

## Consultation response

Which?'s response to the CMA's proposed market investigation reference in relation to the supply of veterinary services for household pets in the UK

**Which? supports the CMA's proposal to make a market investigation reference in relation to veterinary services for household pets, including the supply of prescribed veterinary medicines for such pets. The evidence presented by the CMA in its market review is persuasive and strongly indicates that the market is not working well for pet owners. By making a market investigation reference the CMA will be able to implement remedies that improve the competitiveness of these markets and reduce consumer harm.**

The competitiveness of the market for veterinary services is hugely important to UK consumers. It has been estimated that 57% of UK households own pets<sup>1</sup> and they are beloved family members. Households rely on veterinary services to keep their animals healthy and when things go wrong it can result in considerable consumer harm in the form of financial outlay and emotional distress. The extraordinary volume of responses to the CMA's Call for Information (CFI) demonstrates the strength of pet owner sentiment.

### The CMA's concerns

We agree that the CMA has identified multiple features in these markets that could result in adverse effects on competition. To begin with, it is clear that there is a substantial problem with a lack of transparency of pricing and of practice ownership. The evidence from the CFI is that many pet owners are unaware of the price of diagnostics and treatment prior to these taking place, while many don't know who owns the practice they use. Our own research, which included surveying a sample of 2,000 pet owners from an online panel, produced similar findings: 36% of respondents told us they only found out the price of treatment following a consultation at reception after the appointment had taken place, while a third of customers who use a practice owned by one of the six large corporate groups mistakenly believed the practice to be independent.<sup>2</sup> Such a widespread lack of transparency is a barrier to effective competition and could result in pet owners paying higher prices and receiving worse service.

Similar to the CMA, our research also found that there may be barriers to competition in the provision of animal medicines and that this may be resulting in consumers overpaying for medication. Many pet owners lack the knowledge that they can buy medication from third-party pharmacies, while others claimed their vet was reluctant or even refused to write a prescription to take elsewhere, or that the cost of obtaining them can sometimes be prohibitive, eliminating the savings from buying elsewhere.

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<sup>1</sup> Statista (2023), [Share of households owning a pet in the United Kingdom \(UK\) from 2012 to 2023](#)

<sup>2</sup> Which? (2023), [Consumer harm in veterinary services](#)

Of the CMA's other findings, we are shocked but unsurprised by the proportion of local markets that have a high level of supplier concentration. The UK veterinary market has experienced a rapid consolidation in the past decade as a result of far-reaching programmes of roll-up mergers by multiple large companies and we have found it easy to find examples of local areas in which competition may be weak as a result of such consolidation. We have also conducted analysis of the price of annual booster injections using the ONS's price quote dataset and have found that price dispersion has increased substantially in the past four years, which may indicate that some parts of the market are now less competitive than they were previously.<sup>3</sup> It seems highly plausible that high levels of concentration in local markets will result in higher prices, lower quality and reduced investment in services.

We are also persuaded by the presentation of the evidence relating to large integrated groups potentially having incentives to act in ways which reduce choice and weaken competition. The veterinary services market has both a weak demand side and substantial vertical integration, which creates opportune conditions for firms to exploit consumers. We, like the CMA, cannot yet present evidence that the existence of such incentives is leading to consumer harm, but our finding that more than a quarter of pet owners believe they may have been subjected to over-treatment illustrates both the demand-side weakness, caused by an asymmetry of information and the emotional nature of decisions, and the widespread lack of trust that pervades the market. While our research did not specifically explore the issue of vertical integration of services, some pet owners in our survey told us of instances in which they were upsold cremation options when having pets euthanized.<sup>4</sup>

Finally, we share the CMA's concerns that the regulatory framework is outdated and may no longer be fit for purpose. It is undoubtedly true that the fact that the remit of the Royal College of Veterinary Surgeons (RCVS) does not extend to practice owners is problematic given the change in ownership patterns, and it is concerning that the (RCVS) can only run a voluntary practice standards scheme.

### The reference test

We agree with the CMA that, on the basis of the evidence presented, the reference test has been met. There are clearly reasonable grounds to suspect that a combination of features of the veterinary services market is restricting or distorting competition.

### Making a Market Investigation Reference

We further agree that the CMA should exercise its discretion to make an MIR. That the suspected problems are of sufficient scale is inarguable: this is a large market affecting many consumers and when individuals suffer harm this can be substantial. Given the nature of the concerns outlined by the CMA, we have little doubt that these would be persistent features of the market if the CMA did not intervene. A market investigation reference will make appropriate remedies available. In this case both behavioural and structural remedies may be required, as well as recommendations to the government regarding changes to the regulatory regime.

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<sup>3</sup> Which? (2024) [Veterinary services pricing](#)

<sup>4</sup> For example, one pet owner told us: *'I rushed my dying cat to the vet; she was in heart failure and needed to be put to sleep urgently to prevent her suffering. The vet didn't begin the procedure until he had tried his best to sell me a cremation service from their partner pet crem, including asking me to read a leaflet whilst my dying cat was on the table. Shocking, can't explain the distress this caused.'*

We support the CMA's conclusions that even if some firms put forward undertakings in lieu of a reference (UILs) it would still be more appropriate to address the concerns through an MIR. This is because the concerns need to be addressed across the whole market and some issues, such as the regulatory regime being outdated, are unrelated to the conduct of individual firms.

An MIR is the most appropriate tool that the CMA can use to address these issues. The alternatives would be to either conduct a market study or to use competition and consumer protection law. In the former case, a market study would not make appropriate remedies available to the CMA and, given the evidence already produced by the review, we believe it would inevitably lead to an MIR. Such a delay in opening a market investigation would not be in the interests of either pet owners or veterinary professionals. In the latter case, the concerns identified would require a complex application of both competition and consumer protection law, and this would be slower and less certain to lead to appropriate remedies than an MIR.

### The scope of the reference

With regard to the scope of the reference, we note that the CMA has decided not to include the provision of insurance for household pets. We recognise that this decision will help to manage the scope of the market investigation. However, as the consultation acknowledges, it will still be necessary to understand the role that insurance plays in the provision of treatment, in particular how it is used to provide contextualised care and how this might affect the choices presented to pet owners. This will be essential to understanding the consumer experience.

### Further analysis and possible remedies

We believe most of the issues relating to a lack of transparency of pricing and ownership and the barriers to shopping around for animal medication will be relatively straightforward to explore and we note that firms have already proposed some disclosure remedies to address these issues. The design of such remedies will require careful consideration. Given the range of barriers to shopping around that both we and the CMA have identified, disclosure remedies are likely to be a necessary but not sufficient condition to stimulate the demand-side of the market.<sup>5</sup> Additional, stronger remedies may be needed, especially in circumstances where a pet owner is unlikely to be able to shop around. There also needs to be consideration of potential unintended consequences if better price transparency is only possible for some diagnostics and treatments.

We are looking forward to seeing how a more detailed analysis of local concentration improves our understanding of how this might cause weak competition and negatively impact consumer outcomes. It will be important to understand how concentrated local markets have to become for this to be harmful for consumers and how this harm manifests itself. Such analysis may have implications beyond this investigation as it could contribute to the debate on whether the UK's merger control regime is adequate for protecting consumers when firms conduct aggressive roll-up merger strategies and create concentrated local markets.

We encourage the CMA to explore how local concentration of practices interacts with the vertical integration of services. It seems plausible that where the two exist alongside one another then there will be a particular risk of harm to pet owners.

We anticipate that the CMA will be able to use the information gathering powers that it has during a market investigation to fully explore the concern that large integrated groups potentially

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<sup>5</sup> Fletcher, A (2016) [The Role of Demand-Side Remedies in Driving Effective Competition: A Review for Which?](#)

have incentives to act in ways which reduce choice and weaken competition. If it is determined that firms are abusing the opportunity to self-preference then we expect the CMA to adopt strong remedies to stop this.

With regard to its review of the regulatory framework, we recommend that the CMA considers the efficacy of channels of complaint and redress for pet owners. Effective mechanisms for redress act as an important deterrent to providing poor quality service, especially when firms cannot be incentivised through competition. Neither the CMA Review nor our research explicitly explored how well redress mechanisms work in this market, but we have received representations from other parties expressing concerns. For complaints that cannot be resolved directly with the practice, pet owners must determine whether the issue relates to professional misconduct, in which case a complaint can be made to the RCVS, or whether they need to use the Veterinary Client Mediation Service, but which is a voluntary mediation service. Given the nature of veterinary complaints, which may have high levels of emotional harm, it is unclear whether the existing mechanisms are sufficient.

Finally, the CMA has indicated it will explore whether regulatory failure, in the form of burdensome requirements on medication wholesalers supplying to veterinary practices, is leading to higher prices for consumers. We would welcome it exploring whether other aspects of regulation may be having a similar effect. For example, whether the current prescribing cascade for veterinary medicines allows pharmaceutical companies to unfairly extract excessive profits through the production of species-specific medication or whether restrictions on the working practices of veterinary nurses is stifling innovation in the delivery of services. Our analysis of ONS inflation data shows that the prices of veterinary and other services for pets have risen much faster than overall inflation in the past two years.<sup>6</sup> Wherever possible, the CMA should make recommendations to the government for changes that would not only improve competition and reduce consumer harm, but which would allow innovation that could lower costs and reduce prices for pet owners.

**About Which?**

Which? is the UK’s consumer champion, here to make life simpler, fairer and safer for everyone. Our research gets to the heart of consumer issues, our advice is impartial, and our rigorous product tests lead to expert recommendations. We’re the independent consumer voice that works with politicians and lawmakers, investigates, holds businesses to account and makes change happen. As an organisation we’re not for profit and all for making consumers more powerful.



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<sup>6</sup> Which? (2024) [Veterinary services pricing](#)