

## Introduction

We rely on communications services more than ever before. We use them to work, shop, bank, for entertainment and to keep in touch. Landline and broadband services are now such a part of our daily lives that when something goes wrong it can cause real problems.

Although most consumers tell us they are satisfied with their landline and broadband service, a significant minority do suffer poor quality of service, such as waiting too long for installations or for repairs.

Most of these customers don't get compensation from their providers, and those that do probably had to make a complaint.

In last year's Digital Communications Review we set out our vision to bring about a step change in quality of service, including introducing automatic compensation for consumers when things go wrong.

We are now proposing that automatic compensation should be available for some specific quality of service problems. These are:

- Delayed repair following loss of service: when a landline and/or broadband service repair takes too long;
- Delayed provisions: when a provider promises to start a service on a given day but fails to do so.
- Missed appointments: when an engineer is supposed to come but does not turn up.

Our proposals would ensure consumers get compensation without claiming and this will also encourage providers to improve the quality of the services they provide.

## The current situation

As explained above, while most consumers are generally satisfied with their telecoms services, a significant minority do experience problems. Sometimes these problems can last for many weeks or even months.

Our research reveals that each year:

- over 5 million consumers lose their landline and/or broadband service;
- nearly 250,000 engineer appointments are missed;
- over 1 million landline and/or broadband installations are delayed.

We found that only a minority of consumers suffering problems get compensation from their provider. Even when they do so, the amount they receive is often not enough to compensate for the harm they suffer.

The evidence also suggests that consumers don't know when they are able to claim compensation, and find the process for doing so unclear, difficult and time-consuming.

## Our proposals

To provide consumers with adequate protection from quality of service problems, we considered three different compensation options.

**Option 1** – Leave things as they currently are.

**Option 2** – Greater transparency about existing compensation arrangements. Providers would have to make it clear to customers when they are entitled to compensation, and how they could claim.

**Option 3** –The introduction of automatic compensation

We propose that neither of the first two options would give adequate protection to residential landline and broadband consumers or encourage providers to improve their quality of service.

Therefore, we are proposing that automatic compensation should be introduced for these consumers when they suffer the following problems.

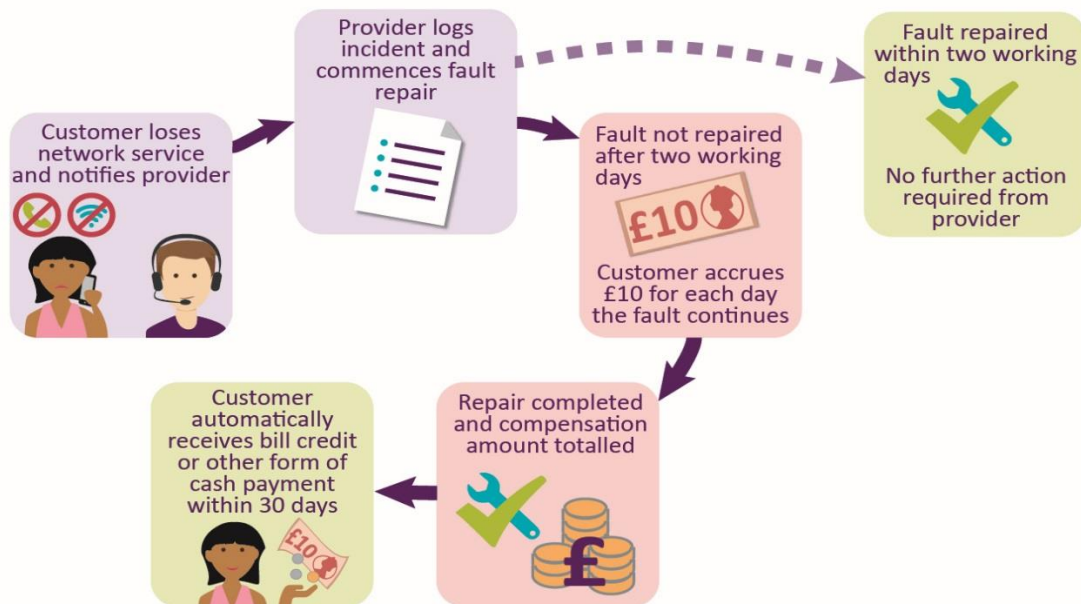
<b>Problem</b>	<b>When is compensation available</b>	<b>Level of compensation</b>
<b>Delayed repair following loss of service</b>	A loss of service that is not fully restored after two full working days have elapsed	£10 for each calendar day, after two working days, that the relevant service is not repaired
<b>Missed appointments</b>	An appointment is missed, or cancelled with less than 24 hours' notice	£30 per missed appointment
<b>Delayed provisions</b>	A delay in the commencement of a service beyond the date the provider has committed to	£6 for each calendar day of delay beyond the promised start date

We have based our proposed rules on the level of service that consumers may reasonably expect to receive and the compensation amounts on how much we think consumers might suffer when they encounter these problems.

We describe below how automatic compensation would work:

## Delayed repair

A network fault that is not fully restored after two full working days have elapsed

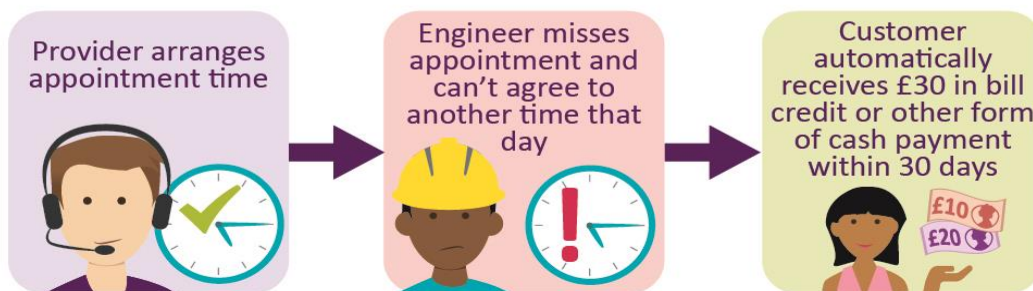


If a customer lost their landline/broadband service, they would need to inform their provider about the problem. The provider would then record the issue and start the process of restoring the service.

If the fault was not repaired within two full working days, the consumer would get £10 and then £10 for each further day the fault continued. Once the fault had been repaired the total amount of compensation due would automatically be paid to the consumer as a bill credit (or other form of payment they agreed to) within 30 days.

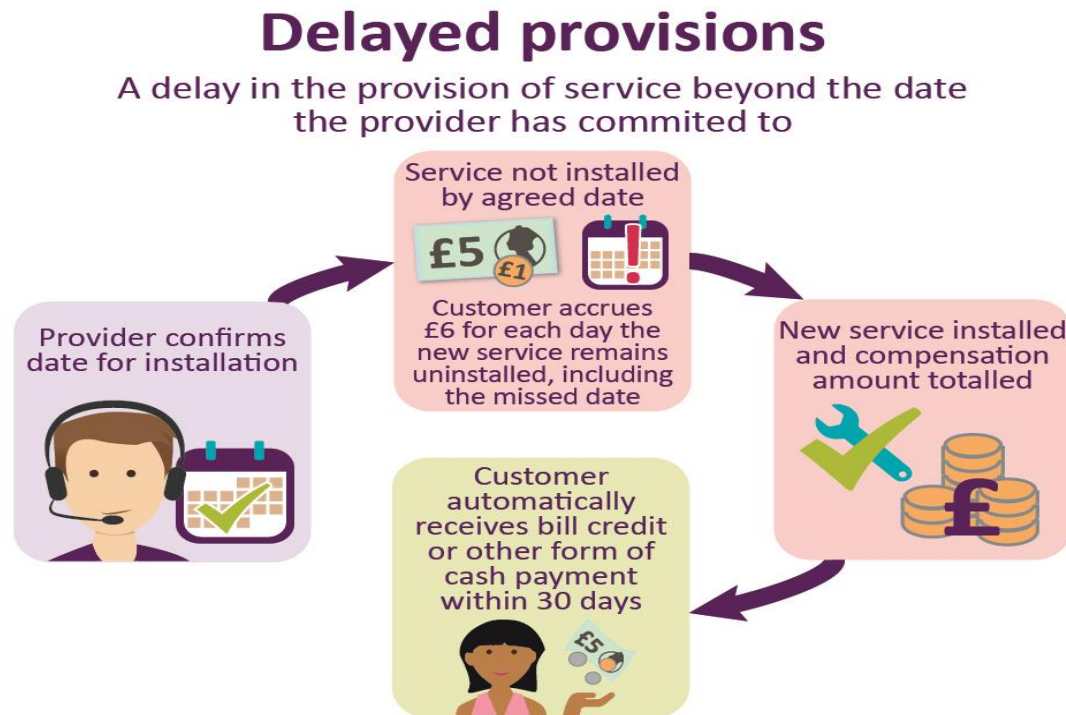
## Missed appointments

An appointment is missed, or cancelled with less than 24 hours notice



If an engineer needed to visit a property to repair/install a service, the consumer would agree a suitable time with their provider. If the engineer did not attend the scheduled appointment

at the time agreed, the consumer would automatically receive £30 compensation from their provider.



The consumer would agree an appointment date for the installation/provision of a new landline or broadband service. If the service wasn't installed on the agreed date, the consumer would accrue £6 for each day the service wasn't installed. Once the service had been installed the total amount of compensation would automatically be paid to the consumer as a bill credit (or other form of cash payment) within 30 days.

## Impacts on consumers and providers

We think consumers, as a whole, would benefit from our proposals because they would suffer fewer problems with their service and they would get compensation automatically when they do so. Providers will bear the costs of this, but they may also pass them on to consumers in their bills. Overall, we think the costs to providers would be proportionate in comparison to the benefits consumers would receive.

## Conclusion

We are proposing therefore to introduce a change in rules to oblige all landline and broadband providers to give their customers automatic compensation. We provisionally conclude this is a proportionate measure that would achieve our aims to protect consumers. They would receive compensation without having to claim. This would also encourage providers to improve the quality of the services they provide.

We understand that providers would need time to implement our proposals as not all will have the technology in place to rollout automatic compensation to their customers. Therefore, we are also proposing that providers be given 12 months from our final statement before automatic compensation comes into force.

The UK's three largest landline and broadband providers - BT, Sky and Virgin Media - have proposed introducing automatic compensation through a voluntary industry code of practice. This would avoid the need for formal regulation and other landline and broadband providers would also be able to adopt this code.

While we view the development of the voluntary code as a positive step, we don't think it goes far enough to protect consumers. We would welcome further improvements to it.

## Businesses

We have also considered whether automatic compensation should cover small and medium sized businesses. However, it is less clear that there is a need for that. For example, SMEs can negotiate bespoke terms and there are already standard business products which provide guarantees about service and compensation. But not all businesses negotiate or take these products up and they can be difficult to find or compare. So we are proposing a change in the rules to make sure businesses are provided with better information on the compensation they should expect if they encounter problems. This will help them to select the best product to suit their needs.

## Mobile

We also examined whether automatic compensation should apply for mobile customers who lose their service for more than 24 hours. However, we think the scale of this problem is relatively small while mobile providers seem to be more willing than landline and broadband providers to give their customers compensation when problems occur.

Therefore, we are not proposing to introduce automatic compensation for mobile consumers at this stage. However, we will carry out further work to monitor the degree of loss of service mobile consumers suffer.

## Next steps

We welcome views on our proposals and will take these into account before publishing a final statement and introducing any changes. Please send them by 5 June 2017 to [automatic.compensation@ofcom.org.uk](mailto:automatic.compensation@ofcom.org.uk)