



# Unexpectedly high bills

Call for Inputs

Call for Inputs

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## Section 1

# Understanding unexpectedly high bills

## Introduction

- 1.1 Ofcom is the regulator for the communications sector. Our principal duty is to further the interests of consumers and citizens in relation to communications matters.<sup>1</sup>
- 1.2 Communications services feature usage-based charging, which combined with the availability of a wide variety of services priced at different levels, some of which are used infrequently, means that consumers can find themselves facing bills that far exceed what they are used to, or expect. This is sometimes referred to as ‘bill shock’.
- 1.3 Concerns about bill shock have been expressed directly by consumers in complaints received by Ofcom, as well as by MPs and through reporting in the media. Complaints received by Ofcom concerning unexpectedly high bills are usually in relation to mobile phone bills, but the issue of ‘bill shock’ can arise in relation to bills for fixed-line voice and broadband services.
- 1.4 Ofcom would like to better understand the issue of unexpectedly high bills, so we are inviting consumers to share their experiences. We have a number of questions that we would like consumers to answer. These are set out below, together with some questions for other stakeholders who have an interest in this issue.
- 1.5 In parallel, Ofcom is talking to Communications Providers<sup>2</sup> about the steps that they take to protect their customers against unexpectedly high bills. Ofcom has also carried out some market research<sup>3</sup> and the findings are set out below.
- 1.6 There are already a number of rules which help to protect consumers against unexpectedly high bills by ensuring that Communications Providers supply consumers with clear and transparent information about their services and do not engage in unfair practices. There are also some specific rules that protect consumers when they are travelling in other EU countries. These rules are discussed briefly below.
- 1.7 Ofcom will consider all the responses to this Call for Inputs, and the information gathered from Communications Providers, in order to better understand the issues around unexpectedly high bills.

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<sup>1</sup> Section 3(1)(a) of the Communications Act 2003.

<sup>2</sup> By Communication Providers, we mean Mobile Network Operators (“MNOs”), Mobile Virtual Network Operators (“MVNOs”) landline phone operators and Internet Service Providers (“ISPs”).

<sup>3</sup> A summary of the key findings of the research is in Appendix 2.

## Research findings

- 1.8 To help determine the magnitude of the issue of unexpectedly high bills, as well as to understand possible causal factors, Ofcom commissioned an omnibus research survey in November 2010 among 2000 GB adults aged 16+. Respondents were asked whether they had received an unexpectedly large bill for mobile phone, landline phone, fixed-line broadband and/or mobile broadband services in the last 12 months. Of this sample, 6% had experienced bill shock in relation to their mobile phones; 5% in relation to their landline; 3% in relation to their fixed-line broadband; and less than 1% in relation to mobile broadband.
- 1.9 The top five common reasons for unexpectedly high mobile bills<sup>4</sup> were: calls not included in the bundle (19%); calls made to 0845/0870 numbers (16%); customers exceeding their inclusive bundles (15%); international calls (15%) and using the mobile phone abroad (6%).
- 1.10 The top five common reasons for customers receiving unexpectedly high landline bills<sup>5</sup> were: calls to 0845/0870 numbers (14%); calls to mobiles (11%); customers making more calls than they expected to (11%); incorrect charges (11%); and international calls (9%).
- 1.11 The survey asked those consumers who had received an unexpectedly high mobile bill in the last 12 months to indicate how much higher the bill was than expected. The results were as follows:
- £1-10 more than expected (7%);
  - £11-20 (21%);
  - £21-30 (17%);
  - £31-50 (19%);
  - £51-99 (18%); and
  - £100 or more (18%).
- 1.12 Similarly, consumers who had received an unexpectedly high landline bill in the last 12 months provided information about how much more the bill was than expected:
- £1-10 more than expected (11%);
  - £11-20 (25%);
  - £21-30 (21%);
  - £31-50 (15%);
  - £51-99 (11%); and
  - £100 or more (9%)

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<sup>4</sup> The sample size for consumer who had experienced an unexpectedly large mobile bill was 94. Results should therefore be treated with caution and be seen as indicative only.

<sup>5</sup> The sample size for consumers who had experienced an unexpectedly large landline bill was 80. Results should therefore be treated with caution and be seen as indicative only.

- 1.13 The median amount by which the bill was higher than expected (i.e. the amount paid by the 'middle' consumer among those who experienced bill shock) was between £31 and £50 for mobile phone services and between £21 and £30 for landlines.<sup>6</sup>
- 1.14 The research findings provide insight into why unexpectedly high bills occur and the size of unexpectedly high bills. They suggest that these bills are not a common occurrence for consumers. However, Ofcom is mindful of the fact that unexpectedly high bills can cause significant harm for those few consumers who experience it and the *risk* of bill shock might affect the behaviour of many, perhaps even the majority, of consumers.

## Existing rules protecting consumers

- 1.15 There are existing rules in place to ensure that Communications Providers supply consumers with clear and transparent information<sup>7</sup>, which can be taken into consideration, before the consumer decides whether to purchase the service(s). For example there are rules which require:
- 1.15.1 specific information to be displayed prominently on or around a public pay telephone, such as the minimum charge payable for the connection of a call;<sup>8</sup>
  - 1.15.2 Communications Providers to offer contracts with minimum terms, which includes providing consumers with particulars of prices and tariffs;<sup>9</sup>
  - 1.15.3 Communications Providers to meet minimum criteria, such as ensuring publication of standard tariffs, including details of standard discounts and special and targeted tariff schemes;<sup>10</sup>
  - 1.15.4 Communications Providers to only issue a bill to the end-user which accurately represents the service actually provided to the end-user;<sup>11</sup>
  - 1.15.5 Communications Providers to produce and comply with a Codes of Practice for Premium Rate Services ("PRS"), Number Translation Services ("NTS") calls<sup>12</sup>, calls to 0870 numbers and calls to personal numbers. These Codes of Practice must be easy to understand, and copies should be provided upon request and free of charge to customers;<sup>13</sup>

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<sup>6</sup> We cannot calculate a mean average from the data, but it is likely to be a lot higher than the median, as calculating the mean average would need to take into account rare occurrences of extremely large bills, which would skew the results.

<sup>7</sup> General Conditions of Entitlement as at 30 July 2010:

<http://stakeholders.ofcom.org.uk/binaries/telecoms/ga/cvogc300710.pdf>

<sup>8</sup> General Condition 6.

<sup>9</sup> General Condition 9.

<sup>10</sup> General Condition 10.

<sup>11</sup> General Condition 11.

<sup>12</sup> "NTS Calls" means calls to numbers identified in the National Telephone Numbering Plan as Special Services operating on the 08 number range and including calls to 0500 freephone numbers, but excluding calls to 0844 04 numbers for Surfetime internet access services, calls to 0808 99 numbers for flat rate internet access call origination and calls to 0870 numbers.

<sup>13</sup> General Condition 14.

- 1.15.6 mobile Communications Providers to ensure that before the customers enter into a contract, they are provided with a description of the key charges;<sup>14</sup> and
- 1.15.7 fixed-line Communications Providers to ensure that customers, before entering into a contract, are provided with a description of the key charges.<sup>15</sup>
- 1.16 Ofcom can also enforce consumer protection laws, such as the Consumer Protection from Unfair Trading Regulations 2008 (“CPRs”). The CPRs prohibit traders (in all sectors) from engaging in unfair practices against consumers, including misleading practices.<sup>16</sup>
- 1.17 The General Conditions and the CPRs as set out above help protect consumers from experiencing bill shock, by ensuring consumers have information available to them, before deciding whether or not to purchase a particular service. If Communications Providers fail to follow the rules, then Ofcom has the power to investigate individual companies, and if necessary, take further action. Details of investigations and their outcomes are published on Ofcom’s website.<sup>17</sup>
- 1.18 In addition, there are other regulations in place that directly deal with the issue of bill shock, to ensure that customers do not end up facing unexpectedly high bills:
- 1.18.1 In 2007, the European Union (“EU”) introduced a rule, requiring mobile Communications Providers to send consumers information by text message on the price of phone calls when they first enter another EU country.<sup>18</sup> In 2009, the EU extended the scope of the regulation to include SMS and data services like Multimedia Messaging Services (“MMS”), mobile broadband from laptops, mobile Internet from mobile phones and mobile e-mail from Personal Digital Assistants (“PDAs”).<sup>19</sup>
- 1.18.2 On 1 July 2010, the EU introduced further rules to prevent consumers running up extremely large mobile phone bills when downloading data whilst travelling in any EU country. The data-roaming limit is automatically set at €50 per month, excluding VAT, and customers have the option to contact their provider to choose another limit – higher or lower – or to remove it.
- 1.18.3 In addition, mobile Communications Providers have to send users a warning when they reach 80 per cent of their data-roaming bill limit (whilst roaming within the EU). Once the user reaches the limit, the operator has to cut off the mobile internet connection, unless the customer has indicated they want to continue data roaming that particular month.<sup>20</sup>

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<sup>14</sup> General Condition 23.

<sup>15</sup> General Condition 24.

<sup>16</sup> <http://www.bis.gov.uk/policies/consumer-issues/buying-and-selling/consumer-protection-regulations>

<sup>17</sup> <http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/?a=0>

<sup>18</sup> <http://consumers.ofcom.org.uk/tell-us/telecoms/charges/roaming/cost-of-using-your-mobile-abroad-international-roaming/>

<sup>19</sup> The EU also compelled all mobile companies to offer a standard ‘Eurotariff’, which has resulted in an average reduction in retail prices of more than 50% for most users. For further information see <http://consumers.ofcom.org.uk/tell-us/telecoms/charges/roaming/cost-of-using-your-mobile-abroad-international-roaming/>

<sup>20</sup> [http://ec.europa.eu/information\\_society/activities/roaming/tariffs/index\\_en.htm](http://ec.europa.eu/information_society/activities/roaming/tariffs/index_en.htm)

- 1.18.4 PhonepayPlus regulates Premium Rate Services (“PRS”) in the UK.<sup>21</sup> Regulation of PRS is designed to ensure that consumers can use these services with confidence and have access to effective redress when they encounter problems. PhonepayPlus’ 12<sup>th</sup> Code of Practice, which was published on 30 March 2011, has introduced a new rule, whereby PRS providers will need to take steps to identify excessive usage of a service to minimise cases of 'bill shock'. The new Code of Practice will come into force on 1 September 2011.
- 1.19 Ofcom considers that there is a wide range of regulations in place to help limit consumer harm which may be caused by unexpectedly high bills.

## Scope of this Call for Inputs

- 1.20 This Call for Inputs provides stakeholders with the opportunity to bring to Ofcom’s attention any issues of concern that should be considered. In particular, Ofcom would like to gather further information from consumers about their experiences in relation to unexpectedly high bills received from their mobile, landline and/or broadband provider.
- 1.21 The questions within this Call for Inputs will focus on unexpectedly high bill(s), as well as the consumers’ experience of raising a related complaint to their provider and how they react to the experience of receiving an unexpectedly high bill.
- 1.22 Ofcom recognises that the issue of unexpectedly high bills is broad and can cover a range of scenarios and different types of services. However, Ofcom asks that stakeholders limit their responses to those unexpectedly high bills that have been received:
- i) in the last 12 months;
  - ii) in relation to consumers’ mobile phone services (both PAYG or pay monthly), landline, and/or broadband services; and
  - iii) in relation to services purchased or used infrequently i.e. a one-off occurrence (rather than a series of unexpectedly high bills caused possibly by being on the incorrect tariff).
- 1.23 Ofcom would also like to hear from consumers who may have had a positive experience, following receipt of an unexpectedly high bill.
- 1.24 Ofcom will communicate with stakeholders the findings of this Call for Inputs, including whether there might be a need for further action on the part of Communications Providers or Ofcom.

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<sup>21</sup> These are the premium rate goods and services that you can buy by charging the cost to your phone bill and pre-pay account: <http://www.phonepayplus.org.uk/output/about-phonepayplus.aspx>

## Questions for stakeholders

- 1.25 To help you in deciding what points you wish to make, we have suggested some questions for you to answer below. However, Ofcom will consider all the information provided by respondents, not only information provided in response to these specific questions.

### Questions for consumers

Please consider questions [1] to [24] below if you are a consumer who has received at least one unexpectedly high bill in the past 12 months.

Where you have received unexpectedly high bills in relation to different services, such as mobile and landline, in the past 12 months, please provide a separate response per service to each of questions [2] to [24] below.

You may also wish to include copies of relevant bills and correspondence along with your response.

#### Background:

1. Please specify the following:
  - a) Your age;
  - b) Your occupation; and
  - c) Your gender.
2. How long have you have been with your current service provider/on you current tariff?
3. Please specify which service/s your unexpectedly high bill was in relation to, i.e. mobile, landline and/or broadband, and the name of the operator/s.
4. How much is your fixed monthly tariff and, on average, how much do you pay each month?
5. What was the value of the unexpectedly high bill and by how much did this exceed your expectations?

**Reasons for receiving an unexpectedly high bill:**

6. For which of the following reason(s) did you receive an unexpectedly high bill in the last year:
  - a) *Mobile:*
    - i) Call(s) to an international number;
    - ii) Using your mobile whilst abroad (inside the EU or outside of EU – please specify);
    - iii) Exceeding your monthly inclusive allowance (minutes, text or data). If so, to what extent;
    - iv) Data usage;
    - v) Calls to non geographical numbers i.e. 07, 08 or 09 numbers;
    - vi) Stolen phone/fraud; and/or
    - vii) Other? Please specify.
  - b) *Fixed line:*
    - i) Call(s) to an international number;
    - ii) Exceeding your monthly inclusive allowance. If so to what extent;
    - iii) Calls made outside of the free unlimited hours;
    - iv) Calls to non geographical numbers i.e. 07, 08 or 09 numbers;
    - v) Call reverse charges; and/or
    - vi) Other? Please specify.
  - c) *Broadband:*
    - i) Exceeding your monthly data usage allowance; and/or
    - ii) Other? Please specify.
7. On a scale of 1 to 10, how responsible do you feel for the unexpectedly high bill (1 being not responsible at all, and 10 being completely responsible)? Please explain why.
8. If you had known the actual cost of the service, would you still have gone ahead and used it? If not, by how much more was the cost than you would have been prepared to pay?
9. Before using the service(s) which led to the unexpectedly high bill, did you obtain any information (online, on the phone, or written material) that would have helped you estimate how much the service was going to cost? If not, what was preventing you from doing so?
10. If yes, please state where you went for this information and explain why it did not help you to avoid receiving an unexpectedly high bill?

**Complaining to your provider:**

11. Upon receipt of an unexpectedly high bill, did you complain (express your dissatisfaction) to your provider?
12. If yes, was your complaint resolved to your satisfaction? If yes, what was the outcome?
13. If your complaint to your provider was not resolved to your satisfaction, please explain why?
14. Did you take your complaint about an unexpectedly high bill to Alternative Dispute Resolution (ADR), such as Otelo or CISAS?
15. If yes to question 14, what was the outcome?
16. If your complaint was not resolved after 8 weeks by your provider, and you did not go to ADR, please explain why.
17. Can you estimate how much time has been spent on trying to resolve the matter of the unexpectedly high bill?

**Impact of the unexpectedly high bill:**

18. Are you still with the provider from whom you received the unexpectedly high bill? If yes, has the unexpectedly high bill increased the likelihood of you changing provider?
19. If you have left your provider as a result of receiving the unexpectedly high bill, how important was this bill in your decision to leave? Before changing provider did you take any steps to find out how other providers handle issues with unexpectedly high bills (e.g. press reports, talking to family and friends)?
20. Have you changed your behaviour to ensure that you do not receive an unexpectedly high bill again? If yes, how?
21. Has your service provider helped you in planning your phone/internet usage so that you do not receive another unexpectedly high bill (e.g. have you been offered a usage alert service)?

*Mobile only:*

22. Have you considered going on a Pay As You Go contract as a way of being able to control your bills? If not, why?

**Possible preventative options:**

23. What do you think would help you avoid receiving an unexpectedly high bill in the future?

24.

*a) Mobile and landline:*

i) Are you aware whether your service provider offers usage alerts (text messages/emails/phone call telling you that you are close to or have used your inclusive allowance) and/or credit limits (preventing you from spending above a certain amount, outside of your inclusive allowance)?

ii) If yes, do you use these services? If not, why?

*b) Mobile and broadband:*

i) Do you have monthly internet data usage allowance? If yes, how much is your monthly allowance?

ii) Do you understand what is meant by data usage, and what types of activity may lead to you exceeding your allowance?

*c) Mobile only:*

i) Do you use the internet on your phone for browsing or for 'downloading'?

**Questions for other interested stakeholders**

1. What do you think could be done to tackle the issue of unexpectedly high bills i.e. raising consumer awareness, greater clarity on tariffs or any other solutions?

2. Do you have access to any further research/evidence relevant to the issue of unexpectedly high bills that you would be willing to share with Ofcom? If so, please include this in your response.

## Annex 1

# Responding to this Call for Inputs

## How to respond

- 2.1 Ofcom invites written views and comments on the issues raised in this document, to be made **by 5pm on 14 June 2011**.
- 2.2 Ofcom strongly prefers to receive responses using the online web form at <http://stakeholders.ofcom.org.uk/consultations/unexpectedly-high-bills/>, as this helps us to process the responses quickly and efficiently. We would also be grateful if you could assist us by completing a response cover sheet (available on our website), to indicate whether or not there are confidentiality issues. This response coversheet is incorporated into the online web form questionnaire.
- 2.3 For larger responses - particularly those with supporting charts, tables or other data - please email [unexpectedlyhighbills@ofcom.org.uk](mailto:unexpectedlyhighbills@ofcom.org.uk) attaching your response in Microsoft Word format, together with a consultation response coversheet (available at <http://stakeholders.ofcom.org.uk/consultations/consultation-response-coversheet/>).
- 2.4 Responses may alternatively be posted or faxed to the address below, marked with the title Call for Inputs ("Unexpectedly high bills"):  
  
Rapinder Newton  
Ofcom  
Floor 2: Consumer Affairs  
Riverside House  
2A Southwark Bridge Road  
London SE1 9HA  
Fax: 020 7981 3061
- 2.5 Note that we do not need a hard copy in addition to an electronic version. Ofcom will acknowledge receipt of responses if they are submitted using the online web form but not otherwise.
- 2.6 If you want to discuss the issues and questions raised in this Call for Inputs, or need advice on the appropriate form of response, please contact the project manager, Rapinder Newton on 020 7783 4897.

## Confidentiality

- 2.7 We believe it is important for everyone interested in an issue to see the views expressed by Call for Input respondents. We will therefore usually publish all responses on our website, [www.ofcom.org.uk](http://www.ofcom.org.uk), ideally on receipt. If you think your response should be kept confidential, can you please specify what part or whether all of your response should be kept confidential, and specify why. Please also place such parts in a separate annex.
- 2.8 If someone asks us to keep part or all of a response confidential, we will treat this request seriously and will try to respect this. But sometimes we will need to publish all responses, including those that are marked as confidential, in order to meet legal obligations.
- 2.9 Please also note that copyright and all other intellectual property in responses will be assumed to be licensed to Ofcom to use. Ofcom's approach on intellectual property rights is explained further on its website at <http://www.ofcom.org.uk/about/accoun/disclaimer/>.

## Cover sheet for response to an Ofcom Call for Inputs

### BASIC DETAILS

Call for Inputs title:

To (Ofcom contact):

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

### CONFIDENTIALITY

Please tick below what part of your response you consider is confidential, giving your reasons why

Nothing	<input type="checkbox"/>	Name/contact details/job title	<input type="checkbox"/>
Whole response	<input type="checkbox"/>	Organisation	<input type="checkbox"/>
Part of the response	<input type="checkbox"/>	If there is no separate annex, which parts?	

If you want part of your response, your name or your organisation not to be published, can Ofcom still publish a reference to the contents of your response (including, for any confidential parts, a general summary that does not disclose the specific information or enable you to be identified)?

### DECLARATION

I confirm that the correspondence supplied with this cover sheet is a formal Call for Inputs response that Ofcom can publish. However, in supplying this response, I understand that Ofcom may need to publish all responses, including those which are marked as confidential, in order to meet legal obligations. If I have sent my response by email, Ofcom can disregard any standard e-mail text about not disclosing email contents and attachments.

Ofcom seeks to publish responses on receipt. If your response is non-confidential (in whole or in part), and you would prefer us to publish your response only once the Call for Inputs has ended, please tick here.

Name

Signed (if hard copy)

## Annex 2

# Summary of research

### **Bill shock**

Questions were added to the TNS CAPI omnibus.

Fieldwork dates: 26/11/10- 30/11/10.

Sample: nationally representative of GB adults aged 16+. N: 2,000

### **Services received an unexpectedly high bill in the last 12 months**

Mobile phone	6%
Landline phone	5%
Fixed- line broadband	3%
Mobile broadband	less than 1%

Base: all GB adults who personally own and personally pay for (service) in their household

### **Mobile phone**

- 6% of GB adults 16+ who personally own and pay for their mobile phone have received an unexpectedly high bill in the last 12 months.

The following is based on a relatively low base size (94) and should therefore be treated with caution, and be seen as indicative only:

- Unexpectedly high bills are more common among the following demographic groups:
  - Younger people (16-34: 12%, 35-54: 6%; 55+: 2%)
  - Higher socio- economic group (ABC1: 8%; C2DE: 4%)
  - Employed (working: 8%; not working: 4%)
- Just over half (52%) of those who have received an unexpectedly high mobile bill in the last 12 months have experienced this once in the last 12 months. Just over a fifth (22%) have experienced it twice and just over a quarter (26%) more than three times in the last 12 months.
- How much more than expected was your mobile bill?

£1-10	7%
£11-20	21%
£21-30	17%
£31-50	19%
£51-99	18%
£100 or more	18%
Can't remember	1%

- Most common reasons for unexpectedly high mobile bill is:
  - Calls that are not included in bundle (19%)
  - Calls to 0845/0870 numbers (16%)
  - Exceeded my inclusive bundle (15%)
  - International calls (15%)
  - Used abroad (6%)

**Landline phone**

- 5% of GB adults 16+ who personally own and pay for their landline phone have received an unexpectedly high landline bill in the last 12 months.

The following is based on a relatively low base size (80) and should therefore be treated with caution and seen as indicative only:

- Unexpectedly high bills are more common among the following demographic groups:
  - Older people (16-34: 3%, 35-54: 5%; 55+: 6%)
  - Higher socio- economic group (ABC1: 6%; C2DE: 4%)
- Half (51%) of those who have received an unexpectedly high landline bill in the last 12 months have experienced this once in the last 12 months. 16% have experienced it twice and 31% more than three times in the last 12 months.
- How much more than expected was your landline bill?

£1-10	11%
£11-20	25%
£21-30	21%
£31-50	15%
£51-99	11%
£100 or more	9%
Can't remember	9%

- Most common reasons for unexpectedly high landline bill is:
  - Calls to 0845/0870 numbers (14%)
  - Calls to mobiles (11%)
  - Made more calls than expected (11%)
  - Incorrect charges (11%)
  - International calls (9%)
  - Service used by friend/ family (7%)
  - Calls to 09/voting/chat lines (6%)

**Fixed-line broadband**

- 3% of GB adults 16+ who personally own and pay for fixed line broadband have received an unexpectedly high bill in the last 12 months.
- There are no demographic differences among those who have experienced a high bill for fixed-line broadband
- The number of people in the sample who have experienced an unexpected high bill for their fixed line broadband is 46 and therefore too low to look at other questions.