

Affordability of communications services

A summary of initial findings



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Overview

Ensuring that people can access affordable communications services is a priority for Ofcom. Many people's finances have changed significantly this year, with some facing particular challenges. Since the coronavirus (Covid-19) pandemic began, Ofcom has collected new information on the affordability of communications services. This is in addition to our usual monitoring and includes a monthly Covid-19 Affordability Tracker¹ and information collected from communications providers on debt, disconnection and pricing.

In this report, we present our initial findings on the affordability of major communications.² To reflect the importance of people being able to access the internet, we pay particular attention to the affordability of fixed broadband and mobile-internet services. Our analysis focuses on those people who are most likely to be financially vulnerable and are therefore more likely to face issues with the affordability of services.

What we have found

- Most UK households (81%) did not report an affordability problem. Nevertheless, on average nearly one in five (19%) reported at least one affordability issue with their communications services in the last month, corresponding to around 4.7 million households.³ Ten per cent of households with Pay TV have experienced an affordability issue, as have 6% with fixed broadband and 5% with mobile.
- The most common issue reported by consumers was the need to make changes to a package or tariff to make it more affordable. This occurred in 11% of all households. Other, potentially more serious issues were reducing spend on other items such as food and clothes (5%), cancelling a service (4%), missing a payment (2%) or changing payment method (2%).
- Some groups are more likely to have experienced an affordability issue, including households with somebody currently unemployed and looking for work (38%), young people aged 18-24 (29%), or a resident with an impacting or limiting condition (29%).
- Data from providers indicates that the proportion of customers in arrears was relatively stable between January and September (2% in fixed and 3% in mobile). The proportion of customers in arrears by two or more payments increased by more than half for both fixed services and mobile services in the period to June, but declined thereafter.
- The proportion of customers disconnected for not paying their bills decreased between March and May (by more than three-quarters to 0.02% of fixed customers and more than a third to

¹ Analysis is based on UK 18+ adults who are the sole or joint decision-maker for communications services in their household and/or who personally use a mobile phone. Further detail is provided in the [Technical Annex](#).

² The scope of this report is limited to telecommunications services and does not include postal services.

³ This population estimate uses latest monthly data (October) among all UK households (17%) as opposed to the average proportion across all waves of research (19%). The error margin around this population estimate is +/- 600,000 households. See footnote 39 for a full explanation and the [Technical Annex](#).

0.14% of mobile customers). It then increased substantially between June and September in both fixed and mobile services (to around 0.3% of customers for each).

- There is a wide range of relatively low-price internet tariffs, including superfast broadband for in-contract customers for under £25 a month and mobile SIM-only contracts with capped data allowances for under £10 a month.
- However, some financially vulnerable customers still struggle to stay connected. A few providers such as BT, KCOM, Virgin Media and Voxi currently offer cheaper tariffs to customers based on eligibility criteria, but take-up is currently low. We therefore encourage providers to proactively promote relevant tariffs to customers who might be eligible. Where providers do not already offer such products, we strongly encourage them to consider introducing them.

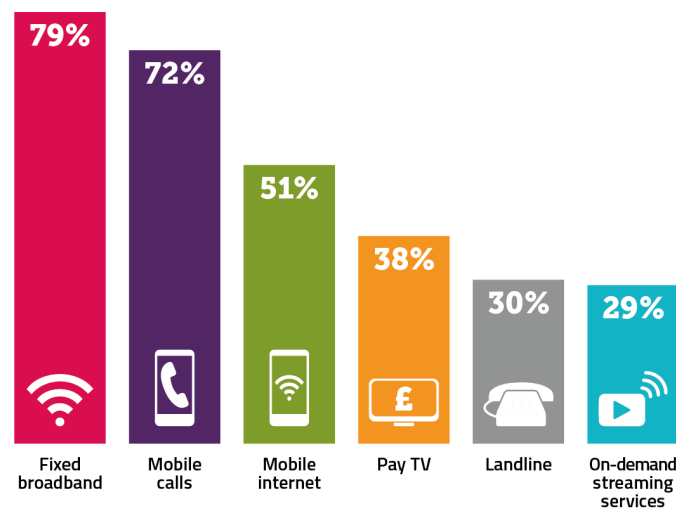
Our next steps

- We will continue to carry out research into 2021 and monitor other affordability and debt indicators. By the first half of 2021 we will publish further evidence and set out our assessment of the affordability of communications services, alongside any further steps we think are necessary.

Internet services have been particularly important this year

Our monthly research indicates that fixed broadband is the most important communications service to consumers. Ninety-four per cent of households with fixed broadband said it was important, including four in five (79%) who described it as very important to their household at the moment.

Figure 1: Proportion of households describing their communications services as ‘very important’



Source: Ofcom Covid-19 Affordability Tracker.

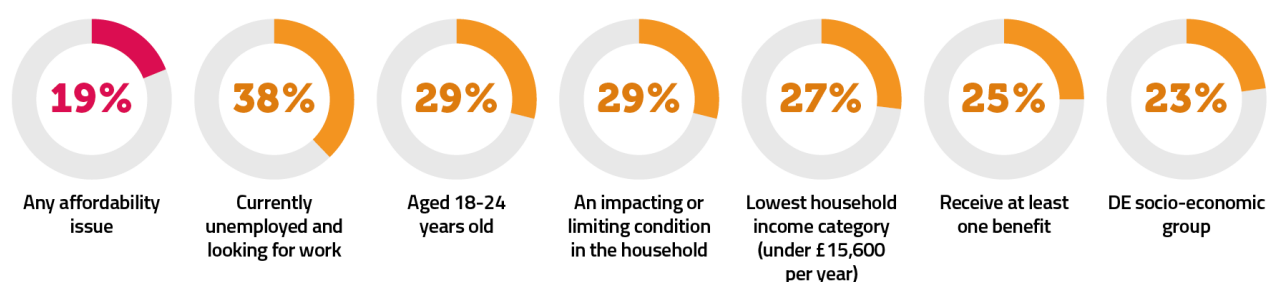
Base: UK decision makers aged 18+. Rolled data June-September. Fixed broadband (3,811), Mobile phone (4,271), Pay TV (2,750), Landline (3,483), On-demand streaming services (2,938).

Almost one in five households have experienced at least one communications affordability issue, and this is highest for those who are unemployed or aged 18-24

On average, the majority (81%) of households have not had an affordability issue with communications services. This might be because of a real terms fall in household spending on fixed broadband and mobile services in recent years despite significant increases in data use. In fixed broadband, for example, average spend on fixed voice and data products fell in real terms by 3% between 2014 and 2019⁴ while average data use increased by 443%. In mobile, we have observed the prices of tariffs with a large amount of inclusive data falling steeply over recent years.⁵

However, nearly one in five (19%) households reported at least one affordability issue.⁶ Some households that appear more likely to have experienced an affordability issue included those with people who are currently unemployed and looking for work, younger customers (aged 18-24 years old), and those with an impacting or limiting condition.⁷

Figure 2: Any affordability issue experienced with any communications service, by group



Source: Ofcom Covid-19 Affordability Tracker.

Base: UK decision makers aged 18+. Rolled data June-October (5,567).

Cutting back on a service is the most common affordability issue, followed by other potentially more serious issues

When struggling to pay for a communications service, the most common action taken by customers is to cut back on a service, as shown in Figure 3. On average, around one in ten households had made changes to a communications service, such as the package or tariff, in order to make it more affordable.

⁴ Ofcom, September 2020. [Communications Market Report](#), Telecoms overview, Revenue.

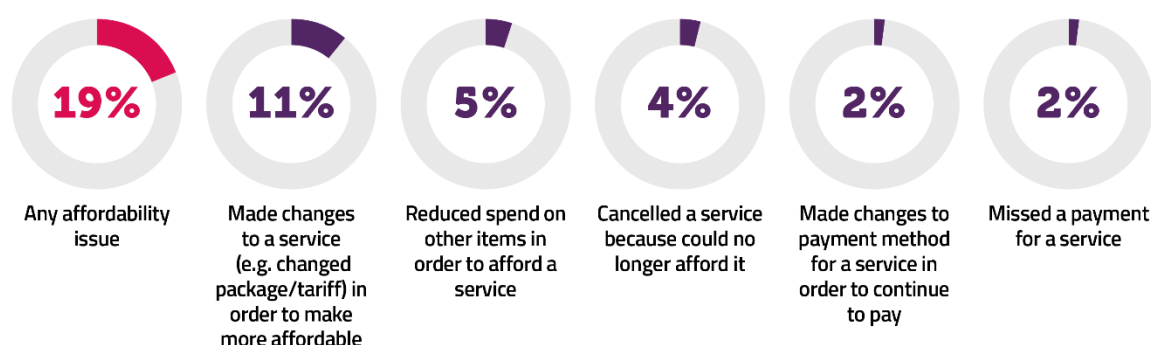
⁵ Ofcom, January 2020. [Pricing trends for communications services in the UK](#), section 4.

⁶ Consumers were asked if they had experienced any affordability issue, for any communications services they have, in the month prior to interview. An absence of comparable data prior to March 2020 means it is not possible to draw conclusions about the extent to which the UK's current economic circumstances have impacted reported levels of affordability issues.

⁷ This was defined as any conditions that impact or limit the use of communication services. These can include, but are not restricted to, problems with hearing, eyesight, mobility, mental abilities or mental health.

Customers have taken other steps which might suggest particularly serious affordability concerns, such as cancelling a service because they could no longer afford it, missing a payment, or making changes to payment methods to help them continue to pay. Similarly, some households have reduced how much they spend on other items so they can maintain their communications services, which highlights that some might be making difficult choices as they consider communications alongside other areas of household spending.

Figure 3: Type of affordability issues experienced in the last month



Source: Ofcom Covid-19 Affordability Tracker.

Base: UK decision makers aged 18+. Rolled data June-October (5,567).

Internet services are essential for many people to stay connected with society, but some households that rely on these services are having affordability issues

On average, 6% of households with fixed broadband experienced an affordability issue with their service, which we estimate corresponds to around **one million households**, in the last month.⁸ This is more common among those who are currently unemployed and looking for work, in the lowest household income category, in the DE socio-economic group, or receiving at least one government benefit.

Similarly, on average 8% of mobile internet-only households⁹ – which we define as only having access to the internet through a mobile phone or other mobile broadband device, such as a dongle – had experienced an affordability issue with their mobile service. Younger age groups and those receiving at least one form of benefit within mobile internet-only households were more likely to have experienced an affordability issue with their mobile service.

We expect that reliance on access to the internet will continue to increase, so the affordability of these services for those who are most financially vulnerable is particularly important.

⁸ This population estimate uses latest monthly data (October) among all UK households (3.5%) as opposed to the average proportion across all waves of research among fixed broadband households (6%). The error margin around this population estimate is +300,000 households. See footnote 50 and [Technical Annex](#) for further detail.

⁹ Due to the small size of this group we are unable to reliably estimate the population size.

Customers have continued to make payments towards their telecoms bills over the course of the pandemic, but the proportion of customers being disconnected for non-payment has increased

We expect providers to take extra measures to make sure customers in debt are treated fairly. Since the start of the pandemic, we have worked with the UK Government and industry to provide support to customers who might be struggling to pay their bills. Our guide on [Treating vulnerable customers fairly](#) sets out measures providers can adopt to make sure financially vulnerable customers get the help, support and services they need.

There was not a significant increase in the number of customers entering arrears between January and September 2020. The reasons for this could include support from the Government's furlough scheme and customers accessing different forms of payment support from their providers.

Some providers paused disconnections at the early stages of the pandemic and the proportion of customers disconnected for non-payment was lowest during the initial stages of lockdown, at 0.02% for fixed and 0.14% for mobile in May. Most providers have since resumed, with disconnections of fixed customers increasing from 0.02% to 0.30% between June and September, and disconnections of mobile customers increasing from 0.14% to 0.30% during this period.

We found that the practices related to debt and disconnections can vary by provider. While we welcome the swift action taken by providers in response to the pandemic, there are some areas where we think providers can do more to better support their customers.

Affordable tariffs can help financially vulnerable customers to stay connected. Some providers have put these in place for people on low incomes, but take-up is low

Customers in the fixed broadband market can access standard and superfast services for around £17-£25 per month, while mobile SIM-only products with limited data allowances are available for £5-£10 a month. Our research suggests that even with these prices available, some people are still struggling to afford internet access.

Customers who meet certain specified eligibility criteria, often linked to government benefits, might be eligible for targeted products such as those set out in Figure 4.¹⁰ Given the importance that people place on access to the internet and the fact that some groups are more likely to experience an affordability issue, the availability of targeted affordable tariffs is very important. However, take-up of these products is currently low, due in part to low levels of promotion of such tariffs by providers.

We strongly encourage providers that do not already offer such products to consider introducing targeted tariffs designed to make sure that customers on low incomes, or who are otherwise

¹⁰ In addition to the tariffs in the table, some other products are available to support customers who may be struggling to access the internet due to affordability issues.

financially vulnerable, can access affordable broadband or mobile services. Where providers offer such tariffs, it is important that they can demonstrate they are proactively promoting these products to customers who might be eligible, and making them available to those who are most financially vulnerable, which could include people who are in debt.

Figure 4: Internet products which have eligibility requirements linked to financial vulnerability

Provider product	Price	Speed	Target group	Call allowance
<u>BT Basic + Broadband</u>	£10.07 a month	10 Mbit/s	Means-tested benefits (zero earnings)*	Up to 60 minutes free, plus £1.50 call allowance. Subsequent calls capped at £10
<u>Virgin Media Essential Broadband</u>	£15 a month	15 Mbit/s	Universal Credit	N/A – broadband only
<u>KCOM Lightstream Flex</u>	£20 a month	30 Mbit/s	Means-tested benefits (zero earnings)	Up to 60 minutes free plus 20 local calls. Subsequent calls capped at £10
<u>Voxi For Now</u> [†]	£10 a month	5G (where available)	Employment-based benefits	Unlimited calls and texts

*BT intends to improve this product in 2021, including expanding eligibility to people on Universal Credit.

[†] Applications for this product are open until 31st January 2021, and eligible customers can use it for 6 months.

We will continue to monitor affordability and debt, and will provide an assessment of whether further action may be needed in the first half of 2021

As set out in our [proposed plan of work for 2021/22](#), we intend to continue monitoring where households have difficulty paying for communications services. In the first half of 2021, we will publish the findings of our further research and further analysis of customer debt.

Our proposed plan of work also confirms our broader strategic objective to ensure that investment continues in gigabit (“GB”) broadband and 5G mobile networks, so that more people have access to high-quality, secure networks. Being able to get online at home and on the move is crucial for people in all parts of the UK so investment in the latest technologies, including full fibre and 5G, is increasingly important to meet their needs. As investments are made, we are mindful that the prices of some services may increase. It is therefore particularly important that, alongside the availability of newer technologies, decent affordable broadband and mobile services remain available for the most financially disadvantaged.

We will therefore assess the provision of affordable tariffs available to targeted groups of customers. If we establish any affordability concerns that would not be addressed by existing tariffs and support from providers, we will set out proposals for any further measures. This could include working with

the Government to determine whether a formal social tariff underpinned by regulation, or other direct support measures, would be appropriate to address affordability concerns.

We will present a more detailed assessment of levels of debt and disconnection in the sector, alongside related provider practices. We will use this information to inform our longer-term approach to monitoring and identify any areas where further measures are required to support customers. Finally, we will consider whether the obligations on providers in this area remain appropriate.



Background

Our duties include a responsibility to monitor affordability and protect vulnerable consumers, including those with low incomes and special social needs

Ensuring all consumers can access the communications services they need at an affordable price is at the heart of what Ofcom does. We have a role in monitoring pricing and affordability of communications services under the Communications Act 2003 (the “Act”). Specifically, our principal duty under section 3(1) of the Act is to:

- a) further the interests of citizens in relation to communications matters; and
- b) further the interests of consumers in relevant markets, where appropriate by promoting competition.

In performing our duties, we must have regard to a range of different issues. Of particular relevance to our work on affordability are the needs of persons with disabilities, of the elderly, and of those on low incomes.¹¹ In this regard, we have powers to set General Conditions of Entitlement (the “General Conditions”) which specifically include conditions making provision to protect the interests of consumers.¹² To fulfil our duties, we have set General Condition C.5 which contains measures to meet the needs of vulnerable consumers and people with disabilities.

We also have a duty to carry out, publish and take account of consumer research under sections 14 and 15 of the Act. This includes a requirement on Ofcom to make arrangements for ascertaining the experiences of consumers of communications services, in relation to the manner in which such services are provided.¹³ In discharging these duties, we regularly collect and publish market intelligence and market research information on the services available, the prices of these services, the take-up by consumers, the reasons for not taking up services, and the overall spend on communications services.

¹¹ Section 3(4)(i) of the Act.

¹² Section 51(1)(a) of the Act.

¹³ Section 14(1)(c) of the Act.

There are also specific powers to address affordability concerns through the universal service framework.^{14 15} The Secretary of State may include guidance about matters relating to the pricing of communications services specified in a Universal Service Order.¹⁶ Ofcom's role is to implement the Secretary of State's Order and in doing so, we may set any such universal service conditions as we consider appropriate.¹⁷ In order to ensure that there are appropriate tariff options for those on low incomes and/or with special social needs, in 2003 the Secretary of State mandated a social tariff for landline services.¹⁸

As part of the implementation of the 2003 Order, Ofcom designated BT and KCOM as Universal Service Providers in respect of landline services and imposed on them universal service conditions which require BT and KCOM to provide, among other things, a social tariff for landline services to eligible consumers. Both BT and KCOM therefore offer a landline social tariff to comply with those regulatory obligations. In addition, BT and KCOM provide a voluntary low-price fixed broadband social tariff, details of which can be found later in this report.¹⁹ Other providers, such as Virgin Media, offer a targeted affordable fixed broadband tariff to certain customers on a voluntary basis.

The Government's approach to implementing the European Electronic Communications Code ("the EECC") also affects Ofcom's role in this area. The EECC changes the approach to deciding which providers should be required to offer social tariffs to consumers on low incomes or with special social needs.²⁰ Where it is established that retail prices are not affordable for such consumers, the EECC requires member states to ensure that support is provided to these consumers or to require all providers to offer them social tariff options or packages. Only in exceptional circumstances does the EECC permit member states to impose the obligation to offer social tariffs on the designated Universal Service Providers as currently provided under the Act. The Government's [response to implementing the EECC](#) stated that it will require Ofcom to monitor the evolution and level of retail prices for fixed broadband and telephony, and potentially take action in relation to such services.

¹⁴ Sections 65 to 72B of the Act.

¹⁵ Significant changes have been made to the universal service framework as a result of the Government's implementation of the European Electronic Communications Code. The Government [confirmed its approach](#) to EECC implementation in July 2020 (section 6 which related to decisions on universal service). Since then, Government has made a [Statutory Instrument](#) implementing the EECC.

¹⁶ Section 65 of the Act.

¹⁷ Section 67(1) of the Act.

¹⁸ Paragraph 5(2) of the [Schedule to The Electronic Communications \(Universal Service\) Order 2003](#) (the "2003 Order").

¹⁹ The [Electronic Communications \(Universal Service\) \(Broadband\) Order 2018](#) did not require the provision of a mandatory social tariff for fixed broadband services.

²⁰ Social tariffs are special tariffs or pricing structures which could take various forms and which differ from the tariffs and pricing structures provided under normal commercial conditions and are intended to be made available to consumers on low incomes or with special social needs.

The Government has since made a [Statutory Instrument](#) which amends the legislative framework to implement the EECC. These changes, which will come into force on 21 December 2020 in accordance with regulation 1(2) and 1(3), provide for closer involvement and co-operation between the Secretary of State and Ofcom where an affordability issue is identified. The changes will give Ofcom additional powers in relation to social tariffs; in particular, the power to impose regulatory social tariffs on all providers where needed to help the most vulnerable. That power could only be exercised following a direction from the Secretary of State to Ofcom to review the affordability of relevant services and subsequent approval by the Secretary of State of Ofcom's recommendations.

We regularly monitor affordability as well as consumers' experiences of internet access and communications more widely

We have an established programme of work focusing on affordability. This includes regular monitoring of consumer affordability, such as through our [Access and Inclusion](#) reports, as well as monitoring of prices, such as through our [Pricing trends for communications services in the UK](#) reports. The [Comparing Service Quality](#) report also monitors consumers' experiences and satisfaction with communications services.

Affordability issues may not be the only reason why consumers cannot or choose not to access certain communications services. So, as well as monitoring prices, we also monitor consumers' experience and use of the internet. Our [Adults' Media Use and Attitudes](#) report examines adults' ability to use, understand and create media and communications in a variety of contexts. It also reports on the proportion of adults who do not access the internet at all, and of those whose internet access is exclusively via a smartphone. We will also continue to monitor factors such as take-up of internet enabled devices, and the impact of hardware costs on consumers' use of services via our annual [Technology Tracker](#) study.

Our guide on [Treating vulnerable customers fairly](#) suggests measures providers could adopt to ensure fair treatment in a range of areas, including when a customer is facing problem debt. The guide suggests that providers should recognise that customers who are in arrears are likely to be vulnerable and that providers should only consider disconnecting customers in arrears after several other steps have been taken, and as a last resort.

There have been specific policy interventions to address affordability and availability of services

In March 2018, the Government introduced legislation for a broadband universal service obligation ("broadband USO"), to give homes and businesses the right to request a decent and affordable broadband connection. We worked swiftly to [implement the broadband USO](#), designating BT and KCOM as Universal Service Providers and imposing obligations on them in how they deliver these connections to eligible consumers.

To ensure the affordability of the broadband USO, we set an ‘eligibility price threshold’ of £45 per month which means that if a consumer cannot access a decent broadband connection at their premises for £45 per month or less, they can request a broadband connection from either BT or KCOM.²¹ We also introduced uniform pricing obligations on BT and KCOM so consumers in USO areas pay no more than consumers in other areas for an equivalent service.

BT made a public commitment to ensure that at least one broadband service would be made available to USO premises which meets the specification of the USO and be priced below £45 per month. We considered that a combination of the public commitment and the uniform pricing obligation was sufficient to ensure the affordability of broadband connections and services offered to USO customers.

We have also recently published a proposed approach for continued [protection for voice-only landline telephone customers](#). There are low levels of switching and these customers have historically missed out on the benefits of competition. BT has offered further voluntary commitments to keep prices at the current level with a CPI+0% basket control for a period of 5 years from 1 April 2021. We propose to accept these commitments as we consider they offer sufficient protections reflecting current market conditions. We will issue a statement in March 2021 on our decision.

Overall, we find that consumers are generally able to benefit from a wide range of good value deals

As outlined above, we regularly monitor and report on pricing trends for communications services in the UK, including the pricing trends of residential landline, mobile, broadband and TV services. Our most recent *Pricing trends for communications services in the UK* report found that there is variation in pricing trends across communications services, but that generally consumers are able to benefit from a wide range of good value deals.

As shown in Figure 5 below, between 2014 and 2019 the average (inflation-adjusted) spend on fixed voice and data services decreased by 3%. This is despite significant increases in average data use (average data usage was 315GB per month in [2019](#), an increase of 443% from [2014](#)), and declining spend per GB of data (indexed spend per GB of data declined by 80% between 2014 and 2019), indicating that people are getting more for their money.

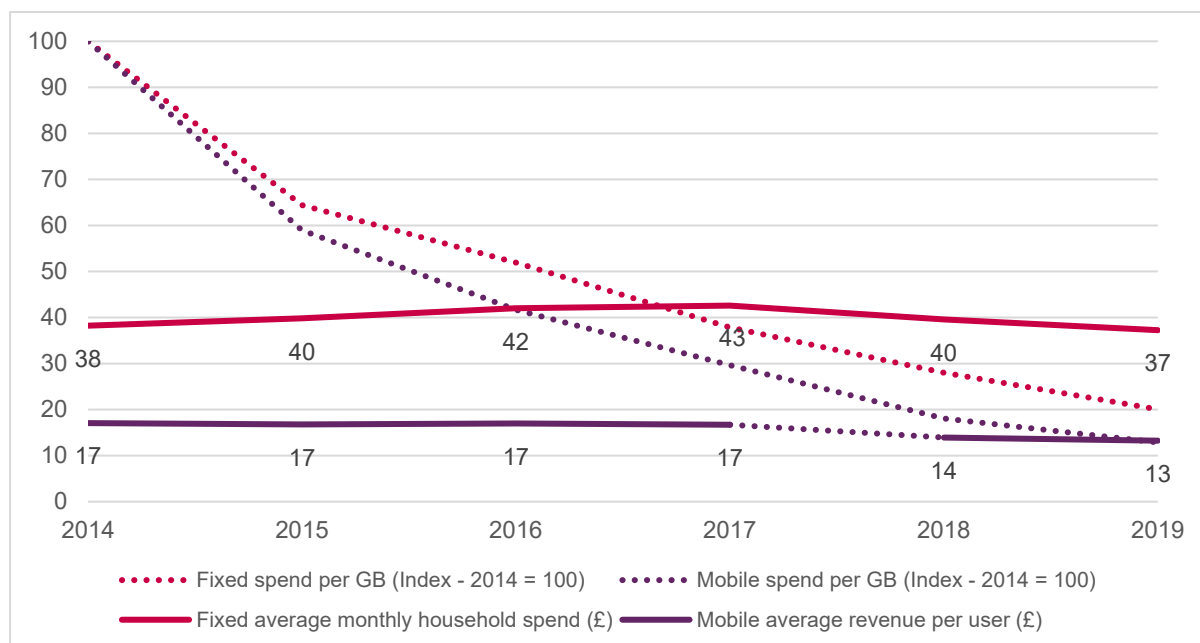
Average (inflation-adjusted) mobile spend per user remained broadly stable between 2014-17²², and declined between 2018 and 2019. During this period, however, average data usage increased considerably (by over 300%) resulting in average spend per GB of mobile data decreasing by 87% between 2014 and 2019. This is likely to be driven by the prices of tariffs with a large amount of

²¹ The eligibility threshold of £45 was set by reference to prices which prevailed as at November 2018. The threshold will be updated annually to reflect the Office of Budget Responsibility (“OBR”) forecast of the Consumer Price Index (“CPI”). When the USO launched on 20 March 2020 the threshold was £46.10p to reflect inflation.

²² Mobile average spend from 2018 does not include spend on handsets due to a change in accounting standards, it therefore is not directly comparable to historic spend data.

inclusive data falling steeply, while consumers who use less data have often been able to secure lower prices on pre-pay tariffs.²³

Figure 5: Average spend (£ per month, 2019 prices) on fixed and mobile services, indexed spend per GB of data (2014-2019)



Source: Ofcom/operator data.

Notes: Spend data has been adjusted for CPI at 2019 prices. Fixed calculation apportions revenues between voice and data services. Mobile average spend from 2018 does not include spend on handsets due to a change in accounting standards, therefore is not directly comparable to historic spend data. Mobile calculation includes voice and SMS services.

Despite the availability of good value deals, some people, particularly those on low incomes, were already experiencing affordability issues prior to the pandemic. For example, [previous research](#) undertaken by Ofcom found that a relatively small proportion of consumers did not have communications services at all due to cost, while others had struggled to pay for their services.

The pandemic is affecting household finances and temporary measures have been introduced to support incomes and ensure access to communications services

The impact of the pandemic on UK households' employment statuses and disposable incomes has been significant. Although the unemployment rate increased by just 0.9 percentage points (to 4.8%) from the previous year in the period between July and September 2020²⁴, total hours worked declined by 12% as many firms furloughed employees rather than cutting jobs.²⁵ This is likely to have driven the rise in benefits applications; the number of new Universal Credit claims increased tenfold

²³ Ofcom, January 2020. [Pricing trends for communications services in the UK](#), section 4.

²⁴ Office for National Statistics ("ONS"), November 2020. [Labour market overview, UK](#).

²⁵ ONS, November 2020. [Labour market overview, UK](#).

between early March and the peak of the applications in late March, before subsequently declining and returning to pre-pandemic levels at the end of May.²⁶ There are currently around 4.6 million households on Universal Credit, over twice as many as before the pandemic.²⁷

Looking forward, both the Bank of England and the OBR (in their central forecast) predict the unemployment rate to peak at 8% in the second quarter of 2021.²⁸ To support unemployed households, the Government announced several temporary expansions to the welfare system, including increasing the Universal Credit standard allowance by around £1,000 per year. The extended furlough scheme will also support many households' incomes.

A range of programmes have also been launched specifically to help people access the internet during the pandemic. In England, Wales, Scotland and Northern Ireland, government schemes have been launched to help ensure schoolchildren have access to hardware and access to the internet for home learning.²⁹ These schemes are generally based on mobile data and ensuring schoolchildren have the necessary equipment. In Scotland, the [Connecting Scotland](#) programme provides hardware, access to the internet and digital skills training for certain households, including those who are shielding and care leavers.

We continue to focus on ensuring consumers can stay connected, given the importance of affordable internet access

Since the start of the pandemic we have taken specific steps to support consumers. In March 2020, the Department for Digital, Culture, Media and Sport and Ofcom worked with industry to agree a [set of commitments](#) to protect consumers, including for customers struggling to pay their bills and to offer new, generous mobile and landline packages to ensure people remained connected. Ofcom welcomed the swift action that providers took and continued to engage with providers on how consumers should be treated fairly during the pandemic to help them stay connected.

In June, we wrote to providers asking them to put in place additional support for a limited period that goes beyond the measures from our guide on *Treating vulnerable customers fairly*. For example, we asked providers to limit debt collection and remove the threat of disconnection for customers who are actively engaged and seeking support.

Following the tightening of restrictions after the summer and the introduction of new national restrictions from 5 November, we wrote to providers again in November asking them to revisit their debt and disconnection practices against the guide and to continue to go further where required to ensure that sufficient support is offered to customers who may be struggling to pay their bills.³⁰

²⁶ [Department for Communities COVID management information related to Universal Credit](#).

²⁷ [Department for Work & Pensions \("DWP"\) Universal Credit Statistics](#), published 10 November 2020.

²⁸ Bank of England, November 2020. [Monetary Policy Report](#); OBR, November 2020. [Economic and fiscal outlook](#).

²⁹ See for example: <https://www.gov.uk/guidance/get-laptops-and-tablets-for-children-who-cannot-attend-school-due-to-coronavirus-covid-19>; <https://www.gov.scot/news/schools-to-re-open-in-august/>; <https://gov.wales/extra-3-million-pounds-support-digitally-excluded-learners-wales>; <https://www.education-ni.gov.uk/news/minister-outlines-plans-provide-digital-devices-disadvantaged-children>.

³⁰ Ofcom, November 2020. [Letter to providers](#).



Affordability of communications services for consumers during the Covid-19 pandemic

In this section we set out our findings on household finances during the pandemic and where consumers may be having difficulty paying for communications services, particularly in relation to fixed broadband and the use of mobile to connect to the internet.

To understand the ongoing impact of the pandemic on the affordability of communications services, we have been tracking consumers' attitudes and behaviours through our monthly *Covid-19 Affordability Tracker*.³¹ Our findings are taken from interviewing a UK representative sample of communications services decision makers. The research was conducted between June and October 2020 and findings reported here largely reflect the average experiences in the month prior to interview, with trends provided where this varied over the period. Given the uncertain economic outlook, we will continue to monitor the affordability of communications services through further waves of research into 2021.

We are also collecting information from communications providers to monitor levels of debt and disconnection. In this section we set out our initial findings from this monitoring as well as provider practices relating to relating to customer debt and disconnection.

Perceived importance of communications services

Our research suggests that internet services are vital for many consumers. Overall, 94% of households with fixed broadband described the service as either very or fairly important to their household at the moment, as did 77% of households with mobile internet in relation to this service.³²

We see greater differentiation between services when comparing the proportion of households who said services were very important. Fixed broadband and making and receiving calls from a mobile were considered very important to 79% and 72% of respondents respectively, which compares to around half (51%) of those with a mobile who access mobile internet services. Among other services,

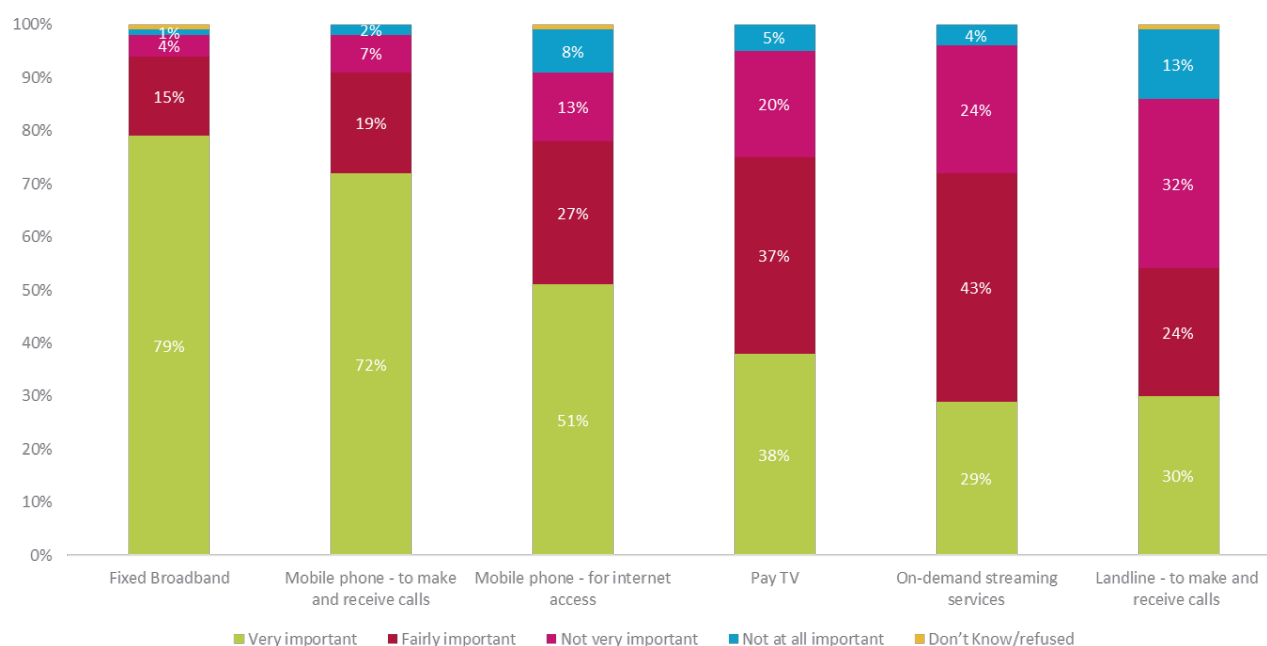
³¹ Analysis is based on UK 18+ adults who are either the sole or joint decision-maker for communications services in their household and/or those who personally use a mobile phone. For further detail on the background and methodology of this research see the [Technical Annex](#).

³² Mobile internet importance is rounded down to 77% when you combine those who said the service was either very or fairly important to their household at the moment.

30% described their landline as very important, although this varied significantly by age, rising to 71% of over 75s and falling to 11% among 18-24s.

We found that 38% of households with Pay TV said it was very important compared to 29% for on-demand streaming services (such as Netflix, NOW TV or Amazon Prime Video) among those with access to these services.

Figure 6: Importance of communications services to households³³



Source: Ofcom Covid-19 Affordability Tracker.

Base: UK decision makers aged 18+. Rolled data June-September (4,477). Fixed broadband (3,811), Mobile phone (4,271), Pay TV (2,750), On-demand streaming service (2,938), Landline (3,483).

Household finances during the pandemic

The financial impact of the pandemic has not been evenly distributed, with some households doing better than others

In our September wave of research, when asked how their household financial situation compared with a typical month before social distancing measures began in March, 22% of households claimed they were better off, while 55% said their finances were about the same and 21% reported being worse off. The proportion of households reporting being better off has declined since July (then 28%). While some households may be saving money due to pandemic restrictions on leisure and travel, other households are struggling financially, and may be relying on savings or help from family members.

³³ This question was not asked in the October wave of our research. This data is based on rolled data from the June to September waves of research.

Particular groups of consumers were more likely to say that they are worse off, including those who are self-employed (45%) or currently unemployed and looking for work (41%), those who receive at least one form of benefit (31%), and households with a resident with an impacting or limiting condition³⁴ (30%).³⁵

The majority (93%) of households were confident about their ability to pay for communications services for the next three months, though some (5%) households were not confident about this³⁶

Consumers more likely to report a lack of confidence in their ability to pay for communications services in the next three months, without making any changes, included: those currently unemployed and looking for work (14%), households with a resident with an impacting or limiting condition (11%), those in receipt of at least one form of benefit (9%), and those in the DE socio-economic group (9%).

Overall affordability of communications services

In our research we asked about experience of any of five different affordability issues, for any communications services respondents had in their household. These experiences were:

- Cancelling a service because they could no longer afford it
- Making changes to an existing service (e.g. changing the package or tariff) in order to make it more affordable
- Reducing spend on items such as food or clothes in order to continue paying for communications
- Missing a payment
- Making changes to the way they pay for a service, in order to continue to pay³⁷

While many households (81%) have not experienced affordability issues with communications services, on average, almost one-in-five (19%) have³⁸

We estimate circa **4.7 million households**³⁹ experienced a communications affordability issue, in the last month.

³⁴ This was defined as any conditions that impact or limit the use of communication services. These can include, but are not restricted to, problems with hearing, eyesight, mobility, mental abilities or mental health.

³⁵ Analysis within demographic group is based on rolled data from July to September due to low monthly base. The comparable average proportion of households who said their household financial situation was worse off vs. a typical month before social distancing measures started was 23%, which compares to 21% in September.

³⁶ This question was not asked in the October wave of our research. This data is based on rolled data from the June to September waves of research.

³⁷ This might include using savings to pay the bill; using a credit card to pay the bill; taking an agreed payment break/deferral; using an overdraft to pay the bill; taking out a loan/borrowing money to pay the bill; or entering into a repayment plan agreement.

³⁸ Some consumers experienced more than one affordability issue either within a given service and/or across multiple services. The nets for 'any affordability issue' only count each issue/service once.

³⁹ This population estimate uses latest monthly data (October) among all UK households (17%) as opposed to the average proportion across all waves of research among all UK households (19%), and 'last month' refers to the month prior to interview i.e. September. It is not possible to estimate the total number of households that had an affordability issue in the

Among those who had made changes to the way they pay for a communications service, missed a payment, or made changes to an existing service, just over a third said this had only happened in the last month. However, for a fifth of consumers, these specific affordability issues had occurred for 6 months or more.⁴⁰

Affordability issues generally related to cutting back on services (particularly Pay TV), though some households had experienced more serious issues

The affordability issues we observed largely relate to cutting back on spend by making changes to an existing communications service. On average, 11% of households had made changes to a communications service in order to make it more affordable. This was predominantly the case for Pay TV (6%), but we also found that some households had made changes to fixed broadband (4%) and mobile services (3%) (for landline and on-demand streaming services this was 2%).

Some households experienced other affordability issues that may more severely impact their ability to access communications services or their household finances.

We found that 2% of households had made changes to the payment method for a service in order to continue to pay, which in some cases may lead to the accrual of further debt. This issue was the same across all communications services. Of those who had changed a payment method, individuals had made the following changes:

- used an overdraft to pay the bill (23%)
- used a credit card to pay the bill (17%)
- used savings to pay the bill (13%)
- agreed a payment break or deferral with their provider (11%)
- entered into a repayment plan agreement (11%)
- taken out a loan or borrowed money to pay the bill (8%)

Two per cent of households had missed a payment for a communications service, while 4% had cancelled a service because they could no longer afford it.⁴¹ These issues were generally driven by Pay TV.

We also found that 5% of households had reduced spend on items such as food or clothes in order to continue paying for a communications service, indicating the wider effects for some consumers struggling to pay for communications services.⁴²

last 6 months as some households have had continuing issues over a number of months. Adding monthly totals would include some double counting of households, and we are not able to reliably see the extent of this in our data. The error margin around this population estimate is +/- 600,000 households. See the [Technical Annex](#) for further detail.

⁴⁰ This question was only asked in the October wave of our research. Base size is below 100 so treat as indicative only. As such, detailed sector analysis is not possible.

⁴¹ A proportion of those who cancelled their service also said they still have access to that service in the household. For further details see the [Technical Annex](#).

⁴² This question was not asked by communications service.

Figure 7: Affordability issues experienced in the last month, by communications service

	Any affordability issue	Made changes to a service (e.g. changed package/tariff) in order to make more affordable	Made changes to payment method for a service in order to continue to pay ⁴³	Reduced spend on other items in order to afford a service	Missed a payment for a service	Cancelled a service because could no longer afford it
ANY SERVICE	19%	11%	2%	5%	2%	4%
Fixed broadband	6%	4%	1%	N/A	1%	0.4%
Mobile	5%	Minutes: 2% Data: 3%	1%	N/A	1%	1%
Mobile internet-only ⁴⁴	8%	Minutes: 2% Data: 4%	2%	N/A	3%	1%
Landline	3%	2%	1%	N/A	0.4%	0.2%
Pay TV	10%	6%	1%	N/A	1%	3%
On-demand streaming service	5%	2%	1%	N/A	0.4%	2%
MULTIPLE SERVICES ⁴⁵	7%	3%	1%	N/A	1%	1%

Source: Ofcom Covid-19 Affordability Tracker.

Base: UK decision makers aged 18+. Rolled data June-October. Base includes both current and recent (i.e. cancelled in the month prior to interview) consumers. Any service (5,567), Fixed broadband (4,721), Mobile (5,299), Mobile internet-only (489), Landline (4,353), Pay TV (3,410), On-demand streaming service (3,618), Multiple services (5,567).

Note: 'Any' affordability issue includes all those shown in the table above. Some consumers experienced more than one affordability issue either within a given service and/or across multiple services. The nets for 'any affordability issue' only count each issue/service once.

⁴³ Examples provided in the question were: used savings or their overdraft when they wouldn't do usually; or taken a payment break agreed with their provider.

⁴⁴ 'Mobile internet-only households' are defined as those whose only method of accessing the internet is through a mobile phone or other mobile broadband device (for example a dongle or USB device).

⁴⁵ 'Multiple services' includes those who have the same issue with multiple services. Those who had more than one issue are only counted once.

Those currently unemployed and looking for work, young people aged 18-24, those with an impacting or limiting condition and households on the lowest incomes were more likely to have experienced an affordability issue

The group of consumers most likely to have experienced any affordability issue with a communications service were those who are currently unemployed and looking for work (38%). These households were also the most likely to say they had cancelled a service (13%).⁴⁶

Other groups of consumers significantly more likely than average to have experienced affordability issues with a communications service include young people aged 18-24 (29%) and households with a resident with an impacting or limiting condition (29%). Households in the lowest income category⁴⁷ (27%) were also more likely than average to have an affordability issue, as were households receiving at least one form of benefit (25%) and those in the DE socio-economic group (23%).

Figure 8: Affordability issues experienced with any communications service in the last month, by demographic group

	Any affordability issue	Made changes to a service (e.g. changed package/tariff) in order to make more affordable	Made changes to payment method for a service in order to continue to pay ⁴⁸	Reduced spend on other items in order to afford a service	Missed a payment for a service	Cancelled a service because could no longer afford it
ANY SERVICE	19%	11%	2%	5%	2%	4%
Aged 18-24 years old	29%	14%	5%	10%	6%	8%
Currently unemployed and looking for work	38%	13%	6%	15%	9%	13%
Receive at least one benefit	25%	13%	3%	7%	5%	7%
An impacting or limiting condition in the household	29%	14%	5%	10%	5%	8%
DE socio-economic group	23%	12%	4%	7%	5%	6%
Lowest household income category (under £15,600 per year ⁴⁹)	27%	11%	5%	11%	6%	7%

⁴⁶ A proportion of those who cancelled their service also said they still have access to that service in the household. For further details see the [Technical Annex](#).

⁴⁷ Household income below £15,600 per year.

⁴⁸ Examples provided in the question were: used savings or their overdraft when they wouldn't do usually; or taken a payment break agreed with their provider.

⁴⁹ Analysis for the lowest household income category is indicative only as a third of respondents did not complete the income question. A higher percentage of the income non-respondents are from the lower socio-economic grades so affordability issues among this group could be higher than stated.

Source: Ofcom Covid-19 Affordability Tracker.

Base: UK decision makers aged 18+. Rolled data June-October. Base includes both current and recent (i.e. cancelled in the month prior to interview) consumers. Any service (5,567), Aged 18-24 years old (472), Currently unemployed and looking for work (195), Receive at least one benefit (1,351), An impacting or limiting condition in the household (601), DE socio-economic group (1,025), Lowest household income category (under £15,600 per year) (555).

Note: 'Any' affordability issue includes all those shown in the table above. Some consumers experienced more than one affordability issue either within a given service and/or across multiple services. The nets for 'any affordability issue' only count each issue/service once.

Affordability of internet connectivity

Given the importance of internet access to consumers and the likelihood that reliance on internet connectivity will continue to grow over time, we pay particular attention to the affordability of internet connectivity. Access to the internet is delivered through fixed broadband and, for households without fixed connections, through mobile services (referred to as 'mobile internet-only' households). We set out more detailed findings on the affordability of each of these services below.

Affordability of fixed broadband services

Overall, 80% of UK households take a fixed broadband service.⁵⁰ Many consumers will be reliant on fixed broadband to provide connectivity to the whole household, sometimes to a number of devices.

Six per cent of households on average experienced an affordability issue with their fixed broadband service

We estimate that circa **1 million households**⁵¹ experienced a fixed broadband affordability issue, in the last month.

Similar to the trend for communications services overall, the affordability issues we observed with fixed broadband generally related to cutting back on spend by making changes to the service (4%), while 1% of households with fixed broadband had made changes to the payment method for their service in order to continue to pay for it. One per cent of households with fixed broadband had missed a payment and less than 1% (0.4%) had cancelled their service because they could no longer afford it (a minority experienced both of these issues).⁵² This amounts to 1%, or an estimated **200,000 households**⁵³, that reported missing a payment for their fixed broadband service and/or cancelling it for affordability reasons, in the last month.

⁵⁰ [Ofcom Technology Tracker 2020](#).

⁵¹ This population estimate uses latest monthly data (October) among all UK households (3.5%) as opposed to the average proportion across all waves of research among fixed broadband households (6%), and 'last month' refers to the month prior to interview i.e. September. It is not possible to estimate the total number of households that had an affordability issue in the last 6 months as some households have had continuing issues over a number of months. Adding monthly totals would include some double counting of households, and we are not able to reliably see the extent of this in our data. The error margin around this population estimate is +/- 300,000 households. See the [Technical Annex](#) for further detail.

⁵² A proportion of those who cancelled their service also said they still have access to that service in the household. For further details see the [Technical Annex](#).

⁵³ This population estimate uses latest monthly data (October) among UK households (0.7%) as opposed to the average proportion across all waves of research among fixed broadband households (1%), and 'last month' refers to the month

Those currently unemployed and looking for work and households on the lowest incomes were more likely to have experienced an affordability issue with their fixed broadband service

Similar to our findings for communications services overall, the group most likely to have experienced an affordability issue with their fixed broadband service were those currently unemployed and looking for work (17%). These households were also the most likely to have missed a payment (6%) and cancelled a service (2%).

Other groups that were significantly more likely than average to have experienced affordability issues with their fixed broadband were those in the lowest household income category (12%), households in the DE socio-economic group (9%), and those in receipt of at least one form of benefit (8%). All of these groups were more likely to have missed a payment for their fixed broadband service.

While young people aged 18-24 and households with a resident with an impacting or limiting condition were as likely as average to have experienced any fixed broadband affordability issue, they were among those more likely to have missed a payment.

Figure 9: Affordability issues experienced with fixed broadband in the last month, by demographic group

	Any affordability issue with fixed broadband	Made changes to a service (e.g. changed package/tariff) in order to make more affordable	Made changes to payment method for a service in order to continue to pay ⁵⁴	Missed a payment for a service	Cancelled a service because could no longer afford it
TOTAL FIXED BROADBAND	6%	4%	1%	1%	0.4%
Aged 18-24 years old	6%	3%	2%	3%	0%
Currently unemployed and looking for work	17%	7%	4%	6%	2%
Receive at least one benefit	8%	5%	2%	2%	1%
An impacting or limiting condition in the household	7%	4%	2%	2%	0%
DE socio-economic group	9%	5%	2%	3%	1%
Lowest household income category (under £15,600 per year)	12%	6%	4%	3%	1%

prior to interview i.e. September. It is not possible to estimate the total number of households that had an affordability issue in the last 6 months as some households have had continuing issues over a number of months. Adding monthly totals would include some double counting of households, and we are not able to reliably see the extent of this in our data. The error margin around this population estimate is +/- 100,000 households. See the [Technical Annex](#) for further detail.

⁵⁴ Examples provided in the question were: used savings or their overdraft when they wouldn't do usually; or taken a payment break agreed with their provider.

Source: Ofcom Covid-19 Affordability Tracker.

Base: UK decision makers aged 18+. Rolled data June-October. Base includes both current and recent (i.e. cancelled in the month prior to interview) consumers. Total fixed broadband (4,721), Aged 18-24 years old (385), Currently unemployed and looking for work (158), Receive at least one benefit (1,125), An impacting or limiting condition in the household (474), DE socio-economic group (751), Lowest household income category (under £15,600 per year) (398).

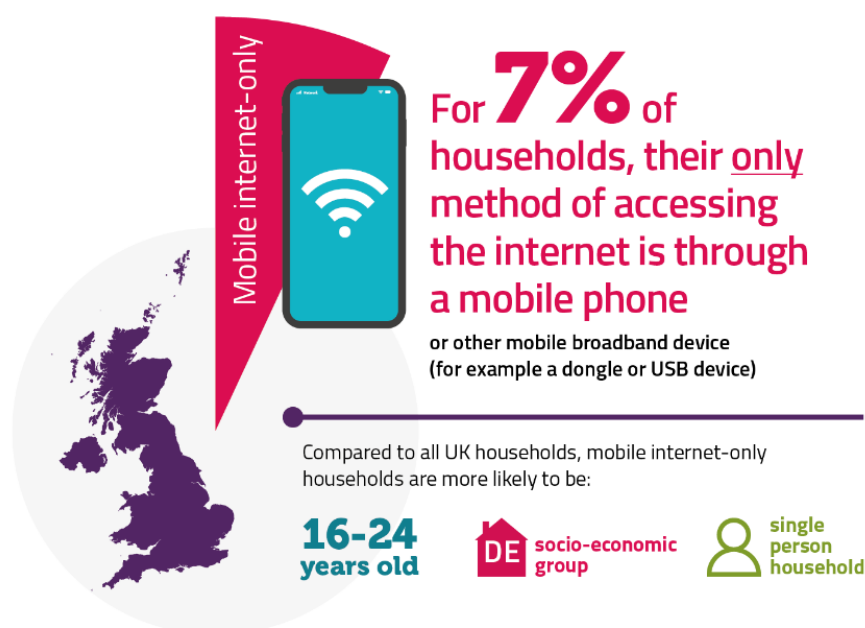
Note: 'Any' affordability issue includes all those shown in the table above. Some consumers experienced more than one affordability issue with their fixed broadband service. The nets for 'any affordability issue' only count each issue once.

Affordability of mobile services for mobile internet-only households

Overall, 89%⁵⁵ of households are able to access the internet at home. For 7% of households, their only method of accessing the internet is through a mobile phone or other mobile broadband device (for example a dongle or USB device).⁵⁶ We refer to this group of households as 'mobile internet-only'. Given our focus on the affordability of internet connectivity, we are particularly interested in the affordability of mobile services for mobile internet-only households.

Compared to all UK households, mobile internet-only households are more likely to contain adults aged 16-24 years old (26% vs. 14%), be in the DE socio-economic group (39% vs. 25%) and be a single person household (31% vs. 20%).

Figure 10: Proportion of mobile internet-only households in the UK



Source: Ofcom Technology Tracker 2020.

⁵⁵ 80% of households have fixed broadband, around 1% claimed to access the internet at home via 'dial-up' or an 'other' method to connect to the internet at home, apart from fixed or mobile broadband. A further 1% claim to have access to the internet at home but do not know the method by which they connect.

⁵⁶ [Ofcom Technology Tracker 2020](#).

Eight per cent of mobile internet-only households had experienced an affordability issue with their mobile service, these were most likely to be households that were younger and receiving benefits

The mobile affordability issues experienced by mobile internet-only households generally related to making changes to their service in order to make it more affordable (2% minutes, 4% data). Three per cent said they had missed a payment for the service, while 1% had made changes to the payment method for their mobile service in order to continue to pay for it, and 1% said they had cancelled their mobile service in the month prior to interview because they could no longer afford it.

Mobile internet-only households aged between 18 and 34 years old⁵⁷ (14%) and those receiving at least one form of benefit (14%) were more likely than average to have experienced an affordability issue with their mobile service. Households receiving benefits were also more likely to have someone in the household who had cancelled a mobile service (4%) and those aged 18-34 were more likely than average to say they had missed a payment for their mobile service (6%).

Arrears, disconnections and providers' debt practices

In March 2020, the Department for Digital, Culture, Media and Sport and Ofcom worked with industry to agree a set of commitments to protect consumers, including for customers struggling to pay their bills. In June we then wrote to providers asking them to put in place additional support for a limited period, including limiting debt collection and removing the threat of disconnection for customers who are actively engaged and seeking support.

We published our guide on [*Treating vulnerable customers fairly*](#) in July 2020. Our guide focuses on the provisions set out in General Condition C5 which was introduced to ensure providers have policies and procedures in place to treat vulnerable customers fairly and appropriately, including when a customer is facing problem debt.

We expect that communications services will remain essential and the reliance on internet connectivity will continue to grow. Being on a restricted service or becoming disconnected can therefore have a big impact on customers.⁵⁸ General Condition C3 includes the rules that providers must follow about debt and disconnection.⁵⁹ For example, the measures to affect payment or disconnection have to be proportionate and not unduly discriminatory; and subscribers have to be given due warning before any consequent service interruption or disconnection.

This section analyses the numbers of customers in arrears and being disconnected in the broadband and mobile sectors, using findings from our *Covid-19 Affordability Tracker* and data collected using

⁵⁷ 18-24 and 25-34 year old age groups were combined due to low base sizes of these groups individually.

⁵⁸ The telecommunications sector is different from other utilities, such as energy and water, in that providers are allowed to disconnect customers and impose service restrictions. In the water sector, legislation (Water Industry Act 1991) prohibits the disconnection of domestic customers or the restriction of supply if a customer owes their water company money. In the energy sector, suppliers are also prohibited by their licence from knowingly disconnecting premises occupied by those of pensionable age (who live alone or only with persons who are of pensionable age or under the age of 18) during winter (1 October - 31 March).

⁵⁹ The General Condition C3.11 and C3.12 are [set out in full](#) on the Ofcom website.

our formal information gathering powers. We asked for data from 11 fixed and 11 mobile providers and the analysis below is based on the responses we have received so far.

Specifically, we analysed monthly data for the period between January and September 2020 on the proportion of customers:

- **in arrears** – those who missed a regular payment for their main service in the current payment period or those who had payments outstanding from the previous payment periods⁶⁰;
- **in arrears by two or more regular payments** – those who are in arrears for two or more regular payments at the same time; and
- **disconnected for non-payment** – those disconnected due to missed payments, including those referred to an external debt collection agency.⁶¹

We have also considered qualitative information on providers debt practices, providing an initial view on whether providers follow best practice measures set out in our guide.

The proportion of total customers in arrears was relatively stable between January and September

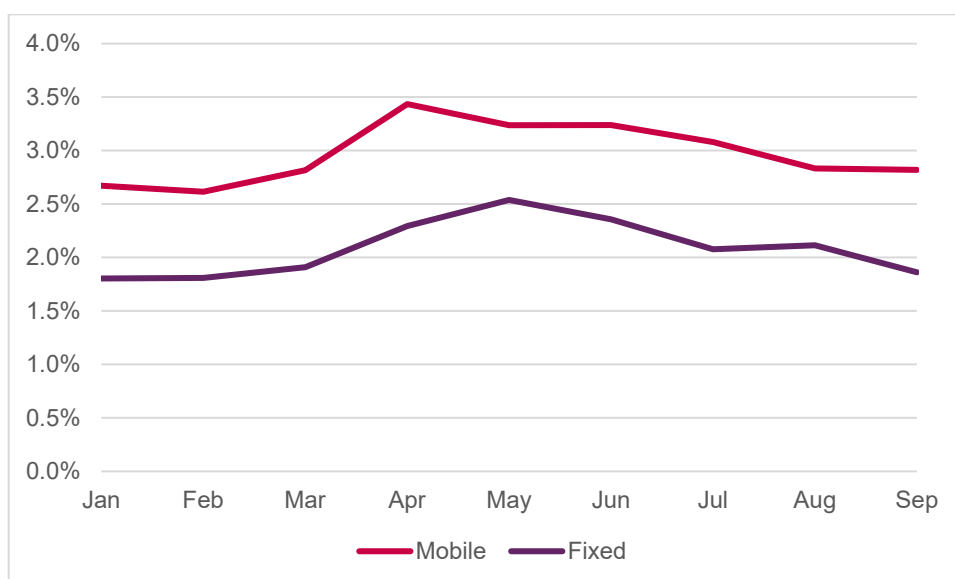
The data we collected indicated that roughly 2% of fixed and 3% of mobile customers were in arrears and that this proportion remained relatively stable between January and September. However, we note that there was an increase in the proportion of customers in arrears during the initial pandemic lockdown period from March to May. The proportion started to decrease towards previous levels from May onwards.

We do not have comparable data for previous years, and therefore cannot comment on whether the proportion of arrears for this time period is unusual. We did however observe significant differences between providers, for example, some fixed providers had up to three times the average proportion of customers in arrears.

⁶⁰ This category excludes customers who missed a payment for additional items such as service add-ons and overuse charges; and customers who were disconnected.

⁶¹ This excludes voluntary disconnections and disconnections relating to your company's approach to customer fraud.

Figure 11: Proportion of total customers in arrears



Source: Ofcom analysis of provider data.

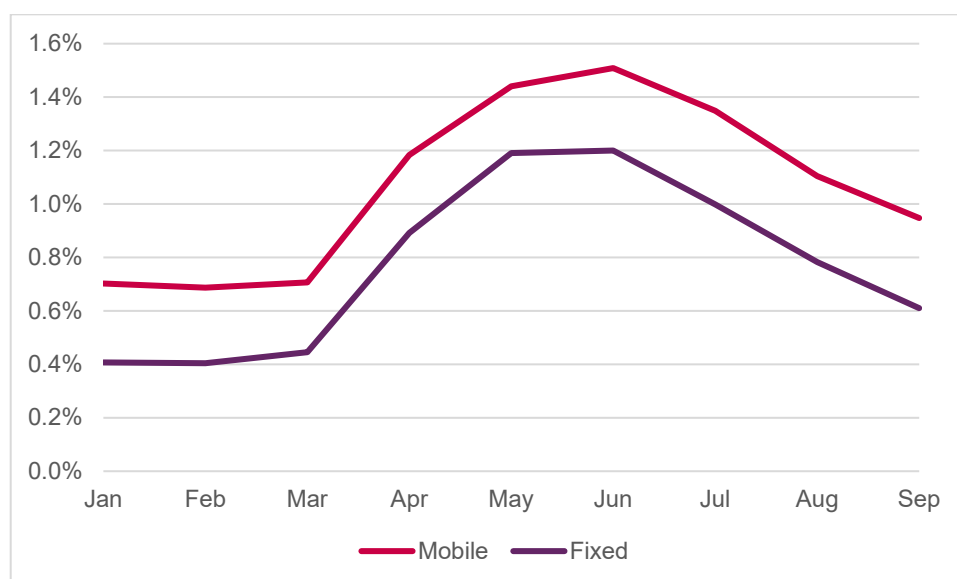
The proportion of total customers in arrears by two or more payments increased in both fixed and mobile services between January and September

The trend in customers in arrears by two or more regular payments was more pronounced. Figure 12 below highlights the sharp increase in these figures for fixed customers between March and June 2020 (from c.0.5% to c.1.2% of customers), and subsequent fall thereafter to September (0.6% of customers). There was also a sharp increase in these figures for mobile customers between March and June (from c.0.7% to c.1.5% of customers), while this measure then fell in the period to September (c.1% of customers).

The increase in the proportion of fixed and mobile customers in arrears by two or more payments may have been driven by reduced disconnections by some providers during the initial lockdown period (see above) meaning customers with those providers could stay in arrears for longer without being disconnected. It may also be due to some customers experiencing greater affordability problems during this period and therefore finding it more difficult to repay any debt.

We again saw similar differences between providers in the proportion of customers in arrears by two or more regular payments, with some fixed providers having up to five times the average proportion of customers in arrears by two or more payments.

Figure 12: Proportion of total customers in arrears by two or more regular payments



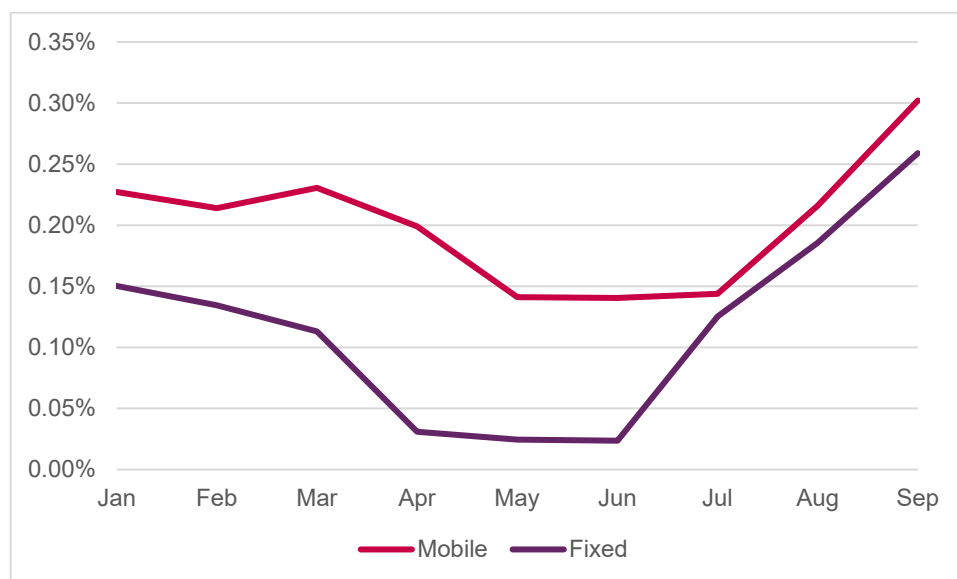
Source: Ofcom analysis of provider data.

The proportion of customers disconnected for non-payment decreased during the initial lockdown period (March-May), and then increased between June and September

As shown in Figure 13 below, the proportion of customers disconnected for non-payment was lowest between April and June. Disconnections of fixed customers decreased from 0.15% to 0.02% of total customers between January and May, while for mobile services, disconnections decreased from 0.23% to 0.14% during this period. Around half of providers continued disconnections during the initial lockdown period at a similar rate to pre-pandemic levels, this is particularly evident for disconnections of mobile services. We find this concerning in light of the commitments and June letter we sent to providers and are considering the implications of this.

Lockdown restrictions were eased over the summer, after which we saw an increase in the proportion of customers being disconnected for non-payment. Disconnections of fixed customers increased from 0.02% to 0.26% between June and September, while for mobile customers, disconnections increased from 0.14% to 0.30% during this period. Some providers have suggested that these disconnections were most likely to relate to customers with pre-existing debt (before the pandemic).

Figure 13: Proportion of total customers disconnected for non-payment



Source: Ofcom analysis of provider data.

We wrote to providers again in November asking them to revisit their debt and disconnection practices and to go further where required to ensure that sufficient support is offered to customers who may be struggling to pay their bills. Given consumers continue to feel the effects of the pandemic, we will continue to monitor arrears and disconnection closely as the situation develops.

Most providers proactively engage with customers who miss a payment

Our research shows that a fifth of consumers are not confident contacting their provider for information or advice on how to manage their payments. Amongst older consumers (75+), 36% said they were not confident or that they didn't know how confident they would be contacting their provider for information or advice on how to manage their payments.

Figure 14: Proportion of consumers not confident contacting communications providers for information or advice on how to manage payments⁶²



⁶² This question was not asked in the October wave of our Covid-19 Affordability Tracker research. This data is based on rolled data from the June to September waves of research. The unweighted base for those that have missed a payment is below 100 (75 respondents), these results should be treated as indicative only.

Source: Ofcom Covid-19 Affordability Tracker.

Base: UK decision makers aged 18+. Rolled data June-September. Total (4,419), Aged 75+ years old (386), An impacting or limiting condition in the household (477), Missed a payment for a communications service (75), Lowest household income category (under £15,600 per year) (426), DE socio-economic group (786), Aged 18-24 years old (379).

Note: *Caution low base: indicative only. Base excludes 'refused' to answer

Our guide on *Treating vulnerable customers fairly* suggests that providers should offer and use a range of communication channels when contacting a customer about their debt before taking any follow-up action, including enforcement or debt recovery.

The data we collected using our formal information gathering powers shows that providers routinely make contact soon after the customer has missed a payment. In most cases, providers follow a standard pre-determined process of using specific messages and communication methods at set times after the payment was missed to try to contact the customer. For example, they might send SMS messages first, followed by a letter, then by another agent call and a further letter. The initial messages are often automated.

For those customers who are seeking to contact their provider, most providers offer a range of methods customers can use to get in touch, including telephone, email, letter, webchat and online contact forms. In some cases, the provider's app can be used.

Most providers offer payment deferrals and payment plans when customers who struggle to pay their bills engage with them

As we state in our guide, when a customer struggling to pay their bills engages with their provider, we suggest providers discuss and agree a realistic payment plan which is flexible and repayable over a period of time and based on a customer's ability to pay and consider offering payment deferrals. The guide also suggests providers offer tariff advice and encourages providers to be responsive and sensitive to customers in vulnerable circumstances and have specialist staff in place who have had training on helping vulnerable customers. Providers should familiarise themselves with the Government's *breathing space scheme* which will be implemented in 2021 and will allow eligible customers 60 days respite from creditor action.⁶³

Data from providers shows that support offered varies from provider to provider, but most offer customers payment deferrals whereby no further payment is required for a specific period of time. Deferrals are not offered automatically but require a customer struggling to pay their bills to engage with their provider. Payment deferral periods vary in length, with the minimum offered being a few days and the maximum 11 months.

Most providers also offer payment plans, allowing repayment of arrears over a period of time. Sometimes these measures are combined with lifting of service restrictions that were imposed or offering a switch to a more affordable tariff, with some providers additionally waiving early termination charges and administrative charges.

⁶³ See <https://www.gov.uk/government/news/breathing-space-to-help-millions-in-debt> and <https://www.legislation.gov.uk/uksi/2020/1311/contents/made>.

Most providers have special provisions for vulnerable customers in arrears who are often put through to specially trained teams who can tailor their approach to the customer. Some providers offer vulnerable customers in arrears more flexibility by delaying their transfer to external debt collection agencies, offer additional time before services are restricted, or protect certain vulnerable customers from restrictions and disconnections altogether.

While there is a range of different support measures available to consumers, these vary by provider. We expect to see more providers offering a broader range of support, including the examples provided above, to consumers in future.

If customer engagement fails, or no agreement is reached on a repayment mechanism, the customer is likely to experience service restrictions and may be disconnected

Our guide sets out that we recommend providers prevent customers from being disconnected where possible. Disconnection is a serious step that should only be used as a last resort after providers have taken several other measures.

The data we collected shows that most providers use service restrictions as a tool to encourage customers to settle their arrears. Service restrictions tend to follow initial restrictions to outbound calls although some providers mentioned protecting some outgoing calls, such as to emergency services. These are usually followed by suspending broadband and restricting SMS and data usage with suspension of inbound calls usually following at a later stage.

The initial service restrictions for customers in arrears are introduced much sooner by some providers than by others, ranging from anywhere between a few days to 45 days after the customer has missed a payment. Certain providers also tailor their approach depending on the perceived risk of the customer not repaying their arrears, for example, by putting higher risk customers on a faster service restriction path than others.

While most providers try to contact customers at several stages before disconnecting them and some implement partial service restrictions before moving to fully disconnect a customer, all providers eventually reach a point in their debt management process where they disconnect those customers they have not managed to satisfactorily engage with about repaying their arrears. The timeframes for disconnecting customers differ between providers and services, with a range between 25 and 158 days after the customer has missed a payment.

Providers could do more to work with debt advice organisations and charities supporting customers struggling to pay their bills

Our guide highlights the good practice of working with consumer bodies or other organisations specialising in financial support to increase awareness of the help, support and services that are available. We encourage providers to have clear procedures for signposting third-party organisations, train staff to know about the different organisations and offer direct contact points for these organisations. We encourage providers to build links with, and promote, third-party organisations and services in their conversations with customers or send links to useful information.

While most providers do signpost customers to debt advice organisations and charities on their website, such as StepChange, National Debt Line, Citizens Advice, Money Advice Trust, Pay Plan and

the Money and Mental Health Policy Institute; importantly only a few providers also do this in payment reminder communications.

Some providers have dedicated contact methods to allow debt advice organisations acting on behalf of customers in financial hardship to get through directly to the collections team. Some also mention collaborating with debt advice organisations and charities on training and policies about potentially financially vulnerable customers.

Given the emphasis on this area in the guide, we expected to find more evidence of good practice across the sector. We intend to explore this further with providers.

Current prices and tariffs available to consumers on low incomes

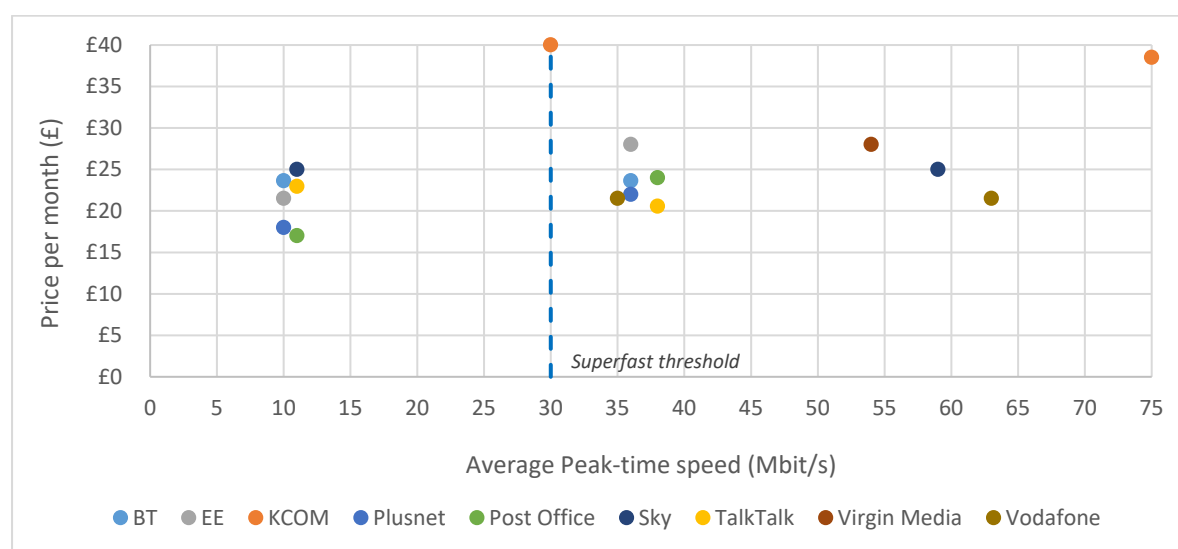
As noted in the background section, Ofcom's [Pricing trends for communications services in the UK](#) report found that generally consumers are able to benefit from a wide range of good value deals across services. Despite this, the consumer research and debt and disconnection data above highlights some of the challenges to remaining connected for financially vulnerable consumers.

In this section we set out the cheapest dual-play tariffs, voice-only tariffs as well as the cheapest mobile pay-monthly SIM-only prices available to all consumers. We also set out targeted tariffs available for consumers who may struggle to afford some of these services.

There are a range of low-price tariffs available for fixed broadband

Figure 15 shows the cheapest dual-play tariffs available to consumers as at November 2020.⁶⁴ Post Office and Plusnet offered the cheapest standard fixed broadband tariffs (less than £20 per month) for contract periods of 12 and 18 months respectively.

Figure 15: Cheapest dual-play (in-contract) prices, by advertised speed: November 2020



Source: Ofcom/Pure Pricing UK Broadband Updates and [KCOM](#) [accessed at 26 November 2020].

Note: prices are average in-contract prices.

⁶⁴ Standard broadband: A data service that delivers download speeds of up to 30Mbit/s. Superfast broadband: A data service that delivers download speeds of at least 30Mbit/s. Ultrafast broadband: A data service that delivers download speeds greater than or equal to 300Mbit/s.

However, these tariffs offer advertised speeds of 10Mbit/s, whereas many households require superfast speeds to meet their needs. In [2019](#)⁶⁵, approximately 74% of residential connections were superfast. Looking forward, we expect this proportion to increase (based on information provided by operators). We forecast the proportion of customers on superfast speeds or above to increase to 96% by 2025.⁶⁶

Vodafone, TalkTalk and Plusnet offered the cheapest advertised superfast broadband tariffs in November 2020, priced under £22 per month for 24-month (Vodafone and TalkTalk) and 18-month (Plusnet) contract periods. Of the other major broadband providers, Sky, BT and Virgin Media all offered superfast tariffs for less than £30 per month.

We note that in order to access these prices, consumers must commit to a minimum contract period (typically between 18 and 24 months). Although consumers benefit from a degree of price certainty during the contract period, some may find they are unable to continue to afford their service within the contract period and must incur early termination fees to exit the contract. These promotional tariffs may not always be available to re-contracting customers, who may be paying higher prices.⁶⁷

These prices do not take account of the fact that consumers may incur set-up charges, and these may vary between tariffs and providers. We find that many providers offer promotional free set-up and activation, however other providers charge upfront fees which are similar to monthly recurring charges. For example, in November 2020, Sky charged £19.95, KCOM £25 and Virgin Media £35 all to set-up a dual-play service.

Finally, these tariffs have unlimited data usage, which is likely to be particularly important for households during the pandemic due to both increased home-working and leisure time spent at home. Our [Online Nation](#) report found that average time spent online increased by 37 minutes a day per online adult between January and April 2020.⁶⁸ As this period only covered the first part of the initial lockdown, we would expect the average time spent online to have increased further since April.

We expect this growth in average data usage per household to continue after the pandemic. Average data use per fixed broadband connection has increased significantly over time. Between 2018 and 2019 alone, average data use increased by 75GB per month (31%) to 315GB.⁶⁹ A key factor for this has been the continued growth in the use of video streaming services. We expect the continued migration of services, content and other activities online to drive continued growth in

⁶⁵ Ofcom, May 2020. UK Home Broadband Performance report, Figure 13, page 19.

⁶⁶ Ofcom, January 2020. [Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021](#), Figure 2.4, page 16.

⁶⁷ In our July 2020 broadband pricing report, we found that re-contracted customers pay on average more for fixed broadband than new customers, based on data obtained in 2018 and 2019 (Table 3). While we would expect re-contracted prices to remain above new customers prices in future due to promotional offers, we expect the level of the differential to reduce given that some providers have committed to offering existing customers the same prices as new ones, usually for a limited period after sending an end-of-contract notification.

⁶⁸ Figure 2, Page 4.

⁶⁹ Ofcom, September 2020. [CMR 2020](#).

average data usage in the future, supported by the rollout of faster fixed broadband networks, including full fibre networks.

We expect the significant majority of UK consumers to have access to a choice of broadband service providers. Previous analysis undertaken by Ofcom⁷⁰ identified that only 170,000 households are in areas outside of Hull with little or no retail competition in fixed line broadband,⁷¹ representing around 1% of UK households. In Hull, KCOM is the only fixed broadband provider available to c.200,000 premises.⁷²

People who are financially vulnerable or who have low financial resilience may need to access cheaper tariffs in order to remain connected, sometimes at short notice

Anybody can face circumstances that lead to them becoming vulnerable, either temporarily or permanently. This might include changes in personal circumstances such as job loss or changes in household income, bereavement, and physical or mental health problems.

The [FCA has conducted research](#) which found 12 million people in the UK had low financial resilience as at October 2020, meaning they may struggle with bills or loan repayments. The research shows that the number of people classed as not financially resilient increased by 2 million since February 2020.

As set out in the background section, BT and KCOM offer a voluntary dual-play social tariff, in recognition of the affordability challenges consumers on the lowest incomes may face in accessing internet services. This is in addition to their regulatory obligation to offer a landline social tariff. BT is currently working on improving its 'BT Basic + Broadband' product, including extending the eligibility for the product to anyone receiving Universal Credit and looking to simplify the application process. The improved product will be available in 2021.

Certain other providers also offer support to consumers who may be struggling financially. Virgin Media have recently announced the [launch of a targeted fixed broadband tariff](#), priced at £15 per month, available to existing customers who are in receipt of Universal Credit and who are not in arrears or on a scheduled repayment plan. Virgin Media are considering how to develop this product further in the future.

Figure 16 sets out options that consumers who meet certain eligibility criteria have for accessing cheaper fixed broadband tariffs.

⁷⁰ Ofcom, July 2020. [Helping consumers get better deals](#), Annex 4.91.

⁷¹ We use wholesale broadband access "Market A" as the area of limited competition. For exact definitions and more details, see Ofcom, July 2018. [Wholesale Broadband Access Market Review 2018](#).

⁷² Ofcom, July 2020. [Hull Area Wholesale Fixed Telecoms Market Review 2021-26](#), page 3.

Figure 16: Fixed broadband products which have eligibility requirements linked to financial vulnerability

Tariff	Monthly price	Tariff details	Data use	Calls included	Eligibility
BT Basic + Broadband*	£10.07 (including landline element)	Speed – 10Mbit/s No early termination charge	Unlimited	Free weekend calls (60 minutes) to 0845 and 0870 numbers, plus free call allowance of £1.50. Monthly spend cap of £10.	The customer is required to be in receipt of the following DWP benefits: Universal Credit (zero earnings) and certain legacy benefits. ⁷³ Open to all customers.
Virgin Media Essential Broadband	£15	Speed – 15Mbit/s	Unlimited	N/A	This tariff is available to existing Virgin Media customers who receive Universal Credit and are not currently in arrears or on a payment plan.
KCOM Lightstream Flex ⁷⁴	£20	Speed – 30Mbit/s No early termination charge	Unlimited	Includes 20 inclusive local geographic calls per month and 60 minutes of calls to numbers beginning 0845 or 0870. Once this inclusive allowance has been used, calls are charged up to a £10 cap.	The customer is required to be in receipt of the following DWP benefits: Universal Credit (zero earnings) and certain legacy benefits. ⁷⁵ Only for customers in a full fibre area.

Sources: Provider websites: [BT Basic + Broadband](#), [Virgin Media Essential Broadband](#), [KCOM Lightstream Flex](#) [accessed at 26 November 2020].

*BT intends to improve this product, including expanding eligibility to people on Universal Credit, in 2021.

Other providers have taken steps to help their customers who are may be struggling to access internet services for financial reasons. Post Office is trialling an '[Unlimited Broadband Basics](#)' tariff, which offers fixed broadband for £20 for customers who would otherwise not be able to access it because of failed credit checks.

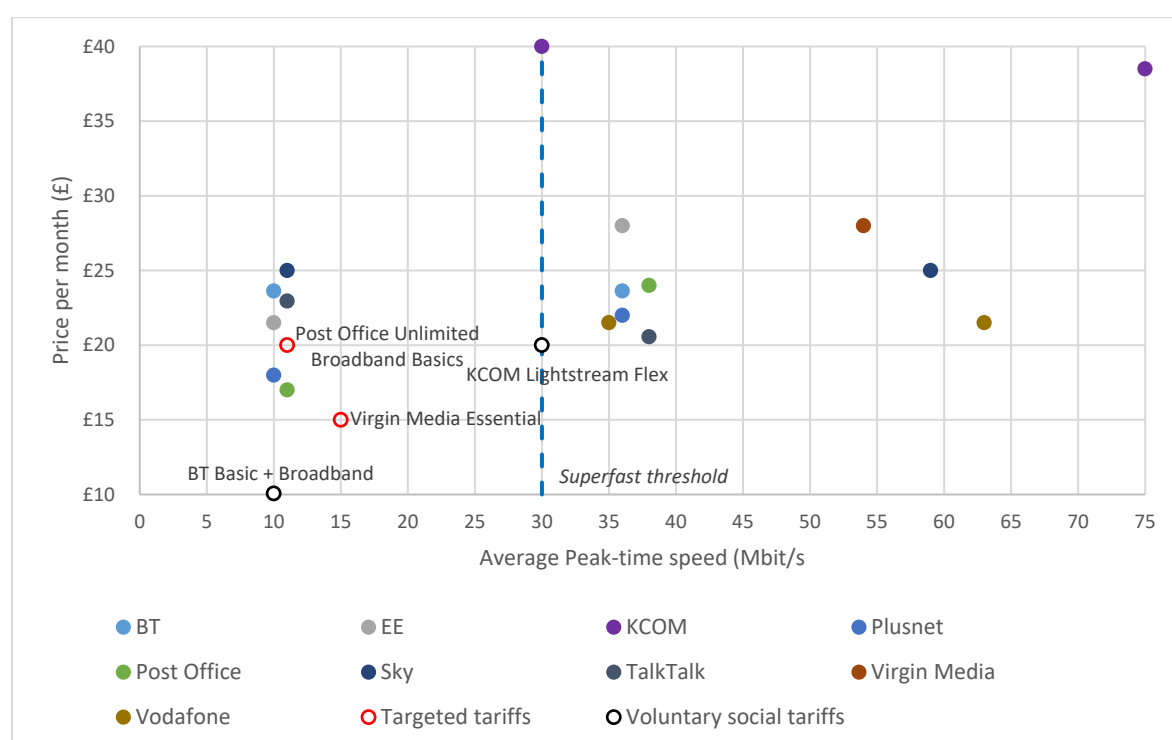
⁷³ Income Support, Income-based jobseekers allowance, Pensions credit (Guaranteed Credit), Employment and Support Allowance (Income related).

⁷⁴ KCOM has Flex products available to all eligible customers in the Hull area. Lightsream Flex is the product available to customers with access to full-fibre, which accounts for the majority of customers following KCOM's main fibre deployment. A small number of customers cannot yet access full-fibre services, and these people can access alternative Flex products on ADSL. Details can be found on the [KCOM website](#).

⁷⁵ Income Support, Income-based jobseekers allowance, Pensions credit (Guaranteed Credit), Employment and Support Allowance (Income related), housing benefit, Personal Independence Payment, Attendance Allowance and Care leavers supported by Children's Support. This service is also available to care home residents, Lifeline customers who are referred to KCOM via Social Services.

We set out in Figure 17 below the major providers' cheapest standard and cheapest superfast dual-play tariffs along with BT, KCOM and Virgin Media's eligibility-dependent tariffs, as at November 2020. By switching to BT's voluntary social tariff, for example, consumers who meet the eligibility criteria could save £7 per month compared to the cheapest available dual-play tariff offered by Post Office (£17 per month) and £14 per month relative to BT's cheapest dual-play standard broadband tariff. Customers in Hull who meet the necessary eligibility criteria would save significantly (up to £19 per month) by switching to KCOM's voluntary social tariff, although this tariff offers a lower speed (30Mbit/s) compared to KCOM's cheapest widely available superfast tariff (75Mbit/s).

Figure 17: Cheapest dual-play (in-contract) prices including social and targeted tariffs, by advertised speed: November 2020



Source: Ofcom/Pure Pricing UK Broadband Updates and KCOM (as in Figure 15 above) and provider websites (as in Figure 16 above).

Note: All tariffs are dual-play tariffs with the exception of Virgin Media Essential which is a fixed broadband-only tariff. Prices are average in-contract prices.

To help understand how eligibility-dependent tariffs can help address affordability issues, we have looked at the tariffs above in the context of average disposable incomes.⁷⁶ We have used data from the Office for National Statistics to estimate the proportion of disposable income accounted for by these tariffs for households in the lowest income decile (i.e. for people who are more likely to be financially vulnerable).

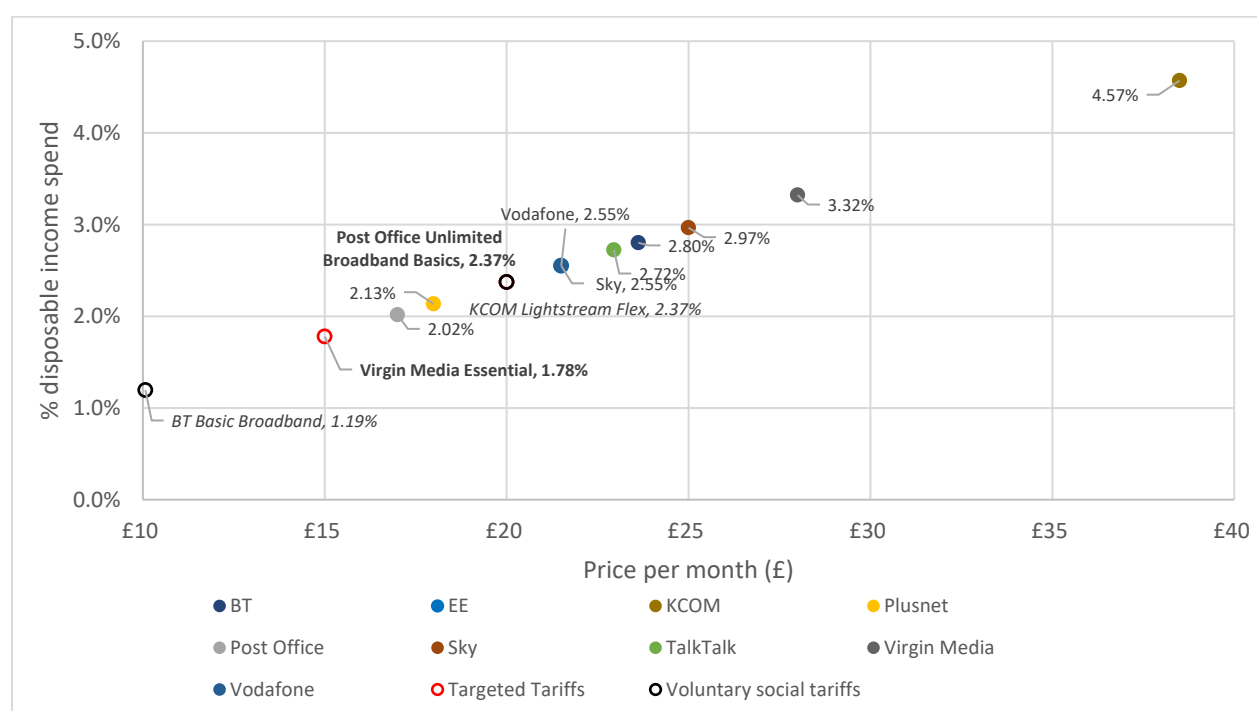
⁷⁶ Defined by the ONS as "The amount of money that all of the individuals in the household sector have available for spending or saving after income distribution measures (for example, taxes, social contributions and benefits) have taken effect." This measure excludes housing benefit.

Although this measure is useful as an indicator of affordability, the ability of a consumer to afford a service can be affected by factors other than price including spend on other essential goods and services (which may be higher for certain vulnerable customers including those with a disability). Therefore, we recognise that even for households with very similar disposable incomes, the affordability of communications services will likely vary.

As Figure 18 below shows, households in the lowest income decile would spend at least 1% of their disposable income (£843 per month) on the cheapest available tariff, BT Basic. This compares with about 2% to 3% of disposable income for most of the other tariffs.⁷⁷ In Hull, KCOM's Lightstream Flex would represent about 2% of disposable income for the lowest income decile, compared to more than 4% for KCOM's cheapest widely available tariff.⁷⁸

If the lowest income decile households were not taking the cheapest tariffs shown, but instead paid the average amount for fixed voice and data (£37), this would represent around 4% of disposable income. By comparison, average spend on fixed voice and data⁷⁹ (£37) would represent around 1% of disposable income for an average household.

Figure 18: Spend on dual-play tariffs as a proportion of disposable income for those on the lowest income decile, by advertised speed: November 2020



Sources: [ONS data \(2019\)](#) and prices from *Ofcom/Pure Pricing UK Broadband Updates* and provider websites (as in Figure 17 above).

⁷⁷ Similarly, we estimate that a two-parent household with two children receiving Universal Credit would spend approximately 3% of their £1,111 average monthly income on a dual-play tariff, based on average spend on fixed voice and data ([CMR, 2020](#)).

⁷⁸ We note that the ONS disposable income data are UK wide so may not provide a fully representative view of the ratio of tariffs to incomes in Hull.

⁷⁹ Ofcom, September 2020. [CMR 2020](#), Telecoms: overview, Average monthly household spend on telecoms.

Note: Voluntary social tariffs are shown in Italics, while targeted tariffs are shown in Bold. All tariffs are standard speed except Virgin Media, KCOM, TalkTalk and KCOM Lightstream Flex. Prices used are average in-contract prices.

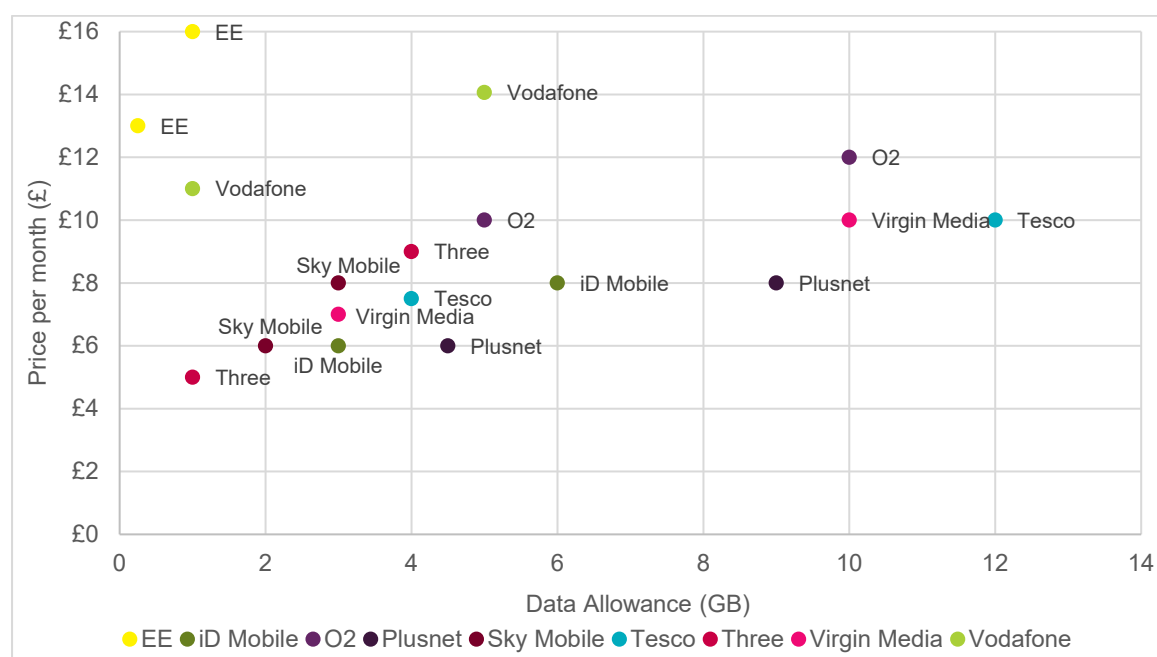
We have also compared the proportion of disposable income spent on telecoms, with the proportion spent on other regulated services. The proportion of household income spent on bills has in the past been used by regulators as a threshold for identifying water/fuel poverty.⁸⁰ Compared to the 1% spent on dual-play, [ONS spend data \(2019\)](#)⁸¹ suggests average water and energy spend accounts for around 1% and 2.5% of average disposable income respectively.

The price of mobile services has fallen in recent years, with cheaper options available to consumers with low data usage

The price of mobile tariffs has declined over time. In particular, average prices of tariffs with large amounts of inclusive data have fallen sharply. For example, the weighted average price of a standalone tariff with 15GB of inclusive data fell by 46% between 2015 and 2019.⁸²

Customers can also save in some cases by switching to SIM-only contracts and buying a handset separately (including cheaper second-hand/refurbished handsets), with pay-monthly SIM-only tariffs retailing from around £5 a month (as shown in Figure 19 below). SIM-only tariffs often vary in terms of the minimum contract length (for example, the tariffs in Figure 19 have minimum contract lengths ranging from 30 days to 24 months) offered.

Figure 19: Cheapest mobile pay-monthly SIM-only (in-contract) prices, November 2020



⁸⁰ Ofwat, January 2016. [Affordable for all](#).

⁸¹ ONS, March 2020. [Family Spending in the UK](#), Section 2: High-level household spending.

⁸² Ofcom, January 2020. [Pricing trends for communications services in the UK](#) report. Figure 21, price excludes handset cost.

Source: Ofcom/Pure Pricing UK Mobile Updates.

Note: Prices are average in-contract prices.

Consumers with low data usage and/or those who do not want to commit to a minimum contract period can benefit from cheaper deals on pre-pay tariffs.⁸³ For example, the weighted average price of a pre-pay tariff with 1GB data in 2019 was £9.88 (compared to a pay-monthly price of £11.27 for the same data usage).⁸⁴

Although there are no regulated social tariffs for mobile services, we note that Vodafone has recently announced a [new tariff](#) targeted at those who have lost their job due to the pandemic, offering unlimited 5G data, calls and texts for £10 a month. The tariff, launched on their [VOXI brand](#), gives customers claiming a range of employment-based benefits up to 6 months on the discounted tariff (usually £35 a month), without the need to pass a credit check or commit to a contract. Tariffs such as these offer more affordable options and flexibility to consumers experiencing affordability problems.

Some consumers continue to rely on their landline, so it is vital it remains affordable

While access to the internet is important for many consumers, some customers rely on their landline to communicate with others and access services, and so it is vital that it is affordable. BT, the largest retailer of voice-only tariffs, currently offers the cheapest voice-only product (£12.14/month). Post Office also offers a home phone package for £15/month (which also includes free calls to other Post Office numbers). The overall number of voice-only customers was 1.2 million in Q4 2019.⁸⁵

The prices BT sets for its voice-only customers are currently protected until March 2021 through a voluntary commitment offered by BT where the line rental price will not increase by more than CPI+2.5% per year and the basket of line rental and calls increase by no more than CPI+0%.

We recently published a consultation on our proposed approach for continued price protection for consumers who only purchase voice-only services from BT. BT's share of customers has increased over the current commitment period and it holds by far the majority share of these customers. BT has offered further voluntary commitments for a period of 5 years to limit the increase in line rental prices to CPI+2.5% and keep prices across a basket of line rental and calls at the current level, with a CPI+0% commitment. We propose to accept these commitments.⁸⁶

Some providers also offer a voice-only social tariff. BT and KCOM's voice-only social tariffs are designed for those who make few calls but rely on their landline. [BT Basic](#) is priced at £5.16 a month and has an inclusive £1.50 call credit and a spend cap of £10 above this. BT also committed to limit

⁸³ Most pre-pay tariffs are now hybrid tariffs which enable users to buy a pack of inclusive calls/SMS services that expires after a month for a set monthly fee. Any use outside these allowances is taken from a more traditional pre-pay credit balance.

⁸⁴ Ofcom, January 2020. [Pricing trends for communications services in the UK](#) report, Figure 24, excludes handset cost.

⁸⁵ Ofcom, December 2020. [Protecting voice-only landline telephone customers](#), page 1.

⁸⁶ Ofcom, December 2020. [Protecting voice-only landline telephone customers](#).

the price increases of BT Basic's inland geographic calls and rental to CPI.⁸⁷ [KCOM](#)'s Flex call package is priced at £5.10 a month and also has a £10 spend cap once the inclusive calls limit is reached. They have the same eligibility criteria as their voluntary dual-play tariffs described above. These products do not have a minimum contract period, are protected from end of contract price rises and are available to all customers who meet the eligibility criteria.⁸⁸

⁸⁷ Ofcom, March 2014. [Letter from BT](#).

⁸⁸ Eligibility criteria are identical to those outlined in Figure 16 for BT and KCOM's dual-play social tariffs.



Initial conclusions and next steps

Communications providers have taken measures to support customers with affordability challenges, but there is more that they can do

This report has set out the latest available evidence on the affordability of communications services, alongside a summary of low-price tariffs available to consumers as at November 2020. Although most UK households have not had an affordability issue with communications services, almost one in five have had at least one issue.

For customers who struggle to pay, social tariffs or targeted affordable tariffs can provide valuable support, and we have seen some providers offering these on a permanent or temporary basis in the broadband and mobile sectors. Our research shows the importance of internet access and that some groups, especially those who are unemployed and looking for a work, are more likely to experience an affordability issue with their communications service. Therefore, the availability of targeted affordable tariffs for the financially vulnerable is, in our view, very important.

Where providers do not already offer such products, we therefore strongly encourage them to consider introducing targeted tariffs designed to ensure that customers on low incomes, or who are otherwise financially vulnerable, can access affordable broadband or mobile services. Where providers offer such tariffs, we think it is important that they can demonstrate they are taking reasonable steps to raise awareness among customers who are likely to be eligible. We also consider it important that such products are made available to those who are most financially vulnerable, which could include people who are in arrears or on a scheduled repayment plan.

We also found that the practices related to debt and disconnections can vary by provider. While we welcome the swift action taken by providers in response to the pandemic, there are some areas where we think providers can do more to better support their customers. We encourage all providers to promote the full range of extra help, support and services they offer to customers. We also encourage them to work more closely with consumer bodies and charities to increase awareness of the help, support and services that are available, such as organisations which provide debt advice.

We will continue to monitor affordability and debt, and will provide an assessment of whether further action may be needed in the first half of 2021

Given the current challenging economic outlook, and in recognition of the uncertainty over how the economy may evolve over time, we will continue monitoring whether and how consumers' experience of affordability changes. We will, for example, continue to carry out consumer research into 2021, which will allow us to track further changes in consumers' ability to pay for their communications services. We also expect to undertake further monitoring of debt and disconnections trends and practices amongst providers.

We will publish a further affordability report in the first half of next year, in which we will assess affordability and the provision of affordable tariffs available to targeted groups of customers. As we review the prevalence of affordability issues, we will particularly consider those issues that are likely to be more severe such as cancelling a service due to it being unaffordable or missing payments.

If we establish any affordability concerns that would not be addressed by existing tariffs and support from providers, we will set out proposals for any further measures. This could include working with government to determine whether a formal social tariff underpinned by regulation, or other direct support measures, would be appropriate to address affordability concerns.

We will present a more detailed assessment of levels of debt and disconnection in the sector, alongside related provider practices. We will use this information to inform our longer-term approach to monitoring and identify any areas where further measures are required to support customers. Finally, we will consider whether the obligations on providers in this area remain appropriate.