensure that consumers are able to take a better informed decision as to the longer term costs involved in purchasing and continuing to hold a PAYG EW. It will also enable consumers to more effectively evaluate the value for money of the EW. |

The key points box, accessible in varying formats and displayed in a prominent manner is intended to make consumers more aware of their options when purchasing EWs. This includes the existence of alternative providers and cancellation rights which enable a consumer to shop around following purchasing an EW at POS.

This should help facilitate more effective shopping around, encourage consumers to consider a wider range of EW providers and provide a mechanism which alternative providers can use to enter and expand in the EW market.
<table>
<thead>
<tr>
<th>Provision of value for money information to the OFT (Undertaking 7)</th>
<th>The inability of consumers to assess effectively the value for money provided by different EW providers.</th>
</tr>
</thead>
<tbody>
<tr>
<td>To enable the OFT to evaluate effectively whether the EWs offered by various providers represent value for money. This provides the OFT with a sufficient evidence base to raise concerns about this issue with retailers in the future should that be necessary.</td>
<td></td>
</tr>
</tbody>
</table>

The OFT considers that the provision of such detailed information to consumers directly is unlikely to be useful absent an appropriate comparator. There is also a potential risk that such information, unless provided in an appropriate format, could ultimately mislead consumers.

| Procedural points to assist the operation of the UIL in addressing the OFT’s concerns (Remaining Undertakings) | To ensure the effective operation of the undertakings by clarifying arrangements with respect to confidentiality, the continuation and termination of the UIL, the effective date of the UIL, the definitions used in the UIL, the assessment of effectiveness and compliance with the UIL. |
ANNEXE B: THE UIL

See associated document