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By email: improving.engagement@ofcom.org.uk

RE: Ofcom Consultation *Helping Consumers get better deals*

Dear Oliver,

The Consumer Council for Northern Ireland welcomes the opportunity to respond to Ofcom's consultation *Helping consumers get better deals*, outlining its proposals for end-of-contract and annual best tariff notifications.

Consumer confidence to shop around to get the best deal is essential in a fully functioning competitive market. Empowering consumers with accurate and timely information means they can take decisions that are best for them. At the end of their fixed term contract, consumers may decide to take a new deal with their current provider or switch to a new supplier. However, consumers must be provided with all clear and relevant information to help them make that choice.

In 2016, the Competition and Markets Authority (CMA) conducted an energy market review. It found that large numbers of domestic customers did not engage in retail energy markets by shopping around or switching supplier. It also found that 70% of domestic customers of the six largest energy suppliers paid a default tariff (the tariff customers pay if they have not made an active choice). Domestic consumers as a whole paid on average £1.4bn extra a year more than they would have done under a well-functioning retail market¹. This led to a programme of remedies, including measures to provide customers with different or additional information with the aim of promoting engagement in the domestic market.

More recently, in December 2018, the CMA found that the loyalty penalty, where longstanding customers can pay much more than new customers for the same service, is significant and impacts many people. It has

¹ CMA: Modernising the Energy Market June 2016 – this figure covers the period 2012 to 2015

estimated that the total loyalty penalty in the mobile (handset inclusive) market is £330m and for broadband packages £990m² per year.

To that end, The Consumer Council welcomes the work Ofcom is undertaking to ensure broadband, mobile, home phone and pay TV companies send their residential and business customers end-of-contract notifications and that all customers receive information on the best tariff providers have available at the end of their fixed commitment period. While this alone will not solve issues around the loyal penalty, it will provide customers with the information they need to make informed choices in relation to staying or switching suppliers. It is a welcome first step.

The Consumer Council notes that Ofcom anticipate a six month implementation period for end-of-contract and annual best tariff notifications. It is important that this timescale is adhered to.

It is also welcome to see proposals of how Ofcom will monitor the effectiveness of the notifications. The Consumer Council is pleased that this will include a combination of existing consumer research vehicles and additional bespoke research. We note the metrics that Ofcom is considering as part of this. It may be useful to gather this research on a regional basis, to identify whether customers in particular areas are less likely to switch supplier or negotiate a better contract than in other areas, so that further work can be undertaken to understand why and remedy the issue. The Consumer Council is happy to assist Ofcom in this regard. In any case, The Consumer Council would also expect these findings to be published in due course.

The Consumer Council also welcomes Ofcom's review of price differentials in the fixed broadband market, particularly its focus on vulnerable consumers. This is a very important piece of work, and we look forward to its outcome in due course. We acknowledge the challenges in gathering evidence of the impact on vulnerable consumers. Ofcom's definition for consumer vulnerability will be particularly important. Consumers may not necessarily view themselves as being vulnerable. Quantitative research may provide insight into the affect harmful pricing practices has on particular groups of consumers, including those with particular life experience (e.g. illness, bereavement). Qualitative research, including in depth interviews and focus groups with consumers who experience some form of vulnerability, could also be useful. Again, we would recommend that Ofcom conducts regional analysis.

Whilst acknowledging these challenges, it is important that Ofcom keeps to its timescale for the review in order to mitigate the detrimental impact price differentials can have on consumers.

From the measures that Ofcom is proposing, and its forthcoming review into price differentials, it is clear that

² CMA: Tackling the loyalty penalty December 2018 (p.52)

aspects of the telecoms market is not working in consumers' best interests. This is further compounded by barriers that prevent consumers from raising problems with their communications provider, as identified by the research from the Communications Consumer Panel on Effective Problem and Complaints Handling³. These barriers include: lack of confidence; anxiety about how to describe the problem, given the complex nature of services and tariffs; and feelings of low technical literacy. The research also found that there was low awareness of, and recourse through, Alternative Dispute Resolutions. The Consumer Council believes, therefore, that there needs to be greater support for consumers including a dedicated complaints function for telecoms and broadband consumers.

The Consumer Council is happy to discuss this response, or other issues arising from it, with Ofcom if required.

Yours sincerely

Ciara McKay

Policy Officer

³ Communications Consumer Panel Effective Problem and Complaints Handling – Reality or Illusion? July 2018