



Ofcom Consultation: Prohibiting inflation-linked price rises

The Consumer Council response

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Contents

Consultation coversheet.....	Error! Bookmark not defined.
Executive summary	4
About Us	6
The Northern Ireland Consumer Context	10
Consultation questions	12
Contact information	17

Executive summary

The Consumer Council welcomes the opportunity to respond to the Ofcom prohibiting inflation-linked price rises consultation.

As consumers continue to experience the worst cost of living crisis in decades, it is incumbent on regulators like Ofcom to support consumers facing financial hardship, particularly vulnerable consumers. The Consumer Council welcomes Ofcom's plans for new consumer price protections in telecoms, including a ban on price increases linked to uncertain future inflation.

We are supportive of the changes Ofcom are proposing and have used this consultation to highlight key Northern Ireland considerations particularly when considering vulnerable consumers including:

- Telecoms is an essential service for Northern Ireland consumers, particularly in the areas of broadband and mobile.
- Telecoms contract costs should be made clear at point-of-sale and consumers should be certain about what they will have to pay throughout the contract duration.
- Contract costs should be displayed clearly in pounds and pence.

Key areas that should be considered alongside these changes are:

- While these changes will affect new contracts, many of our consumers are already concerned about the affordability of their current provider. Ofcom must consider how to protect consumers from inflation linked price rises in current contracts.
- It will be vital for Ofcom to monitor contract prices following this rule change to ensure contracts don't become more expensive, or consumers experience less choice.
- The regulator should monitor and report on supplier compliance with these rule changes to ensure consumers are seeing the benefits.
- Our research found that only 39% of Northern Ireland consumers were aware of social tariffs¹. In order to improve affordability of telecoms for the most

¹ Consumer Council, Broadband Availability and Accessibility (unpublished)

vulnerable, Ofcom must focus on raising awareness of these packages and ensure telecoms suppliers to do the same. This is vital for those struggling to manage the cost of their telecoms.

Throughout 2023 the Consumer Council conducted considerable research in areas that relate to this consultation including:

- Consumers' views and behaviours in response to the rising cost of basics - not yet published
- Broadband Affordability and Accessibility research – not yet published
- Northern Ireland Household Expenditure Tracker Q2 2023 – November 2023
- Mobile Roaming Experiences of Northern Ireland Consumers, March 2023

We have used our consumer research insights as an evidence base for our response.

About Us

The Consumer Council is a non-departmental public body (NDPB) established through the General Consumer Council (Northern Ireland) Order (The Order) 1984. Our principal statutory duty is to promote and safeguard the interests of consumers in Northern Ireland (NI).

We are an insight-led evidence-based organisation:

- Providing consumers with expert advice and confidential guidance.
- Engaging with government, regulators, and consumer bodies to influence public policy.
- Empowering consumers with the information and tools to build confidence and knowledge.
- Investigating and resolving consumer complaints under statutory and non-statutory functions.
- Undertaking best practice research to identify and quantify emerging risks to consumers.
- Campaigning for market reform as an advocate for consumer choice and protection.

We have specific statutory duties in relation to energy, postal services, transport, water and sewerage, and food affordability and accessibility. These include considering consumer complaints and enquiries, carrying out research, and educating and informing consumers.

Our non-statutory functions educate and empower consumers against unfair or discriminatory practices in any market from financial services to private parking charge notices.

Our interpretation of The Order gives us powers to tackle financial exclusion in Northern Ireland by working with The Executive, UK Government and regulators to influence policy and empower consumers through education and increased awareness.

Across all our areas of work, we pay particular regard to consumers:

- who are disabled or chronically sick;

- who are of pensionable age;
- who are on low incomes; and
- who live in rural areas.

We use a set of eight guiding principles (Figure 1) developed by the United Nations to assess where the consumer interest lies; and develop and communicate our policies, interventions and support. These provide an agreed framework through which we approach regulatory and policy work.

Figure 1: Consumer Principles



The principles ensure we apply a consistent approach across our statutory and non-statutory functions, and in all our engagement with consumers and stakeholders.

They serve and protect consumers and set out the minimum standards expected from markets when delivering products or services, including in digital markets, in Northern Ireland. They also frame our policy position and approach to resolving consumer disputes with industry, offering a straightforward checklist to analyse and validate outcomes, in particular amongst vulnerable groups.

Super-complaints

We are a designated super-complaints body set up under the Enterprise Act 2002 and the Financial Services and Markets Act 2000 Order 2013.

Under both Acts, the Consumer Council can, if we believe any feature or combination of features of a market in the United Kingdom (UK) is, or appears to be, significantly harming the interests of consumers, raise a super-complaint on behalf of consumers to the following regulators:

- Civil Aviation Authority
- Competition and Markets Authority
- Financial Conduct Authority
- Office of Communications
- Office of Gas and Electricity Markets
- Office of Rail and Road
- Payment Systems Regulator
- Northern Ireland Utility Regulator
- Water Services Regulation Authority

Under the Gas and Electricity Licence Modification and Appeals Regulations (Northern Ireland) 2015, we can appeal to the CMA if we believe a modification by the Utility Regulator to the licence of a gas or electricity provider is detrimental to the interests of consumers.

EU Exit

The Order also gives the Consumer Council powers to monitor and report on the real and perceived impacts for consumers in light of Northern Ireland's unique position of being in the UK customs territory with access to the EU single market for goods, and the considerations of the NI Protocol, and more recently, the Windsor Framework.

It allows the Consumer Council to educate and empower consumers to understand how any changes might affect them and what actions they need to take. The work we carry out is aligned to the following Articles of the NI Protocol:

- Article 4: Customs territory of the UK
- Article 5: Customs, movement of goods

- Article 6: Protection of the UK internal market
- Article 9: Single electricity market
- Article 11: Other areas of North-South cooperation

The Northern Ireland Consumer Context

Northern Ireland (NI) has unique geographic and economic challenges compared to the rest of the United Kingdom. NI represents 3% of the total UK population (c1.9 million vs c67 million),² with more than double the proportion of citizens living in rural areas (36%) compared to England (17.1%) and Scotland (17%).³ When looking across the labour market, NI has the highest rate of economic inactivity across the UK (26.6% vs 20.9%).⁴ NI has a higher rate of consumer vulnerability compared to the UK (50% vs 47%).⁵

Northern Ireland differs financially from the rest of the UK. With regards to consumer affordability, our latest Northern Ireland Household Expenditure Tracker⁶ has found Gross household income for the lowest earning households in Northern Ireland is 9% lower than the equivalent households in the UK (£258.34 versus £284.15) and 71% of these households' income is derived from social securities (benefits) compared to the UK average (60%). The discretionary income of our lowest earning households, Quartile 1, is less than £27 per week and 54% of their essential spending is on food (21%), rent and utilities (21%) and transport (12%)⁷.

The Consumer Council's 'Consumers' Views and Behaviours in Response to the Rising Cost of Basics'⁸ research demonstrates that the vast majority of consumers (90%) in Northern Ireland are concerned or very concerned about the cost of basics, with over two-thirds (67%) concerned about the cost of communication and technology.⁹

² National Online Manpower Information System (NOMIS), Total Population, 2021

³ NI: Northern Ireland Statistics and Research Agency (NISRA), NI: In Profile, November 2022. England: Department for Environment, Food and Rural Affairs (Defra), Rural population and migration, October 2021. Scotland: Scottish Government, Rural Scotland Key Facts 2021, February 2021

⁴ National Online Manpower Information System (NOMIS), Labour Supply, Apr-Jun 2023

⁵ Financial Conduct Authority (FCA), Financial Lives May 2022 survey: selected results by nation of the UK, July 2023

⁶ [Consumer Council Northern Ireland Household Expenditure Tracker: Q2 2023](#)

⁷ Figures are rounded, total of the three categories is 54%

⁸ Consumers' Views and Behaviours in Response to the Rising Cost of Basics Research (not yet published)

⁹ Concern about the cost of basics broken down by specific areas of essential spend include: 91% concerned about home energy costs, 80% concerned about food and non-alcoholic beverages, 71% concerned about transport costs, 67% for communication and technology, and 64% regarding mortgage/ rent/rates.

Over four in ten (44%) consumers struggle to afford the cost of basics with over a third (38%) saying that they were dipping into savings to cope with the cost of basics.

From our Broadband Affordability and Accessibility research, we know that internet access at home is seen as an essential service for consumers in Northern Ireland with 97% of respondents stated that having internet access at home is important to their daily life. Broadband affordability is a key concern for NI consumers with 21% of respondents stating that their current broadband contract was not affordable. Around one in six (15%) respondents stated that they have struggled to pay their broadband bill in the last 12 months.

Difficulties in affordability are similar for mobile phone users. In our 'Mobile Roaming Experiences of Northern Ireland Consumers' research, 17% of respondents felt that their mobile phone plan was unaffordable relative to their income. Those from the lower socio-economic group (22%) were twice as likely as those from a more affluent background (11%) to have felt their mobile phone plan was unaffordable and 11% of respondents said they struggled to pay their phone bill.¹⁰

As consumers continue to experience the Cost-of-Living crisis, it is vital for Ofcom to support consumers facing financial hardship and put preventative measures in place to minimise detriment.

¹⁰ [The Consumer Council, Mobile Roaming Experiences of Northern Ireland Consumers, March 2023](#)

Consultation questions

Q1: Do you agree with the conclusion in our Equality Act impact assessment?

Yes

Q2: 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?

N/A

Q3: Do you agree with our assessment of the consumer harm arising from inflation-linked price variation terms?

We agree with Ofcom's assessment that there is widespread consumer harm arising from inflation-linked price increases in telecoms which is demonstrated through our research insights about affordability of telecoms in Northern Ireland.

As previously stated in the Northern Ireland Context section, we know from our research 'Consumers' Views and Behaviours in Response to the Rising Cost of Basics' research, that two-thirds (67%) of consumers are concerned about the cost of communication and technology.

In this research we found vulnerable consumers are more concerned with nearly eight in ten concerned about the cost of communication and technology. Those in receipt of Universal Credit (79%), and those with a disability (74%) have all shown higher levels of concern about the cost of communication and technology in comparison to the general population (67%).

Many consumers find shopping for telecoms services difficult. This is demonstrated in our 'Consumers' Views and Behaviours in Response to the Rising Cost of Basics' research. It found that four in ten (41%) consumers have found it difficult or very difficult to switch and save on internet and broadband, and over a third (36%) found it difficult to switch and save on mobile phone usage. When asked why it is difficult to switch and save the most common reasons cited included:

- being locked into or still in the contract.
- the process to change provider is complicated/difficult.
- there are too many options/variables to make comparisons.
- difficult to understand and concerned about changing technology.

Our Broadband Affordability research found those who had been with their current provider for a year, or more were likely to have experienced mid-contract price rises. None of these individuals recalled having been made aware of potential price rises before they signed up for the contract, which was felt to be underhanded and frustrating.

While most acknowledged the increase was minimal, there was a sense of aggravation that switching to another provider at the time of the increase was not possible due to a tie-in period. Many believed they had taken on a contract without having all the facts.

Question 4: Do you agree with the conclusion of our impact assessment?

Yes

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?

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?

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 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?

The Consumer Council agrees with the proposals laid out in questions 5-7. We welcome changes that make telecoms pricing and contract costs clearer for all consumers.

We welcome the proposal to require providers to ensure that the information is drawn prominently to the customer's attention in a clear and comprehensible manner before a customer is bound by a contract. This is particularly important for vulnerable consumers.

We know from our 'Broadband Affordability and Accessibility' research that around one in six (15%) consumers in Northern Ireland have struggled to pay their broadband bill in the last 12 months however consumers in vulnerable groups are much more likely to struggle to pay their broadband bill, those with a disability (27%), those from low-income households (18%), and those in receipt of benefits (25%).

In order to test consumer attitudes to this Ofcom proposal, the Consumer Council used focus groups consisting of 41 consumers including those from vulnerable groups to test attitudes as part of our Broadband Affordability and Accessibility research project.

There was universal agreement the Ofcom proposals should be done as standard as customers could then make an informed decision. Currently, many were making decisions based only on what they were told at the time of committing to a contract. It was felt that this information did not include details about potential mid-contract price rises. If this information was included in the small print, it was unlikely to be read.

Consumers felt that it was a good idea to provide the information in pounds and pence, rather than percentages. Some suggested that they struggle to work out percentages and would be unlikely to ask for clarification.

Consumer commentary from these focus groups is included below:

'At last, you'd know where you stand. Not going to get a shock.'

'They should be telling you. Preparing you.'

‘When you sign up to a deal, it should be that deal. You need to know at point of purchase.’

‘I want to know that my costs for 24 months will be this.’

‘Much better to know upfront so you know what you are dealing with and can budget for it.’

Ofcom should monitor and report on supplier compliance with any changes to ensure consumers are seeing the benefits, particularly vulnerable consumers. In addition, it will be vital for Ofcom to monitor the market following any rule changes to ensure contracts don’t become more expensive, or consumers experience less choice.

The Consumer Council is well placed to work in partnership with Ofcom to promote and amplify the messaging around these changes, making it clearer for consumers.

Question 8: Do you agree with our proposed additions and amendments to GC C1?

Yes

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?

Yes

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? Please provide evidence in support of your views?

We believe these measures should be implemented as quickly as possible due to the essential nature of these services and the increasing number of consumers who are concerned about the cost of basics.

While these changes will affect new contracts, Ofcom must consider how protections will be applied to current contracts, and those taking on new contracts before the changes are implemented, in order to reduce detriment.

Our ‘Consumers’ Views and Behaviours in Response to the Rising Cost of Basics’ research found that four in ten (41%) consumers have found it difficult or very difficult

to switch and save on internet and broadband, and over a third (36%) found it difficult to switch and save on mobile phone usage.

If these rules only apply to new contracts there is a danger that many consumers may not benefit until current contracts expire, which could be much longer than 4 months and this should be addressed as part of any recommendations.

Contact information

To discuss our response in more detail, please contact:

Anne-Marie Murphy

Director of Strategy and Emerging Markets

anne.marie.murphy@consumercouncil.org.uk

Tel: 07817 850 175



Consumer Council for Northern Ireland

Floor 3, Seatem House

28-32 Alfred Street

Belfast BT2 8EN

Freephone: 0800 121 6022

Email: contact@consumercouncil.org.uk

Website: www.consumercouncil.org.uk