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# Improving compensation for landline and broadband customers

Review of the automatic compensation scheme

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[Improving compensation for landline and broadband customers](#) – Welsh overview

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# 1. Overview

Access to high quality, reliable communications services is essential in today's connected society, particularly as people adapt the way they live, work and communicate in the wake of Covid-19. But things can go wrong, which may affect people's ability to get online and make calls. Making sure problems are resolved quickly and customers are compensated fairly where appropriate is an essential part of our Fairness for Customers work.

In recent years, Ofcom has been implementing a strategy to drive service quality improvements by: (i) publishing service quality performance data; (ii) introducing tougher minimum quality of service standards for Openreach; and (iii) introducing automatic compensation for customers when things go wrong. This has led to significant improvements in the quality of broadband and landline services.

Ofcom launched the telecoms industry's first ever automatic compensation scheme (the scheme) for broadband and landline customers in April 2019. Under the scheme, customers receive compensation from their provider, without having to ask for it, for delayed repairs or provisions, and missed appointments. The scheme is voluntary, with the UK's largest broadband and landline providers signed up.

This report sets out our review of the first year of the scheme.

## Key findings

**The scheme launched successfully in April 2019 and now covers around 80% of broadband and landline customers.**<sup>1</sup> BT, Sky, TalkTalk, Virgin Media and Zen Internet all started to pay automatic compensation for service issues that occurred after 1 April 2019. Hyperoptic and Utility Warehouse have also joined the scheme. However, some large providers, Vodafone, EE and Plusnet, are yet to fulfil their earlier public commitments to join. While we consider that the scheme has good coverage across broadband and landline customers, we would welcome universal coverage of the scheme and encourage all providers to sign up to the scheme as soon as possible. We consider that ensuring customers are appropriately compensated for service issues is an essential part of providers treating their customers fairly.

**The scheme has increased the amount of compensation paid to broadband and landline customers when things go wrong.** The five signatories that joined the scheme when it launched paid over £20.7m in automatic compensation between July and December 2019. Although this only covers a subset of providers, the compensation payments are notably higher than the £8m we estimated customers were receiving from all providers over an equivalent six-month period before the scheme was in place.

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<sup>1</sup> 84% of residential broadband customers and 79% of residential landline customers. Ofcom / operators residential data Q4 2019.

**Overall the scheme is operating as intended and signatories have taken steps to address issues that have occurred.** For example, one signatory provided further training for its call centre agents and improved its quality assurance checks after Ofcom highlighted customer complaints about the quality of information being provided. Openreach has also updated its processes and made additional compensation payments after a signatory raised concerns that they were not correctly being notified in all instances when customers were eligible for automatic compensation.

**We are increasing the automatic compensation amounts paid under the scheme** to ensure that customers continue to receive appropriate redress. Signatories have committed to annual increases in line with the Consumer Price Index (CPI) from April 2021. The new levels will be based on CPI on 31 October in the preceding year.

**We will continue to monitor the effectiveness of the scheme including collecting data on the amount of automatic compensation paid.** We will also continue to ensure that signatories adhere to the requirements of the scheme.

## 2. Background to the scheme and improving service quality

2.1 Making sure that customers are treated fairly and receive the service quality they deserve remains a priority for Ofcom.<sup>2</sup> We want to ensure that people can access high quality, reliable communications services and that any issues that arise are resolved quickly and customers are compensated fairly where appropriate.

### Ofcom's Strategic Review of Digital Communications

2.2 In 2015, Ofcom launched its Strategic Review of Digital Communications (DCR).<sup>3</sup> Concern around poor quality of service was the single biggest issue raised in submissions to the DCR.<sup>4</sup> These included concerns about Openreach's performance as well as retail providers. Recognising the importance to customers of high quality, reliable communications services and customers' increasing expectations from their services, we set out a three-pronged strategy to drive improvements in service quality:

- a) Publish service quality performance data on all major providers.
- b) Introduce tougher minimum quality of service standards for Openreach.
- c) Introduce automatic compensation for customers when things go wrong.

2.3 Since we implemented this strategy, we have seen a step change in the quality of landline and broadband services.

### Reporting on service quality performance

2.4 In 2017, Ofcom published its first annual service quality report, which compared the quality of service experienced by customers of the UK's largest landline, broadband and mobile providers.<sup>5</sup>

2.5 Ofcom's fourth annual service quality report is published alongside this document and shows overall customer satisfaction with all three services (mobile, home broadband and landline) was in line with the previous year. The report also highlights some notable improvements in service quality, for example, complaints to Ofcom about providers have continued to fall, as has the proportion of engineer appointments that were missed. New lines were installed more quickly on average in 2019 than in 2018.<sup>6</sup>

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<sup>2</sup> We have an ongoing work programme to ensure fairness for customers that we highlighted in our [Plan of Work 2020/21](#) and [Annual Plan: Our programme of work for 2019/20](#).

<sup>3</sup> Ofcom, 2015. [Digital Communications Review](#).

<sup>4</sup> Ofcom, 2016. [Initial conclusions from the Strategic Review of Digital Communications](#), Section 5.

<sup>5</sup> Ofcom, 2017. [Comparing Service Quality: The performance of broadband, landline and mobile providers in 2016](#).

<sup>6</sup> On average, it took 11 days to complete a new landline or broadband order (either a new service, home move or a change to service) in 2019, four days faster than in 2018. Ofcom, 2020. [Comparing customer service: mobile, home broadband and landline](#), page 1.

## Openreach minimum quality of service standards

- 2.6 We set minimum quality of service standards for Openreach in 2014. This was in response to a steady decrease in the quality of service provided by Openreach between 2009 and 2012 for the time taken to carry out installations of new services and repairs. Since 2014 we have regularly reviewed and increased the minimum quality of service standards for Openreach for repairs and installations across different products.
- 2.7 We reviewed the impact of these quality of service standards on Openreach's performance earlier in 2020.<sup>7</sup> We found that since we introduced minimum quality of service standards, on-time installations and repairs have improved for almost all services and combinations of Openreach products and care levels. Our analysis also showed that repair service levels increased, on average, by around 2.6 percentage points each time we increased the minimum service levels.

## Automatic compensation for landline and broadband customers

- 2.8 In our March 2017 consultation document on an automatic compensation scheme,<sup>8</sup> we set out two policy objectives to ensure:
- customers receive adequate compensation when their provider does not deliver service quality in line with reasonable expectations, and that customers receive this as automatically as possible; and
  - providers have greater incentives to improve the service quality they deliver.
- 2.9 We proposed that requirements on broadband and landline providers to pay automatic compensation would be appropriate and proportionate to give better protection to customers. We considered that this would provide greater clarity on what compensation customers are entitled to and ensure customers receive adequate redress when things go wrong with their service.
- 2.10 We identified three important service quality problems which could be clearly defined and measured and would therefore be suited to an automatic compensation scheme. These were delayed provisions, delayed repair following loss of service, and missed appointments. We proposed that the scheme was most appropriate for residential customers.<sup>9</sup>
- 2.11 We also consulted on a proposal from industry for a voluntary automatic compensation scheme. Industry revised their proposal following our March 2017 consultation to offer greater compensation to customers. In our statement in November 2017, we concluded

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<sup>7</sup> Ofcom, 2020. [Improving broadband and landline standards: A review of how Ofcom's service quality rules have affected Openreach's service level performance.](#)

<sup>8</sup> Ofcom, 2017. [Automatic Compensation: Protecting consumers from quality of service problems.](#)

<sup>9</sup> To make it easier for small and microenterprise customers to claim compensation we introduced requirements to ensure greater transparency on the compensation available to these customers. See Ofcom [General Conditions](#) C2.16 to C2.19.

that the revised industry proposal met our objectives and the requirements of a fair and effective automatic compensation scheme (the November 2017 statement).<sup>10</sup>

- 2.12 We subsequently worked closely with signatories to implement the automatic compensation scheme, while Openreach and the Office of Telecoms Adjudication (OTA) also worked to ensure that the necessary systems and processes were in place to support the operation of the scheme. The Voluntary Code of Practice for an Automatic Compensation Scheme was then launched on 1 April 2019 with BT, Sky (including NOW Broadband), TalkTalk, Virgin Media and Zen Internet signed up. Hyperoptic and Utility Warehouse subsequently joined the scheme in October 2019 and February 2020 respectively.

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<sup>10</sup> Ofcom, 2017. [Automatic Compensation: Protecting consumers from service quality problems.](#)

## 3. Review of the automatic compensation scheme

- 3.1 In our November 2017 statement, we stated that we would monitor the development and implementation of the automatic compensation scheme (the scheme) and committed to review it after it had been in place for 12 months.
- 3.2 Since the launch in April 2019, we have closely monitored the scheme through:
- a) regular engagement with signatories (BT, Sky, TalkTalk, Virgin Media and Zen Internet, and later Hyperoptic and Utility Warehouse);
  - b) discussions with Openreach, the OTA and the Alternative Dispute Resolution schemes; and
  - c) analysis of customer complaints, and of letters and emails from Parliamentarians to Ofcom.
- 3.3 In addition, signatories are required under the scheme to provide Ofcom with certain information to help monitor its effectiveness.<sup>11</sup> We also sent signatories a formal information request to gather further information to inform our consideration of matters relating to this review.<sup>12</sup>
- 3.4 In this section, we set out our review of the first year of the scheme, which also forms part of our function to publish information and advice for consumers. In particular, we deal with the following aspects related to the scheme:
- the design of the scheme;
  - when compensation should be paid;
  - the amount of compensation paid;
  - how effectively the scheme has been communicated to customers;
  - the proportion of the market covered by the scheme; and
  - the impact of Covid-19 on the scheme.

### Design of the scheme

- 3.5 The scheme requires signatories to pay compensation to their customers for a delayed repair following a loss of service, missed repair or provision appointments, and delays to the start of a new service. The requirements of the scheme are detailed in the Voluntary Code of Practice for an Automatic Compensation Scheme.<sup>13</sup> Figure 1 gives an overview of the requirements of the scheme.

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<sup>11</sup> Paragraph 45 of [Communications Providers' Voluntary Code of Practice for an Automatic Compensation Scheme](#).

<sup>12</sup> Ofcom sent BT, Sky, TalkTalk, Virgin Media and Zen Internet a formal information request under section 135 of the Communications Act 2003 on 6 June 2020.

<sup>13</sup> [Communications Providers' Voluntary Code of Practice for an Automatic Compensation Scheme](#), 10 November 2017.



Figure 1: Overview of the scheme

Problem	A landline or broadband customer would be entitled to compensation if...	Amount of compensation
Delayed repair following loss of service	Their service has stopped working and it is not fully fixed after two full working days.	 £8 for each calendar day that the service is not repaired
Missed appointments	An engineer does not turn up for a scheduled appointment, or it is cancelled with less than 24 hours' notice.	 £25 per missed appointment
Delays with the start of a new service	Their provider promises to start a new service on a particular date, but fails to do so.	 £5 for each calendar day of delay, including the missed start date

3.6 Signatories are required to pay compensation without the customer having to ask for it. Customers that are experiencing a loss of service would need to initially report this to their provider, but any compensation payments that become due should be paid automatically by their provider.

3.7 The compensation levels in the scheme are minimum amounts based on estimates of the average harm a customer may experience for each service issue.<sup>14</sup> This means that, in some cases, a customer could experience a greater level of harm from a service issue than they would be compensated for under the scheme and it may be appropriate for a signatory to award the customer additional compensation. Such exceptional circumstances or additional issues may include:

- a) Customers in vulnerable circumstances. We made clear in our November 2017 statement that we expect the scheme should provide appropriate protection for vulnerable customers and we consider it is acceptable for signatories to adopt an individual approach that takes into account vulnerable customers' specific circumstances.<sup>15</sup>
- b) Where a customer can demonstrate that they experienced losses that would entitle them to receive additional compensation under general consumer law or Ofcom's General Conditions.

3.8 The financial implications of having to pay compensation should incentivise signatories to improve their quality of service, so that fewer faults, delays or missed appointments occur in the first place. It is the responsibility of the provider signed up to the scheme to pay compensation to the customer, even if the service issue was caused by the network operator (e.g. Openreach) or another third party (e.g. engineering contractors) that the retailer uses to provide services to its customers. Providers will usually have commercial arrangements in place that mean they receive money from the network operator or other

<sup>14</sup> Ofcom, 2017. [Automatic Compensation: Protecting customers from service quality problems](#), page 63.

<sup>15</sup> Ofcom, 2017. [Automatic Compensation: Protecting customers from service quality problems](#), page 68.

third party that caused a service issue. This means that the scheme may also drive improvements in quality of service at the network level.

## When compensation should be paid

### Signatories are not required to pay automatic compensation in exceptional circumstances

- 3.9 The scheme specifies the exceptional circumstances in which signatories are not obligated to pay automatic compensation. These exceptional circumstances include if: (i) the customer is at fault for the service issue or prevents it from being resolved; (ii) the signatory is unable to resolve the issue or prevent it occurring because of an event for which emergency regulations have been made; and (iii) the signatory could reasonably expect that it would be breaking the law by taking the action required to avoid triggering compensation.<sup>16</sup> Aside from the exceptions specified in the scheme, signatories are still required to pay automatic compensation where the issue was caused by events outside of its own control.
- 3.10 Based on data collected from signatories, the most commonly cited exception is that the customer is at fault for the service failure or prevents the service issue from being resolved.<sup>17</sup> This includes instances where the customer did not take the first available appointment for a repair, or not allowing access to their premises for a scheduled appointment. We have not found evidence to suggest that exceptions are being applied inappropriately by signatories.
- 3.11 Ofcom will continue to monitor how signatories apply the exceptions listed in the scheme. As part of our annual service quality reporting we request data from the largest signatories on which exceptions they have applied.

### Compensation for reoccurring faults

- 3.12 The majority of faults are fixed at the first attempt. However, sometimes a loss of service fault may be classed as fixed by a provider, only for it to quickly reoccur. Our 2020 annual service quality report has found that on average, customers had to re-contact their provider regarding around one in ten faults, with significant variations between providers.<sup>18</sup> In our November 2017 statement, we explained that customers should be compensated when their faults are not appropriately fixed. We therefore included a requirement in the scheme that *“If the customer reports a persisting Total Loss of Service, relating to the same underlying fault, within 48 hours of resolution of the initial fault, then automatic compensation will apply as if the first fault had continued without resolution”*.

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<sup>16</sup> Paragraph 40 of [Communications Providers’ Voluntary Code of Practice for an Automatic Compensation Scheme](#).

<sup>17</sup> Ofcom, 2020. [Comparing customer service: mobile, home broadband and landline](#), footnote 47. Ofcom analysis of data provided by BT, Sky, TalkTalk and Virgin Media, 2019.

<sup>18</sup> Ofcom, 2020. [Comparing customer service: mobile, home broadband and landline](#), Figure 31.

- 3.13 Given the complexity of the systems and process changes needed to implement the scheme, including at the network operator level, we agreed with signatories that they would not be required to comply with the recurring fault provision when the scheme was launched.<sup>19</sup> However, we reiterated to signatories that we continued to view this as an important provision in the scheme and our expectation that signatories would make the necessary changes at a later date.
- 3.14 This provision has not yet been implemented by signatories. We continue to believe that this is an important aspect of the scheme that should be put in place as quickly as possible. Signatories are now working, along with Openreach, to identify the systems and process changes needed to automatically pay customers compensation in these instances. We note that one of the signatories, Hyperoptic, has informed Ofcom that it has already begun paying automatic compensation for recurring faults. Ofcom's expectation is that this should become an active requirement of the scheme in 2021.

## Amount of compensation paid

### Broadband and landline customers are getting more compensation when things go wrong

- 3.15 The five signatories signed up to the scheme when it launched – BT, Sky, TalkTalk, Virgin Media and Zen Internet – together paid over £20.7m in automatic compensation for the six months between July and December 2019.<sup>20</sup> This is notably higher than the compensation all providers were paying out before the scheme was introduced – we estimated broadband and landline customers were receiving £8m in compensation over an equivalent six-month period for loss of service incidents, missed appointments and delayed provisions.<sup>21</sup>
- 3.16 Figure 2 shows how much compensation was paid for each service issue between July and December 2019. These figures do not include compensation in addition to automatic compensation payments.

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<sup>19</sup> In footnote 1 of the [Communications Providers' Voluntary Code of Practice for an Automatic Compensation Scheme we said that providers ability to implement this is subject to delivery by Openreach.](#)

<sup>20</sup> BT, Sky, TalkTalk, Virgin Media and Zen Internet response to formal information request dated 6 June 2020.

<sup>21</sup> £5.9m for loss of service incidents; £0.4m for missed appointments; and £1.9m for delayed provisions. Ofcom, 2017. [Automatic Compensation: Protecting consumers from quality of service problems](#), page 77, converted from annual to six-month averages. Figures represent averages across the period Q3 2014 to Q2 2016. Loss of service payments include compensation paid for a loss of service that was repaired within two working days.

**Figure 2: Amount of automatic compensation paid**

Service issue	Amount of automatic compensation paid July-December 2019
Delayed repair following loss of service	<b>£9.7m</b>
Missed appointments	<b>£1.6m</b>
Delayed provision of a new service	<b>£9.5m</b>

Source: Ofcom analysis of provider data, 2019

3.17 Figure 3 shows that between July and December 2019, there were almost 600,000 incidents of delayed repair following a loss of service, delayed provision or missed appointments for which a customer received automatic compensation.<sup>22</sup> This is slightly higher than the estimated number of compensation payments paid for an equivalent six-month period before the scheme was introduced.<sup>23</sup>

**Figure 3: Volume of automatic compensation payments made**

Service issue	Volume of automatic compensation payments July – December 2019
Delayed repair following loss of service	<b>309,000</b>
Missed appointments	<b>59,000</b>
Delayed provision of a new service	<b>228,000</b>

Source: Ofcom analysis of provider data, 2019. All figures are rounded to the nearest 1,000.

3.18 Overall, the amount of compensation being paid as a result of the scheme has increased more substantially than the number of compensation payments being made. The number of compensation payments would likely have been higher were it not for significant improvements in quality of service that have occurred over the last few years. These include:

- Significant improvements in Openreach quality of service for on-time repairs – for example, we have estimated 136,000 fewer late repairs on Openreach’s network in

<sup>22</sup> BT, Sky, TalkTalk, Virgin Media and Zen Internet response to formal information request dated 6 June 2020.

<sup>23</sup> 440,000 payments for loss of service incidents; 20,000 payments for missed appointments; and 80,000 payments for delayed provisions. Ofcom, 2017. [Automatic Compensation: Protecting consumers from quality of service problems](#), page 77, converted from annual to six-month averages. Figures represent averages across the period Q3 2014 to Q2 2016. Loss of service payments include compensation paid for a loss of service that was repaired within two working days.

2019 – meaning there are fewer instances of loss of service that would trigger automatic compensation payments.<sup>24</sup>

- The proportion of missed appointments by Openreach engineers has fallen significantly since reporting started in 2016. However, the proportion of appointments missed by Virgin Media increased in 2019 compared to 2018.<sup>25</sup>
- Quality of service for Openreach provisions has remained relatively high over the last few years.<sup>26</sup>

3.19 As Figure 2 and Figure 3 suggest, customers are receiving more compensation per incident under the scheme compared to before the scheme was introduced.<sup>27</sup> Ofcom analysis of data collected from signatories confirms that the average amount of compensation signatories paid in each instance is in line with the values signatories are required to pay out under the scheme.

### **There were a small proportion of instances where customers did not receive compensation in time**

3.20 The scheme requires signatories to pay compensation within 30 days of their service being restored, the day of the scheduled appointment that was missed, or from when their service is activated or provision of a new service is cancelled. Four out of the five signatories that launched in April 2019 reported incidents where compensation was paid after the timeframe specified in the scheme. We have found that 2% (10,324 instances) of automatic compensation payments between July and December 2019 were late.<sup>28</sup>

3.21 Signatories explained that these payments were made late to customers for the following reasons:

- a) systems failures and issues with automated triggers, particularly in the early months of the scheme;
- b) delays in receiving necessary messages from Openreach; and
- c) delays as a result of manual intervention.

3.22 Those signatories that experienced issues that caused late payments have confirmed that they have made improvements to their internal systems and monitoring and continue to

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<sup>24</sup> The majority of signatories provide services using the Openreach network. Our analysis shows that, each time we increased Openreach's minimum service levels, repair service levels increased, on average, by around 2.6 percentage points. For further details on improvements in Openreach service quality see Ofcom, 2020, [Improving broadband and landline standards: A review of how Ofcom's service quality rules have affected Openreach's service level performance](#).

<sup>25</sup> Ofcom, 2020. [Comparing customer service: mobile, home broadband and landline](#), Figures 32 and 33.

<sup>26</sup> Openreach installed 94-95% of Metallic Path Facility (MPF) and Wholesale Line Rental (WLR) services on time since new minimum standards were introduced in April 2018. For more detail on Openreach's performance for provisions (i.e. installations), see paragraphs 3.64 to 3.71 of Ofcom, 2020, [Improving broadband and landline standards: A review of how Ofcom's service quality rules have affected Openreach's service level performance](#).

<sup>27</sup> Average compensation among those receiving compensation before the scheme was introduced (£ per day/incident): £3.69 for loss of service, £24.28 for missed appointments, £2.39 for delayed provisioning. Ofcom, 2017. [Automatic Compensation: Protecting consumers from quality of service problems](#), Figure 2. Averages calculated for data across the period Q3 2014 to Q2 2016.

<sup>28</sup> BT, Sky, TalkTalk, Virgin Media and Zen Internet response to formal information request dated 6 June 2020.

do so in order to ensure compliance with the scheme. Signatories have also taken steps to automate more of their automatic compensation processes. We have emphasised to signatories the importance of compensation being paid on time. We will continue to collect data on the volume of late payments made.

- 3.23 We also found that a minority of customers that experienced a delayed repair did not receive automatic compensation within the specified timeframe because of a specific error in Openreach's reporting. In September 2019, a signatory asked Openreach to investigate cases where customers had contacted the signatory about receiving automatic compensation for the delayed repair they experienced, but the signatory had not received a related payment or notification from Openreach. Openreach found that these cases had been incorrectly classified as exempt from automatic compensation when they were closed.
- 3.24 Openreach reviewed all the delayed repairs for this signatory that had been classed as exempt from automatic compensation between April and September 2019 and found that 3,226 were eligible for automatic compensation. Openreach provided additional training for staff and introduced a manual validation process to determine if automatic compensation payment is required. This resulted in the volume of delayed repairs incorrectly classed as exempt from automatic compensation falling from over 18% of reviewed cases in October 2019 to under 1% by March 2020.
- 3.25 In July, Openreach retrospectively compensated all signatories for faults that were incorrectly classified. It is important that this money is passed on to the affected customers and Ofcom has made its expectations on this clear to signatories. Most signatories have confirmed they have either paid compensation to the affected customers or are working to identify those still owed compensation. One signatory said it intends to give the money to charity as it is unable to identify the affected customers.

### **A relatively low volume of Cease Payment Notices have been sent to customers**

- 3.26 The scheme allows signatories to place a limit on the amount of compensation paid for a delayed repair or delayed provision.<sup>29</sup> From 30 days after compensation payments start, signatories may send a customer a 'Cease Payment Notice' informing them that they will not continue to pay automatic compensation if the delayed provision or repair continues beyond a further 30 days. Signatories must continue to pay for ongoing issues beyond 60 days if they have not issued the customer the relevant Cease Payment Notice.
- 3.27 If the customer is still without a service when automatic compensation payments cease, the signatory must "use reasonable endeavors to mitigate the impact caused by the

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<sup>29</sup> In our November 2017 statement we explained it is important that we balance the need to ensure customer harm is redressed with risks of creating potentially unlimited liability on providers. We concluded that a cap on financial compensation payments would only be appropriate so long as there are other appropriate provisions to mitigate the ongoing harm consumers are liable to suffer. For further details see page 54 of [Automatic Compensation: Protecting consumers from service quality problems](#).

absence of the service for which automatic compensation has been paid". The scheme states that, where reasonable, this should include the provision of an alternative form of service (e.g. a mobile service).

- 3.28 Of the five signatories that joined the scheme when it launched, only one signatory served Cease Payment Notices to its customers in 2019 for delayed provisions or delayed repairs.<sup>30</sup> Examples of the alternative arrangements they provided include broadband backup via a copper service, and unlimited mobile data usage.
- 3.29 Alternative Dispute Resolution Providers CISAS and Ombudsman Services told us that they had not identified a large volume of complaints about signatories not applying the scheme correctly. However, both noted issues with how the provision allowing signatories to cease compensation payments was being applied. This included some signatories capping compensation payments after 60 days without having first issued the customer a Cease Payment Notice after day 30. CISAS and Ombudsman Services advised that they had followed up with the relevant signatories.
- 3.30 We encourage signatories to think carefully about ensuring they appropriately apply Cease Payment Notices. Where automatic payments are stopped, signatories must take steps to mitigate the impact of the customer being without a service.

## Communication of the scheme to customers

### It is important that customers are made aware of what they are entitled to under the scheme

- 3.31 Signatories are required to publish easily accessible information about the scheme in a reasonably prominent manner on their website. We have reviewed signatories' websites and found that this information was generally easy to find, either via links on their homepage or by searching for "compensation". We consider that the information is sufficiently clear in line with the requirements of the scheme.<sup>31</sup>
- 3.32 The scheme also requires that signatories include a cross-reference to information about the scheme in their Customer Complaints Code of Practice. Our review has found that information on the scheme was not included in all signatories' Customer Complaints Code of Practice. We have reminded relevant signatories of this requirement and they are amending their Customer Complaints Code of Practice to address this.

### Providers have taken steps to improve communication to customers

- 3.33 In 2019, Ofcom received complaints to our Customer Contact Team that suggested the requirements of the scheme were not being communicated effectively to all customers. In particular, some complained that signatories to the scheme had informed them that they

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<sup>30</sup> BT, Sky, TalkTalk, Virgin Media and Zen Internet response to formal information request dated 6 June 2020.

<sup>31</sup> Automatic compensation information on providers' websites: [BT](#), [Hyperoptic](#), [Sky](#), [TalkTalk](#), [Utility Warehouse](#), [Virgin Media](#) and [Zen Internet](#). Accessed 27 July 2020.

must contact Ofcom about their compensation, or that Ofcom was responsible for issuing compensation. Figure 4 below contains some examples of these complaints.

**Figure 4: Complaints to Ofcom about the scheme**

Date	Customer complaints
22 May 2019	The consumer has broadband with a signatory, he lost his service on 15/05/2019 and this was fixed on 21/05/2019. The signatory has advised that he won't get compensation as Ofcom have been in touch with them and he is not eligible.
7 June 2019	The consumer has a complaint about a signatory, who supplies him with a fixed line and broadband service. The consumer states that he had a total loss of his fixed line service. The consumer states that he contacted the signatory, after the line had been reconnected and asked for compensation. The consumer states that he was advised to contact Ofcom for the compensation to be applied to his bill. The consumer states that he was misinformed by the adviser.

3.34 The scheme is clear that providers are responsible for ensuring that customers are paid compensation in accordance with the terms set out in the scheme and therefore asking customers to contact Ofcom is inappropriate and contrary to the requirements of the scheme.

3.35 One signatory was generating a notable volume of complaints to Ofcom from customers that claimed they had been told to contact Ofcom about receiving compensation. We shared and discussed the complaints with the signatory. The signatory investigated the complaints and took appropriate action to retrain its customer service agents on the requirements of the scheme and improved its quality assurance checks. Following this action, these complaints to Ofcom ceased and we are comfortable that the issue has been appropriately addressed.

## Signatories to the scheme

### Around 80% of broadband and landline customers are now covered by the scheme

3.36 The scheme launched successfully in April 2019 with five providers – BT, Sky, TalkTalk, Virgin Media and Zen Internet. Hyperoptic and Utility Warehouse subsequently joined the scheme in October 2019 and February 2020 respectively. Together these seven providers have a market share of 84% for broadband and 79% for landline.<sup>32</sup>

<sup>32</sup> Ofcom / operators residential data Q4 2019.



3.37 We are pleased to see that Which? has recognised the protection the scheme gives customers and has made being a signatory to the automatic compensation scheme a necessary criteria to becoming a Which? recommended provider.<sup>33</sup> We hope that this will encourage more providers to join the scheme.

### **We are disappointed that some large providers are still not signed up to the scheme**

3.38 Ofcom is keen to see as many providers signed up to the scheme as possible so that more customers benefit from automatic compensation. When the scheme launched in April 2019, a number of providers publicly committed to Ofcom and customers to becoming a signatory:<sup>34</sup>

- a) Hyperoptic and Vodafone announced that they intended to start paying automatic compensation later that year;
- b) EE agreed to the terms of the scheme and stated that it expected to start paying automatic compensation in 2020; and
- c) Plusnet committed to join the scheme, though did not announce when it would start paying automatic compensation.

3.39 As set out above, Hyperoptic met its commitment to start paying automatic compensation in 2019.

3.40 We are disappointed that Vodafone failed to meet its commitment to join the scheme in 2019 and has not yet become a signatory. Vodafone has told us that its system development is underway and it is on track to launch the scheme, subject to testing, in October.

3.41 EE has provided assurances that it has now completed the necessary systems developments and is ready to become a signatory to the scheme. EE has however decided to temporarily delay its launch due to challenges posed by Covid-19. EE has told us that as soon as provision and repair engineering activity is back to normal, it will be launching.

3.42 Plusnet told us that it has begun the systems changes necessary to implement the scheme, and launch is currently planned for April 2021.

3.43 We also recognise that there are other larger providers who have not formally committed to join. While we consider that the scheme has good coverage across landline and broadband customers, we would welcome universal coverage of the scheme and encourage all providers to sign up to the scheme as soon as possible. We consider that ensuring customers are appropriately compensated for service issues is an essential part of providers treating their customers fairly.

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<sup>33</sup> Which? [Best and worst broadband providers for 2020](#). Accessed 21 July 2020.

<sup>34</sup> Ofcom, 31 March 2019. [Money back for broadband and landline customers when things go wrong](#).

## The impact of Covid-19 on the scheme

- 3.44 Broadband and landline services have played a vital role as people have been forced to adapt the way they work and communicate due to the Covid-19 pandemic. At the same time, providers have been impacted by increased demands on the networks, reductions in availability of engineers and additional challenges accessing customer properties.
- 3.45 In March 2020, given the challenging circumstances presented by the Covid-19 pandemic, we published an update on our website to explain our view that it would be legitimate for providers not to pay automatic compensation as if the civil emergencies exception in the scheme applies.<sup>35</sup> We have continued to actively monitor the situation since that time. Changes at the network level and in engineer availability meant that by July all signatories were able to restart paying automatic compensation for at least some service issues.
- 3.46 Covid-19 continues to present challenges to how providers operate. In the short term, there may still be particular circumstances in which it may be legitimate for providers not to pay automatic compensation because of Covid-19. For example, some problems may require an engineer's visit to a customer's home, which may not always be possible if the customer is self-isolating. Some regions of the UK may also be more affected by Covid-19 than others with local restrictions in place.
- 3.47 Ensuring broadband and landline customers get compensation when things go wrong remains a high priority. Where signatories do claim an exception to paying automatic compensation applies, we expect them to clearly communicate the reasons why to their customers, and continue to act in their customers' best interests. In addition, where signatories are not paying automatic compensation and customers are without service, signatories should not charge customers for a service they are not receiving. We have made clear to signatories our expectation that they will start paying automatic compensation for remaining service issues as soon as it is reasonably possible.

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<sup>35</sup> Ofcom. [Automatic compensation: What you need to know](#). Accessed 29 July 2020.

## 4. Conclusions and next steps

- 4.1 Overall, the launch of the scheme on 1 April 2019 was successful and the automatic compensation scheme is working as intended. BT, Sky, TalkTalk, Virgin Media and Zen Internet all started to pay automatic compensation for service issues that occurred after 1 April 2019 and Hyperoptic and Utility Warehouse have also joined the scheme. However, we are disappointed some large providers are yet to fulfil their earlier public commitments to join. While we consider that the scheme has good coverage across landline and broadband customers, we would welcome universal coverage of the scheme and we would encourage all providers who have yet to join the scheme to do so.
- 4.2 The scheme has increased the amount of compensation paid to broadband and landline customers when things go wrong. The five signatories that joined the scheme when it launched paid over £20.7m in automatic compensation between July and December 2019. Although this only covers a subset of providers, the compensation payments are notably higher than the £8m we estimated customers were receiving from all providers over an equivalent six-month period before the scheme was in place.
- 4.3 Signatories have taken steps to address issues when they have occurred. For example, one signatory provided further training for its call centre agents and improved its quality assurance checks after Ofcom highlighted customer complaints about the quality of information being provided. Openreach updated its processes and made additional compensation payments after a signatory raised concerns that they were not correctly being notified in all instances when customers were eligible for automatic compensation.
- 4.4 In order to ensure that customers continue to receive appropriate compensation under the scheme, we are:
- a) increasing the levels of compensation paid in line with inflation; and
  - b) continuing to monitor the effectiveness of the scheme.
- 4.5 In addition, as part of our broader work to implement the European Electronic Communications Code (EECC), we have proposed new compensation requirements if something goes wrong with a switch.
- 4.6 We will also keep under review whether action is needed to ensure mobile customers receive appropriate compensation when they experience a loss of service.

### **We are increasing the compensation levels paid under the scheme**

- 4.7 We must ensure that customers continue to receive a level of compensation that adequately reflects the harms they experience when service issues occur. We therefore consider it appropriate for the compensation values in the scheme to increase annually in line with inflation.
- 4.8 We have agreed with signatories that starting from 2021 payments will increase from 1 April each year based on Consumer Price Index (CPI) as of 31 October in the previous year.

This payment increase will apply to any new service issues that occur from 1 April. New payment values will be stated on Ofcom's website and in signatories' compensation information when they come into effect.

## **We will continue to monitor the scheme**

- 4.9 We will continue to oversee the operation of the scheme and ensure that signatories are adhering to its requirements. This may include engagement with signatories, Openreach, the OTA, and/or the Alternative Dispute Resolution Providers, as well as analysis of customer complaints. We plan to continue to collect data on an annual basis e.g. on the amount of compensation paid, the volume of Cease Payment Notices served, instances of compensation being paid after the 30-day timeframe, and on the exceptions claimed by signatories when compensation was not paid.

## **We have proposed new compensation requirements if something goes wrong with a switch**

- 4.10 In December 2019, we consulted on a range of proposals to implement the EECC.<sup>36</sup> Our proposals included new rules for all landline and broadband providers to compensate customers in an 'easy and timely manner' for delays in, or abuse of, the porting or switching process and for missed repair and installation appointments. We also proposed that providers should pay compensation to residential customers within 30 days where they experience delays to their switch or a missed appointment. We considered the compensation arrangements under the scheme in developing our approach to implementation of the EECC compensation requirements. We are currently considering responses to the consultation and plan to publish our statement in the Autumn.

## **We will keep under review whether further action is needed to ensure adequate compensation is being paid for mobile outages**

- 4.11 In our March 2017 consultation, we considered whether mobile customers who lose service should also be entitled to automatic compensation. We had found that less than 1% of mobile customers are likely to lose their service for more than 24 hours and that the levels of compensation to mobile residential customers were more significant than those to landline and broadband customers. We therefore concluded that automatic compensation for mobile customers was not an appropriate intervention at that time.
- 4.12 Since then, the UK's largest mobile providers have signed up to our Fairness for Customers commitments. This includes a commitment to give a prompt response to fix problems and take appropriate action to help affected customers, which may include providing compensation.<sup>37</sup>

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<sup>36</sup> Ofcom, 2019. [Fair treatment and easier switching for broadband and mobile customers: Proposals to implement the new European Electronic Communications Code.](#)

<sup>37</sup> Ofcom, 2019. [Britain's biggest broadband and phone firms to put fairness first.](#)

- 4.13 Recently some stakeholders, including the Communications Consumer Panel, have raised concerns about the impact of mobile outages on customers and whether customers are being appropriately compensated in these instances. In light of these concerns and the importance of mobile services to customers, we intend to keep under review whether there is a need for further action to ensure mobile customers receive adequate compensation.