

# Consultation response form

Question	Your response
Question 1: Do you agree with the conclusion in our Equality Act impact assessment	Confidential? – Y / N
Question 2: Do you agree with our assessment of the potential impact of our proposal on the Welsh language? Do you think our proposal could be formulated or revised to ensure, or increase, positive effects, or reduce / eliminate any negative effects, on opportunities to use the Welsh language and treating the Welsh language no less favourably than English?	Confidential? – Y / N
Question 3: Do you agree with our assessment of the consumer harm arising from inflation-linked price variation terms?  We invite evidence from respondents on the matters addressed in section three.	<p>Confidential? – N</p> <p>We agree with each of the outlined potential consumer harms, regarding the impact on cognitive burden; consumer engagement (and subsequent impact on competition); and unfair financial risks.</p> <p>Previous Ofcom research has identified that 8.1 million households find it difficult to afford a broadband connection, but only 4.2 million are eligible for social tariffs. <sup>1</sup> This is in part because around 23% of the poorest fifth of households (around 1.6 million people) either do not meet eligibility criteria (for means-tested benefits) or are eligible but not claiming. <sup>2</sup></p> <p>From our assessment, the rate at which broadband prices have increased appears to have outstripped the rate of inflation. These changes may not have had a noticeable impact in media income household budgets, as broadband bills take up a comparatively</p>

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	<p>small proportion of household budgets, compared with other utilities.</p> <p>However, the use of inflation-linked price rises means people have a limited understanding of how their bills may rise when they initially sign their contract. This uncertainty can lead to frustration and have wider implications on household budgets.</p> <p>Furthermore, Careful Trouble conducted research in June 2023 which identified that low-income households spend almost twelve times as much of their disposable income on broadband than the richest households. <sup>3</sup> Compared with the median household, the poorest households pay 3.5 times more. Broadband spending has increased for all households, but the increase in spending has been nine and a half times greater for the poorest households. As such, any price rises will undoubtedly be felt most by those on the lowest incomes.</p> <p>It is also important to note that, whilst advertised broadband bills may be in the region of £20-30 per month, this may not be reflective of all households' experiences, with many households paying significantly more due to compounding price rises over time. This is supported by our research which shows how broadband prices have outstripped inflation. <sup>4</sup></p> <p>Moreover, whilst the UK broadband market is competitive, with a significant number of 'alt-net' players, it is more difficult to transfer between providers than it is in the mobile market. This is in part due to significant delays to the One Touch Switch service. These delays make it difficult for households to take advantage of better deals offered by ISP, which is particularly important during periods of high inflation.</p>
<p><b>Question 4: Do you agree with the conclusion in our impact assessment?</b></p>	<p>Confidential? –N</p> <p>Ofcom's impact assessment explores seven options. Five of which Ofcom concludes does not meet your policy objectives. These five are:</p> <p>a. requiring more point-of-sale information about the potential impact of inflation-linked price variation terms on the price customers will pay;</p>

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	<p>a. <i>prohibiting inflation-linked price variation terms</i> that would apply in-contract price rises <b>less than 12 months after the start of the contract</b></p> <p>a. requiring providers to offer <b>additional</b> products with a contract period of up to 12 months only</p> <p>a. requiring providers to offer <b>additional</b> products with a monthly price fixed at the same level for the duration of the contract,</p> <p>a. requiring providers to <b>limit the contract period</b> for their services to up to 12 months only</p> <p>The final two options are:</p> <ul style="list-style-type: none"> <li>f. Requiring providers to fix monthly prices for their services at the same level for the duration of the contract (a ‘fixed charges’ requirement).</li> <li>f. Requiring providers, when they provide for a change to the monthly price of their service during the contract term, to set that change out at the point-of-sale in pounds and pence (‘a £/p requirement’)</li> </ul> <p>We agree with the conclusions reached about options a-e. We also agree that option g addresses some of the concerns that Ofcom has raised.</p> <p>However, we disagree with the conclusion reached about option f, the ‘fixed charges’ requirement. Instead, we agree with the argument made by Citizens Advice that fixed charges provide greater certainty to consumers, ensuring that they will pay the same price throughout the length of their contract. <sup>5</sup> Citizens Advice calls this position ‘fixed means fixed.’</p> <p>Ofcom’s quantitative research seems to suggest that more people ‘strongly agree’ that prices are clear when they are described as fixed amounts over the contract period. <sup>6</sup> There appears to be strong support for a ‘fixed means fixed’ approach in Ofcom’s quantitative research, and some support in Ofcom’s qualitative research. <sup>7</sup></p> <p>Ofcom notes that a ‘fixed means fixed’ approach would restrict introductory discounts, and Ofcom suggests that these discounts are liked by consum-</p>

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	<p>ers. Based on the research shared in the consultation's supporting documents, it is not immediately clear what evidence there is to support the view that these introductory discounts are liked by consumers. In particular, we would like to understand whether these discounts are valued by lower-income households. We believe that the variance in pricing – whether through introductory discounts or through other mid-contract price rises – makes it harder for people to budget. This view is supported by Ofcom's qualitative research.</p> <p>Furthermore, we would like to understand what research Ofcom has conducted with those who are least able to afford internet access at present, specifically those who are not online. Both Ofcom's quantitative research and its qualitative research were primarily conducted via online surveys or forums (with eight additional depth interviews for the qualitative research). We are concerned that those who are offline – as well as those who may not be able to afford consistent, good quality internet access – may not be represented in the data.</p> <p>We recognise that some additional requirements may be required to ensure that competition thrives in a 'fixed means fixed' policy environment. As such, we would support some of the proposals put forward by the Independent Networks Cooperative Association (INCA), <a href="#">8</a> namely:</p> <ul style="list-style-type: none"> <li>• "BT's duct and pole company should be sold off into a separate organisation without common ownership with BT."</li> <li>• "Government, Ofcom and industry must work together to ensure the right incentives are in place for large ISPs to use the optical fibre networks built by Altnets."</li> </ul> <p>These changes would allow for greater price competition, particularly if prices are fixed, ensuring that larger players do not have an unfair advantage by setting lower prices due to lower wholesale costs. Organisations like INCA have highlighted how the pricing structures of Openreach are one of the main barriers that they face to delivering more affordable, competitive broadband products. Reducing wholesale costs could lead to the savings being passed</p>

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	<p>on to consumers, thus lowering prices. We appreciate, however, that these are longer term proposals which would require further consultation.</p>
<p><b>Question 5: Do you agree with our proposal to require providers to ensure that the following information is drawn prominently to the customer's attention in a clear and comprehensible manner before a customer is bound by a contract: i) the Core Subscription Price; ii) if the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price, in pounds and pence; and iii) the date from which any changed Core Subscription Price shall have effect?</b></p>	<p>Confidential? – N</p> <p>We agree with this proposal. Key pricing information, including the current price, future price rises, and the date of future price rises, should not be pushed into the 'small print' of a contract, but should be prominently displayed alongside the current advertised price.</p> <p>In particular, should price rises be allowed during contract periods, we would strongly support the 'pounds and pence' proposal. This provides greater clarity for consumers, particularly for those who are less able to calculate percentage increases.</p> <p>However, in our view, broadband prices should not rise during a contract period. This does not preclude the potential for prices to rise outside of a contract – and few contracts are longer than 24 months anyway – so providers would still be able to adjust prices over time to reflect rising costs. We believe that the best way to ensure that consumers have certainty about the price of their internet connectivity is to ban all mid-contract price rises.</p>
<p><b>Question 6: Do you agree with our proposal to require providers to include in the Contract Summary: i) the Core Subscription Price; ii) if the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price in pounds and pence; and iii) the date from which any changed Core Subscription Price during the Commitment Period shall have effect?</b></p>	<p>Confidential? – N</p> <p>Whilst reiterating our view that we believe mid-contract price rises should be fully banned, we would otherwise support this proposal.</p>
<p><b>Question 7: Do you agree with our proposal to require providers to include in the Contract Information: i) if the Core Subscription Price is to</b></p>	<p>Confidential? – N</p> <p>Whilst reiterating our view that we believe mid-contract price rises should be fully banned, we would otherwise support this proposal.</p>

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change during the Commitment Period, that changed Core Subscription Price in pounds and pence, and ii) the date from which any changed Core Subscription Price during the Commitment Period shall have effect?	
<b>Question 8: Do you agree with our proposed additions and amendments to GC C1 (see detailed amendments in annex 5)?</b>	Confidential? – Y / N
<b>Question 9: Do you agree with our proposed additions and amendments to existing GC C1 guidance to clarify our expectations on how providers could comply with the new requirements (see detailed amendments in annex 6)?</b>	Confidential? – Y / N
<b>Question 10: Do you agree with the proposed implementation period of four months from publication of the statement and the changes to GC C1 and guidance?</b>	Confidential? – Y / N

References for our submission:

<sup>1</sup> Ofcom, 2023, [Affordability of Communications Services, April 2023 Update](#)

<sup>2</sup> Schmueker, K. & Elliot, J. 2023, [On a low income, but not claiming means-tested benefits](#), Briefing Paper, Joseph Rowntree Foundation

<sup>3</sup> Careful Trouble, 2023. [The real cost of home broadband — Promising Trouble](#)

<sup>4</sup> Careful Trouble, 2023. [The real cost of home broadband — Promising Trouble](#).

<sup>5</sup> Citizens Advice, 2023. [Dialling up prices](#).

<sup>6</sup> Ofcom, 2023. [Inflation-linked in-contract price rises - Broadband - Ofcom](#)

<sup>7</sup> Community Research, 2023. '[https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0027/272763/Inflation-linked-price-rises-qualitative-research-report.pdf/](https://www.ofcom.org.uk/_data/assets/pdf_file/0027/272763/Inflation-linked-price-rises-qualitative-research-report.pdf/)'

<sup>8</sup> INCA, 2023. [Securing long term benefits for broadband customers | INCA](#)

Please complete this form in full and return to [cameron.bailey@ofcom.org.uk](mailto:cameron.bailey@ofcom.org.uk).