



Business, Energy, and Industrial Strategy Committee  
House of Commons  
London SW1A 0AA

24 June 2022

Dear Mr Jones,

Thank you for your letter, dated 26 May 2022, requesting information about Third Party Intermediary (TPI) activity and auto-switching in particular. Our response is public.

#### About Uswitch

Uswitch is the UK's top comparison service for home services switching. We've saved consumers over £2.5 billion off their energy bills since we launched in September 2000, and also help people find a better deal on their broadband, mobile and TV.

Our mission to empower consumers to make confident decisions also means that we are extremely active in the provision of expert help and guidance, both through owned and earned channels such as PR, where we are quoted on average over 800 times every month in the press.

Uswitch is part of RVU, a global group of online brands with a mission to empower consumers to make more confident home services, insurance and financial decisions.

#### Our response to the energy crisis

The energy crisis has affected everybody. Many customers are worried about their bills, seeing a number of suppliers exiting the market and unable to take much action to save. It is clear that the market and the supplier licensing framework have failed them. Businesses have been affected too and Uswitch is no exception.

Like many businesses we have, at times, felt powerless to help our customers in the face of market turmoil. We have not had any tariffs available for customers to switch to directly from our site since September 2021 (and therefore had no revenue from domestic energy switching).

## Written submission from uSwitch (EPM0035)

Nonetheless we have done everything we can to support our customers through this period of unprecedented price increases, and manage our customers' exposure to failing suppliers.

Through the period of price increases we have:

- Launched a "U stay put" campaign in October 2021 to tell the customers that the right thing to do at the time was not to switch when the fixed tariffs on offer were significantly more expensive than the price cap. We did so, even if any such switching would have earned us revenue, as we place long-term consumer trust over short-term revenue.
- Took down tariffs that we did not consider to be in customer's best interest once the crisis started but before the energy market completely closed down. To date, we are still not marketing any tariff that we believe is more expensive than reasonable costs for supplying energy based on most recent energy prices.
- Increased customer advice on the energy market. We have seen significant demand directly from customers<sup>1</sup> and also via the media, wanting advice from a trusted source to navigate the headlines. We are making sure customers still get the service they expect from us, even if that does not involve switching at the moment.
- Introduced Energy Quick Checker, where customers can check if their tariff is still right for them based on what is available in the market and signposts them to wider advice.

We have also made a conscious effort not to steer customers towards failing suppliers and have never offered auto-switching services. Uswitch has always offered customers the option of a "whole of market" view of available tariffs, but the option to switch through us was only to those suppliers and tariffs we believe to be a good deal. We did not guide consumers to deals that had higher commission levels than others. We also had detailed supplier checks in place years before the crisis emerged and chose not to work with many smaller players in the market as a result as we were not confident they were stable enough to provide a good customer experience.

Our business model is entirely dependent on customer trust and has been anchored in empowering the customer's decision. We strive to be a customer champion first and foremost and have operated in such a way even before the energy crisis. As a result, we continue to provide a significant benefit to customers even while our core function is halted by the market for now.

The energy market will require reforms to make it not only more sustainable long term but also affordable in the transition to Net Zero. Moving away from gas will require all consumers to use less energy more efficiently from renewable sources. That will mean implementing reforms to help send customers the right signals for demand management, such as Half Hourly Settlement, adoption of Electric Vehicles and alternative heating solutions.

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<sup>1</sup> We have seen an increase of nearly 50% in customers signing up to our news alerts just in September 2021.

## Written submission from uSwitch (EPM0035)

This evolution of the market will require innovation around customer propositions, increasing complexity and moving beyond the established model of one dimensional decision making (solely based on annualised price). We have already seen elements of this with growing customer interest in the relative green credentials of energy services but it will move far beyond, looking at how their energy supply supports their transport, heating and overall demand in their home. Consumers still need to be taken on this journey. Making these various options transparent and easy to understand, will be essential to support consumer decision making, not just in terms of the products they select, but how they use them. It is here we see an important role for trusted third parties to build tools and give guidance.

Below are our answers to the specific questions you have posed to us in your letter. We hope the information we provided is useful.

### **How many customers have used your services in the past five years and what has been your analysis of how your services are used?**

1. Between 2017 and 2021 Uswitch provided 160.9m comparison results to consumers looking for energy tariff offers, of which less than 4% resulted in a switch executed through our switching service. We offer our service online, via our website, and offline channels, such as UK based customer support centre with a freephone number and webchat. Nearly 1 in 10 switches were facilitated by our offline channels.

### **How much revenue did your organisation make from auto-switching for each of the last five financial years? Please itemise this against each supplier that used your service.**

2. None. Uswitch has never provided auto-switching services.

### **In your view, what role did third-party intermediaries, particularly auto-switchers, play in fuelling a race to the bottom?**

3. Our view is that the primary cause of the recent energy supplier failures was a failure of the regulatory system, both in terms of the lack of appropriate assessment in licensing, and the stress put upon supplier businesses (which had underlying weaknesses given the lack of assessment) by the design of retail pricing regulation (i.e. the price cap) that exposed the lack of robustness in some supplier business models. We therefore do not think that it is reasonable to attribute causation of the recent crisis to TPIs. That said, TPIs played a role in steering customers either away from (in Uswitch's case) or towards less financially robust suppliers.

## Written submission from uSwitch (EPM0035)

4. Third-party intermediaries, particularly comparison-led TPIs, in the energy sector generally served to increase the transparency of information available to consumers, allowing them to more easily navigate the competitive market.
5. Auto-switchers were distinct from a wider comparison-led TPIs in that they were less reliant on consumers making the final switching decision and, we observe, tended to work with smaller, some now failed brands. The crisis seems to have exposed the problems in the auto switching model compared to the comparison-led TPIs. However, we can only speculate about the impact of auto-switching on the market as we have chosen not to offer it as a service to our customers, and therefore have no visibility of how it operated in practice.
6. We consider that healthy sustainable competition, underpinned by appropriate regulation of suppliers, should create strong incentives on market participants that ultimately drive better consumer outcomes, not a race to the bottom. Not just in terms of pricing, but long term efficiency gains, improvements to customer services and experience, as well as more innovative products.
7. The primary responsibility for assuring standards in the sector rests with the regulator. However, we felt we needed to conduct significant additional due diligence on any energy supplier listed on our service, as we did not think the regulatory framework was sufficient to serve customers well. Our processes have been in place several years before the crisis emerged.
8. As a result, our internal analysis shows that we were significantly less exposed to smaller suppliers than other TPIs<sup>2</sup> owing to the financial robustness checks and by extension it was common for Uswitch's switching service to have deals that were less price competitive. At the peak of new supplier entry, in 2017, Uswitch had tariffs from 18 out of 48<sup>3</sup> suppliers available for switching on its platform, all of which had passed our checks. However, for transparency, we always offered consumers the option to see a wider market view for comparison purposes. This has reduced the absolute number of switches (and commissions) we could have earned, but we judged this to be absolutely the right thing to do to maintain longer term consumer trust in our brand.

**Can you explain whether your business model is focused on chasing commission from suppliers or on consumers' needs and finding the best outcomes for the customers using your services? Should the commission that third-party intermediaries charge suppliers be regulated, and if so, how?**

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<sup>2</sup> Four suppliers who appeared on our panel historically have failed recently (out of 30 that failed since January 2021) - Green Network Energy, Avro Energy, Bulb and Pure Planet. We did not have commercial relationships with other failed suppliers, despite them appearing on other comparison websites.

<sup>3</sup> The most number of brands Uswitch has facilitated switches to at any point in time was 26 out of 63 (July 2018)

9. Uswitch's model is aimed at empowering customers to make confident decisions. It is predicated entirely on consumers trusting our service to help them get a good consumer outcome – without that we wouldn't even earn the opportunity to earn commission on switches. We have never believed that short term commercial gain at the expense of good customer outcomes is worthwhile, both in terms of our obligation to customers but more broadly we simply would not have a business in the long term without doing right by our customers.
10. On Uswitch, energy tariffs have always been ranked by price/savings by default and commission levels of a supplier available on Uswitch plays no part in the ranking. We also aim to give customers impartial relevant information, also not influenced by commission, in an accessible way that goes beyond price or what is required from us. For example, this is why we launched the Uswitch Energy Awards and Green Accreditation scheme - allowing customers to have more information about supplier propositions and differentiating them, rather than just pointing out suppliers with lowest prices.
11. We do not currently see the case for regulating TPI commission. Suppliers and TPIs negotiate any commission bilaterally under strong competitive conditions. For suppliers, using a TPI is just one channel through which suppliers can market their tariffs. The TPI market we believe is predicated on the channel being efficient for the supplier, in that a fee is only paid when acquiring a new customer, unlike advertising where suppliers can incur significant expense with no guarantee of new business. These factors act to naturally constrain any fees to economically sensible levels.
12. We do however consider it appropriate to expect that TPIs tell the customers about how they make their money, to ensure full transparency. We have done so for years.

**Should money made from switching commissions be recouped from auto-switchers to mitigate some of the cost exposure to consumers from supplier failures?**

13. Having not had an auto-switching business, we cannot comment.

**What regulations should be placed on third-party intermediaries to protect consumers?**

14. Getting regulation of suppliers right should be of highest priority to ensure future stability of the energy market. We do not think comparison services in their current form need further regulation, beyond enforcing existing customer protections. That being said, we accept that wider TPI regulation might be needed as the market evolves in the future, as decisions become more complex, the amounts of money concerned increase (for example as people start to pay to run their car through their electricity bill), leading to more demand for independent advice.

15. We expect TPIs to have an important role in decision support, especially in helping customers towards Net Zero. Regulation on TPIs should be proportionate to potential customer detriment. The best way to do so in the future is by outcomes based regulation, focusing on customer experiences rather than specific TPI practices or business models. This would allow firms to innovate their models as the customer demand for TPI services change, while ensuring customers get the right level of service and those in need are protected. Examples of areas of potential future TPI regulation could be ensuring terms of contract are clear and easy to exit, protections for vulnerable customers and dispute resolution.
  
16. We provided more detail on our thinking on TPI regulation in our response to BEIS call for evidence last year, which we attach to this letter for reference.

Yours sincerely,



Richard Neudegg  
Director of Regulatory Affairs