

## **Linnaeus' response to the Competition and Markets Authority's consultation on a proposed market investigation reference in relation to veterinary services for household pets in the UK**

1. Linnaeus has welcomed the opportunity to engage with the Competition and Markets Authority (*CMA*) and contribute to its review of the veterinary services market for household pets since September 2023.
2. We acknowledge that the CMA received a high volume of responses to its Call for Information (*CFI*) and we take seriously the concerns that the CMA summarised in its consultation document, dated 12 March 2024 (the *Consultation Document*).
3. As explained to the CMA in response to requests for information sent to Linnaeus and the meetings and calls between the CMA, Linnaeus and its external counsel, while there are a number of operational challenges currently facing the veterinary services industry in the UK, Linnaeus strives to provide the highest quality and most appropriate care to pets and their owners in all cases, and the best environment for our Associates to thrive. Linnaeus is disappointed that the CMA now considers that it is inclined to proceed with a Market Investigation Reference (*MIR*) in relation to the industry.
4. The CMA should appropriately weigh that an intensive and intrusive MIR process would increase the significant pressure and strain already being faced by those operating and working in the veterinary services profession in the UK and driven by factors outside of their control, most notably the global labour shortage of both qualified vet and nurse professionals coupled with increased demand for veterinary services across the UK. This was a point recognised by many of the responses to the CMA's CFI and other information referenced in the CMA's Consultation Document. The CMA's focus on the profession and announcements in this regard have led to regular critical media coverage, as well as social media and in-person abuse for veterinary staff from members of the public reacting to the CMA's review. The impact of this on the remainder of the industry is difficult to gauge at this stage, but it is clear that it puts our Associates, who are seeking to do their best for pets and their owners each day, in a difficult and often upsetting position.
5. A prolonged MIR process is anticipated to have a further impact on morale and mental health, likely leading to further professionals leaving the profession (exacerbating the shortage of skilled professionals), and a continued effect on consumer confidence in the veterinary profession.
6. It was against this backdrop that Linnaeus and other corporate veterinary groups worked proactively to offer a remedy to the CMA outside of the formal statutory process which would not only have minimised this negative impact, but also would have brought direct consumer benefits in much shorter order than would be available under an MIR process (the *Remedy Proposal*). As the CMA will be aware, the Remedy Proposal was not focused only on those

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corporate veterinary groups involved; it also explored the ways in which the proposals could secure engagement and alignment with the remainder of the profession.

7. In these circumstances, we regret that the CMA did not explore the Remedy Proposal further. Linnaeus is continuing to reflect as to the ways in which the CMA's concerns around transparency can be addressed and implemented, notwithstanding the CMA's consultation. However, Linnaeus believes that there would be a material benefit to pet owners if measures on transparency were taken in a consistent manner across the profession, to assist greater degrees of comparability between providers.

***Linnaeus continuously strives to improve quality and overall outcomes for its customers and their pets through its engaged Associates***

8. As previously explained to the CMA, the advancement and development of veterinary medicine is central to Linnaeus' cause, in particular maximising the quality of the care that we can provide to pets and their owners. Linnaeus' purpose is to create *A Better World for Pets*. In this regard, Linnaeus already operates, or is in the process of implementing, a number of initiatives which directly address many of the concerns expressed in the CMA's Consultation Document.
9. Most importantly, as the CMA has recognised in the Consultation Document, the concept of contextualised care has already been embraced by the profession. Contextualised care runs through all of the services that Linnaeus' veterinary clinics provide to patients and we fully support the delivery of care based on these principles. The principles require a range of considerations to be taken into account when recommending care, including affordability, accessibility and the circumstances of both the pet and the pet's owners, in arriving at the most appropriate course of treatment to recommend.
10. Further, as explained in responses to previous requests for information, Linnaeus does not offer any form of incentives to its Associates or Linnaeus practices to make referrals to other practices within the Linnaeus group. Clinical freedom is not only demanded by the RCVS Code of Conduct, it is a core principle of Linnaeus which it considers is essential in order to provide the best and most appropriate quality care for its patients. Our Associates must be empowered to make recommendations as they see fit and must not feel constrained to refer only within the corporate group – and this is the way we operate.

***The CMA's assertion that corporate groups have the incentive and ability to concentrate on providing higher cost treatment options in place of simpler options is troubling and has no application to Linnaeus***

11. Linnaeus has serious concerns with the CMA's assertion in its Consultation Document that the increased prevalence of groups that have "*invested heavily in equipment to provide the most sophisticated treatment*"<sup>1</sup> has led to a situation where such groups "*may concentrate on providing more sophisticated, higher cost treatments in place of simpler, lower cost treatments*

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<sup>1</sup> Consultation Document, paras 12, 2.21.

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*even if some consumers would prefer that option”.*<sup>2</sup> We consider this to be a highly inaccurate characterisation of the approach of Linnaeus Associates and practices, and a misunderstanding of the ethical obligations applicable to veterinary professionals. The RCVS code of conduct requires veterinary surgeons to make animal health and welfare their first consideration when attending to animals.<sup>3</sup> In this sense, veterinary professionals are required to alert pet owners to the options that may exist in any given case, whether or not they can be provided by the same group of companies. As discussed above, contextualised care requires affordability and the circumstances of a pet and pet owner to be considered in proposing a recommendation for care. These principles drive the approach taken by Linnaeus’ Associates.

12. The CMA should be extremely cautious about extrapolating from a range of examples raised, where there may have been some dissatisfaction with the level and/or price of care proposed, to reach a conclusion that inappropriate recommendations were made in individual scenarios, let alone that corporate ownership drives inappropriate recommendations.

***The CMA’s concept of “business model competition” is misconceived and likely to drive negative results for pet owners***

13. The investments of Linnaeus and others across the veterinary sector have led to increased options and improvements in veterinary care for pets in the UK. Some conditions that were difficult to diagnose or treat previously can now be more effectively managed in more locations throughout the UK. For example, the availability of radioiodine as a treatment for feline hyperthyroidism, CT access for imaging investigations, antiviral treatments for the previously fatal feline infectious peritonitis, and radiotherapy that enables treatment, with pinpoint accuracy, of tumours previously considered untreatable. These advances in treatments can come at a greater cost than doing nothing, but can provide pets and their owners with greater quality of life for a prolonged time together.
14. In the Consultation Document, the CMA develops the assertion that larger vet groups have the incentive and ability to concentrate on providing such higher cost treatment options in place of simpler, lower cost options to encompass a theory that increasing prevalence of the business model associated with such large groups (“investing in sophisticated equipment and business which provide related services”) could be leading to reduced choice or weaker competition, and to higher prices or consumers not being offered the services which best meet their needs. In addition to firmly denying the assertion, Linnaeus considers the CMA’s theory of competition to be unfounded.
15. The CMA’s Consultation Document is entirely silent about what it considers the approach of smaller vet groups or individual practices to be. If, however, the CMA is assuming that practices which do not invest in sophisticated equipment may concentrate on cheaper, more basic treatment options and are therefore less inclined to offer pets and owners the options of a more advanced, but more expensive, treatment, then it is hard to see how forcing the market

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<sup>2</sup> Consultation Document, paras 14, 2.27-28.

<sup>3</sup> RCVS Code of Professional Conduct for Veterinary Surgeons (<https://www.rcvs.org.uk/setting-standards/advice-and-guidance/code-of-professional-conduct-for-veterinary-surgeons>).

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to preserve this business model could be a good outcome overall. It cannot be a positive result for pet owners relying on such practices that they are not informed of the full range of options, including the more sophisticated choices. As the CMA acknowledges, the provision of sophisticated treatment may be what some pet owners want.<sup>4</sup> It would therefore be a wholly unreasonable outcome if the CMA's view was that pet owners should have forced on them less choice of care and a less sophisticated standard of care in order to preserve a notion of diversity of business models.

16. Instead, the right outcome, and the one that Linnaeus promotes, has to be that consumers are informed of the full range of options available to them in each instance, from doing nothing to a range of more sophisticated options. Pet owners should receive this advice regardless of the ownership status of the first opinion practice where their pet is examined, and the veterinary professionals they consult should exercise their best judgment to recommend next steps within the contextualised care framework.
17. It is for this reason that if there is any concrete basis for the CMA's concerns about "inappropriate recommendations" in the practice of some large groups when treating animals, which again Linnaeus emphasises is contrary to its own experience, then an effective solution to these issues for the whole profession would be the types of transparency measures that were put forward in the Remedy Proposal. These would result in pet owners having good levels of information about available options, and the best judgment of their veterinary professional, regardless of the ownership status of the particular vet practice where a consultation is being undertaken.

### ***Conclusion***

18. While Linnaeus is disappointed with the CMA's decision to pursue an MIR in relation to veterinary services for household pets in the UK, Linnaeus will continue to cooperate willingly and engage with the CMA as part of the process in order to illustrate its positive impact in this space and to help identify where there are areas that improvements can be made for the benefit of pets and their owners, and those operating and working in the industry. Linnaeus remains confident in its position that the appropriate way to address concerns in the sector is via the Remedy Proposal already provided to the CMA.

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<sup>4</sup> Consultation Document, para 2.27.

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