
Making sure customers are treated fairly

Progress update on Ofcom's work to ensure
fairness for customers

[Making sure customers are treated fairly](#) – Welsh translation available

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Fairness for customers – progress update

Ofcom wants customers to get a fair deal for their services. Competition and innovation have delivered lower prices, better services, wider coverage and improved reliability. But choice can sometimes be confusing, and providers don't always make it easy for customers to get the best deal for them. So we are standing up for customers and making sure companies treat them fairly.

Ensuring fairness for customers is a priority for us – particularly for those in vulnerable circumstances, whether through their income, age, disability or other circumstances. In September 2018, Citizens Advice submitted a super-complaint to the Competition and Markets Authority (CMA) on higher prices for disengaged consumers in the mobile, broadband, home insurance, mortgages and savings markets. We have taken account of the [CMA's response and recommendations](#) in our targeted action to tackle harmful practices that we identify.

The UK's telecoms markets are among the most competitive in the world. This has delivered significant choice and value for money for most customers. Our research shows that UK mobile prices are lower than in France, Germany, Italy, Spain and the US. At the same time, broadband customers are generally getting more for less. Average monthly data use has increased sharply in recent years, while household spend on broadband remains largely the same. We will continue to promote competition to help ensure customers can access faster, better services.

However, not everyone is benefiting from this competition. We have been concerned about some people – particularly those in vulnerable circumstances – paying more than they need to, because they find it difficult to navigate the market.

We will continue our work to make sure customers are treated fairly, pay fair prices and can easily take advantage of the deals available. Among other things, we will be: making it simpler to switch; monitoring and reporting on the prices paid by customers; making sure providers identify and support vulnerable customers; using data to understand vulnerable customers' needs and help them get better deals; and shining a light on companies' performance.

Ensuring fair prices

Having tackled unfair phone bills in 2018 – which resulted in price reductions for [landline-only customers](#), [118 callers](#) and [070 users](#) – we turned our attention in 2019 to the tariffs paid by longstanding broadband and mobile customers.

Clear and fair handset charges for mobile users. We have been [reviewing the prices paid by mobile customers](#) who bundle their handset and airtime together in a single contract. Having analysed millions of tariffs, we found there are around 1.4 million customers who would save an average of £11 a month if they switched to a cheaper SIM-only deal. However, we also found that more than a quarter of out-of-contract bundled customers would pay more if they switched to a similar SIM-only deal. So, it is important not to leave existing customers worse off through blanket price regulation, and ensure that any action is targeted.

We challenged industry to take action and we secured commitments from the major mobile companies – except Three – to reduce bills for customers who are past their initial contract period. 'Out-of-contract' customers with Virgin Mobile or Tesco Mobile, and O2's direct customers, will see their bills reduce to the equivalent 30-day, or best available, airtime deal. Vodafone's out-of-contract customers will get a £5 discount, and EE's customers will get 10%, with both these discounts applying to all bundled customers monthly bills once they have been out-of-contract for more than three months. Out-of-contract customers with all participating providers will start seeing these discounts on their bills from next month.

We are working with O2 to seek a similar discount for its out-of-contract customers that buy bundled contracts through its indirect partners (such as Carphone Warehouse). Discussions between O2 and Carphone Warehouse are ongoing and we will be continuing to push for a quick solution for these customers. While we do not have the legal power to force companies to move customers onto default tariffs, such as an equivalent 'SIM-only' deal when someone's initial contract has passed, these commitments from industry will help reduce customers' bills.

We will also be giving people extra information to help them make the right choices when buying mobile contracts. We recently proposed new rules which would require customers to be told, before they sign up to a bundled mobile contract, the price they could buy the handset and airtime separately, where that's possible.¹

Mobile customers are also increasingly turning to 'split' contracts – with separate contracts for the handset and airtime – which is another way of buying an expensive handset in instalments. While these bring benefits in increased flexibility and pricing transparency, some split contracts may tie customers into excessively long contracts with providers – in some cases up to 36 months. We are concerned that this can make it harder for customers to switch, if they have to pay off their handset first, and are considering whether further measures may be needed to address this.

Fair prices for out-of-contract broadband customers. We are also [reviewing broadband pricing practices](#), to understand why some customers pay more than others – particularly those who may find themselves in vulnerable circumstances. We looked at the prices paid by more than 20 million customers, and found that a fifth of broadband customers (around 4.5 million people) were in their first contract with their provider. A further two fifths (around 8.3 million people) had re-contracted, a third of whom were paying less than the average new customer price, meaning that the majority of broadband customers were in-contract with their provider. However, around 8.8 million were out of contract. Many of these customers pay high prices when their introductory offer has ended, and could save significant amounts by negotiating a new deal with their existing provider or switching to a new one. For example, customers who sign a contract with a new provider typically pay around £9 to £10 per month less compared to out-of-contract customers with the same provider. Those who re-contract with their existing provider typically pay £8 to £9 per month less than if they were out of contract.

Introductory offers allow providers in competitive markets to attract new customers. As our analysis shows, many people benefit from these offers, especially those who shop around. However, we are

¹ Our proposed new rules would mean providers who sell bundled contracts and who also sell the airtime and/or handsets separately would have to tell customers the prices at which they could buy those elements separately from that provider.

concerned about some people, particularly those in vulnerable circumstances, who may be paying more than they need to – because they lack the confidence to navigate the market or talk to their provider.

We have secured a range of commitments from the UK's biggest broadband companies to cut prices for those who are out of contract and protect vulnerable customers. For example, some providers have committed to undertake annual price reviews with their customers who are identified as vulnerable, to ensure they are on the best deal for their needs. Others have committed to reduce the difference between the monthly prices paid by new or re-contracted and out-of-contract customers. We are also exploring the case for a new social tariff to protect low-income households.

We welcome providers taking steps to help consumers get a fairer deal. We will provide an update on these commitments, as well as any further commitments made by providers, in the spring. Over the longer term, we will monitor customer outcomes in retail broadband closely, as these measures come into effect. In order to measure their success, we will monitor and report on a range of metrics, including the proportion of customers who are new, re-contracted and out-of-contract as well as the proportion of customers within each of those categories who are vulnerable. Existing laws do not allow us to cap prices in general. However, if we think providers could and should do more, we will seek to secure that they do so.

Making it easier to shop around

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

Simpler switching. Many people are put off by the hassle of switching provider. For example, nearly half of mobile customers who try to unlock their device find it difficult. So we have proposed to [ban mobile companies from selling locked phones](#). This follows major reforms, [introduced last July](#), which mean mobile customers can now switch operator by simply sending a free text message. Between September 2018 and September 2019, mobile switching rates among all standalone pay-monthly customers increased from 9% to 12%.

We have previously made it easier for millions of broadband customers on Openreach's copper network to switch with a [simple process](#), where their new provider manages the switch. In December, we proposed new rules to make it easier for broadband customers to switch between different networks as well as between full-fibre broadband services on the same network. We also proposed to ban notice period charges beyond the switch date for customers switching their fixed landline and broadband services. There are existing rules on this for mobile customers.

In addition, we proposed that customers should be given clearer contract information before they sign up, so they can better understand offers before committing to them. We also proposed strengthening customers' right to exit if there are any changes to their contract that they have not been previously told about and that are not exclusively to their benefit.

Clear information for broadband shoppers. Last year, we introduced [new protections for broadband shoppers](#) – meaning they will be told what speeds to expect, before they commit to a contract.

Independent information and advice. We provide accurate tools to help people shop around with confidence and find the best deal for their needs. Last year, we ran a major information campaign and website – [Boost Your Broadband](#) – to help people get faster broadband *and* save money. Since launching, we have seen take-up of superfast broadband increase by a fifth, with more than half of homes now subscribing to superfast packages (from 45% to 54%). This was followed by a [campaign](#) to highlight the benefits of switching broadband and mobile provider, and offer advice on how to do so. We also regularly shine a light on which major telecoms and pay TV providers are [best and worst for customer service](#), and we have worked with the UK Regulator's Network to develop cross-sector performance scorecards.

Putting fairness first

Protecting vulnerable customers. We previously [strengthened our rules](#) to ensure vulnerable customers are treated more fairly. Firms must now have clear and effective policies and procedures in place for the fair and appropriate treatment of vulnerable customers, and offer them additional help if they need it. Since then, we have been scrutinising companies' policies and practices to ensure they meet the needs of vulnerable customers. Given the relatively small numbers of customers recorded by providers as potentially vulnerable, we believe much more progress can be made by firms to identify these customers. Last year we consulted on a new [guide](#) for firms on how they can improve the way they treat vulnerable customers.

Putting fairness at the heart of every provider's business. Companies should make it as easy as possible for customers to do business with them. Customers expect to be treated fairly and should be confident that this is a central part of their provider's culture. This has not always been the case among broadband, phone and pay TV companies. So last year, we secured major [new fairness commitments](#) from all of the UK's biggest broadband, phone and pay TV companies. To help providers in improving their practices, we also set out how we propose to [assess fairness issues](#) and the kinds of concerns that might prompt intervention. This year, we will finalise our framework for assessing fairness. We will also publish a progress report on the fairness commitments, reviewing whether companies are delivering what they have promised.

Money back, without having to fight for it. When things do go wrong, customers should be adequately compensated, without having to fight for it. So, last year, a new voluntary compensation scheme was launched, ensuring broadband and landline customers will automatically [get money back](#) from providers signed up to the scheme when they experience missed appointments or face delays getting their connections installed or fixed. This will also give companies a strong incentive to get things right in the first place.

Shining a light on companies' performance

Choosing the best provider for you. In competitive markets like mobile, broadband and TV, it is vital customers have the information they need to choose the best provider for their needs. So we

published our comprehensive study of how providers across different markets perform on customer satisfaction, complaints and value for money. This data is also included in the UK Regulators Network's (UKRN) performance scorecards, which allow comparison of providers across different regulated sectors.

Revealing different pricing practices. As part of our reviews of broadband and mobile pricing – the most comprehensive reviews of retail pricing in these markets in the UK – we published provider-specific data. For broadband we published data on the different prices customers pay depending on whether they are re-contracted, out-of-contract or new customers. For mobile we published data on how much out-of-contract customers on bundled deals could save by switching to a SIM-only deal. This has led to us securing much fairer prices for customers, and we will continue to monitor providers' prices closely. We will continue to publish provider-specific broadband pricing data regularly.²

Next steps

We will continue our work to ensure fairness for customers. This year, there will be updates and decisions on the projects mentioned above, including our reviews of broadband pricing and mobile handset contracts. We will develop new rules that make switching easier, such as our proposed ban on mobile firms selling 'locked' phones and proposed new rules to make it easier to switch between broadband networks. We also continue to examine the case for a new social tariff to protect broadband customers on low incomes. By March, most of the price commitments made by major broadband and mobile companies will have come into effect. Also, telecoms and pay TV firms will have to alert customers when their deal is coming to an end and tell them about their best deals. We believe these measures could have a significant positive impact for customers. We will monitor them closely to see whether they are having the desired outcomes. We will also continue to monitor and report on the extent to which customers are getting a fair deal, and provide our own independent information and advice to help customers navigate the market, such as performance scorecards.

Using data to empower customers. Following the Government's Smart Data Review, we will set out proposals for an Open Communications initiative. This would enable residential and small business customers to get access to data held by their telecoms provider, for example on how they use their services and what they pay. Customers can then share their data with accredited third parties like digital comparison tools to make it easier to compare products and find a better deal. We also want to ensure customers are treated fairly as technology evolves. We will look at the practice of 'personalised pricing' in communications markets, including the use of data and algorithms by providers.

Making sure vulnerable customers are treated fairly. In 2020, we will publish our final guide for providers on how to treat vulnerable customers fairly. This will include suggested measures that firms can take to ensure they are treating vulnerable customers fairly and help improve the way they identify customers who may be in vulnerable circumstances. We will also carry out new research on vulnerable customers' use of telecoms services, and we plan to trial linking survey evidence to the

² We maintain a list of prices of some of the broadband deals offered by some of the UK's broadband providers on our [Boost Your Broadband](#) website.

prices customers pay. This evidence will help us to better understand outcomes for customers in vulnerable circumstances.

We will continue to monitor – and report on – customer outcomes. If companies are not treating customers fairly, we will step in and take action. Our regular reporting on customers' experiences – including the prices they pay – will continue to shine a light on unfair practices.