

Title:

Mr

Forename:

Allan

Surname:

Wright

Representing:

Self

Organisation (if applicable):

Email:

What do you want Ofcom to keep confidential?:

Keep nothing confidential

If you want part of your response kept confidential, which parts?:

Ofcom may publish a response summary:

Yes

I confirm that I have read the declaration:

Yes

Ofcom should only publish this response after the consultation has ended:

You may publish my response on receipt

Question 1: Do you agree that it is helpful and appropriate for Ofcom to issue guidance on the application of the Regulations to consumer contracts for communications services?:

Yes

Question 2: Do you agree with Ofcom's proposed guidance regarding core terms and transparency?:

Yes

Question 3: Do you agree with Ofcom's proposed guidance (including any administrative thresholds we have set) on non-core terms to which we apply the test of fairness?:

Yes

Question 4: Are there any other issues that are covered by the Regulations which Ofcom should give guidance on?:

No

Additional comments:

OFCOM Consultation - Response to the Additional Charges consultation, May 2008

My comments on the topics under consultation are as follows:

1 Payment Surcharge

? on the basis of a fully inclusive service cost, method of payment should be customer choice

? efficient payment collection should elicit a discount, not a penalty for non-compliance

? any reasonably applied Payment Surcharge should represent the actual cost of collection over and above that which would normally be incurred in doing business

? payment by DD is not suitable for every customer and mostly benefits the payee rather than the payer. The payer also loses control of transactions, control residing with the payee

1.1 When an organisation sets up in business, it makes provision in its overheads for the collection of payments. This is a basic overhead that is reflected in the cost of the service provided. By providing for a variety of payment methods it caters to the needs of its customers. Flexibility in method of payment will attract more customers, assuming there is free competition and the customer has a choice of service provider.

1.2 If the company can make savings by using specific forms of payment then it is sensible to share these savings with the concerned customers in the form of a rebate or discount. Advertising such a discount would encourage other customers to use that form of payment. However it is still the customers who choose the form of payment best suited to their circumstances.

The vital point here is that all customers pay the same advertised charge for the service provided, with those who choose to pay by more cost effective means benefiting by sharing in those savings. This is customer choice.

What BT has done is to actively punish people who do not wish to, or cannot, make payment by BT's chosen method, i.e., Direct Debit (DD). In doing so they have separated the cost of collecting payment from that of the service provision. The cost

of any service should be fully inclusive.

1.3 Notwithstanding the introduction of a Payment Surcharge, any charge should reflect the actual extra cost involved that is over and above the accepted cost of doing business. For example a surcharge may be justified in the use of a credit card payment since a charge is levied against the payee by the credit card company. Surcharges for payment by cash or cheque are unwarranted since no additional charge is incurred by the payee.

BT levies the Payment Surcharge on every bill regardless of whether any payment is due. Thus a customer with zero or a credit balance will still get charged. This shows that BT is not making a charge for the collection of payment but is applying a fixed levy against those not paying by DD, I.e. it is a punishment for not paying by DD.

1.4 Not everyone who has DD facilities would trust every company with direct access to their bank account. This is a personal decision based on trust.

A DD is for payment of variable amounts rather than a pre-arranged fixed sum as with Standing Order. Money is withdrawn, usually without prior notification of the amount making budgeting more difficult and lead to unexpected overdrawn or 'lack-of-funds' events. Even if adequate funding is budgeted for, billing mistakes do happen

A DD is not retrospective, i.e. the money is taken before a query on a billed amount can be raised.

One final aspect that is very important is that of leverage. If a customer receives poor service, he can withhold payment until the situation is rectified. In this situation the customer retains some leverage in the case of a dispute. If payment is made by DD the customer loses all leverage and has little comeback against overcharging or poor service.

2 Late Payment Fee

- ? any late payment fee should represent the actual loss incurred by the payee
- ? late payment fee should be automatically cancelled in the event of a disputed bill
- ? a fixed late payment fee is disproportionately unfair on low usage customers

2.1 Whilst it is reasonable for a company to expect payment on time, any late payment fee should represent the actual loss to the company concerned. The introduction of a fixed late payment fee is unreasonable and is in effect a punishment.

2.2 In the case of BT the late payment fee is automatic and does not take into account actual circumstances. For example, if there is a disputed amount then it is reasonable to withhold payment of the disputed amount until the matter is resolved. BT complaints can take months to resolve but in the meantime payment reminders continue to be sent regardless. This, together with threats of disconnection for non-payment, is intimidating, particularly for more vulnerable customers such as the elderly.

Post can go missing. I recently have had 2 telephone bills go missing, the first notification of payment due being when I received a 'reminder' that included a late payment charge. I was being penalized through no fault of my own.

2.3 A fixed late payment fee is unfair, particularly for customers with low telephone usage. Any penalty should fairly represent the actual loss to the payee. Line rental is paid quarterly in advance and so any late payment penalty should only apply to the previous outstanding payment and not include the advance line rental charge for the coming quarter.

3 Other Points

? the Payment Surcharge and Late fee should not be compounded; 1 payment = one charge

? if BT disconnects a line for non-payment then reconnection should be 'at cost' rather than further punishing the customer with a full re-connection charge

3.1 The BT Payment Surcharge and Late Payment fees are cumulative, i.e. each payment reminder will include a Payment Surcharge and Late fee in addition to those already included on previous reminders. Thus the longer payment is delayed the higher the final bill. Again vulnerable people could be intimidated into paying more than they should.

3.2 For late or non-payment BT reserves the right to disconnect the telephone service. However, BT is misusing this facility to further punish the customer. Following disconnection, once the overdue payment is paid the customer is then forced to pay the full reconnection charge as for a new line. In the case of a non-payment BT can simply 'stop' the line, thereby denying use to the customer. Restarting a stopped line is simple and BT normally makes no charge for this. Thus imposing a full installation charge is designed to be a further punishment on a customer who has already paid a Late Payment fee.

4 Minimum Contract Period

Whilst not technically a topic for 'additional charges' the imposition of a minimum 1 year contract period for many people, can have the effect of being an unpublished 'additional charge'.

? provision of a telephone line should be independent of the provision of a telephony service

? line rental should have no minimum contract, this being covered by the length of any associated service contract

? short-term rental should be reinstated to assist those unable to commit to a minimum 1 year

4.1 Despite the increasing use of mobile telephones, the internet is still very much dependent upon landline connections. BT still retains an effective monopoly over the local loop.

A landline connection is the physical conduit for a telephony services and should be considered as a basic utility in much the same way as gas or electricity is supplied to a

home. Once the conduit has been installed (and paid for by the customer) revenue is generated by the use of the services provided over the line. Thus the provision of a basic telephone connection should be separated from the telephony service that is provided over it.

4.2 With BT this is not the case; the provision of the basic line is for a minimum 12 months period, regardless of any additional services. With the provision of a telephony service by a company other than BT being dependent upon an active BT line being present, any new customer is forced to take a BT telephony service for a period of 1 year before they are able to switch to a different supplier. This is not free competition.

Whilst it may be reasonable for BT to impose a minimum contract on the provision of a telephony service there should be no such limitation on the provision of the means to provide that service, i.e. the local loop.

4.3 Persons who move to rented accommodation on a temporary basis, such as for reasons of work, are now being penalised since in the past they could take a short term line connection from BT on a quarterly basis. A 3 month detachment away from home would now incur a £70 penalty for each occurrence. The BT Code of Practice refers to short-term connections but in reality short-term now means 12 months!

My own situation is similar to that above. I work abroad and during my absence my home is rented. I reoccupy my home each summer for 2-3 months. In order to get a simple dial-up internet connection I am forced to accept a BT 1 year contract and then pay the penalty for early termination. The same applies to my tenants. The local loop to the house was installed 25 years ago and the cost of maintaining that line is minimal. Whilst I am away the line is 'stopped' so that reconnection for either myself or my tenants can be made at minimal cost, yet each year BT can rent the same line potentially three times over, penalising the customer each time. This is unreasonable and unfair; BT are penalising me because of my personal circumstances. Furthermore, for the foreseeable future I will never reach the stage of completing a full year's contract and thus be able to choose another supplier; I am forced to 'choose' BT each time ? no option. This is not my idea of free competition!

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