

NAFD presses for CMA to consider impact of Social Fund at formal hearing

At the end of June, representatives of the NAFD attended a formal hearing at the Competition & Markets Authority.

Attending the hearing were Chief Executive Officer Jon Levett, NAFD Past President Alison Crake, current NAFD President David Barrington, economist Deborah Drury from Europe Economics, NAFD Policy & Legislation Manager Morgan Harris and Deborah Smith from Wordsmith Communication, which manages the NAFD's communications and research/insight activity.

As well as answering questions on a wide range of topics and exploring how the sector might best be regulated in the future, the Association also took the opportunity to warn members of the Competition & Market Authority's (CMA) Market Investigation panel that its desire to provide solutions for those on the lowest incomes that are struggling to pay for a funeral risked not being met if it does not address the failings of the Social Fund Funeral Payment in its report on the sector.

In his opening remarks, Jon Levett said: "One of the primary reasons CMA decided to look into the funeral sector in the first place concerned funeral affordability for the poorest in society. We welcome that this was part of the rationale for the conduct of the original market study, but we are concerned that this may now be getting lost in the work that has followed. To put it straightforwardly, we do not think that any of the possible remedies put forward in the market study, and subsequent Statement of Issues, will tackle the issue of funeral affordability for the very poorest."

Sharing an anonymised case study of a family she has supported, Alison Crake brought the issue vividly to life. She explained the complexity and uncertainty of the application process, the limitations of any payment that was made and the shortfall that remained in almost all cases. She also helped the panel to understand the emotional impact this had on vulnerable bereaved people and the lengths to which funeral directors went, often unpaid, to support them.

David Barrington also shared examples from his own business, and both funeral directors illustrated the significant logistical and financial impacts on their wider business of caring for those families in financial need.

Jon Levett then highlighted the fact that none of the CMA's currently proposed remedies would have any impact on this vulnerable group of consumers.

He said: "We do not think that transparency measures or price regulation will address this problem. Whilst the application of these remedies may bring about some reduction in the price of a funeral, they will not be able to bring about the scale of decrease to put prices in line with the £700 capped element of the Social Fund. Funerals will remain unaffordable for the poorest unless there is reform of the Social Fund Funeral Payment."

Recognising the parameters of the market investigation, Jon concluded the discussion by acknowledging that direct action by the CMA on this matter might be out of its scope.

“However,” he added, “we do think that the CMA must recognise the impact that the Social Fund has on the wider market and, therefore, make commentary to Government on this in its final report.”

During the hearing, the NAFD also highlighted the potential regulatory gap between HM Treasury’s plans for the Financial Conduct Authority (FCA) to oversee funeral plan sales and the CMA’s current interest only in funerals funded by activated funeral plans. The team also discussed its concerns about the commercial activities of certain local authorities and shared case studies of funeral firms, operating outside of the current self-regulatory regime, that were providing poor service and levying unfair charges on consumers. This latter point formed part of a wider discussion about the challenges of mapping standards within the wider sector and the practical challenges and limitations of self regulation.

The NAFD also highlighted the relationship between personalisation and the cost of a funeral, raising concerns that the CMA Market Study had not appreciated the additional time taken to arrange the more complex modern funeral and had concluded that the rising cost of funerals was more associated with “increased prices for core elements rather than the significantly higher spending on optional aspects”.

The NAFD explained that it was the cost of the additional time spent arranging funerals which, because of a desire for greater personalisation, were now generally more complex and, therefore, took more time to arrange.

The NAFD is providing further information to the panel, following up on some of the points discussed. In terms of next steps, the NAFD is advised that relevant working papers will be published and/or disclosed in accordance with the CMA’s administrative timetable, as published on its website.

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