

Dear Ms Sinha,

Additional charges

Thank you for consulting Age Concern on your initial decisions regarding your investigation into the additional charges made by telecoms companies to their tariffs. As I stated in my letter of August 2007 on this issue, the additional charges made by BT for those not paying by direct debit has resulted in an unprecedented number of complaints to us from older people.

Reflecting the contacts that we have had, our main concerns relate to the charges made where the customer does not pay by direct debit and the extra charge for those who receive a paper bill rather than an on line bill.

Non direct debit charges

We are very pleased that BT has agreed not to introduce a non direct debit charge for their universal tariff, BT Basic. The universal service tariff is designed to help households on low incomes to have a fixed line telephone. As those on low incomes are more likely not to pay by direct debit, it is particularly appropriate they should not incur additional charges.

We understand that payment by direct debit is cheaper for companies to administer and that they want to pass on this saving to those customers paying by this method. However we were struck by the findings in the market research conducted by Ofcom during their investigation. In particular:-

- Among those who chose to pay by direct debit, the reason most often given for doing so was habit (50%) with the fact it was a cheaper method of paying being chosen by the lowest number of respondents (12%)
- Only 10% of consumers (including those paying by direct debit) thought it was fair for suppliers to charge an additional amount depending on the payment method. Even when told the supplier had higher costs when processing payments not made via direct debit, 50% still thought consumers should be treated the same.
- This strength of feeling was echoed in the responses from consumer groups about the issue. They expressed the view that there 'is a high level of outrage that suppliers charge an additional amount for paying by cash or cheque.'

We think it a pity, that having asked consumers their views, Ofcom has concluded that more weight should be given to the ability of suppliers to offer cost reflective pricing.

However, given that Ofcom propose additional charges may be made for different payment methods, we agree with Ofcom's proposal that these charges must be made more transparent. Ofcom must also continue to monitor these additional charges to ensure they remain truly cost reflective.

Charges for receiving paper bills

We believe there should be a clear statement from Ofcom that there should be no additional charges for non itemised bills that continue to be received through the post as opposed to on line. We think the issue of making additional charges for sending an itemised bill by post as opposed to a non itemised one, and which we accept may be appropriate, should be considered separately from making additional charges for households receiving a non itemised bill by post as opposed to on line.

We consider that levying an additional charge for households who receive a paper bill rather than getting it on line is a particularly discriminatory practice against older people who are less likely to have access to the internet and we are already receiving complaints about this practice. As Ofcom's most recent research on ownership of communications found (as reported in The Consumer Experience, November 2007) only 42% of people aged 65 to 74 and 27% of those aged 75 and over had access to the internet at home compared to 61% of the UK population. In addition, since the majority of older people are retired, they are less likely than any other age group to be able to access the internet at work if they do not have a computer at home.

We found section 8 of the consultation document where this was discussed a bit unclear. Although it included references to additional charges where bills were sent through the post as opposed to being received on line, the main discussion and analysis in this section concentrated on itemised billing.

Given the numbers of households that have access to the internet at home is increasing, Age Concern considers it is highly likely that more companies will start to introduce additional charges for households who continue to receive paper bills and would have liked Ofcom to have addressed this issue more thoroughly in the consultation. Even if providing a bill on line is cheaper than sending a bill through the post, Age Concern considers at present levels of access to the internet at home, this would be discriminating against older and low income household. (The same research showed that internet access is also lowest among the lowest socio – economic (DE) households some of who will also be older people). For this reason, we would like the final decision document to clearly state that it is not permissible at the current time to make an additional charge for sending non itemised bills through the post as opposed to households receiving them on line.

Yours sincerely

Gretel Jones
Consumer Affairs Policy Adviser