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| ***Don’t cut me off!***  |
| **A vicious circle of debt accumulation in telecoms** |

 **January 2020**

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## Executive summary

*“ I’ve been calling them again and again. I’ve been passed from pillar to post so many times. Then I get a bill for my mobile and it’s massive. It’s like I’m accumulating debt trying to resolve paying off debt. How can that be right?” (Kayla*, living alone, no children, 25-34, Bristol)

*Already in debt, Kayla is trying to work with her communications provider to resolve a payment issue. But the process is protracted and her efforts are costing her more than she can afford. She’s being pulled into a vicious circle of debt and has little choice but to continue or face the consequences.*

Consumers can find themselves financially vulnerable for a variety of reasons and bill shock can compound this vulnerability for consumers on low incomes. We commissioned in-depth qualitative research, interviewing consumers across the UK who were classified as potentially financially vulnerable, living on a low income, and who classified themselves as either ‘just about managing’ or ‘genuinely struggling’ to pay their bills. In this report, we look at the significance of communications services to consumers living on a low income, the factors that influence low-income households’ financial resilience, ways that low-income consumers protect themselves from debt and what happens when consumers seek assistance from their provider and any barriers to their receiving that assistance. We’ve made a series of practical recommendations to include the experience for low income consumers. These can be found on page 14.

**Reliance on communications services and fear of being disconnected**

Consumers’ reliance on telecoms services has dramatically increased in the past few years, to the point where access to mobile phones and internet services is considered by many to be essential. Although communications services were not viewed as more important than essentials related to shelter, food, water and energy, for many participants they were integral to their daily needs. Broadband, mobile, landline and pay-TV were viewed as essential services in the way the participants ran their lives in terms of online banking, managing benefits online, applying for jobs, low cost entertainment (streaming services such as Netflix) and maintaining social connections. Broadband was particularly important in households where there were children.

We found that the fear of being disconnected drove some of our participants to prioritise their telecoms bills over other essential services. Some participants in this study said they had sacrificed paying for necessities, such as food, water, gas and electricity, for fear of having the communications services they relied on cut off.

**Actions to try and reduce bill shock by financially vulnerable consumers**

Some participants explained how they proactively controlled fluctuations in their bills, preventing bill shock by using data caps, keeping within the restraints of their tariff and using their provider’s app. Consumers had a range of other methods to protect themselves from harm, from reducing the services they took, to keeping tabs on their contract dates and negotiating better deals at the right time, to keeping money in jars to maintain direct control of spending, to borrowing money or food. Some consumers tried to reduce their spending by shopping for lower cost bundles, but bundled services do not always offer enough clarity or flexibility for them to reduce costs.

**Experiences of support available from providers**

We found that Kayla’s experience quoted above was not an isolated incident. Other consumers who took part in the study said they felt that their provider was difficult to contact: often payment issues could not be resolved by webchat and phone calls were passed between agents who consumers felt did not show any understanding or empathy towards their circumstances, or were not empowered to help. All at a cost to those consumers.

Some participants felt that in correspondence, providers tended to focus on making payment or general contact. This was a finding echoed by the desk research, which identified a lack of information on: timelines regarding disconnection and debt collectors; penalty charges up front (except in the small print); and support available from providers. It also highlighted a lack of consistent terminology around processes and fees. The desk research also highlighted that information isn’t always easy to find on providers’ websites, if it is available at all – and when it is it may be presented in a way that is complex or ambiguous.

A small number of these consumers had avoided contacting their provider until they were at the point of disconnection, either through a fear of running up further call costs or a lack of confidence that the situation would be resolved. Some participants had received little notice before their communications services were disconnected.

Conversely, some of those interviewed had positive experiences, finding that their provider understood their problem and had tried to help them to resolve it. Some participants said that their provider had listened, related to their difficulties and worked with them to set up a payment plan, split a debt into manageable portions, delayed repayment, or cancelled part of the debt.

**Breaking the vicious circle of debt accumulation**

We found that certain factors can influence how likely consumers are to be able to overcome a payment problem, remain connected to their communications services (and everything that those services bring) and not accumulate further issues such as more debt or a lower credit rating.

***More resilient Less resilient***

Confidence in engaging with providers Limited confidence in engaging with providers

Personal support links Limited awareness or access to support

Access to credit Credit causing problems to escalate

Access to wider support Avoiding dealing with the problem

**Recommendations**

We highlight in this report good practice, areas where providers need to improve and participants’ suggestions, followed by the Panel’s recommendations. Access to voice calls, the internet and TV can provide a lifeline for consumers and a key recommendation of this research is that consideration should be given to how providers can help customers to stay connected even when they are experiencing payment difficulties.

We believe that payment problems and associated debt should not be exacerbated by the actions or inactions of a consumer’s communications provider. The fear of disconnection can be paralysing and to disconnect an indebted consumer from communications services makes them even more vulnerable. This research highlighted a number of ways in which providers could start – or continue – assisting their low-income customers, with the overall aim of keeping them connected to their services and not causing further debt or payment problems. These can be grouped under a ‘perfect’ model which encapsulates:

* **Proactivity** in helping consumers to avoid problems;
* Demonstrating **Empathy** and **Respect** when a consumer is trying to deal with a payment problem;
* **Flexibility** in approach;
* **Ease of** contact and in process management; and
* **Clarity** and **Transparency** on usage and charges.

*“I think providers need to realise that customers don't deliberately not pay their bills.
There are issues that these customers have and if they have been loyal customers, what can
they do to get their money back but also keep their loyal customers?
How can they help the average person that has got into a little bit of difficulty?” (Andy, living with partner, not working, 35 – 44, Newcastle)*

## Aims and methodology

The Panel has a specific remit to influence policy on issues affecting communications consumers, particularly those who may be more vulnerable when engaging with communications markets. Individuals with very low incomes are particularly vulnerable to sudden changes in circumstances, e.g. job loss/redundancy, loss of a chief wage or changes to benefits. We touched on the circumstances of low-income consumers in our publication of Still Going Round in Circles: Complaints handling in telecoms[[1]](#footnote-1) in July 2018, recognising that financial vulnerability can cause telecoms consumers to be negatively impacted.

To gain a deeper insight into these issues, we commissioned PwC to undertake a qualitative study in 2019, interviewing consumers across the UK who were classified as potentially financially vulnerable, living on a low income, and who classified themselves as either ‘just about managing’ or ‘genuinely struggling’ to pay their bills. The sample was split in terms of age, living arrangements (alone, with partner or with children) and working status (working full or part-time or reliant on benefits). The sample was also weighted to ensure that we heard from people using mobile, landline, broadband and/or pay TV.

## Context

**Research evidence**

Consumer reliance on telecoms services has dramatically increased in conjunction with the rising demand for mobile phones and internet services. Analysis of recent data (presented below) supports a continuing upwards trend of telecoms services being high on the list of priorities among households. Ofcom’s recently published its key findings from the **Communications Market Report (CMR) 2019**[[2]](#footnote-2). The key findings include:

* Household internet take-up is 87%, and 79% of UK adults personally use a smartphone;
* Consumers are upgrading to faster broadband;
* People are using more data, which is mainly driven by online video; and
* People are using their mobiles more for calling and using landlines less.

The need for faster broadband and more data comes at a cost, which for many households can be a financial burden. In 2018, the UK households’ average spend per month on telecoms services was £83.56, equivalent to 3.3% of the total average monthly household expenditure. In comparison, the average UK household spends 6% of the total average household budget on utilities including gas, electricity and water[[3]](#footnote-3).

There is also a growing body of evidence in relation to the impact of financial vulnerability in the market. In 2016, Ofcom published ‘**Affordability of Essential Communication Services**’[[4]](#footnote-4) which examined the affordability of communications services, particularly in relation to low income households. In 2016, 29% of consumers had difficulty affording communication services – the figure had remained the same as the previous year.

According to Ofcom’s **Consumer Engagement Qualitative Research Report,** conducted by Futuresight in 2017[[5]](#footnote-5), financial vulnerability had the following impact:

“Overall, financial vulnerability tended to push these people in one of two directions:
(i) weak and often haphazard attempts to engage, ultimately resulting in avoidance of the market, paying more, and having a strong dependency on their current provider, versus
(ii) a determination to control costs resulting in a strong motivation to gain confidence and act.”

In December 2018, BritainThinks published **‘Getting a good deal on a low income’**[[6]](#footnote-6), which was commissioned by the Competition and Markets Authority (CMA). The telecommunications industry (particularly mobile and broadband) was explored in this research, in addition to energy, insurance and credit. The research found that the telecommunications market was the one that vulnerable consumers were most interested in, but was also the market that appeared to present the greatest challenges. One of the effects of this was the reduced likelihood of consumers switching provider. The challenges faced by vulnerable customers included:

* Long and inflexible contracts with a lack of prompting and communication when they end;
* Poor customer service and communication when problems arise; and
* Unexpected charges.

In January 2019, Ofcom published its latest **Access and Inclusion report[[7]](#footnote-7)** which illustrates the impact of financial vulnerability on consumer ownership of services and devices. The report outlines that:

* Three in 10 of the most financially vulnerable do not have household access to the internet, with some having no access to any form of telephony;
* 64% of the most financially vulnerable consumers owned larger devices for going online, such as a PC, laptop or tablet compared to the overall population (84%). This meant they would be less likely to be able to benefit from the additional functionalities that larger devices offer. For example, the ability to use a larger screen on a tablet or laptop makes completion of online forms easier than on a smartphone, which may be useful to consumers applying for jobs or benefits;
* 31% of the most financially vulnerable consumers who had difficulty paying for a communications service mentioned difficulties paying mobile phone and pay TV bills, a similar figure to 2016. These services are closely followed by fixed broadband at 27%; and
* Around one in ten people have difficulty paying for communications services. This is highest among younger consumers (17% of 16-24-year olds say they have experienced difficulties, compared to 2% of over-74s) and those consumers with long-term mental health problems (35%).

**Providing a voice for communications market consumers and citizens**

The Panel’s expert advisory value has been recognised at the most fundamental level: in its review of the General Conditions, Ofcom required that from October 2018, Communications Providers consult with the Panel on a wider basis, including a particular emphasis on consumers in vulnerable circumstances. This year, the Panel launched an Industry Forum to highlight issues, debate solutions and disseminate successful approaches and best practice – particularly in relation to the support offered to consumers who are in more vulnerable circumstances. Providers have been willing participants in the meetings, keen to explore and discuss new approaches and learn from other sectors. The Forum is a constructive space for them to meet and discuss challenges in improving the consumer experience. The Panel invites external speakers from other sectors – who, framed by the providers’ needs - are able to inform the development of better practices in the communications sector.

**Fairness in the market**

Consumers’ engagement – particularly in the broadband market - and their ability and appetite to switch to a better deal has been a matter of concern for the Panel, Ofcom and Government. The Panel has called for transparency and fairness in pricing and contract terms, for both consumers and micro businesses, and has welcomed Ofcom’s recent initiatives in this area, including a Fairness Framework.

The Panel has long pressed Ofcom to look at fairness in the market and we are pleased that it is taking significant steps to ensure that providers are treating their customers fairly, particularly vulnerable customers. In June 2019, the UK’s biggest broadband, phone and pay TV companies signed up to Ofcom’s new Fairness for Customers commitments, putting fairness at the heart of their business. Alongside this work, Ofcom published its draft Fairness Framework, which has now been consulted on and a follow-up document will be published in due course. Further details on Ofcom’s Fairness for Consumers programme can be found in Ofcom’s paper on ‘Making communications markets work well for customers’[[8]](#footnote-8). We will continue to engage with Ofcom and CPs to encourage a culture of fairness in this sector and continue to provide insights into the needs of consumers.

**Broadband pricing**

We’ve welcomed Ofcom’s recent review of pricing practices in fixed broadband and the publication of ‘Helping consumers get better deals’[[9]](#footnote-9). This stemmed from concerns that many fixed broadband customers pay high out-of-contract prices when they could save money by signing a new contract with their provider or switching to a new company. Ofcom concluded that vulnerable customers may face additional barriers in trying to find the right deal.

Consequently, Ofcom has advised that it is reviewing affordability exploring the potential development of a new, targeted, special tariff to protect broadband customers on low incomes. Any such tariff may require broadband companies to offer a simple, low-cost broadband service to eligible customers. In addition, Ofcom has stated that broadband companies must do better at identifying customers who may be vulnerable and provide appropriate support and services to them.

The implementation of these policies and performance in this area will be closely monitored and new rules introduced if required. The Panel will be closely involved with this. We were pleased to see broadband pricing commitments made in September 2019 by major broadband providers.[[10]](#footnote-10)

**Mobile pricing**

In 2017, we raised with Ofcom the issue of unfair mobile pricing in terms of overpayments by consumers who have paid off the handset element of their mobile contract but then continued to be billed for the previous total monthly amount even when their contract finished. We are pleased to see that most – although not all- of the major providers have this year committed to change their practices in mobile pricing. We will continue to work with industry to achieve fairness in this area.

**Treating vulnerable consumers fairly**

Ofcom recently consulted on a proposed guide for phone, broadband and pay-TV providers on treating vulnerable consumers fairly. This document suggested measures providers could adopt to help ensure they give vulnerable people the help, support and services they need. This draws together current examples of good practice when it comes to treating vulnerable consumers fairly. We welcome this initiative and look forward to the publication of the final guide in Spring 2020.

## Key findings

**The significance of staying connected to communications services for low-income consumers**

We wanted to understand where low income consumers placed communications services in their list of household payment priorities. While communications services were not instinctively viewed as more important than basic essentials (related to shelter, food, water and energy), for many participants they were still integral to their daily needs. Broadband, mobile, landline and pay-TV were considered to be essential services in the way the participants ran their lives in terms of online banking, managing benefits online, applying for jobs, low cost entertainment (streaming services such as Netflix) and maintaining social connections.

*“Mobile phones and internet are so important in everyday life now. You use it every day. It is something they take advantage of because they know you will pay it above everything else. I would prioritise that over my gas and electric some months as I know that my gas and electric are not going to cut me off.” (Claire, single parent, 25 – 34, not working, Croydon)*

*“My mobile is my lifeline – if I didn’t have that I would be like a lost sheep as I wouldn’t be able to communicate with anyone. I would have to go and find a phone box and half the time they aren’t working” (Howard, living alone, 65+, retired, Merthyr Tydfil)*

Broadband was particularly important in households where there were children, while some participants had developed workarounds for not taking broadband, such as unlimited data mobile packages and sharing broadband access with others.

 *“Internet [broadband] – I use it like my mobile, for everything. I check my bills online. My son uses it for homework too.” (Claire, single parent, 25-34, not working, Croydon)*

 *“If I didn’t have broadband my kids wouldn’t be able to cope.” (Carol, single parent, 45 – 60, South Yorkshire)*

*“The mobile is not as much of a necessity [as broadband]. If worst comes to worst, as long as you have broadband there are apps like WhatsApp and you can make calls on messenger. You still have a link to contact people.” (Anthony, living with partner, 35 – 44, working, London)*

*“I didn’t used to have internet at home and it meant that you had to go to the Job Centre to do your job applications and things to keep getting your benefits. There wasn’t one where I lived so it cost you in public transport” (Louise, living with partner and children, 25 – 34, Larne)*

To some participants, access to mobile and a reliable connection was essential, particularly in case of emergencies, with three quarters of participants subscribing to a mobile contract - a quarter found Pay As You Go the most manageable method.

However, some highlighted thatthe expense and length of contracts and cost of new smart phones were a challenge. Half of those with a mobile contract were subscribing to a SIM-only tariff, costing £10-20 per month.

*“My phone is more important than internet because I need my phone for emergencies or if the kids’ school needs to get hold of me.” (Joanna, living alone, 18-35, working part time, Cardiff)*

*“I don’t really need a phone but my son does to get in contact with me. If my phone was cut off I would just use the Wi-Fi to use WhatsApp to contact my son or anyone else.” (Laura, single parent living with children, 25 – 34, working, London).*

*“Mobile phones would get hit if push came to shove. My son was on £30 a month, now he is on £20. He grumbled at the time but now he is used to it. Sometimes what you haven’t got, you miss it at first, and then you don’t miss it anymore”. (Carol, Single parent, 45 – 60, not working, South Yorkshire)*

Pay TV was viewed as important by some, with just under half of participants subscribing to pay TV services and some reducing their spending by shopping for lower cost bundles, but it was frequently placed below broadband and mobile phones in order of priority services.

However, services, and particularly bundled services, do not always offer enough clarity or flexibility for low income consumers to reduce costs:

*“I have contacted (my CP) about the bills. If I cancelled movies, I would still have to pay about £125 a month. I think it’s expensive but my disabled boy likes to watch programmes on that and catch up. Plus I have gotten myself into a contract for the next two years so I can’t do anything about it. Some people might shout and get more out of them, but I can’t do that part.” (Carol, single parent, 45 – 60, not working, South Yorkshire)*

*“I don’t know what the landline actually costs? I know it’s supposed to make it cheaper. But maybe that’s only when you’re in contract? I just don’t know.” (Lisa, living with partner and children, 18-24, working, Cornwall)*

*“I couldn't tell you what the tariff is on my mobile phone. I know that I'm not using all my data so I'm probably paying too much. I don't think they are great at explaining it.” (Claire, single parent, 25 – 34, not working, Croydon)*

**Ways that low-income consumers protect themselves**

Participants in the research described a variety of proactive actions they took to protect themselves against fluctuating bills:

 *“I used to have a TV, broadband and internet, I went from having all of those comms packages to just having my mobile.” (Daniel, living alone, 45-60, working, Newcastle)*

*“If I forget a bill, I can get in trouble. But if they are all direct debit I can forget about it and it is fine.” (Darren, living alone, 25 -34, not working, Birmingham)*

*“My energy, mobile and television I pay via Paypoint at the shop across the road and they don't charge. I'm happier to do that than by direct debit as I can keep control. I keep my own documents and everything is up to date.” (Howard, 65+, living alone, Merthyr Tydfil)*

*“I prefer to manage things weekly and ‘pay as you go’ because it’s easier and there’s no bill coming in every month.” (Rose, aged 65+, retired but working part-time, Larne)*

*“(CP) put a cap on my spend, so if I hit that I can’t go over. We agreed that was the best thing for me. It’s annoying sometimes, but I have to put up with it, and it stops me. Which is better in the long run.” (Vanessa, single parent, 25-34, on benefits, Tredegar)*

However, consumers who are having difficulty paying for telecoms services are likely to be experiencing difficulties with other payments. A sudden change in cashflow like an unexpectedly large bill can have a big impact on their life as a whole and without the right support can make the consumer extremely vulnerable.

*“My bill is usually £25-27, but a few times it's gone up to £70-85 so we have had to contact them. It's a bit of a struggle as we're low-income anyway so if it carries on we will have to cut it off all together not out of choice but out of must and priorities.” (David, living with partner and children, not working, 25 – 34, Caernarfon)*

Some of the causes of unexpectedly high bills highlighted in our research were additional charges, such as international calls, in-app purchases and out-of-package charges, like charging SMS messages as multimedia messages because a consumer has used emojis, and price increases. Some consumers cited errors by their provider which were not corrected promptly or at all.

**What happens when consumers try to resolve a payment problem with their communications provider?**

Consumers who contact their provider need to feel that they will be able to get a payment issue resolved upon first contact. Typically, participants in this study had called their providers to explain the situation and see if there was a way to resolve it and manage repayments. Their experiences were mixed.

*“There is not just one place that can deal with everything you have to wait for someone else and go to another person and this happened with seven different people in a two-hour call. And they say they won’t call you so I am calling them and accumulating more debt as I am trying to sort out a debt so it is frustrating.” (Kayla, living alone, not working, 25 – 34, Bristol)*

Some participants who preferred to use webchat had been told that if they were in debt they must make a phone-call to their provider. This was not ideal, as calls were not necessarily free and wait times were a problem. We welcome the handling of debt queries by a dedicated, trained team, but unfortunately some of those who did call found that they were passed from one call handler to another and could not say whether their concerns had been picked up by a dedicated agent or a front-line contact team member.

Some participants felt that in correspondence, providers tended to focus on making payment or general contact. This was a finding echoed by the desk research, which identified a lack of information on: timelines regarding disconnection and debt collectors; penalty charges up front (except in the small print); and support available from providers. It also highlighted a lack of consistent terminology around processes and fees.

One of the starkest examples of a failure in fairness and poor quality of customer care - with a particularly heavy impact on a low-income consumer - was that of Lucy, a 25-year-old single mum living in a council flat with two children aged 3 and 5, currently unemployed (case study 9 in the main report).

Lucy had tried to remain with her current broadband provider when she moved home. When the connection failed after two hours, she tried to contact her provider for help via webchat and phone. After days without a response, she cancelled her direct debit and switched to another provider. Lucy was left with an early termination fee of £300, after two hours of service. Having tried to get through to her former provider to refuse payment, Lucy now ignores the demands that she continues to receive, despite her own acknowledgment that this may be affecting her credit score.

 *“They kept cutting me off when I missed the bills. They should have given me a chance to pay it, or even cut it down and given me so many weeks/months and then try to help me with it instead of just cutting me off.” (Charlotte, 35 – 44, living with partner and children, County Tyrone)*

 *“I think surely it makes more sense for [CPs] to try to compromise a bit. Wouldn’t they rather keep me as a customer but help me find a way to be able to pay them? Otherwise they’re just being a bit judge-y. Just saying “here’s a massive bill. Give me the money” isn’t being very considerate, when they know I’m struggling. Or they should if they look at their records. I’m not suddenly going to be rich next month, am I?” (Vanessa, single parent, 25-34, on benefits, Tredegar)*

On the positive side was the story of Darren, aged 34, who is epileptic, unemployed and living in a socially rented property (case study 6). Symptoms of epilepsy have led Darren into payment difficulties. His condition fluctuates, varying in severity - the effect on his short-term memory can be that he pays a bill more than once without recalling that he has done so. Darren has found that providers are generally understanding of his circumstances, with examples such as a previous mobile provider helping him to pay off a debt by setting up a payment plan that included their calling him once a month to take payment so that he didn’t have to keep track.

*“My CP were understanding about moving payment back. It worked out well. They were okay with changing the payment date for a later date, so it saved me going into debt and into my*

*overdraft.” (Joanna, single parent, 18 – 24, on benefits, Cardiff)*

**What would help low income consumers (in their own words)?**

Consumers’ resilience to financial problems depended on a number of factors:

***More resilient Less resilient***

Confidence in engaging with providers Limited confidence in engaging with providers

Personal support links Limited awareness or access to support

Access to credit Credit causing problems to escalate

Access to wider support Avoiding dealing with the problem

Participants in the research provided suggestions about ways that they could have been helped by their providers, or improvements that could be made in future. These included:

*“[If people are struggling providers could] …suggest they go on smaller packages i.e. entertainment and stuff. Try and help them reduce what they don’t really need but they think they do.” (Brian, living with partner, 65+, retired, Birmingham)*

 *“I think having caps on tariffs would help so you can’t go over your allowance. I think a cap would be particularly useful on the internet because I don’t think that should go over, or your phone or TV as well.” (Amy, 25 – 34, living with partner and child, working, Cornwall)*

*“I think providers need to realise that customers don’t deliberately not pay their bills. There are issues that these customers have and if they have been loyal customers, what can they do to get their money back but also keep their loyal customers. How can they help the average person that has got into a little bit of difficulty?” (Andy, living with partner, not working, 35 – 44, Newcastle)*

*“There is a lot of support and legal aid that we are not aware of until we are in these predicaments. When you are in these sorts of situations it can be stressful and confusing to find out where you can get this advice from. It should be more publicised where to go for information in what situation.” (Anthony, living with partner, working, 35 – 44, London)*

*“The best thing providers could do would be provide flexible contracts for those who are experiencing difficulties paying their bills. They could say if you can’t afford the current package, they should provide them with a lower contract, but this might mean they have to stay with them for a little bit longer over the long term because you’ve signed up for a total contract cost. (Sally, living alone, working, 25 – 34, Nairn)*

## Recommendations

Access to voice calls, the internet and TV can provide a lifeline for consumers and a key recommendation of this research is that consideration should be given to how providers can help customers to stay connected even when they are experiencing payment difficulties.

We believe that payment problems and associated debt should not be exacerbated by the actions or inactions of a consumer’s communications provider. The fear of disconnection can be paralysing and to disconnect an indebted consumer from communications services makes them even more vulnerable.

This research highlighted a number of ways in which providers could start – or continue – assisting their low-income customers, with the overall aim of keeping them connected to their services and not causing further debt or payment problems.

These can be grouped under a ‘PERFECT’ model which encapsulates:

* **Proactivity** in helping consumers to avoid problems;
* demonstrating **Empathy** and **Respect** when a consumer is trying to deal with a payment problem;
* **Flexibility** in approach;
* **Ease of** contact and in process management; and
* **Clarity** and **Transparency** on usage and charges.



The Panel recommends that providers have and make available to all of their customers, a Customer Charter, so that customers know what promises they can expect to be kept by their provider in terms of quality of service, contractual arrangements and quality of customer service. The pillars of the ‘PERFECT’ model (above) should be considered when developing this.

Our recommendations are explained in more detail below:

***Proactivity***

* **Free phone number or a call-back option**
Make consumers aware of these options, so that if they encounter payment problems, calls to their provider do not drive them into further financial vulnerability; call backs should be at a time convenient to the consumer.
* **Promote protective measures that put consumers in control**
Offer and actively promote spending caps and usage alerts; raise awareness of measures available to restrict children’s usage.
* **Regular review of usage needs**
Encourage consumers to review their needs regularly, by providing usage data to suggest more appropriate tariffs.

***Empathy & Respect***

* **Better training and more empowerment for customer service agents**
Agents should be able to deal with payment management situations and offer greater empathy towards the specific circumstances of the individuals they are listening to - including an understanding of the needs of consumers with mental health problems and/or low literacy levels. Where scripts are used, these should contain clear advice on how agents should support customers with difficult circumstances or additional needs and allow time for discussion.
* **Offer a helping hand**
Providers should consider the individual circumstances of their customers - for example, providing leeway for those who have had a good payment record, by allowing ‘payment holidays’ when possible.
* **Support customers with longer terms financial problems to use third party services**
Help those with longer-term payment difficulties to connect with third parties who can assist them, allowing them to stay connected without accruing further debt while seeking that help. Where this is already standard policy, ensure that this is put into action by quality monitoring and feedback to customer service agents.

***Flexibility***

* **Provide realistic repayment plans**
Help customers to spread their costs realistically, rather than carrying the same level of debt to the following month. Allow customers to switch plans mid-contract if needed, without penalty.
* **Promote tariff flexibility**
Give consumers options in terms of reducing communications services costs.
* **Allow flexibility in tariffs to reduce costs where allowances are not being used or the customer needs to reduce costs**
* **Rectify provider payment errors promptly**
Where a provider makes an error, they should repay the money to the consumer automatically where possible and within seven calendar days – and should inform the customer of the error and the repayment date.

***Ease***

* **Clearly explain and discuss contract arrangements**

Consumers would benefit, from their interactions with customer services, to have their contract arrangements clearly explained and discussed. This would help ensure that they were on the best/most suitable package for their usage/consumption pattern.

* **Better explain the technical aspects of services**

Clearly explain the technical aspects of services so consumers can make a better judgement on the value of that service.

* **Provide greater clarity if additional charges are incurred for services**

Low-income households should not be penalised for choosing to receive paper bills or for choosing not to pay by direct debit, as for some people these options make it easier for them to manage their accounts.

***Clarity and Transparency***

* **Be clear about the price consumers will pay**Make consumers aware of services that might cost more than they are expecting. Some policies, such as charging for a multimedia message when a consumer uses an emoji in a text message; offering promotional pricing that is only available for a defined part of the contract period and contractual price rises information that are in legal terminology can lead to difficulties for consumers if the consumer does not understand the associated cost. It is vital that consumers on low incomes understand the costs they are accruing and can budget effectively. This information should be easily accessible by all consumers.
* **Promote payment and debt management policies more clearly and answer questions.**
Use plain language, videos and infographics to assist in explaining contract arrangements, payment options and debt management. This information should be easily accessible by all consumers.
* **Train customer service agents to explain tariffs, contracts, options and processes in plain language**
Agents need to be able to talk about contract arrangements, payment options and debt management policies with customers in plain language without jargon – providers should use consumer-friendly language in training materials.
* **Accessible to all**

Clear communication about next steps should be in the consumer’s preferred communication method; apps which contain billing data and other important information such as changes to tariffs, should be accessible to all.

* **Providers to have and promote policies to protect consumers from being cut off[[11]](#footnote-11)**

Providers should - wherever possible prevent consumers from being cut off - they should consider offering flexible payment plans and payment holidays and a cap on the accruing of further debt while the customer is seeking help and advice.

1. <https://www.communicationsconsumerpanel.org.uk/research-and-reports/still-going-round-in-circles-complaints-handling-in-telecoms> [↑](#footnote-ref-1)
2. <https://www.ofcom.org.uk/__data/assets/pdf_file/0028/155278/communications-market-report-2019.pdf> [↑](#footnote-ref-2)
3. <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/bulletins/familyspendingintheuk/financialyearending2018> [↑](#footnote-ref-3)
4. <https://www.ofcom.org.uk/__data/assets/pdf_file/0026/95138/Affordability-of-Communications-Services-Tracker-2016.pdf> [↑](#footnote-ref-4)
5. [https://www.ofcom.org.uk/\_\_data/assets/pdf\_file/0022/113458/Engagement-Qualitative-Research-Report,-2017.pdf](https://www.ofcom.org.uk/__data/assets/pdf_file/0022/113458/Engagement-Qualitative-Research-Report%2C-2017.pdf) [↑](#footnote-ref-5)
6. <https://britainthinks.com/news/getting-a-good-deal-on-a-low-income-a-report-for-cma> [↑](#footnote-ref-6)
7. <https://www.ofcom.org.uk/__data/assets/pdf_file/0018/132912/Access-and-Inclusion-report-2018.pdf> [↑](#footnote-ref-7)
8. <https://www.ofcom.org.uk/__data/assets/pdf_file/0022/152482/discussion-paper-making-communications-markets-work-well-for-customers.pdf> [↑](#footnote-ref-8)
9. <https://www.ofcom.org.uk/__data/assets/pdf_file/0018/168003/broadband-price-differentials.pdf> [↑](#footnote-ref-9)
10. <https://www.communicationsconsumerpanel.org.uk/news-latest/latest/post/739-fairer-prices-for-broadband-customers-and-a-proposed-guide-for-telecoms-providers-on-treating-their-vulnerable-customers-fairly> [↑](#footnote-ref-10)
11. Ofcom’s General Conditions C5.1-5.5, which came into force in October 2018, require providers to have policies and procedures in place to ensure vulnerable customers are treated fairly [↑](#footnote-ref-11)