

# Funerals costs, pre-paid plans and Older People

## Briefing Paper January 2019



### Introduction

The cost of dying has risen up the political agenda recently following two recent announcements. The Competition and Markets Authority (CMA) launched a study into the cost of funerals in November 2018, whilst at the same time HM Treasury is looking to design a regulatory framework for pre-paid funeral plans.

The CMA opened its study as a result of large price rises in funeral costs. Funeral director prices increased by 68% and crematoria fees rose by 84% over the last 10 years. By comparison, inflation (CPI) increased by around 25% over this time.

### What are the average costs of a funeral?

People generally spend between £3,000 and £5,000 organising a funeral. It would now cost those on the lowest incomes nearly 40% of their annual outgoings, more than they spend on food, clothing and energy combined. Pre-pay firms offer a selection of options, typically ranging between around £2000 and £6000.

### What are the issues the CMA are investigating?

- People organising a funeral are usually distressed and remain extremely vulnerable to exploitation– making it easier for some funeral directors to charge higher prices.
- Prices are often not available online, making it difficult to compare options easily. Customers could save over £1,000 by looking at a range of choices in their local area. A lack of local choice is also a barrier, particularly in rural areas.
- People often feel under pressure when a loved one dies, to plan a funeral quickly, typically having little information about funeral directors available in their area.
- People arranging the funeral may be more concerned with ensuring the deceased's wishes are followed and they are not as motivated to scrutinise the cost.
- Consumers lack experience of arranging funerals. Those with experience of arranging funerals are much more likely to scrutinise how many services they ask the funeral director to provide, and the cost of individual elements, as well as overall cost levels.
- Larger chains in particular, have implemented consistently high year-on-year price increases. A number of these have now introduced lower cost funeral options, but this doesn't go far enough to make up for years of above inflation price hikes.

### Pre-paid funeral plans

The pre-paid funeral industry has grown rapidly in recent years with highly targeted and consistent advertising. Once you buy, the pre-pay firm contracts an undertaker

and guarantee that no matter how much funeral directors' fees rise, you will get your final send-off at today's prices.

The pre-pay firm administers the plan up until the time of your death and beyond. As well as using your money to pay for the funeral director, the firm often retains a slice for themselves.

### **Is my money safe in a pre-paid funeral plan?**

To safeguard your plan, your provider will either place it in a trust fund or invest it in an insurance policy that pays out when you die. The Financial Conduct Authority doesn't directly regulate funeral plans, but it does have rules to safeguard your money if it is placed in a trust or invested in an insurance policy.

Whilst pre-paid funeral plans allow people to manage costs and the type of funeral, they would like for themselves, there are concerns about a lack of transparency as many plans specify lists of items not included in their terms and conditions and can include: grave plot, headstone, church service, wake and flowers. There is a professional body for providers called the Funeral Planning Authority, which has a code of conduct, but currently HM Treasury is looking to strengthen regulation in this sector.

### **Funeral Poverty – what help is available?**

The rise in funeral costs means that paying for a funeral is a significant financial shock and there can be a substantial shortfall between the cost of a funeral and what people can afford. For example, one in seven next of kin of the 600,000 people who die every year in the UK struggle to pay for funeral costs.

Funeral Payment is currently a UK government scheme to help people pay for a funeral when they are on a low income and receiving certain benefits such as:

1. Income Support
2. Income-based Jobseeker's Allowance
3. Income-related Employment and Support Allowance
4. Pension Credit
5. Housing Benefit
6. The disability or severe disability element of Working Tax Credit
7. Child Tax Credit
8. Universal Credit

If you get a Funeral Payment, you'll usually have to pay the government back from any money you get from the person's estate, such as their savings. It doesn't cover the whole funeral bill, so people will still have large costs, but it can help towards:

1. Death certificates or other documents
2. Cremation fees, including the cost of the doctor's certificate
3. Travel to arrange or go to the funeral
4. The cost of moving the body within the UK, if it's being moved more than 50 miles
5. Burial fees for a particular plot
6. Up to £700 for any other funeral expenses, such as funeral director's fees, flowers or the coffin.

In 2018 almost 26,000 Funeral Payments were made in the UK with an average payment of only £1,460 – several thousand pounds short of the average cost of a funeral.

From summer 2019, the Scottish government will take control of this benefit and launch Funeral Expenses Assistance (FEA) as part of the Funeral Poverty Action Plan. The FEA aims to deal with claims within 10 working days and reduce payment times and complex eligibility criteria that exist under Funeral Payment. For example, the plan has already removed the £170 doctor's fee from cremation charges, resulting in parity between burial and cremation, and reducing the cost for people choosing a cremation.

As well as the FEA benefit the Scottish government are producing actions to help people plan their own funeral, strengthen consumer protection for pre-paid funeral plans and pilot a Scottish Funeral Bond by autumn 2020, to help people save for their funeral.

### **Conclusion**

The research suggests that the funeral market does not seem to work as well as it should. We await the CMA and HM Treasury reports because there is a urgent need for greater transparency, simpler processes, information on costs and choice for customers at what can be a very difficult time for those affected. It is also clear that funeral poverty is now increasing. The NPC will therefore be raising this issue with government to see if the Scottish approach to this issue could also be adopted in the rest of the UK.

### **Further Information**

- [1] HM Government (2018) CMA proposes major funerals probe after identifying serious concerns <https://www.gov.uk/government/news/cma-proposes-major-funerals-probe-after-identifying-serious-concerns>
- [2] CMA (2018) Qualitative Research Report [https://assets.publishing.service.gov.uk/media/5bc5a892e5274a363bcf7b1b/qualitative\\_research\\_report.pdf](https://assets.publishing.service.gov.uk/media/5bc5a892e5274a363bcf7b1b/qualitative_research_report.pdf)
- [3] Which? (2018) Funeral plans explained <https://www.which.co.uk/money/insurance/funeral-plans/funeral-plans-explained-amxf52f2qqh6>
- [4] ITV (2018) – Funerals uncovered <https://www.itv.com/news/2018-10-11/pay-now-die-later-funerals-uncovered/>
- [5] BBC (2018) – Funeral firms <https://www.bbc.co.uk/news/business-46430520>
- [6] HM Government – Funeral Payment <https://www.gov.uk/funeral-payments>
- [7] Scottish Government – Funeral Cost Plan <https://www.gov.scot/publications/funeral-costs-plan/>
- [8] Scottish Government – Funeral Expense Assistance <https://www.gov.scot/policies/social-security/funeral-expense-assistance/>

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