



Unexpectedly High Bills

Update on Ofcom's March 2012
Statement and Action Plan

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Section 1

Summary

Purpose of this update

- 1.1 In March 2012, Ofcom published a Statement ('the March 2012 Statement') setting out the findings of its review of unexpectedly high bills (UHBs) in the communications market.¹ The March 2012 Statement set out the initial evidence we had gathered, outlined our concerns in light of that evidence, and explained the steps we planned to take to help reduce the risk of consumers experiencing UHBs and reduce the associated level of harm to them.
- 1.2 The review identified that UHBs were experienced more often by mobile contract customers and the most severe problems tended to arise when consumers were using their mobiles abroad (roaming). We signalled that we had concerns with the level of consumer harm being caused and outlined several high level proposals on how the problems of UHBs could be tackled.
- 1.3 The purpose of this document is to provide an update on the work that we have undertaken since the March 2012 Statement and outline what further steps we consider necessary and proportionate to tackle UHBs.

Progress since March

- 1.4 Since March, Ofcom has been active in:
 - Supporting the Body of European Regulators for Electronic Communications ('BEREC') in its campaign for key aspects of the Roaming Regulation that was in force at the time of the March 2012 Statement (the 'previous Regulation')² to be extended to also apply to consumers who roam outside the EU in the recast Roaming Regulation ('the Roaming Regulation').³
 - Working with the Department for Culture, Media and Sport ('DCMS') on the implementation of the Roaming Regulation in the UK.
 - Ensuring mobile operators understand and comply with their responsibilities under the recast Roaming Regulation including putting in place appropriate consumer protection measures and providing remedies to individual consumers where actions taken fell short of the requirements.
 - Carrying out additional consumer research to help us better understand the causes and impact of UHBs, and the most appropriate means to tackle them.
 - Monitoring and analysing our own Customer Contact Team ('CCT') complaints captured between January and December 2012 to assess progress and specify ongoing areas of harm.

¹<http://stakeholders.ofcom.org.uk/binaries/consultations/unexpectedly-high-bills/statement/statement.pdf>

² Regulation No 544/2009

³ Regulation No 531/2012

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:172:0010:0035:EN:PDF>

- Engaging with mobile operators to encourage them to take steps in response to our review to reduce the risk and impacts of UHBs.
- Examining the information that mobile operators publish on their websites about charges for the services that mobile contract consumers are using which appear to lead to UHBs.
- Reviewing the information we provide to consumers about how to avoid UHBs and exploring how this can be communicated more effectively.
- Engaging with DCMS on whether measures can be put in place to protect consumers from unlimited liability for unauthorised use of a lost or stolen mobile phone.

Tackling UHBs from roaming

- 1.5 In the March 2012 Statement, we identified roaming as the key cause of UHBs particularly where consumers were downloading data outside of the EU. We committed to tackling UHBs from roaming as a priority⁴.
- 1.6 The research conducted during 2012 has found that roaming continues to result in the highest level of individual consumer harm of all causes of UHBs with consumers facing an average additional charge of around £60 (£46 to £51 after operator refunds as reported by respondents). We also know from consumer complaints to the CCT that some individuals have faced much higher levels of harm particularly when data roaming outside of the EU.
- 1.7 As an active member of the BEREC, Ofcom successfully campaigned for the European Commission ('EC') to extend some of the key consumer protections under the Roaming Regulation. The recast Roaming Regulation came into effect on 1 July 2012 and now affords the following protections for consumers, both when roaming within the EU and worldwide.
- As soon as consumers switch on their phone abroad and connect to a foreign network, operators must send them a text setting out key information, including the costs of using their phone.
 - Consumers are also protected by a default data roaming limit of no more than 50 Euros (excluding VAT) per month, when they travel abroad. Mobile operators must alert customers when they reach 80% and then 100% of the limit.⁵
- 1.8 Following our discussions with operators which focused on ensuring compliance with key consumer protection measures in the Roaming Regulation, we are pleased to report that where we raised concerns, operators have, in the main, taken steps to address them. For example, we highlighted the need for greater clarity in their communications with consumers and improvements to their processes.

⁴ Although not discussed in this document, we note that Ofcom is also carrying out work to tackle the issue of UHBs from inadvertent mobile roaming for consumers in Northern Ireland ('NI'). This occurs when a mobile phone user in NI roams onto a signal from Republic of Ireland and in doing so incurs international call charges. This particularly affects people living in border areas and was discussed in the Communications Market Report: Northern Ireland 2012 (see http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr12/Northern_Ireland_CMR_2012.pdf). We are continuing to actively engage with operators on this issue.

⁵ This default data roaming limit is applicable to all customers who have not opted for another limit.

- 1.9 We note that some operators proactively provided remedies (in the form of refunds) to individual consumers that had suffered harm as a result of their failure to fully comply with some aspects of the Roaming Regulation by the 1 July 2012 implementation date. In addition, we successfully secured commitments from some other operators to do the same. We do however still have some remaining concerns and are working with the relevant operators to address these. We will consider opening formal investigation(s) if our concerns remain unaddressed in the short term.
- 1.10 The March 2012 Statement reported that the CCT had received a lower level of complaints in relation to roaming inside the EU, compared with outside, which suggested that the Roaming Regulation had been successful in addressing consumer harm caused by roaming inside the EU. Although roaming complaints to the CCT continue to mainly relate to roaming outside the EU, all roaming complaints have fallen approximately 25% in recent months. This is a positive sign and suggests that the recast Roaming Regulation may already be having a positive effect.

Tackling UHBs from domestic use

Developing a better understanding of the impact and causes of UHBs

- 1.11 Having identified some areas of concern through preliminary research which were presented in our March 2012 Statement, we have conducted more in-depth consumer research to gain a better understanding of the causes and impact of UHBs from domestic use amongst mobile contract consumers. The latest research identified that, depending on the root cause, between 0.5% and 3% of mobile contract consumers experienced an UHB in the 12 months previous to July 2012. The latest research identified that of those consumers who experienced an UHB in relation to making calls or using data not included in their allowance, or exceeding their data allowance, large proportions indicated that the additional charges they faced were at the lower end of the financial scale. For example, over 70% of consumers who had received an UHB because of calls made to numbers not included in their allowance received bills of less than £20, and another 25% received bills of between £21 and £50.

The key causes of domestic UHBs

- 1.12 The more detailed evidence we now have has enabled us to identify more clearly the main causes of UHBs and to target actions to assist consumers affected by UHBs more effectively.
- 1.13 The main causes of domestic UHBs identified by our latest research are:
- Making calls to numbers not included in inclusive calls packages;
 - Exceeding voice minutes and/ or data allowances; and
 - Using data when not included in allowance.
- 1.14 Our consumer research identified making calls to numbers that are not included in a consumer's voice minutes allowance as the main stated cause of domestic UHBs. The latest research reports the majority of consumers solely affected by this issue said the UHB was related to calls made to non-geographic numbers such as 0845 (67%), 0800 (39%) and 0870 (33%) numbers. There are indications of confusion amongst these consumers as to whether calls to these numbers were included in

their allowance. The majority (between 78%-85%) of these consumers said they had no idea what the costs of calling these numbers from their mobile would be.

- 1.15 Ofcom has an ongoing project looking at the price transparency of calls to non-geographic numbers. In April 2012 we consulted on proposals for changes to the regulation of these calls that will help to ensure that providers make the cost of these calls simpler for consumers to understand. Under the proposals, calls to the 080 number range will be free from mobiles (or landlines) and the cost of calls to other non-geographic numbers will be structured differently so it is clear to the consumer how much they will pay to their phone operator and how much will go to the company that provides the service they are calling. We are intending to publish a statement on these proposals shortly. If changes are implemented, they are likely to come into effect in late 2014/early 2015 and they should help tackle UHBs due to calls to non-geographic numbers.
- 1.16 In relation to consumers making calls when they have already exceeded the number of minutes included in their allowance or using data when it is not included in their allowance, the new evidence suggests that low levels of consumer awareness can be a key cause of these UHBs. The latest research also suggests that the majority of consumers, who have experienced an UHB regardless of the cause, say they need more information on the cost of calls once they have exceeded their allowance. The research findings highlight the importance of operators:
- Being clear to consumers at the point of sale about what is and is not included in a consumer's allowance and the costs of using services outside of the allowance; and
 - Providing and promoting tools that help their customers understand and monitor their usage levels and providing them with easy to understand and accessible information (throughout the life of the contract) about the additional costs of using services that are not included in their allowance.
- 1.17 We consider that such measures are key to ensuring consumers are able to make informed decisions about the services that best suit their needs and decide when and how to use the services available through their mobile phone.

Alerts and usage monitoring tools

- 1.18 Operators have adopted various measures to help reduce UHBs.
- 1.19 All operators provide tools that can help consumers to monitor their usage, for example, through online bill checkers and applications ('apps') that they can download to their phones.
- 1.20 Most operators now provide SMS alerts when their customers reach their existing data allowance. Of the main mobile operators, Orange is the only operator that does not currently offer this to all its customers (it is available for customers on 4G) but it has committed to do so in the near future⁶. The incidence of consumers experiencing UHBs due to exceeding domestic data usage is, at the time the research was conducted, the lowest amongst all the different types of UHBs identified which provides some indication that the widespread adoption of data alerts has been effective.

⁶ Accurate as of 12 February 2013

- 1.21 O2 have introduced a system that monitors their customers' spend, looks at how long they have been a customer, how much they normally spend and if they pay their bill on time. In extreme cases, for example, if it looks like the phone has been lost or stolen as the customer is spending much more than normal, O2 will notify the customer and may restrict a customer's service until they are sure that the phone use is authorised by the contract holder.
- 1.22 All providers now offer tariff packages with large or 'unlimited' (subject to fair use) voice and data allowances that are more appropriate for heavy use customers. Orange⁷ and T-Mobile⁸ both offer a single package that provides customers with 'unlimited' minutes, texts and data⁹. The other operators all provide a variation on large and/or unlimited packages.
- 1.23 The steps taken by a number of operators are encouraging, and should help to reduce UHB levels for their customers. However, we consider that all operators can do even more to help reduce particular types of UHBs. We will continue to push operators to take further action to tackle UHBs and we will monitor progress closely. In particular, we would like to see:
- Adoption of SMS alerts to inform consumers they have reached their voice allowance; and
 - Adoption of more tailored advice based on a consumer's usage pattern. For example, sending SMS alerts with details of the costs of using additional voice or data services once consumers have exceeded their voice and/or data allowance and warnings that certain types of services they are using are not included in their allowance.

The Financial caps

- 1.24 We set out in the March 2012 Statement that we may consider exploring the possibility of introducing new regulations requiring operators to set financial caps that consumers would need to opt out of¹⁰. We have considered this issue further in light of the additional evidence gathered, including the new research findings and feedback from operators.
- 1.25 We note that some operators, Tesco¹¹ and Three¹², do already provide a basic form of 'opt in' financial cap across all of their packages. These can offer consumers protection against UHBs and might be of particular interest to budget-conscious consumers. However, they may not be appropriate for all consumers. For example, Three's cap can only be set at £0 above the agreed monthly allowance ,so

⁷ <http://help.orange.co.uk/orangeuk/support/personal/699647>

⁸ <http://www.t-mobile.co.uk/shop/sim-only/sim-only-the-full-monty-31-12m/t-mobile-combi-sim-paym/extras/>

⁹ Accurate as of 12 February 2013

¹⁰ 'Opt out' financial caps would be those were an operator would, by default, place all of their customers onto a tariff with a financial limit, unless the customer actively opted out. This differs from an 'opt in' cap where a customer has the option of choosing to go on to a capped product if they wish to do so. The cap would kick in once a financial limit was reached, regardless of whether it was a voice or data service generating the cost.

¹¹ <http://phone-shop.tesco.com/tesco-mobile/help-and-support/new-capped-tariffs.aspx>

¹² [http://support.three.co.uk/srvs/cgi-bin/webisapi.dll?command=new,kb=mobile,ts=mobile,t=article,varset_cat=billing,varset_subcat=3768,case=obj\(4289\),varset_username=Mobile:mobileUser](http://support.three.co.uk/srvs/cgi-bin/webisapi.dll?command=new,kb=mobile,ts=mobile,t=article,varset_cat=billing,varset_subcat=3768,case=obj(4289),varset_username=Mobile:mobileUser)

consumers would not be able to make any calls to numbers that fall outside of their usage allowance. Tesco's cap appears to offer more flexibility to allow consumers to 'top up' their account in order to make calls outside their usage allowance.

- 1.26 Discussions with operators suggest that there are limitations to the way that financial caps can be applied using their existing billing systems and that this can lead to a poor consumer experience. For example, some have advised that customers would not be able to change the financial cap easily or frequently and as a result may face abrupt, unwanted disconnections or lengthy periods without service when they reach their financial cap.
- 1.27 Operators have also advised that they do not have systems in place to allow for a pay monthly customer's usage to be monitored and billed in real time when they are abroad. There is typically a delay in foreign operators sending billing information back to domestic operators; this can take up to three days. Significant costs can be generated in a relatively short time before usage is recognised by the operator's billing system and before any financial cap would be triggered. It is therefore unlikely that the introduction of opt-out financial caps would always help consumers who have experienced UHBs, and in particular the more extreme cases that result from unauthorised use of phones lost or stolen overseas or voice calls made outside of the EU.
- 1.28 Operators have also advised that, for the reasons outlined above, the costs associated with upgrading their systems to accommodate user friendly opt-out usage caps would be significant and not necessarily something that they would undertake as part of their ongoing strategies.
- 1.29 The research conducted during 2012 has given us a clearer picture of the level and drivers of UHBs. Given the changes that have been made by some operators and the possible problems and potential costs of implementing financial caps, we do not consider that we have sufficiently robust evidence at the present time to assess the case for financial caps. We will however continue to monitor the incidence and impact of UHBs, including further research, and will consider commissioning a feasibility and cost study to look at financial caps in the future should the need arise.

Tackling UHBs from lost and stolen phones

- 1.30 Our latest consumer research suggests that the average additional charge faced by consumers who have received an UHB resulting from lost or stolen phones is in the region of £33 (£20 after operator refunds as reported by respondents). However, our CCT complaints data points to a small number of consumers receiving charges running into thousands of pounds and this therefore remains an area of concern.
- 1.31 This is a difficult issue but we consider there are certain steps that both operators and consumers can take to help reduce the risk and impact of this type of UHB. As mentioned above, analysis of CCT data suggests that the worst instances of UHBs that result from lost or stolen phones occur when the customer is abroad, often when calls are made to other international destinations or premium rate service (PRS) numbers. We therefore consider that operators should focus attention on implementing more targeted measures to help consumers when leaving the UK.
- 1.32 The research indicates that around 44% and 46% of consumers, who had experienced an UHB due to voice and data use respectively, contacted their operator before going abroad. This offers a key opportunity for operators to inform consumers about the steps they can take to help protect themselves from UHBs including from

unauthorised use if their phone is lost or stolen. Operators already provide SMS alerts when customers are travelling abroad and we consider that extending these measures would be helpful to target a specific set of customers who are the most likely to incur the highest charges for unauthorised use. For example, timely alerts to remind consumers to lock handsets when travelling abroad or remind/advise customers to bar certain international / PRS calls. We will continue our work to ensure that operators play their part in helping consumers to become better informed about such measures. We will also work to ensure that operators facilitate a swift and easy contact process for consumers to report lost/stolen phones at home and abroad.

- 1.33 We have also been considering what else can be done to deal with the issue of consumers' liability for very large bills when a phone is lost or stolen. We therefore raised this with DCMS in the context of its Discussion Paper for the Communications Review¹³ to consider if the introduction of primary legislation may be appropriate to address this problem. We are continuing to engage with DCMS on this issue.

Consumer guides

- 1.34 We will continue working to ensure that consumers, and particularly those most susceptible to UHBs, are provided with the necessary advice to help prevent bill shock. To support this, Ofcom has published new consumer guides¹⁴, which provide advice for consumers to help them avoid running up a UHB when using their mobile phone both at home in the UK, and when travelling abroad. We have also published 'how to' video guides, providing step by step instructions to show how to perform some basic functions which can help to prevent UHBs, such as password protecting your SIM card and handset and turning off data roaming.
- 1.35 The guides are supported by consumer groups and other industry organisations including Citizens Advice, the National Mobile Phone Crime Unit, the Association of British Travel Agents, Rough Guides, Travel DK, PhonepayPlus, the National Consumer Federation, and the Communications Consumer Panel. Operators also have a particularly important role to play in advising their customers about steps they can take to help protect themselves against UHBs and promoting the tips included in the consumer guides and other relevant information.

Summary and next steps

- 1.36 We will be engaging with operators shortly after the publication of this update by writing to/meeting with them. We will be sharing the key findings from our consumer research and setting out some specific actions that we would like them to take to further reduce UHBs including:
- Provision of clear and transparent information at the point of sale on what is included and excluded from a consumer's usage allowance and the cost of using services outside of the allowance;
 - Promotion of account management tools and consumer advice about the steps to take to avoid UHBs;

¹³http://stakeholders.ofcom.org.uk/binaries/consultations/ofcomresponses/Ofcom_response_to_DCMS.pdf

¹⁴<http://consumers.ofcom.org.uk/2013/03/guide-to-preventing-bill-shock-when-using-your-mobile-phone/>

- Adoption of SMS alerts to inform consumers that they are reaching/ have exceeded their voice allowance and the costs of making further calls;
- Introduction of SMS alerts to inform consumers they are reaching/ have exceeded their data allowance where these are not already in place;
- Introduction of SMS alerts to consumers who have no data allowance that they are using data and promote packages that include a data allowance where in line with the consumer's needs;
- Promotion of information for consumers on how to switch off/disable mobile data;
- Promotion of non geographical number bundles for customers that regularly make these sorts of calls;
- Provision of information at point of sale on customer's liability for costs of unauthorised use in the event that their phone is lost and stolen;
- Greater clarity when selling mobile insurance about whether call/data charges are covered in addition to the handset, and what will be covered when travelling abroad;
- Promotion of information to help consumers protect their mobile phones from unauthorised use and minimise the risk of UHBs if their phone is lost or stolen (e.g. setting passwords on SIMs and handsets and placing call bars on international and premium rate numbers);
- Investment in systems and processes to help monitor and improve detection of unauthorised use.

1.37 We will also be making clear that we expect:

- Compliance with their obligations under the recast Roaming Regulation, and that failure to comply may lead to formal enforcement action;
- Implementation of and compliance with any new proposals that are introduced to simplify and enhance transparency around the costs of calling NGNs.

1.38 We will continue our engagement with DCMS on the issue of consumer liability for UHBs as a result of unauthorised use when a mobile phone has been lost or stolen.

1.39 We will continue to analyse CCT complaints over the coming months and repeat some of our consumer research to examine the levels of UHBs and identify any significant trends. If there is evidence that consumer harm is at an unacceptable level we will consider whether further measures are necessary.

Section 2

Introduction

2.1 In the March 2012 Statement, Ofcom published the results of a review of UHBs in the communications market (sometimes also referred to as billshock)¹⁵. This was in response to concerns about UHBs expressed directly by consumers in complaints to Ofcom, as well as by MPs and in the media. The purpose of this document is to provide an update on the review, in particular, the work that has been done since the March 2012 Statement and suggested next steps.

The March 2012 Statement

2.2 For the March 2012 Statement, we had:

- Gathered and analysed information collected from consumers and other stakeholders in response to a Call for Inputs¹⁶.
- Carried out initial market research with consumers¹⁷.
- Reviewed complaints gathered by Ofcom's CCT received between 1 May and 21 December 2011.
- Gathered information from operators about the steps that they take to protect their customers from UHBs.

2.3 The March 2012 Statement identified the following:

- UHBs are experienced more often by mobile contract customers than by broadband, fixed-line, Pay TV or mobile pre-pay customers.
- Consumers are more likely to complain about unexpectedly high mobile bills than about bills relating to other communications services.
- Unexpectedly high mobile bills are most commonly caused by consumers downloading data, primarily while roaming outside the EU, but also when using their phones in the UK.
- Making voice calls from a mobile is less likely than downloading data to lead to UHBs. However, consumers do experience some consumer harm as a result of using voice services in the UK, either as a result of exceeding their inclusive allowances or calling numbers not covered by these allowances. There is also some evidence of consumer harm caused by voice roaming outside the EU.
- Consumers can suffer UHBs when their mobile phones are lost or stolen. Although the number of consumers affected is low, the level of financial harm in individual cases can be substantial.

¹⁵ <http://stakeholders.ofcom.org.uk/binaries/consultations/unexpectedly-high-bills/statement/statement.pdf>

¹⁶ <http://stakeholders.ofcom.org.uk/consultations/unexpectedly-high-bills/>

¹⁷ http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/unexpectedly_high_bills.pdf

- 2.4 Our overall assessment as set out in the March 2012 Statement was that some mobile consumers¹⁸ were facing substantial levels of harm as a result of UHBs. We suggested that in order to tackle UHBs, there would need to be a combination of action by industry, Ofcom and consumers. These are discussed below.

Proposed actions set out in the March 2012 Statement

- 2.5 To help us better understand the underlying causes and impacts of UHBs associated with roaming and domestic use, we committed to carrying out more detailed consumer research.
- 2.6 In response to harm caused to consumers from roaming, we stated we would continue to push for the Roaming Regulation to include, among other things:
- A requirement upon operators to extend the €50 default roaming limit to apply worldwide.
 - Alerts when consumers reach 80% and 100% of their limit for roaming inside of the EU, to also apply to data roaming outside of the EU.
- 2.7 Shortly after our March 2012 Statement was published, the EC confirmed it would be recasting the Roaming Regulation to widen key provisions to protect consumers travelling outside of the EU. In response to UHBs associated with domestic use, Ofcom suggested that the following measures should be considered by operators:
- Develop and promote 'opt in' measures such as tariffs that enable consumers to set their own financial caps;
 - Send usage alerts to consumers and warn them of reaching their package limits.
 - Raise awareness of any tools that consumers could use to monitor their own usage.
 - Put systems in place to monitor fraudulent or unusual activity as is the case for credit/debit cards.
 - Encourage consumers to use security features on their phones such as locks and passwords.
 - Ensure that consumers were provided with clear and correct mobile tariff information.

Progress since the March 2012 Statement

- 2.8 Since the March 2012 Statement, Ofcom has been active in:
- Working with DCMS on the implementation of the recast Roaming Regulation in the UK to protect consumers roaming inside and outside of the EU.
 - Ensuring operators understand and comply with their responsibilities under the Roaming Regulation including putting in place appropriate consumer protection measures and providing remedies to individual consumers where actions taken fell short of the requirements.

¹⁸ Paragraph 1.9 of the March 2012 Statement

- Carrying out additional consumer research in February/ March 2012¹⁹ (the February/ March Research) and July 2012 ('the July Research')²⁰ that helps us better understand the causes and impact of UHBs, and the most appropriate means to tackle them.
- Monitoring and analysing our CCT complaints captured between January and December 2012.
- Engaging with mobile operators to understand what steps they have taken in response to our review or as part of their own strategy to reduce the risk and impacts of domestic UHBs.
- Examining the information that operators present on their websites about charges for the services that mobile contract consumers are using which appear to lead to UHBs.
- Reviewing the information we provide to consumers to help ensure they have access to advice on how to avoid UHBs and exploring how such information can be communicated more effectively.
- Engaging with DCMS on whether measures can be put in place to protect consumers from unlimited liability for unauthorised use of a lost or stolen mobile phone.

2.9 We explained in the March 2012 Statement²¹ that, in light of this additional work, we would consider if we needed to explore the option of placing certain requirements on operators to reduce the likelihood of further domestic UHBs, including the provision of financial caps and usage alerts.

The structure of this document

2.10 This document sets out:

- Progress in tackling UHBs from roaming (Section 3), in particular:
 - the implementation of the recast Roaming Regulation and the requirements it places on mobile operators in respect of consumers data roaming outside of the EU;
 - and
 - what the latest research says about the causes and impacts of roaming on UK consumers.
- Progress in tackling UHBs from domestic usage (Section 4) including work undertaken to:
 - Better understand the underlying causes and impacts of UHBs associated with domestic use and possible solutions.

¹⁹ http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/Misselling_Billshock_W3_071.pdf

²⁰ http://stakeholders.ofcom.org.uk/binaries/consultations/unexpectedly-high-bills/research_slides.pdf

²¹ Paragraph 6.27 (c)

- Explore the option of requiring operators to introduce 'opt out' financial caps and alerts to tackle unexpectedly high bills.
 - Understand better what can be done to protect consumers from unauthorised use of lost or stolen phones.
 - Consider whether consumers are being provided with correct and clear information on mobile tariffs and if further action may be necessary.
- Next steps to respond appropriately and proportionately to the issue of UHBs (Section 5).

Section 3

Progress on roaming

The March 2012 Statement

- 3.11 In the March 2012 Statement, we reported our finding that UHBs were most commonly caused by consumers downloading data, primarily while roaming outside the EU. This reflected the results of a review of evidence including responses to a Call for Inputs, complaints from consumers to our CCT, preliminary consumer research and engagement with stakeholders.
- 3.12 We reported finding a lower level of complaints and financial harm in relation to roaming inside the EU, compared with data and voice roaming outside the EU. We suggested that this was most likely due to the previous Regulation which was designed to protect consumers from receiving UHBs after using their phone abroad within the EU. We therefore strongly supported the BEREC in its campaign for key requirements of the previous Regulation to be extended to also apply to consumers who roam outside the EU in the recast Roaming Regulation.
- 3.13 This section reviews the progress we have made since the March 2012 Statement in tackling UHBs caused by roaming. It covers this in two ways. Firstly, it maps our engagement with operators to ensure compliance with the Roaming Regulation and the outcomes that flow from this. Secondly, it outlines additional areas for improvement following analysis of our more detailed July research and our consideration of complaints received since the March 2012 Statement.

Progress since the March 2012 Statement

- 3.14 Since the March 2012 Statement we have gathered and analysed further evidence on UHBs. Key findings from the July research and how it compares with CCT complaint data are set out below:
- The July research indicates that roaming continues to result in the highest level of individual consumer harm of all causes of UHBs and the average additional charges faced by consumers as a result of using their phone abroad was around £60 (£46 to £51 after operator refunds as reported by respondents)²².
 - The complaints we receive often feature much higher amounts for roaming UHBs than that reported on a more general level through our consumer research. This is consistent with the July research that consumers are more likely to complain about UHB's of higher amounts.²³
 - The majority (71%) of consumers surveyed who experienced UHBs due to data used abroad had claimed the data had automatically downloaded - 43% said they

²² This differs substantially from mean values for UHBs reported by Call for Input respondents in the March 2012 Statement- which referred to median values of £1178 and £545 as a result of data roaming outside and inside the EU respectively. However, the July research sampled respondents from a nationally representative online panel whereas responses to the Call for Inputs were self-selecting and the analysis was based on small samples (70 and 7 respondents respectively).

²³ 28% of consumers who received a bill that was up to £20 higher than expected complained rising to 54% amongst those receiving a bill which was at least £51 higher than expected.

thought they had switched this function off whereas 28% said they had not. Similar views are expressed in complaints received by the CCT.

- Two fifths of those surveyed in the July research (i.e. mobile contract customers who had experienced some form of UHB in the 12 months prior to interview) said they were unaware of the ability to switch off mobile data abroad (39%).
- Over two fifths of consumers (i.e. mobile contract customers who had experienced some form of UHB in the 12 months prior to interview) surveyed in our July research said they contacted their operator prior to their trip to get advice or information on using data and/or making voice calls abroad, and our complaints data also indicates some consumers doing so. These contacts with operators offer a key opportunity for them to provide consumers with information about roaming and how to avoid the risk of experiencing an UHB.

3.15 Given the above findings, we have continued to focus on roaming as a priority area in tackling UHBs. We explain our work in this area and the results achieved below.

Extension of roaming protections

3.16 As an active member of the BEREC, Ofcom successfully campaigned for the extension of key consumer protection measures under the previous Regulation to consumers who roam outside the EU. We were pleased to see the EC implement these changes through the introduction of the recast Roaming Regulation on 1 July 2012. This provides the following protections for consumers, which apply to consumers roaming within the EU or outside:

- As soon as consumers switch on their phone abroad and connect to a foreign network, operators must send them a text setting out key information, including the costs of using their phone. Operators must also send consumers details of how much it will cost to use data while they are away.
- Consumers are also protected by a default data roaming limit of no more than 50 Euros (excluding VAT) per month, when they travel abroad. This default data roaming limit is applicable to all customers who have not opted for another limit. Mobile operators must alert customers when they reach 80% and then 100% of the limit. Once the limit is reached, operators must stop charging for data unless the customer consents to lifting the limit.

3.17 In addition, the Roaming Regulation maintains other protections which continue to apply only to consumers who use their phone abroad within the EU, including price caps in the form of 'euro-tariffs' that limit the amount that operators can charge customers for making and receiving calls and sending texts, and from 1 July 2012 for using data. Under the Roaming Regulation, operators are entitled to offer consumers alternative products (in addition to the euro-tariffs) that may prove beneficial to certain consumers depending on their usage, which consumers can choose to have instead of the euro-tariffs. Several operators offer such alternatives currently.

3.18 We have also been working closely with DCMS, who are working to introduce revised Statutory Instruments to implement certain articles of the Roaming Regulation in the UK.

3.19 The Roaming Regulation also introduced structural measures designed to encourage competition in the EU roaming market, by opening the market up and by 'unbundling' consumer access to roaming so that they are no longer tied to using their domestic

supplier. The first of these measures, including rules allowing greater access to wholesale roaming services are to be in place by 2013, the latter comes into force on 1 July 2014. The BEREC ran two consultations on these (Wholesale Roaming Access and Choice of Decoupling Method respectively) in the summer and will be advising the EC on next steps²⁴. The EC is due to assess whether the objectives of the Roaming Regulation have been achieved, including whether the structural measures have been fully implemented and competition is sufficiently developed, by 30 June 2016.

How consumers are billed for using their phone abroad

- 3.20 How consumers are charged for using roaming services abroad can vary. A common way is for mobile contract consumers to be billed for roaming usage afterwards, as they would be for using other services not included in their standard contract allowance. Alternatively, the consumer may take out a specialist product or deal designed to offer discounted rates while they are away. These may be charged for in advance (for example a bolt-on product offering a set usage amount for a set charge) or may involve a daily charge, triggered when a certain type of usage occurs.

Our engagement with operators

- 3.21 In advance of the changes that came in on 1 July 2012, we wrote to the main mobile operators to ask about their plans for implementing the requirements in the recast Roaming Regulation, and how they were complying with the requirements of the previous Regulation in force at the time.²⁵
- 3.22 Our subsequent discussions with operators focused on ensuring compliance with the consumer protection measures in the Roaming Regulation, including the default data roaming limit and associated alerts (both within and outside the EU). Our discussions also covered how alternative roaming products worked. For example, how the process for opting out of the euro-tariff onto other roaming products worked and how consumers could opt out of the financial limit on data roaming.
- 3.23 As a result of our discussions, a number of the operators committed to taking steps to ensure compliance, and most have now implemented these changes which include:
- Implementing the default limit for outside EU appropriately and redressing any consumers who were adversely affected by failures to do so by 1 July 2012.
 - Amending the content of near default data limit alerts to make it clearer to consumers the steps to be taken to continue using data beyond the limit and to make clear how much it would cost to continue to use data beyond this point.
 - Amending website information to make clear key features of alternative products offered, particularly where taking them up means opting out of regulatory protections such as the default limit.
 - Amending processes so that consumers taking out an alternative product are not disadvantaged by opting out of the default limit.
- 3.24 At the time of writing we have some remaining concerns with some operators and are working with those operators to address these concerns. We will consider opening formal investigation(s) if our concerns remain unaddressed in the short term.

²⁴ http://berec.europa.eu/files/document_register_upload_copy/bor12_67.pdf

http://berec.europa.eu/files/document_register/2012/7/bor12_68.pdf

²⁵ Regulation No 544/2009

- 3.25 There are initial indications that the Roaming Regulation may be beginning to have an effect; complaints to Ofcom about roaming (the majority of which continue to relate to roaming outside the EU) have fallen by approximately 25-30% in recent months. This is a positive sign. However, our action above focused on key protections within the Roaming Regulation and there are other areas where we think more can be done, in relation to other aspects of the Roaming Regulation and more generally.

Operators need to do more

- 3.26 Our analysis of the July research, complaints received since the March 2012 Statement and our engagement with operators, indicates a number of positive steps by operators and some reductions in UHBs, particularly in relation to roaming. However, we still believe operators can do more to improve the consumer experience. We will therefore be writing to/meeting with operators shortly after the publication of this update to discuss how they can make further improvements in the three main areas below.

Information about charges

- 3.27 We set out in the March 2012 Statement that we would review the tariff information on operators' websites. All operators have a webpage covering roaming charges, but our examination of websites (see Annex 1) found that these were not always easy to find from the home page. We found that some operators offer useful interactive website facilities where consumers type in the country they are visiting to obtain charging information specific to that destination. Some operator travel pages included useful summary sections with ranges of charges that apply to destinations within the EU, and also for countries outside the EU (often arranged into 'zones'). We consider a combination of both approaches is likely to be most effective, reflecting the different levels of information that consumers are likely to require depending on the point in time.
- 3.28 More should be done by operators to help consumers understand specialist roaming products on offer, particularly in relation to how the costs and benefits of them compare with standard roaming rates. This is relevant to ensuring compliance with operator requirements under General Conditions 9, 10 and 23 and with the Consumer Protection from Unfair Trading Regulations 2008 ('CPRs'). We consider that operators should ensure that information on the following is clear:
- The cost of such products including for example whether there is a single upfront payment or an ongoing recurring cost (where the consumer continues to have the product unless they subsequently tell the operator they no longer want it), any minimum charges or connection charges that may apply.
 - How they are designed to operate including for example the amount of minutes/texts/data they provide, where and for how long they are valid for (whether for a set duration or if it is on a rolling basis), and whether usage alerts are sent when the consumer is close to reaching the allowance.
 - Any conditions or restrictions that apply to such deals, for example whether the consumer's use of it will be limited or if it could lead to further charges, if there are any usage limits (such as maximum length of phone calls) and whether the consumer needs to opt out of protections under the Roaming Regulation (such as

the 50 Euro (excluding VAT) financial limit on data roaming abroad) to benefit from the deal.

- 3.29 Our July research suggests that clarity in these areas is just as important to inform how operators deal with in store or telephone enquiries as it is for online information. Over two fifths²⁶ of consumers surveyed in our July research said they contacted their operator prior to their trip. We understand from the complaints we have received that consumers may do this to ask about how much it will cost to use their phone abroad and if there are ways to minimise roaming costs. In addition, some operators require consumers to call them to activate their phone for roaming in advance of the first time they use their phone abroad.
- 3.30 These contacts offer a key opportunity for operators to provide consumers with information about roaming, including how to make the best use of their phone and how to avoid an UHB. We recognise that in dealing with such contacts, operators may want to draw attention to particular deals on offer that may be of interest to their customers. Such marketing, and any prospective sale that may result, must comply with the above mentioned transparency requirements set out in the General Conditions and the CPRs, to ensure that consumers have the ability to make an informed decision.

Managing data usage

- 3.31 Our further work confirms our original view that consumers can find it difficult to estimate the cost of data usage and that an obvious reason for this is the lack of a clear relationship between time spent using data and the cost. Many consumers still appear to be attempting to quantify their data use in this way. Consumer complaints to our CCT often say they are surprised by data charges, considering the charges to be much higher than they believed they should be given the relatively short time that they were actively using the phone.
- 3.32 The March 2012 Statement recommended that it would be helpful for operators to provide consumers with clear information about how to approximate data usage.²⁷ Although operators have made efforts in this area, we consider they could be doing more to assist consumers in understanding their usage.
- 3.33 For example, although operators provide data usage examples on their websites:
- They are not always easily accessible and pages that deal with data charges may not link to them.
 - They tend to focus on what an allowance or bolt-on can provide if only one type of data is used throughout the month- it would be helpful to provide example combinations of uses.
 - They tend to focus on internet use and do not include how much data is likely to be used in 'latent' data consumption which is often the cause of data roaming UHBs - such as locations services, notifications on apps or software upgrades.

²⁶Over two-fifths (44%) of consumers who had experienced an UHB due to data use abroad said they had sought information from their provider on using data abroad. 49% of consumers who had experienced an UHB due to voice use abroad said they had sought information from their provider on making or receiving calls abroad. This included calling the provider and looking at the website.

²⁷ Paragraph 5.11 of the March 2012 Statement.

- We will be writing to operators on this issue, along with other matters raised in this update.

Avoiding data roaming costs

- 3.34 We said in the March 2012 Statement that smartphones are complex devices and that consumers may not always fully understand how they work. We highlighted in particular the inadvertent download of emails and software upgrades. As indicated above, the July research has shown that these latent, non-active, uses of data are often the cause of UHBs from data roaming and that often consumers are confused as to how they could have used data when they were not actively using their phone.
- 3.35 The Roaming Regulation sets out that operators shall inform customers ‘of the risk of automatic and uncontrolled data roaming connection and download, ‘before the conclusion of a contract and on a regular basis thereafter.’²⁸ We think improvements are needed in this area. Not all operators include such warnings on their websites and that even where they do; these may not be easily accessible, for example appearing on another area of the website away from where roaming charges are set out.
- 3.36 The Roaming Regulation also sets out that operators shall notify their customers ‘free of charge and in a clear and easily understandable manner, how to switch off these automatic data roaming connections in order to avoid uncontrolled consumption of data roaming services’.²⁹ The July research suggests that around two-fifths of consumers are unaware of the ability to switch off mobile data while abroad and complaints reveal real uncertainty about how to avoid data charges.
- 3.37 Operators should ensure that instructions on how to switch data roaming functions off (generally and in relation to specific popular models of phone) are available in an easily accessible and well signposted manner on their websites.

Summary on roaming

- 3.38 We were pleased that the EC implemented the changes to the previous Regulation that Ofcom, through our active participation in the BEREC, had campaigned for. The recast Roaming Regulation now affords additional protection for consumers who roam outside of the EU, which we had identified as by far the largest source of individual consumer harm associated with UHBs when roaming.
- 3.39 Following our discussions with operators which focused on ensuring compliance with key measures in the Roaming Regulation, operators have, in the main, taken steps to address our concerns. For example, we highlighted the need for greater clarity in their communications with consumers.
- 3.40 Some operators proactively provided remedies (in the form of refunds) to individual consumers that had suffered harm as a result of their failure to fully comply with some aspects of the Roaming Regulation by the 1 July 2012 implementation date. In addition, we successfully secured commitments from some other operators to do the same. We do however have some remaining concerns and are working with the relevant operators to address these. We will consider opening formal investigation(s) if our concerns remain unaddressed in the short term.

²⁸ Article 15(1) paragraph 2

²⁹ Article 15(1) paragraph 2

Section 4

Our current assessment of how to tackle domestic UHBs

- 4.1 This section sets out the evidence we have collected since the March 2012 Statement and how this affects our current thinking on how to respond to the problem of 'domestic' UHBs. We also cover issues in respect to UHBs caused by unauthorised use of phones that are lost or stolen including where this has happened abroad.
- 4.2 The March 2012 Statement had noted that there were a number of concerns that remained in respect to UHBs experienced by consumers using domestic mobile services. Whilst setting out a number of measures we considered could have a positive impact in reducing harms associated with these types of UHBs, we suggested that further work was necessary before considering whether to explore the option of possible formal requirements on operators.
- 4.3 There were four key areas for us to address following the publication of the March 2012 Statement. These were to:
- Better understand the underlying causes and impacts of UHBs associated with domestic use and possible solutions.
 - Explore the option of requiring operators to introduce 'opt out' financial caps and alerts to tackle UHBs.
 - Understand how consumers might be protected against unauthorised use of lost and stolen phones.
 - Consider whether consumers are being provided with correct and clear information on mobile tariffs and if further action may be necessary.
- 4.4 We set out below how the evidence collected since March 2012 has enabled us to further our consideration of the key areas highlighted as needing to be addressed in the March 2012 Statement, and determine what action could be considered.

Analysis of evidence collected since March

We now have a clearer understanding of the causes of different types of UHBs

- 4.5 The evidence included in the March Statement did not distinguish between UHBs caused by data versus voice. We thought it was important to better understand the underlying causes and impacts of UHBs. The July research allows us to analyse the causes of UHBs at a more granular level. This in turn helps us to consider what types of measures are most appropriate when attempting to reduce the risk and impact of UHBs.
- 4.6 A summary of the key findings from the February / March and July research is provided in Figure 1.

Figure 1 Causes and impacts of various types of domestic UHBs (mobile contract subscribers) between July 2011 and 2012

Type of UHBs	Incidence amongst contract customers ³⁰³¹	Average additional £'s (after discount ³²)	Specific usage that drives UHBs – amongst those experiencing each type of UHB	Levels of awareness – amongst those experiencing each type of UHB
Exceeding voice minutes allowance	2%	£43 (£36)	Calls to other mobiles (79%) and landlines (46%)	87% were not aware they were making calls outside of their allocated call allowance. The majority did not know cost of additional mobile (65%) and landline (67%) calls.
Using out of allowance voice minutes	3%	£19 (£13)	Calls to non-geographic numbers. 0845 numbers (67%), 0800 numbers (39%) and 0870 numbers (33%).	0800 numbers- 44% thought they were included 0845 numbers –32% thought they were included 0870 numbers – 34% though they were included ³³ Between 78%-85% said they did not know how much it would cost to call each of these numbers from their mobile
Exceeding data allowance	0.5%	£30 (£26)	Browsing internet (70%): accessing social networking sites or apps (41%), Data had automatically downloaded (61%). Half of these thought they had switched data off.	Not aware that they had reached their data allowance before continuing to use data (86%). No idea of additional data cost (68%).
Using data when not included in allowance	1%	£15 (£12)	Browsing internet (69%), using applications (34%)	Not aware that they were using the mobile network to access data (63%)
Lost and stolen phones (domestic and overseas)	1%	£33 (£20)	Overwhelmingly voice The CCT data suggests most of the higher bills generated when phone stolen abroad.	N/A

Source: Ofcom research into 'Bill Shock' in the contract mobile phone market, July 2012

4.7 UHBs that result from out of allowance voice charges are overwhelmingly because of consumers' use of non-geographic numbers. Many of these consumers appear

³⁰ Based on current census data i.e. 52,080,000 adults aged 15+ (92% own mobile and 56% on contract).

³¹ Incidence data drawn from a UK face to face survey conducted by Ofcom in February/March 2012 amongst a representative sample of c. 6000 UK adults.

³² The additional charge faced by the consumer after any discounts have been applied to the UHB by the operator.

³³ All figures in this cell are based on respondents who experienced UHBs due to these numbers respectively. NB figures on low base sizes so treat as indicative only.

unaware that these services are excluded from their allowances. For example, 44% of those experiencing UHBs due to making calls to 0800 numbers said they thought they were included in their allowance, 26% said they knew they were not included and a further 30% were not sure if these were included. This suggests that measures designed to enhance consumers' understanding of charges for calling specific number ranges would be appropriate³⁴.

- 4.8 Ofcom has an ongoing project looking at price transparency of non-geographic calls. We have made proposals for changes to the regulation of these calls aimed at improving transparency to ensure providers make these costs simpler for consumers to understand. Under the proposals, the call costs for 084, 087, 09 and 118 numbers will be unbundled so that consumers will know exactly how much is paid to their phone operator and how much is passed on to other companies. The cost would therefore be made up of two parts:
- an Access Charge: a single pence per minute charge which goes to the operator connecting the call (and which will be set out in the consumer's tariff package); and
 - a Service Charge: the price paid to the terminating provider and the company providing the service.
- 4.9 This will allow operators and service providers to be clear and unambiguous about how much the calls cost and will encourage competition between phone companies in the cost of connecting such calls. In addition, we proposed that 080 numbers should be made free to call from mobiles as well as fixed lines. This will enable a much simpler pricing message to be presented about 080 calls, and will reduce current consumer confusion about the cost of these calls.
- 4.10 We are intending to publish a statement on our non-geographic number proposals shortly. If implemented, these proposals would be likely to come into effect in late 2014/early 2015.
- 4.11 We consider that, in combination, these proposals should help tackle UHBs caused by calls to non-geographic numbers.

A more reliable measure of the probable impact of 'domestic' UHBs

- 4.12 The July research helps us to better understand the overall scale of harm experienced by mobile contract customers as a result of UHBs. Research collected in 2010 found that 6% of 'all' mobile users were likely to have reported an UHB during the previous 12 months and that 15% of these respondents experienced an UHB after exceeding their usage allowance³⁵. However, this research did not distinguish between data services and voice usage.
- 4.13 As shown in Figure 1, the incidence levels, collected in February/March 2012, across the different types of UHBs ranges from 0.5% to 3%. The July research highlights that for the vast majority of consumers who experience different types of UHBs, the additional charges they face are at the lower end of the financial scale. For example, more than 70% of consumers who had received an UHB because of calls made to

³⁴ Low base size of consumers who experienced UHB specifically due to 0800 numbers (46) so treat as indicative only. However, findings for each of the other non-geographic number ranges were similar confirming the level of mis-understanding.

³⁵ Includes PAYG and contract users - Mobile charges table: pg 28 March 2012 Statement

numbers not included in their allowance, received bills of less than £20 with a further 25% facing additional charges of between £21 and £50.

- 4.14 We now also have more detailed information on the level of harm experienced by consumers as a result of lost or stolen phones. The March 2012 Statement referenced evidence collected through the 2011 Call for Inputs that provided indications that the average (mean) financial value of UHBs reported by respondents who had experienced a lost or stolen phone was £2,613³⁶. However, the July research suggests that the average (mean) additional cost to consumers who report a lost / stolen phone is about £33 (£20 after operator discounts), with 96% of respondents reporting additional costs of up to £100, and 55% of up to £20.
- 4.15 There is a simple explanation for this difference. The July research was conducted amongst a sample of consumers who had experienced an UHB due to a lost or stolen mobile phone drawn from a nationally representative online panel. This compares to the responses to the Call for Inputs which were self selecting. The July research reports higher propensity to complain amongst those consumers with higher UHBs. Therefore, it would not be unreasonable to assume that those more likely to respond to the Call for Inputs are also those with higher value UHBs³⁷.
- 4.16 The latest available evidence helps us to better understand the scale of the harm and assess the proportionality of placing new requirements on operators to tackle this issue.

Consumers are more likely to suffer UHBs that result from mobile voice services than our complaints data suggests

- 4.17 The February/March research suggests that mobile 'voice' services can cause higher levels of UHBs than 'data' services. However, the July research indicates that consumers may be less likely to complain about the former service, particularly in relation to use abroad. The complaints data that fed into the analysis presented in the March 2012 Statement (May to December 2011) and the most recent data we have (January to December 2012) might suggest that UHBs caused by data services caused the most harm because they generate the most complaints. However, the February/March research suggests that a larger proportion of consumers receive an UHB from exceeding their voice allowances (2%) when compared to their data allowance (0.5%). The levels of harm also differ with the former set of consumers facing an average additional charge of £43 and the latter, an average of £30 (or £36 and £26 respectively after operator discounts).
- 4.18 The July research indicates that consumers are less likely to make complaints about voice services than data services. This may be due to the type of data use driving UHBs. The most common stated cause of data UHB was automatic downloads (61% of those experiencing UHB due to exceeding data allowance). This is a cause that consumers may be less inclined to consider they are responsible for, particularly if they were not aware this was happening and therefore, more potentially likely to make a complaint. Indeed a large proportion of these consumers are unaware of how to reduce the risk of generating UHBs from data use, such as to turn off push notifications³⁸ (45%) or disabling/switching off mobile data (40%).

³⁶ Para 3.16 March 2012 Statement

³⁷ Reference to July research annex

³⁸ Push notifications are a technique used by smartphone applications to alert users to content updates, messages, and other events within an application that users may want to be aware of.

Low awareness is a key issue and we now have a better understanding of the gaps in consumers' knowledge that may lead to UHBs

- 4.19 The July research tends to reinforce our existing view that low levels of consumer awareness of specific tariff information and usage patterns contribute to UHBs. It also provides more insight into what types of information consumers might find most useful and the most appropriate stage for consumers to be made aware of it. In turn, we are better placed to consider some specific steps that operators could take to tackle UHBs more effectively. Where we consider that these measures are relatively easy to introduce and can be delivered through informal negotiations, or may already be provided by some operators, this reduces the case for considering the introduction of formal regulations.
- 4.20 We have examined the extent to which operators provide clear and accurate information about mobile tariffs. This was in response to evidence collected through the Call for Inputs suggesting that some consumers found it difficult to find information about some aspects of mobile pricing, particularly data charges. Our examination of the information operators' publish about tariffs³⁹ suggests that some providers are better than others at making sure that certain types of tariff information is available and easily accessible on their websites (see Annex 1). There are some improvements we would like to see, mainly around the ease of customers' access to tariff information, and we will be engaging with operators shortly after the publication of this update to make them aware of our observations and encourage them to take action.
- 4.21 However, the July research suggests that some consumers affected by UHBs, are still not aware of the costs of certain mobile services even where this information is available on operator's websites. Research collected as part of our Consumer Experience Report 2012 suggests that 6% of consumers use operators' websites to find information on mobile phone technology, services and suppliers⁴⁰. Given this, it may be appropriate to consider other approaches to targeting certain consumers with cost information and this is discussed further below.
- 4.22 The February/March 2012 research suggests that just less than 2% of mobile contract customers have experienced an UHB due to exceeding monthly call allowances. The cause of these was established in the July research which reported that these tended to be caused by calls made to other mobiles (79%) and landlines (46%). Interestingly, 87% of those experiencing this type of UHB said they were not aware that they were making calls outside of their allowance. The majority of consumers, who had experienced UHBs due to exceeding calls to either mobiles or landlines, did not know what the cost of additional calls would be, 65% for mobile and 67% for landline⁴¹.
- 4.23 The vast majority (84%) of mobile consumers who experienced an UHB said they agreed with the statement that they need more information regarding the cost of calls once they have used up their allowance.

³⁹ Ofcom conducted desk research on UK mobile operators during November 2012.

⁴⁰ Figure 133 : Consumer Experience Report 2012
http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-12/Consumer_Experience_Research1.pdf

⁴¹ Data amongst those experiencing UHB due to landline is drawn from small base so should be treated as indicative only – base size 58

- 4.24 Just over half a per cent (0.5%) of mobile contract consumers have experienced UHBs in the past year as a result of exceeding their data allowance. Over 60% of these consumers said they incurred the additional charges because data had automatically downloaded – just over half of them thought they had switched this function off and the remainder said they hadn't. The majority (86%) of these consumers were not aware that they had reached their data allowance before continuing to use data. Awareness of costs is notable with 68% of these consumers not having any idea about additional data costs and 26% only having a rough idea what the additional data costs would be.
- 4.25 More than half of all consumers surveyed (53%), who experienced a UHB in the 12 months prior to July 2012, said they disagreed with the statement 'there is enough information on how much it costs to use data on mobiles'.
- 4.26 There was also a proportion of mobile consumers who said they were generating data charges without realising it. Of those mobile consumers who received UHBs as a result of using data without having any data included in their tariff allowance, 63% said they were completely unaware that they were accessing the mobile network to use data and being charged for it. These consumers were largely browsing the internet (69%) although around a third said they were using applications (apps) – 34%. It is possible that these consumers thought they were using Wi-Fi services.
- 4.27 The availability of this new, more specific, research allows us to understand more accurately the types of information that could be helpful to consumers to avoid UHBs. The July research suggests consumers are not always aware of when their voice or data allowance is exceeded or, specifically in the case of data, that they are using the service at all and generate charges.
- 4.28 This data helps us to take a more informed view about the effectiveness of the options we said we would consider further in the March 2012 Statement to help to tackle UHBs. While ensuring that tariff information is made available is an important first step, the use of SMS alerts could also be an effective and proportionate way to help prevent consumers experiencing UHBs and reduce the associated level of harm.
- 4.29 Therefore we consider that SMS alerts could be used to even greater effect to tackle the harm from UHBs. For example, adoption of alerts on voice usage and to provide details of costs of using additional services/out of allowance services.
- 4.30 The provision of alerts may not necessarily drive consumers to use fewer services or reduce the size of the charges that they eventually receive. However, it should have the effect of informing consumers when they are about to exceed their existing allowances and offer them the flexibility to make a more informed decision about continued use. Some consumers may decide to use less, whilst others may be prompted to consider moving to an alternative package that suits their ongoing needs. Likewise, some consumers may continue using the services as they did before, the difference being that they will have a much better expectation of the size of the charges they will see on their bill and at the same time be more in control of the services they want to use.

There has been a mixed response from operators in responding to our initial set of recommendations, with most efforts appearing to focus on alerts

- 4.31 We used the March 2012 Statement to signal that we wanted operators to do more to tackle UHBs. For example, we stated that we wanted them to do more to develop

and promote 'opt in' measures such as tariffs that enable consumers to set their own financial caps or receive usage alerts to warn that they are approaching their monthly usage limit⁴². Although we did not propose consulting on formal requirements at that stage, we said that we may explore whether more formal measures (e.g. the introduction of 'opt out' financial caps or alerts) might be required to tackle UHBs in light of more detailed evidence we committed to collecting after the March 2012 Statement was published.

- 4.32 Financial caps are considered in detail below. However, another key measure that we suggested could have a positive impact on UHBs was the sending of SMS or email usage alerts, so consumers could be made aware when they were at, or near their allowance limit. Most operators appear to have made most progress on this. As mentioned above, Orange is the only operator that does not currently offer this to all its customers (it is available for customers on 4G) but it has committed to do so in the near future.
- 4.33 There has also been an increase in the number of tariffs offered that have large or in some cases 'unlimited' allowances for calls, texts and data services⁴³. Orange and T-Mobile both offer a package that offers consumers unlimited calls, texts and data⁴⁴, though other operators do offer variations on large and unlimited packages.
- 4.34 Figure 2 sets out a comparison of the measures the main operators offer to help protect consumers from UHBs⁴⁵

Figure 2 Mobile operator comparison table – summary of the tools offered to help protect consumers from UHBs

	O2	Vodafone	Three	Orange	T-Mobile	Virgin Mobile	Tesco
Financial caps							
Financial cap on all tariff offers ⁴⁶	x	x	✓	x	x	x	✓
Reaching usage allowance SMS alerts							
Data usage allowance alert	✓	✓	✓	4G only ⁴⁷	✓	✓	✓
Voice usage allowance alert (on at least one tariff option)	x	x	✓	x	✓	✓	x
Availability of bolt ons / large usage limits							
Data bolt ons option	✓	✓	✓	✓	✓	✓	✓
Non-geographic numbers bolt on option	x	✓	x	x	x	✓	x

⁴² Para 6.27(a) of the March 2012 Statement

⁴³ These services could be subject to Fair Use Policies

⁴⁴ Accurate as of 12 February and subject to respective Fair use policies

⁴⁵ More detail is set out in figure 4

⁴⁶ Some providers do offer caps on certain individual tariffs but not necessarily 'all' services they offer

⁴⁷ Plan in place to provide notification to all customers of the amount of data they used in the month in 2013

	O2	Vodafone	Three	Orange	T-Mobile	Virgin Mobile	Tesco
International calls bolt on option	✓	✓	✓	✓	✓	✗	✗
Large/unlimited data tariff options	✓	✓	✓	✓	✓	✓	✓
Account management tools							
Online bill checker	✓	✓	✓	✓	✓	✓	✓
Smartphone app for usage monitoring	✓	✓	✓	✓	✓	✓	✓
Recorded info number ⁴⁸	✓	✓	✓	✓	✓	✓	✓
SMS short code service ⁴⁹	✓	✓	✗	✓	✓	✓	✓

4.35 We stated in the March 2012 Statement that operators could do more to combat UHBs and while progress has been made, there are a number of measures that we would still like operators to adopt to further reduce UHBs including:

- Adoption of SMS alerts to inform consumers that they are reaching/ have exceeded their voice allowance and the costs of making further calls;
- Introduction of SMS alerts to inform consumers they are reaching/ have exceeded their data allowance where these are not already in place;
- Introduction of SMS alerts to consumers who have no data allowance that they are using data and promote packages that include a data allowance where in line with the consumer's needs.

4.36 We will also be making clear that we expect implementation of and compliance with any new proposals that are introduced to simplify and enhance transparency around the costs of calling non-geographic numbers.

The new evidence suggests that the effectiveness of financial caps may depend on how they are implemented

4.37 We stated in the March 2012 Statement that the €50 EU roaming cap appeared to be reducing the impact of UHBs on consumers within the EU when compared to consumers who used data services outside of the EU. We noted that a similar 'domestic' cap could help reduce the impact of UHBs. We explained in the March 2012 Statement that we wanted operators to do more to promote and develop 'opt in' financial caps. However, we also suggested that we would consider whether there was a need to explore the option of new regulation requiring financial caps that consumers would need to 'opt out' of. We have considered this issue further in light

⁴⁸ 'Recorded information number' offers consumers a number to call (not customer services) where they can find out about their balance, usage and/or remaining allowance.

⁴⁹ 'SMS short code service' is a number that consumers can text from their mobile in order to get details of their balance and/or usage.

of the additional evidence gathered, including the new research findings and feedback from operators.

- 4.38 We note that some operators, Tesco and Three, do already provide a basic form of 'opt in' financial cap. These can offer consumers protection against UHBs and might be of particular interest to budget conscious consumers. However, they may not be appropriate for all consumers. For example, Three's cap can only be set at £0 so consumers would not be able to make any calls to numbers that fall outside of their usage allowance. Tesco's cap appears to offer more flexibility to allow consumers to 'top up' their account in order to make calls outside their usage allowance.
- 4.39 Discussions with operators suggests that there are limitations in the way that financial caps can work using their existing systems and that this can lead to a poor consumer experience. For example, they advised that customers would not be able to change the financial cap easily or frequently and they may face abrupt disconnections or lengthy periods without service when they reach their financial cap.
- 4.40 Operators have advised that they do not have systems in place to allow for a pay monthly customer's usage to be monitored in real time when they are abroad. There is typically a delay in foreign operators sending billing information back to domestic operators - this can take up to three days. Significant costs can be generated in a relatively short time before unauthorised usage is recognised by the operator's billing system and before any financial cap would be triggered. It is therefore unlikely that the introduction of opt -out financial caps would always help consumers who have experienced UHBs, and in particular the more extreme cases that result from unauthorised use of phones lost or stolen overseas or voice calls made outside of the EU.
- 4.41 Operators have also advised that, for the reasons outlined above, the costs associated with upgrading their systems to accommodate financial caps (which would ultimately be borne by consumers) would be significant and not necessarily something that they would undertake as part of their ongoing strategies.
- 4.42 The research conducted during 2012 has given us a clearer picture of the level and drivers of UHBs. Given the changes that have been made by some operators and the possible problems and potential costs of implementing financial caps, we do not consider that we have sufficiently robust evidence at the present time to assess the case for financial caps. We will however continue to monitor the incidence and impact of UHBs, including further research, and will consider commissioning a feasibility and cost study to look at financial caps in the future should the need arise.

Unauthorised use of lost and stolen phones

- 4.43 In the March 2012 Statement we outlined concern that consumers were ultimately liable for unauthorised charges generated when their phone was lost or stolen up to the point at which they notify their operator.
- 4.44 We have raised this with DCMS in the context of its Discussion Paper for the Communications Review to consider if the introduction of primary legislation could be

appropriate to address this problem⁵⁰. We are continuing to engage with DCMS on this issue.

- 4.45 Given that protections to limit consumers' liability to unauthorised charges are not likely to be available to consumers in the short to medium term, we have also continued to press operators to do more to mitigate the risk of UHBs caused by lost/stolen phones. For example, introducing systems that pick up unusual activity and bar services when a certain limit is reached.
- 4.46 Discussions with operators suggest that they already have systems in place to actively monitor certain types of fraud but these are usually limited to identifying and restricting use for the purposes of revenue protection and in extreme cases of fraud, for example PRS scams. Some operators maintain that the monitoring and subsequent restriction of accounts due to unusual use may lead to unnecessary disruptions to legitimate account activity. They also suggest that the costs of updating their fraud systems to identify unusual levels of spend would be significant and disproportionate given their assessment of the scale of the problem.
- 4.47 We note, however, some operators do appear to have taken significant steps to reduce the risk of customers generating UHBs due to lost/stolen phones. O2 have introduced a system that monitors their customers' spend, looks at how long they have been a customer, how much they normally spend and if they pay their bill on time. In extreme cases, for example, if it looks like the phone has been lost or stolen as the customer is spending much more than normal, O2 will notify the customer and may restrict a customer's service until they are sure that the phone use is authorised by the contract holder.
- 4.48 The July research suggests that the average additional charges generated as a result of lost/stolen phones is approximately £33 (£20 after operator discounts). However, we know from our own CCT complaints that there are instances of UHBs generated by lost or stolen phones that run into thousands of pounds. These sorts of cases tend to generate the most media attention.
- 4.49 Our CCT complaints data suggests that lost/stolen phones that occur abroad cause the most significant financial harm for individual consumers. There have been 92 complaints about lost/stolen phones between January and December 2012. 34 of these complaints were for additional charges higher than £1,000. Most (24 complaints or 70%) of these £1,000+ cases were for phones lost/stolen when the customer was abroad suggesting that much of the more serious cases are generated outside of the UK. There are several implications of this:
- A financial cap may have a limited impact in addressing lost/stolen phones. There can often be significant delays in foreign networks passing on billing information to UK operators which may lead to large charges being incurred before operators become aware of the usage and are able to apply a financial cap. So introducing limits on a customer's liability, as mentioned above, may be a better option.
 - The fact that most consumer harm appears to stem from consumers having mobiles lost/stolen abroad suggests that the application of a more targeted/proportionate approach may be more appropriate – rather than one

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http://stakeholders.ofcom.org.uk/binaries/consultations/ofcomresponses/Ofcom_response_to_DCMS.pdf

that affects *all* customers. For example, customers travelling abroad could be advised, directly by operators, to take more preventative measures before travelling such as locking handsets/using passwords, placing temporary restrictions on calls to certain numbers or to only accept inward calls. Over two fifths of consumers surveyed in our July research said they contacted their operator prior to their trip. These contacts with operators offer a key opportunity to provide consumers with information about how to avoid the risk of experiencing an UHB.

- 4.50 Some CCT cases we received in the period January to December 2012 suggest that some customers are having difficulties reporting that their phone is lost or stolen to their UK operator. Customers are often liable for any charges generated up until the point where they can notify their operators and impose a bar on use. It is therefore important that consumers are able to report a lost/stolen phone to their operator quickly and easily. In addition, the CCT cases suggest that customers who do report a lost/stolen phone from abroad are often not made aware by the operator of the potential extent of unauthorised use. Calls made when abroad are often not subject to real-time billing so consumers can get an additional shock when they eventually find the true extent of unauthorised use, sometimes a number of days later.
- 4.51 We will be engaging with operators following the publication of this update to ensure that they take any steps that may be necessary to make it quick and easy for consumers to contact them when abroad to report lost/stolen phones, including reviewing their call scripts to make customers aware of the potential for further charges not yet billed for the period before the phone was reported as lost or stolen, in order to prevent the element of surprise. We note that the insurance and banking sectors have taken steps in recent years to ensure ease of contact when customers are abroad and some of the measures they have adopted could be useful measures for operators in the mobile sector to consider. For example, provision of free phone or dedicated numbers to report lost/stolen phones or the ability to notify operators via online accounts.
- 4.52 We also consider that operators could do more to advise consumers on ways to protect themselves against harms associated with unauthorised use. The July research suggests that large numbers of consumers who have experienced UHBs are either unaware of the ability to set passwords on their handsets (15%) or are aware but elect not to use passwords (33%). This is a relatively straightforward measure that consumers could adopt to help protect themselves – particularly when travelling abroad.
- 4.53 Consumers can also bar certain numbers that they might not use that frequently but which tend to generate most cost, for example, PRS numbers or international numbers.

Consumer guides

- 4.54 We will continue working to ensure that consumers, and particularly those most susceptible to UHBs, are provided with the necessary advice to help prevent bill shock. To support this, Ofcom has published new consumer guides, which provide advice for consumers to help them avoid running up a UHB when using their mobile phone both at home in the UK, and when travelling abroad. We have also published 'how to' video guides, providing step by step instructions to show how to perform some basic functions which can help to prevent UHBs, such as password protecting your SIM card and handset and turning off data roaming.

- 4.55 The guides are supported by consumer groups and other industry organisations including Citizens Advice, the National Mobile Phone Crime Unit, the Association of British Travel Agents, Rough Guides, Travel DK, PhonepayPlus, the National Consumer Federation, and the Communications Consumer Panel. Operators also have a particularly important role to play in advising their customers about steps they can take to help protect themselves against UHBs and promoting the tips included in the consumer guides and other relevant information..

Summary on domestic UHBs

- 4.56 The July research suggests that the level of financial harm among the majority of mobile contract users across different types of UHBs is relatively low. The same research has reinforced our view that low levels of awareness of tariff and usage information is a factor leading to UHBs.
- 4.57 The evidence suggests that even when tariff information is clearly and accurately presented on operators' websites, there is still a risk that consumers will not be aware of which services are included in their allowance, when they start to exceed their allowances or incur charges for services not in their allowance.
- 4.58 Some of these issues are being addressed in existing work strands, for example, the lack of clarity and awareness of the costs of calling non-geographic numbers is being tackled through our non-geographic numbers review project, which is due to publish a statement shortly on proposed changes to the regulation of these numbers.
- 4.59 In order for consumers to avoid other types of UHBs, we consider that operators should take further steps to proactively inform customers of their usage in the form of SMS and email alerts. Indeed, we consider that operators should plan to provide customers with more tailored advice through such alerts including the costs of additional services or warnings that certain types of services are not included in their allowance. We will be encouraging operators to act on these suggestions through our engagement with them following publication of this update.
- 4.60 A number of operators have adopted measures to help reduce UHBs. Most operators provide SMS alerts when consumers reach their data allowance and those that don't are planning to in the near future. Operators have also expanded the number of account management tools available to consumers to help them monitor their usage online and continue to offer tariff packages that include large or unlimited voice, text and data service allowances that are more appropriate for heavy use customers.
- 4.61 Financial caps appear to be a useful way to provide consumers with a means to limit their exposure to UHBs but we consider such caps are likely to work best when these are designed and implemented in a 'user friendly' way that offers consumers the flexibility to control usage and spend and reflect their individual needs overtime.
- 4.62 Some operators have suggested to us that they do not, at present, have systems capable of providing customers with financial caps that we would consider to be 'user friendly'. They have suggested that the costs (which would ultimately be borne by consumers) of implementing systems that would provide what we would consider 'user friendly' caps would be significant in the short term and not necessarily something that they would consider as a part of their existing commercial strategy.
- 4.63 Despite the information we have collected during 2012, we do not consider that we have sufficiently robust evidence at the present time to assess the case for financial caps. We will however keep this issue under review, and may consider

commissioning a feasibility and cost study to look at financial caps at some point in the future.

- 4.64 The July research suggests that the magnitude of consumer harm caused by lost and stolen phones might not be as significant as previously thought with the average additional charge in the region of £33 (£20 after operator discounts). However, we do know from CCT complaints and media enquiries that there are a relatively small number of high value bills that are still a real area of concern. While some preventative measures may limit the impacts associated with lost/stolen phones, we consider there may be merit in examining whether primary legislation could be introduced in this area for the benefit of consumers to deal with this issue of consumer liability for very large bills. We have raised this with the Department of Media, Culture and Sport in the context of their Discussion Paper for the Communications Review.⁵¹ We are continuing to engage with DCMS on this issue.
- 4.65 Our analysis of CCT data suggests that the worst instances of UHBs that result from lost or stolen phones occur when the customer is abroad. The specific nature of these types of UHBs leads us to consider the implementation of more targeted measures directed at consumers when leaving the UK. We will be engaging with operators following publication of this update:
- Encourage them to remind/advise consumers to place a lock/password on their handsets before going abroad and how to easily place restrictions on certain numbers before travelling abroad, other international numbers for example.
 - Remind them of the importance of ensuring that consumers can quickly and easily report that their phone is lost or stolen whether this happens at home in the UK or abroad.
 - Review call scripts (used when customers report lost/stolen phones) and make sure that operators remind customers that they may be subject to additional charges when all the billing information is eventually available to the operator.
- 4.66 Alongside this update we are publishing a revised set of consumer guides to include more specific advice and tips for consumers who might be more vulnerable to UHBs and work with operators and consumer advice agencies to promote the information.

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http://stakeholders.ofcom.org.uk/binaries/consultations/ofcomresponses/Ofcom_response_to_DCMS.pdf

Section 5

Conclusions and next steps

5.1 Since publishing the March 2012 Statement, we have continued to make progress in understanding and tackling UHBs in the mobile contract market. The work we have done since March is summarised below under relevant headings.

Overall UHBs

- The vast majority of mobile contract consumers are not affected by UHBs.
- A significant number do continue to experience UHBs and these can have a variety of causes and differing degrees of harm.
- The levels of financial harm among mobile contract users across different types of UHBs tend to cluster around the lower end of the financial scale. There are a small number of cases that result in more significant levels of harm.

Progress of Roaming

- The EC implemented the recast Roaming Regulation that affords protections for consumers, both when roaming within the EU and now worldwide- which is by far the largest source of individual consumer harm associated with UHBs when roaming.
- As a priority, Ofcom have focused on ensuring compliance with key consumer protection measures in the Roaming Regulation. We note that a number of operators have now taken steps to address concerns previously raised, including making improvements to their communications with consumers and to their processes.
- Some operators proactively provided remedies (in the form of refunds) to individual consumers that had suffered harm as a result of their failure to comply with some aspects of the Roaming Regulation by the 1 July 2012 implementation date. In addition, we have successfully secured commitments from some other operators to do the same.
- We do however have some remaining concerns and are working with the relevant operators to address these. We will consider opening formal investigation(s) if our concerns remain unaddressed in the short term.

Progress of Domestic UHBs

- Low levels of awareness of tariff and usage information is a key factor leading to UHBs.
- Even when tariff information is clearly and accurately presented on operators' websites, there is still a risk that consumers will not be aware of those key aspects of information that could help avoid UHBs.
- Operators have already responded to our work on UHBs and many have adopted measures to help reduce UHBs. Most operators provide SMS alerts when

consumers reach their data allowance and provide useful account management tools.

- Ofcom would like operators to take further steps to proactively inform customers of their usage in the form of more targeted and content rich SMS and email alerts.
- There are potentially unintended consequences of introducing uniform low level financial caps and the costs (which are ultimately borne by consumers) of introducing 'user friendly' caps that offer consumers flexibility over the level and operation of the cap over time are expected to be significant. Despite the research collected during 2012, we do not consider that we have sufficiently robust evidence at the present time to assess the case for financial caps. We will however keep this issue under review, and may consider commissioning an appropriate feasibility study to look at financial caps at some point in the future.

Progress of UHBs caused by lost/stolen phones

- The magnitude of consumer harm caused by lost and stolen phones might not be as significant as previously thought with the average additional charge in the region of £33 (£20 after operator discounts).
- However, CCT complaints data suggests that there are a relatively small number of high value bills that are still a real cause for concern. We consider there may be merit in examining whether primary legislation could be introduced for the benefit of consumers to deal with the issue of consumer liability for UHBs generated by unauthorised use. We are continuing to engage with DCMS on this issue as it progresses its work on the Communications Bill.
- The worst instances of UHBs that result from lost or stolen phones occur when the customer is abroad and we consider preventive measures can usefully be focussed on these customers.
- We will work with operators to ensure they take steps to ensure consumers are well informed about avoiding UHBs from lost/stolen phones and have easy access to UK operators when seeking to report lost or stolen phones, and to explore further what operators may be able to do.

Advice guides for consumers

- We are publishing a revised set of consumer guides and videos to include more specific advice and tips for consumers who might be more vulnerable to UHBs and will work with operators and consumer advice agencies to promote the information.

Summary of measures to tackle UHBs

- 5.2 We consider that the steps set out below in Figure 3 should have a positive impact on reducing instances of UHBs and the associated level of consumer harm. We will continue to analyse CCT complaints over the coming months to see what trends emerge. This will also include examining any 'new' types of UHBs that may result from market/technology innovations, e.g. charges generated by mobile/tablet applications that were not expected. We will also commission a further piece of consumer research later in the year to see if there are any noticeable changes since

the July research. If there is evidence that consumer harm appears to be at an unacceptable level we will consider whether further measures are necessary.

Figure 3 Key measures to combat each type of UHB

Type of UHB	Measures operators can take to combat UHBs
All	<ul style="list-style-type: none"> • Provision of clear and transparent information at the point of sale on what is included and excluded from a consumer's usage allowance and the cost of using services outside of the allowance. • Provision of easy to access information on the costs of using services outside of a consumer's usage allowance throughout the contract. • Promotion of account management tools and consumer advice about the steps to take to avoid UHBs. • Work to improve the consumer experience and flexibility of financial caps.
Roaming	<ul style="list-style-type: none"> • Compliance with the recast Roaming Regulation which places requirements on operators including to impose data roaming limits in the EU and worldwide as well as send alerts warning consumers of reaching their limit. • Provision of clear and easily accessible information on Roaming charges
Out of allowance voice calls	<ul style="list-style-type: none"> • Proposals to simplify and enhance transparency around the costs of calling non geographic numbers (Statement expected to be published shortly). • Adoption of tailored SMS alerts for regular out of allowance use. • Provision of non geographical number bundles for customers that regularly make these sorts of calls.
Out of allowance data	<ul style="list-style-type: none"> • Use of SMS alerts to inform consumers that they are reaching and/or have exceeded their data allowance. • Adoption of SMS alerts to consumers who have no data allowance or encourage customers to move on to packages that include a data allowance where they have a need for this. • Promotion of information for consumers on how to switch off/disable mobile data. This is particularly important for those customers buying packages not including data.
Exceeding voice allowance	<ul style="list-style-type: none"> • Use of SMS alerts to inform consumers that they are about to exceed or have exceeded their allowance of voice allowance. • Inclusion of out of bundle call costs within texts sent to customers who exceed their voice allowances. • Provision of large and 'unlimited' call packages and promotion among heavy use customers that would benefit from a larger calls allowance.
Exceeding data usage	<ul style="list-style-type: none"> • Continued use of alerts to inform consumers that they are reaching or exceeded their data allowance. • Costs of out of allowance data costs to be included within texts sent to customers who exceed allowances. • Provision of large and 'unlimited' data packages and promotion among heavy use customers that would benefit from a larger data allowance.

Type of UHB	Measures operators can take to combat UHBs
Lost / Stolen phones	<ul style="list-style-type: none"> • Clear information at point of sale on customer's liability for costs of unauthorised use in the event that their phone is lost and stolen. • Greater clarity when selling mobile insurance about whether call/data charges are covered in addition to the handset, and if these apply when travelling abroad. • Promotion of consumer information to help protect their mobile phones from unauthorised use and minimise the risk of UHBs if their phone is lost or stolen (e.g. setting passwords on SIMs and handsets and placing call bars on international and premium rate numbers). • Ensure processes are in place to allow customers to easily report lost or stolen phones whether at home or abroad. • Review of call scripts (when customer report lost/stolen phones) to clarify whether the customer may be liable for further charges when all the billing information is eventually available to the operator. • Invest in systems and processes to help monitor and improve detection of unauthorised use.

Annex 1

Price information on operators' websites

- A1.1 We said in the March 2012 Statement that we had written to operators to remind them of their tariff transparency obligations and that we would take a look at the information on their websites and continue to analyse complaints.
- A1.2 Since the March 2012 Statement we have gathered further information, including the February/ March and July research, and the key findings include:
- Out of allowance calls to 08 numbers are responsible for the largest proportion of UHB incidents. 67% respondents who had experienced only this type of UHB said they had called 0845 numbers, around 39% said 0800 numbers and 33% said 0870 numbers.
 - Many consumers think these numbers are included in their call allowances - 44% of those who made calls to 0800 numbers mistakenly thought these were included. In some cases the respondents reported their operator had told them that they were included.
 - Most respondents who received an UHB as a result of calls to 0800, 0845 or 0870 numbers reported having little or no idea about the cost of the calls (78% for 0800 numbers, 80% for 0845 numbers, 85% for 0870 numbers).
 - 87% were not away they were making calls outside of their call allowance.
 - 84% of those mobile users who experienced an UHB due to exceeding monthly call allowances agreed that they need more information regarding the cost of calls once they have used up their allowance.
 - The main types of call that consumers made when exceeding their allowance were to landlines (79%) and to other mobiles (46%) and around two-thirds said they were not aware of the cost of making each of these type of calls (67% re landlines and/or 65% re mobiles).
 - In total 68% thought they had a data allowance – this includes 27% who said their provider had told them data was included in their allowance. 63% of respondents also claimed not to realise they had been using the mobile network to access data, even though internet browsing was the most often cited type of usage leading to this bill shock (69%). Most (69%) had no idea how much it cost to use data on their package.
 - Half of those experiencing bill shock due to exceeding their data allowance thought they had a bigger data allowance, 34% said they knew the size of their allowance and 17% stated they were sold a data allowance which was insufficient. Only 6% said they knew 'exactly' how much it cost to use data once they had exceeded their allowance- most had no idea.
 - On average more than half of all consumers surveyed (53%) state that there is not enough information on how much it costs to use data on their mobiles.

Our approach to considering website information

- A1.3 We carried out desk-based research looking at website information on the out of allowance/exceeding allowance charges that appear to generate UHBs and of which consumers appear to be less aware. We should make clear that it is not our intention to discourage operators from providing information at appropriate points on the other types of charges that they may consider important (for example for sending picture messages or retrieving voicemail); it is just that this was not the focus of this piece of work.
- A1.4 We looked at website information available to the general public; we did not look at information provided to consumers through online account facilities, although we have encouraged operators to review such information in light of our findings. We did however look at welcome packs, given that operators had highlighted these as a key source of tariff information in our discussions with them. Our desk based research which was carried out in September 2012 therefore looked at:
- Website advertising of pay monthly tariff plans offered to new customers and existing customers as upgrades;
 - Example Welcome Packs (generally including a covering letter and booklet) from operators (including MVNOs Virgin and Tesco); and
 - Website information - webpages on using your phone abroad, General Tariff Terms and Conditions and price lists.

Key observations

- A1.5 The main observations recorded were:
- Welcome Packs tended to include useful information on features of the phone and additional benefits such as monitoring tools, advice on first bills, promotions etc, which was recognised as useful
 - Plan information, both in website advertising and in welcome packs, tended to be quite clear in terms of the number of minutes/MBs data/texts allowances of tariffs. There are also examples of operators going further than this by confirming what an allowance covers - for example most operators spelt out clearly that 01, 02 and 03 numbers were covered by minutes in voice allowances in this information.
- However, they often miss out some of the key out of allowance/exceeding allowance charges, or do not include them in an accessible way (i.e. rather than include a link to them upfront with details of the allowance, they were not mentioned until the end of general sales information). Even where reference to some out of allowance charges was included, using terminology like 'non-geographic numbers' rather than stating numbers beginning with '08' etc meant that such information would be unlikely to be understood by consumers.
- For information aimed at existing consumers, there is a mixed approach to accessibility and we found that many websites could be improved by the introduction of summary information which avoids consumers needing to navigate or trawl through very long documents to find details of charges.
 - Webpages containing information on overseas charges often included interactive tools allowing consumers to enter the country they were visiting to bring up

information on charges specific to that location, operators may wish to consider introducing similar tools allowing consumers to click drop down lists of key out of allowance/exceeding allowance charges to retrieve details.

- Some operators offer consumers the opportunity of taking out additional products such as bolt-ons to cover particular types of usage not covered or to bolster standard allowances, during online sales processes, for example bundles of picture messages, additional data, overseas use, calls to international numbers etc.

Additional observations

- A1.6 In order to understand what an allowance does and does not provide, in addition to charging information, consumers also need to know if there are other consequences of using services - for example any fair usage or other restrictions that apply to deals and what could happen if they are reached (such as throttling, options to purchase additional allowance etc). This also includes any rounding up that may occur to usage - for example if calls of less than whole minutes are rounded up, this should be made clear. This information should be indicated in advertising, confirmation information (such as welcome packs) and information aimed at existing customers.
- A1.7 Operators need to do more to help consumers understand data and how they use it. Although operators include helpful examples of data usage and calculators, we have found that there are differences in how each operator calculates these, making it difficult for consumers to have a universal understanding of data usage. Further, data usage examples tend to focus on 'active' uses of data, such as browsing the internet and sending emails. Our work has found that consumers are particularly unfamiliar with 'non-active' usages of data. We are therefore encouraging operators to include these in their examples (such as data used by apps updating in the background) and our refreshed consumer advice includes tips on how to avoid or manage such uses of data.

Next steps

- A1.8 We are planning to meet with operators to discuss what we have found during this exercise and encourage them to ensure that information on pricing is clear and accessible to consumers before they enter into contracts via the internet (and applicable to other methods).

Annex 2

Figure 4: Mobile operator comparison table – summary of the tools offered to help protect consumers from UHBs

Ways operators help customers avoid UHBs	O2	Vodafone	Three (H3G)	EE (Orange)	EE (T-Mobile)	Virgin Media	Tesco
Offer financial cap on total monthly charge or part of allowance?	No	No	No - but consumers can opt to set their credit limit at zero so they are unable to use any services outside of their allowance	Yes-offered on some capped tariffs	Yes-offered on some capped tariffs	No	Yes-capped contracts as standard for new and existing customers
Text alert when you reach financial cap?	N/A	N/A	Yes- text when reach capped allowance	N/A	Yes	N/A	Yes
Text alert when reach operator's internal credit limit ⁵² ?	Largely N/A given new monitoring system	Yes	Yes	Yes	Yes - this is a configurable % which is can be set for all customers	Yes - Limit is shown on account and consumer may be able to change it. Alerts at 75%, 90% and 105%	Largely N/A given capped contracts

⁵² These limits are often provided for relatively short periods and subject to change/removal and for internal purposes, the consumer has no visibility of the level or any changes to it.

Ways operators help customers avoid UHBs	O2	Vodafone	Three (H3G)	EE (Orange)	EE (T-Mobile)	Virgin Media	Tesco
Text alert when you reach your allowance?	Yes- on data for most tariffs	Yes- for data on most tariffs	Yes- for data on most tariffs	Plan in place to notify customers of the amount of data they used in the month in 2013	Yes - automatic on data and by opt-in on voice/text for most tariffs	Yes - on data for all customers and on voice/text/data for all new tariffs	Yes- when reach all of allowance under capped contract
Other initiatives to prevent specific types of UHBs	Yes- offer bolt-ons for international calls and data Yes- internal spend monitoring system introduced Yes- launched tariffs with bigger usage allowances	Yes- sell additional data in bundles Yes- bolt-ons for some 08 numbers, international calls Yes- customers can opt for call barring for PRS and international ns	Yes- new capped tariffs (above) and tariffs with bigger usage allowances Yes- new opt in facility to block PRS numbers	No	No	Yes- bolt-on for 0845 and 0870 numbers Yes- new unlimited tariffs Yes- new customers can change their tariff (increase or decrease) at any time	No

Ways operators help customers avoid UHBs	O2	Vodafone	Three (H3G)	EE (Orange)	EE (T-Mobile)	Virgin Media	Tesco
Other facilities for checking usage:							
Online bill checker	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Smartphone app	Yes	Yes	Yes	Yes	Yes	Yes + similar facility for most handsets	Yes
Recorded info number	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SMS short code service	Yes	Yes	Not available	Yes	Yes	Yes	Yes

