
Making sure customers get fair deals

Progress update on Ofcom's work to ensure
Fairness for Customers

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Fairness for customers – progress update

Ofcom wants customers to get a fair deal for their services. Allowing telecoms and pay TV companies to compete and innovate has delivered lower prices, wider coverage and better reliability. But choice can be confusing, and providers don't always make it easy for customers to get the best deal. So we are working to stand up for customers and make sure companies treat them fairly.

In December 2018, the Competition and Markets Authority (CMA) [published its response](#) to the Citizens Advice super-complaint on excessive prices for disengaged consumers. We have taken account of the CMA's recommendations in our work.

Ensuring fairness for customers is a priority for us – particularly for those in vulnerable circumstances, whether through their income, age, disability or other circumstances. We will not hesitate to step in and take firm, targeted action to tackle harmful practices.

Ensuring fair prices

Fairer home phone charges. Last year, around a million BT customers who have *only* a landline – without any broadband – saw their home phone bills [cut by £7 a month](#), following an intervention by Ofcom. BT's line rental and call charges were also capped for three years. We investigated rising prices for landline-only services and found that these customers, many of them elderly, were missing out on the benefits of competition and not receiving the same value as those who buy landline, broadband or TV services together.

Tackling high call costs. This year, we [capped the amount](#) a directory enquiry service can charge for calls to 118 phone numbers. We were concerned about steep rises in prices, with the most popular service – 118 118 – charging more than £11 for an average-length call. Although cheaper services are available, our research showed callers tended to use the number they remember. The combination of steep price rises, and low awareness of these, was hurting people who still use these services – many elderly – with some struggling to pay their bills. So we intervened to protect callers from high prices by setting a cap on 118 calls of £3.65 per 90 seconds.

Later this year, we will [cap wholesale charges](#) for connecting calls to '070' numbers. These numbers are often mistaken for mobile numbers, but are more expensive to call. Scammers have been taking advantage of the lack of awareness of these high prices to defraud people. We are helping protect callers from high call costs by capping the amount phone companies can charge each other for connecting these calls. This will allow these firms to pass on dramatic savings to their customers.

Value for long-standing broadband and mobile customers. Our work on tackling unfair and harmful pricing practices continues. Late last year, we launched two reviews into telecoms prices, specifically examining whether some long-standing customers may be paying too much. This is sometimes described as a 'loyalty penalty'. But from our early analysis, it is clear that phrase does not capture the complexities of broadband and mobile markets. Customers can typically negotiate discounts with their existing provider and some 'loyal' customers actually pay less.

Where people are losing out, it is usually not because they have stayed with their provider for a long time. It is because they have not engaged with them for a long time. They might be happy with their contract; they might be confused, lack the confidence to ask their provider, or be unaware that their initial contract is up. What we've identified is not a penalty for loyalty. It is the cost of confusion among customers.

Review of mobile handsets. We are reviewing how mobile customers charge for [handsets when sold in a contract](#). We are concerned about customers who continue to pay the same price after the end of their minimum contract period and who could save money by switching to SIM-only deal. We are analysing the actual prices paid by millions of mobile contract customers. Our initial findings are that many long-term customers are actually getting better deals than new customers.

More than a quarter of the people who pay monthly for their mobile handset and are 'out of contract' would pay *more* if they switched to a similar SIM-only deal. However, there are pay-monthly mobile customers who are 'out of contract' and who would be better off on a SIM-only deal. We expect to publish our findings and how we plan to tackle the issues identified during the summer.

Review of broadband pricing. We are reviewing how companies [set their broadband prices](#), and why some customers pay more than others – particularly those who may find themselves in vulnerable circumstances. We are carrying thorough and robust research of the market, examining the prices paid by tens of millions of broadband customers. We see a complex picture with considerable variation in prices paid.

Our early analysis finds that around two in five broadband customers have agreed new terms with their provider. Many long-term customers who re-contract are already getting deals that are similar to or better than deals for new customers. However, preliminary data suggests that out-of-contract customers tend to pay more on average than new and re-contracting customers on equivalent services with the same provider. We are mindful that simply putting all of these customers on re-contracted or new deals could lead to these offer prices increasing overall. Our analysis includes understanding how price variation affects customers in vulnerable circumstances and the barriers people face when navigating the market. We will act on what the evidence tells us and announce next steps in the autumn.

Addressing the cost of confusion in the market. These are complicated issues. The answer to tackling confusion is not to set one price for everyone. That could lead to many new *and* existing customers paying more. It could also have serious consequences for competition, reducing the scope for new entrants and competing providers to undercut on price. It is important not to give all customers the impression they are automatically worse off for staying with the same provider for a long time. For example, while some would benefit from switching or re-contracting, many mobile customers would be better off staying on their current deal. That is why we are carrying out targeted action to ensure fairness for customers, based on evidence.

Making it easier to shop around

Clear information for broadband shoppers. We are making sure companies give customers the information they need, when they need it. Earlier this year, we introduced [new protections for](#)

[broadband shoppers](#) – meaning they will be told what speeds to expect, before they commit to a contract.

Telling customers when their initial deal is up, and the best deal. Under [new Ofcom rules](#) announced last month, broadband, phone and TV customers must be told when their contract is coming to an end, and shown the best deals available, from February next year. Out-of-contract customers will have to be given reminders and shown the best deals every year. This will help people take advantage of the wide choice of offers available. With more than 20 million customers having passed their initial contract period, we believe this could have a significant positive impact.

Independent information and advice. We are providing accurate tools to help people shop around with confidence and find the best deal for their needs. At the end of last year, we launched a major new information campaign and website – [Boost Your Broadband](#) – to help people get faster broadband *and* save money. We also regularly shine a light on which major telecoms and pay TV providers are [best and worst for customer service](#).

Data across regulated sectors. We are examining further ways to give customers the information they need to make informed decisions. We are also supporting the Government on its Smart Data Review, and working with the UK Regulator’s Network to develop performance scorecards.

Easier switching. Many people are put off by the hassle of switching provider. We have previously made it easier for millions of broadband customers to switch with a [‘one touch’ process](#) that places the responsibility entirely in the hands of the new provider. And from next month, major Ofcom reforms mean mobile customers will be able to switch operator by simply [sending a free text message](#). Customers will control how much contact they have with their current mobile company, preventing firms from delaying and frustrating the switching process. We are also looking at ways to make it easier for customers to switch between broadband and phone providers on different networks.

Putting fairness first

Putting fairness at the heart of every provider’s business. Companies should make it as easy as possible for customers to do business with them. Customers expect to be treated fairly and should be confident that this is a central part of their provider’s culture. This has not always been the case among broadband, phone and pay TV companies. So earlier this month, we secured [new fairness commitments](#) from all of the UK’s biggest broadband, phone and pay TV companies. To help providers in improving their practices, we have today set out how we propose to [assess fairness issues](#) and the kinds of concerns that might prompt intervention.

Protecting vulnerable customers. We [strengthened our rules](#) last year to ensure vulnerable customers are treated more fairly. Firms must now have a policy in place for identifying these customers, and offer them additional help if they need it. Since then, we have been scrutinising companies’ policies and practices to ensure they meet the needs of vulnerable customers. We held an [industry event](#) last month to raise awareness and encourage good practice. We also plan on publishing a guide in the autumn, which will include practical tips for firms to help them provide the right support for people who need it.

Money back, without having to fight for it. When things do go wrong, customers should be adequately compensated, without having to fight for it. So, earlier this month, a new compensation scheme was launched, ensuring broadband and landline customers will automatically [get money back](#) from their providers when they face delays getting their connections installed or fixed. The new scheme could see customers benefit from £142m in payments – around nine times the amount they receive today. This will give companies a strong incentive to get things right in the first place.

We will continue to monitor companies closely. If customers are not being treated fairly, we will step in and take action.