

Title:

Dr

Forename:

Jonathan R

Surname:

Morgan

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?:

My email address

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?:

No, see comment below

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?:

No, see comment below

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

No comment

Additional comments:

I wish to comment on the following paragraph in section 3 of the Review (Charges for payment method (non-direct debit charges)):

"3.90 Concerns have been expressed over the fact that there is typically an additional charge for not paying by direct debit, as opposed to a discount for paying by direct debit. Ofcom does not believe this is a material difference. If consumers are charged, for example £15 as against £18, depending on payment method, we consider it is immaterial how this is described, provided it is presented transparently."

I believe that Ofcom have missed the point here and therefore failed properly to appreciate the outrage felt by customers at the imposition of non-DD charges. The issue is not simply one of comparing costs of service type - but of branding in the literal sense. Contrary to Ofcom's assertion, to many customers this is a highly material aspect of the overall service.

Customers who do not want to pay by DD are outraged at being branded as poor quality customers who are more likely to default on paying their bills than DD customers. In BT's case this branding occurred last summer when they switched from awarding discounts to DD payers to imposing penalties on non-DD payers. Such branding (or market segmentation) amounts to negative discrimination against those many customers, like myself, who have good payment records and have demonstrable loyalty to the supplier.

Instead of negatively bracketing such customers with those who do default, in my view Ofcom should require suppliers to engage in positive discrimination by rewarding ALL customers who pay promptly and who use low cost means of payment. Ofcom should also do more to promote transparency of alternative payment method costs by publishing industry or sector averages. This would provide justification for such positive discrimination and guide customers fairly and honestly to low cost supply options.

Nowadays one of the lowest cost methods would appear to be direct payment by internet. For example for the past three years I have settled my energy bill on-line weekly with my supplier: I get an accurate bill because I take my own readings, the bill is immediately available, the supplier gets instant payment and we both get cash flow advantages. There is virtually no personal contact required and as I pay by debit card funds transfer is immediate. I challenge BT to prove that such a payment method is more costly than DD.

Many telecoms suppliers including BT have put their customers accounts on-line but, as far as I am aware, none offer customers the ability to manage their accounts in the way I have just described. Again Offcom could do more to encourage competition in telecoms supply based on more imaginative use of available internet technology. This would reduce suppliers costs, enabling them to pass back some of the benefits to good customers, thereby promoting customer loyalty.

In a transparent, fully competitive market I have no problem with my telecoms supplier attempting to pass on their legitimate costs of supplying my service because I know that competition will prevent abuse. However the market is neither transparent nor fully competitive. Specifically I have no realistic alternative to having a land-line contract with BT as I require internet connectivity, cable is unavailable and satellite services are unreliable and/or prohibitively expensive. My situation is a common one and is indicative of a de facto BT monopoly of supply. I therefore look to Offcom to ensure that BT does not abuse its' position and in particular that it does not shift progressively more of my bill on to fixed charges like the non-DD levy.

In conclusion I do not support Offcom's overall stance, as set out in the draft guidance, that provided costs are reasonable and transparent then telecoms suppliers should be allowed to impose non DD charges. I urge Offcom to think again about basing their guidance purely on cost and transparency grounds and to consider more deeply the quality of service issues I have described.

Rewarding efficiency and loyalty deserve equal regulatory consideration to cost control and contractual detail, important though the latter undoubtedly are.