Understanding communications service needs of low-income households

Qualitative research study on behalf of the Communications Consumer Panel

Final report

December 2019

Table of Contents

1. [Executive summary 4](#_Toc14079540)

[Introduction 4](#_Toc14079541)

[Key Findings 5](#_Toc14079542)

1. [Research Design 9](#_Toc14079543)

[Research background 9](#_Toc14079544)

[Research objectives 10](#_Toc14079545)

[Qualitative research method 11](#_Toc14079546)

[Desk research 11](#_Toc14079547)

[Sample coverage 11](#_Toc14079548)

1. [Household priorities and the role of communication services 15](#_Toc14079549)

[Introduction 15](#_Toc14079550)

[Key Findings 15](#_Toc14079551)

[Context 15](#_Toc14079552)

[Household service priorities 17](#_Toc14079553)

1. [Understanding of communications services 24](#_Toc14079554)

[Introduction 24](#_Toc14079555)

[Key findings 24](#_Toc14079556)

[Understanding of Communications Services pricing and contracts 24](#_Toc14079557)

1. [Relationships with providers 29](#_Toc14079558)

[Introduction 29](#_Toc14079559)

[Key findings 29](#_Toc14079560)

[Factors which impact ease of managing communications services 29](#_Toc14079561)

[Relationships with providers overview 31](#_Toc14079562)

1. [Payment difficulty experiences 38](#_Toc14079563)

[Introduction 38](#_Toc14079564)

[Key Findings 38](#_Toc14079565)

[Factors leading to payment difficulties with communications service providers 39](#_Toc14079566)

[Consumer approaches to dealing with payment difficulties 40](#_Toc14079567)

[Experiences engaging with communications service providers 42](#_Toc14079568)

[Payment difficulty outcomes 45](#_Toc14079569)

[Factors which influence level of resilience when struggling with payments 48](#_Toc14079570)

[Factors which make it more difficult for participants manage payment problems 49](#_Toc14079571)

1. [Good practice customer service and support for low-income customers 50](#_Toc14079572)

[Introduction 50](#_Toc14079573)

[Key Findings 50](#_Toc14079574)

[Good practice customer service overview 51](#_Toc14079575)

[Learnings from other sectors 55](#_Toc14079576)

1. [Appendix 1 – Research Design 57](#_Toc14079577)
2. [Appendix 2 – Desk research 59](#_Toc14079578)

Executive summary

*“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)

Introduction

In January 2019, the Communications Consumer Panel (CCP) commissioned PwC Research to conduct in-depth qualitative research with low income households in order to better understand their experiences and needs in the communications services market. The research covered a broad demographic mix in terms of age, lifestage and working status, as well as a range of communications service set-ups (e.g. mobile, pay TV, broadband and landline).

The research sought to explore how low-income households engage with communications services, enrich understanding of their management strategies, and identify how communications service providers could best meet their needs.

Full details of the research background and approach can be found in Section 2 of this report and Appendix 1.

In brief the key details are as follows:

This was a qualitative study involving 40 immersive in-home depth interviews with low income household decision makers across all four UK nations, covering urban, suburban and rural locations.

Participants were selected primarily on the basis of living on a low income, and in addition classified themselves as either ‘just about managing’ or ‘genuinely struggling’ to pay their bills. The sample was then 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).

All participants were required to have at least one communications service contract, and minimum quotas were set to provide a mix of mobile, landline, broadband and/or pay TV set-ups.

The fieldwork was conducted between March 2019 and May 2019.

In addition, desk research was conducted to understand codes of practice and the debt and disconnection policies of communications providers and how these compare with those in other sectors.

Key Findings

***Low income households sometimes prioritise communications service bills even though they are generally perceived as less essential than other utilities***

This is partly driven by a perception that communications service providers are less lenient with customers should they get into difficulty and can be quicker to charge additional fees and/or disconnect services.

The pressure to maintain communications services can be particularly acute for those with children at home, as broadband and to a lesser extent pay TV are key for entertainment, and parents wish to protect their children from their own financial difficulties.

More broadly having access to an internet connection at home, either via broadband or mobile data, was also seen as being increasingly important, even though it was recognised there are inconvenient work arounds available (e.g. using public Wi-Fi). This was due to more and more services moving online, including Universal Credit, and to enable children to do their homework.

***Understanding of communications services pricing and contracts is mixed, which can make it more difficult for low income households to manage or reduce costs***

Specific issues here included:

* Direct debit is often assumed to be the default payment method, other than for mobile, even though other methods would sometimes be preferred as they are felt to enable more control
* Lack of clarity about how to reduce costs, particularly for bundled deals, where costs of constituent parts were not always understood
* Limited understanding of mobile data and broadband speeds, how to monitor these and whether their current set-up offers value and fits with needs
* Limited awareness of the potential for price rises and when these may occur
* Some difficulties experienced including incurring additional charges, particularly for mobile, either via subscriptions or going over allowances.

***While engagement with communications providers was typically limited, there is heightened potential for detriment among low income audiences***

Touchpoints and reasons to contact CPs were not unique to low income audiences, but there is some evidence to suggest that they are less confident engaging with providers. This can mean that they feel less able to switch or negotiate a better deal when contracts end, or may be more reluctant to report service issues.

Low income households adopt a range of strategies to manage and feel in control of their finances, including choosing to receive paper bills, or opting not to pay by direct debit, which often lead to additional charges.

Any issues with billing, whether provider error, double payments, additional charges or price rises can have severe consequences for low income households, as they have little leeway to deal with unexpected expenses. Those paying by direct debit often only become aware of increased costs after the fact, sometimes leading to payments bouncing, additional bank charges, or a shortage of funds for other household bills.

***Payment difficulties with communications providers are rarely felt in isolation, and a range of factors influence level of resilience when dealing with financial problems***

It is important for providers to consider wider contextual factors which can influence customers’ ability and choices when dealing with payment problems. These include:

* Fluctuating incomes (e.g. zero hours contracts) making it difficult to commit to payment plans
* Financial pressures elsewhere (e.g. rent/other utilities), which impact customer priorities
* Lack of confidence engaging with providers, leading to head-in-the-sand behaviours, which in turn means problems escalate. Issues can be heightened among those with mental health issues, lower literacy levels or learning difficulties.
* Access to support networks, both personal and third party, with some customers feeling more isolated and making their financial situation more precarious.

***Experiences of communications service providers when dealing with payment difficulties were mixed***

There was a general perception that communications service providers are more demanding than other providers (e.g. energy), can be quicker to cut off services and less forthcoming with offers for support. In some cases they can also be more invasive, for example sending multiple messages when customers are late for a mobile payment or pay TV services being disrupted by reminder messages to pay.

The initial phone call made to a provider when a customer is in difficulty plays a key role in setting expectations, as customers do not tend to know their rights or next steps prior to this contact. More broadly there was limited understanding of providers’ debt policies, timelines for disconnection and charges. It was sometimes felt that customer service staff lack empathy on these calls and show little willingness to understand the customer’s situation and help them find a manageable solution.

The level of flexibility that providers are able to offer plays a key role in overall consumer satisfaction, with those reaching a positive outcome able to negotiate a solution which worked for them. Examples, included postponing payments, extending contracts, setting up long-term repayment plans, reducing bundles and in some cases where additional charges incurred, offering to reduce the amount required to pay.

Failure to offer support to customers in these scenarios often led to negative outcomes, with customers having to adapt to life without communications services, or allowing debts to escalate (in some cases cancelling direct debits and ignoring further contact from their provider).

***A range of good practice customer service suggestions were identified***

While low-income households generally do not express a wish for differentiated treatment, they recognise they do face challenges when managing household service providers. Overall five ‘good practice’ pillars emerged which highlighted how communications providers can better support and meet the needs of low-income customers:

* Proactivity - offering more proactive support to help low-income customers find the most effective deals, and providing alerts or caps to avoid unexpected costs
* Empathy and Respect – for customers who experience financial difficulty, which may require staff training, signposting third party support and helping customers to find workable solutions
* Flexibility - when supporting customers with payment difficulties, for example offering payment holidays, extending or suspending contracts, offering long-term manageable repayment plans, and allowing customers to reduce bundles mid-contract should these prove to be unaffordable
* Ease of contact and management - providing and promoting Freephone services, providing clearer explanations of service features, and by not penalising customers for choosing payment methods or paper billing which helped them to feel in control of their costs
* Clarity & Transparency - particularly in terms of making information on debt policies and customer options when in difficulty clearer, but also in terms of raising awareness of alternatives to direct debit.

***Communications providers can also learn from other sectors***

The desk research suggested that in both the energy and water sectors, there appears to be a greater emphasis on the support available for customers experiencing payment difficulties. This information is more clearly signposted on water and energy companies’ websites, and this appeared to have been borne out in participants’ experiences. It was also felt that there tended to be more options to help customers pay, manage and avoid debt. These included offering a range of payment options (including paying upfront), repaying debts via Universal Credit, and offering reduced costs to lower income customers. While communications providers do tend to have clear debt policies in place, consideration should be given as to how these can be better signposted and communicated to customers across channels. Consideration here should also be given as to whether there is a need for additional training for frontline staff, who play a key role in aiding customer understanding in these situations. With access to internet at home becoming more and more of an essential service, consideration should be given as to how providers can help customers to stay connected even when experiencing payment difficulties.

Research Design

Research background

The Communications Consumer Panel (the Panel) is the independent statutory consumer advocate in the telecommunications sector. It provides robust independent advice to Ofcom and policy makers around the UK and has the key role of ensuring that the citizen and consumer voice is represented in communications policy development. Research plays a key role in providing an evidence base to support the Panel’s recommendations, and the Panel has a particular interest in protecting the interests of consumers in potentially vulnerable situations.

The Panel required in-depth qualitative research to be conducted to better understand the experiences, needs and interests of low-income households in the communications services market. This interest stemmed directly from some of the findings in Ofcom’s *‘Access and Inclusion in 2018: Consumers’ experiences in communications markets*’ report’, which indicated that socio-economic status and age (as well as disability) affect some consumers’ ability to fully participate in the communications market[[1]](#footnote-1). The key findings of interest that initiated this research were:

* In 2018, one-in-ten said that they had difficulties paying for communications services in the last year. This equates to 7% of all adults.
* Just under a quarter of all those who were behind on their payments (2% of all adults) said they felt they were not able to manage or cope with these payments (caution small base).
* Older consumers (75+) and those in DE socio-economic groups are the least likely to have a range of services or devices such as smartphones, fixed broadband, and connected devices (PC, laptop, tablet).
* Financially vulnerablepeople are less likely to have a range of devices such as smartphones, connected devices such as PCs and laptops, and Pay TV, and are also more likely to live in a mobile-only household.
* Younger people were more likely to say they have experienced difficulties paying for communications services in the last 12 months. Seventeen per cent of 16-24s said they experienced difficulties in the past year.
* Out of those who are responsible for communications services, 4% do not have, or have cancelled, a mobile/smartphone service due to cost. This figure is 3% for landline, and 2% for fixed broadband.

Work in other sectors has also highlighted that debt issues are complex and often accompanied by a range of other additional difficulties, such as mental health, physical disability and/or unemployment.[[2]](#footnote-2)

This study builds on existing knowledge around service usage of those on lower incomes, and consumer affordability/payment difficulties, by bringing to life the stories of economically under-privileged people, and thus providing an in-depth understanding of the factors behind the data.

Research objectives

In order to better understand the interests, experiences and needs of low-income households the research addressed the following three broad objectives:

*1. To explore how low-income households engage with communications services, including:*

* Exploring the role and importance of communications services within their household (e.g. landline, broadband, mobile, pay TV)
* Exploring their understanding of their existing communications service deals (e.g. costs, features, contractual status)
* Exploring perceptions of switching and level of confidence choosing and comparing offers
* Exploring relationships with communications providers, including how they manage and engage with them, and how they perceive their communications
* Exploring recent contact experiences with communications service providers (including billing issues, service issues, payment difficulties, contract negotiations), and how these compare with experiences with providers from other sectors

*2. To enrich understanding of low-income adults’ household management strategies, including:*

* Understanding their financial challenges, concerns and priorities
* Exploring household bill management strategies, key financial priorities and how they plan for the future
* Exploring coping strategies, when dealing with financial difficulties, and where they go for support

*3. To identify how communications service providers (CPs) could best meet the needs of low-income households*

* Understanding key needs from communications services and whether there are any specific areas where CPs could improve
* Understanding how CPs could best support lower income households, in terms of finding the best deals, managing their accounts and managing payment difficulties
* Understanding CPs current stated policies around debt and disconnection with particular reference to low-income households
* Identifying any key learnings from other sectors which could be applied to the communications service market

Across each of these objectives we sought to understand differences in attitudes and behaviours across a range of demographics and individual circumstances.

Qualitative research method

Given the exploratory nature of the study, an in-depth qualitative approach was used.

We conducted 40 immersive in-home depths with consumer decision makers across all four nations covering urban, suburban and rural locations. 21 of the interviews were with individuals and the other 19 were a mix of paired interviews (where there were two household decision makers), and family sessions, with children who were felt to be influencers in household decision making present. Two of the interviews were with Welsh speakers. The interviews lasted for around 90 minutes.

A simple pre-task was given to all participants prior to interview. The purpose of this pre-task document was to heighten recall of their relationships with CPs and collate any recent communications ahead of the session.

Following the main fieldwork a further 10 telephone depth interviews were conducted with participants, to follow-up on their experiences and explore how their situation had developed. Participants for this stage were chosen from the main sample, on the basis of having a specific ongoing service or payment difficulty. These interviews were 30 minutes in duration.

Desk research

To augment our understanding of the issues raised in the qualitative stage, desk research was conducted to understand codes of practice and debt and disconnection policies of communications providers and how these compare with those in other sectors. Key elements of the desk research are reported in the relevant sections of this report.

Sample coverage

All participants were selected primarily on the basis of living on a low-income, which was defined as living in a household earning less than 60% median UK income before housing costs[[3]](#footnote-3). This threshold was increased to 70% median income for larger households, of four or more people. In addition, all participants classified themselves as either “just about managing” (generally coping, but sometimes struggling to find the money to pay bills) or “genuinely struggling” (finding it hard to pay bills and frequently missing payments.). All participants were decision makers when it came to choosing and managing communications services and needed to have at least one communications service contract.

We recruited a broad demographic mix, in terms of age, living arrangements, family and working status as outlined in Figure 1 below. This sampling approach allowed for a focus on key target groups; younger consumers (18 -34), single parents[[4]](#footnote-4) and older consumers (65+).

***Figure 1: Key cohorts covered in the research***

| Cohort | Living arrangements | Working Status | Total |
| --- | --- | --- | --- |
| 1. Young single adults working full-time or part-time (aged 18-34) | Living alone No children | Working full or part-time | 4 |
| 2. Young single adults on benefits(aged 18-34) | Living aloneNo children | Not working, reliant on benefits | 4 |
| 3. Young working single parent families(aged 18-34) | Not living with partnerChildren at home | Working full or part-time | 4 |
| 4. Young single parent families on benefits (aged 18-34) | Not living with partner, children at home | Not working, reliant on benefits | 4 |
| 5. Young two parent families, low-income but at least one adult working full-time or part-time (aged 18-34) | Living with partner, and children | At least one adult working | 4 |
| 6. Young two parent families entirely dependent on benefits (aged 18-34) | Living with partner, and children | Not working, reliant on benefits | 4 |
| 7. Working people (aged 35-60) | Mix of living with or without partnerHalf living with children at home; half no children at home  | At least one adult working full or part-time | 4 |
| 8. Non-working people (aged 35-60) | Mix of living with or without partnerHalf living with children at home; half no children at home | Not working, reliant on benefits | 4 |
| 9. Retired and surviving solely on state benefits/state pension (aged 65+) | Mix of living alone/with partnerNo children living at home | Not working, reliant on benefits/state pension | 4 |
| 10. Retired but working part-time to supplement a low-income (aged 65+ | Mix of living alone/with partnerNo children living at home | At least one adult working part-time | 4 |
| TOTAL NUMBER OF HOUSEHOLD SESSIONS = 40 |

All participants were required to have a contract in place for at least one communications service. Across the sample there were a range of set-ups which included a relatively even mix of single play, dual play and triple play customers. All participants had mobile phones (on a mix of pay as you go, sim only, and pay monthly deals), the majority had broadband and landline, and just under half had a pay TV deal in place. Further details on the sample profile can be found in the Appendix.

**Locations**

Over the course of our fieldwork, a mix of urban/ suburban and rural/ semi-rural locations were covered across the United Kingdom. It was important to include a broad range of areas as both median income and household costs vary across the UK[[5]](#footnote-5).

**Figure 2:** Map of fieldwork locations across the UK

****

**Note on the interpretation of qualitative data**

It is important to note that the findings of this report are not statistically representative of the views of the general public. Qualitative research is designed to be illustrative, detailed and exploratory and provides insight into the perceptions, feelings and behaviours of people rather than conclusions drawn from a robust, quantifiably valid sample.

Household priorities and the role of communication services

Introduction

This section introduces the common challenges which low-income households face in managing their finances, and the strategies they adopt to manage their situation. It then looks at people’s financial priorities and how the various communications services sit within this, pulling out any differences which emerge by customer type.

Key Findings

Low-income households face a range of challenges when dealing with their finances and they adopt a number of strategies to manage their situation including reducing living expenses, using cash, avoiding direct debits and taking a very short-term view of their household budget and expenditure.

Although broadband and mobile phone services are perceived to be very important to many as they help maintain connections to friends and family/the outside world, communications services were generally perceived to be of secondary importance to some other critical household bills such as rent and utilities.

Despite this, communications services are sometimes prioritised over other bills (such as energy and water). This is driven partly by the perception that communications service providers are less lenient when customers are struggling to pay so disconnection is a more imminent reality.

Generally, broadband and mobile were considered to be more important than fixed landline and television services, although there are a range of factors driving importance up or down. Communications services were often of heightened importance for those with children at home, as low-income households seek to protect their children from the impact of any difficulties. As children became older (8+), broadband became more and more of an essential service for both entertainment and school.

Pay TV and landline services were often seen as less important overall, with alternative options available (e.g. Freeview/ non-contract subscription TV services and the mobile phone). That said, if people have bundled services, disaggregating services within bill payments is not an option.

Context

Across the sample, participants had a range of communications service set-ups, and often bundled services to get a perceived better deal (15 x dual play; 13 x triple play). All participants had a mobile phone, with some participants keeping costs down by using pay as you go (10 x participants) or sim only deals (15 x participants). The majority had access to broadband (33 x participants) and landline (30 x participants) services. In many of these cases line rental was included as part of a package and the home phone was rarely used. Just under half of participants had pay TV services, but this was often a more basic package (i.e. without sport or movies included). Other participants felt pay TV was a luxury they couldn’t afford and were either satisfied with a Freeview only set-up or topped up with Netflix or Now TV, both of which were felt to offer greater flexibility as they could be cancelled at any time.

Given limited disposable income, low-income households face consistent challenges and adopt a range of strategies to manage their financial situation. This impacts all of their household budget decisions, including those around communications services. Key themes that emerged include:

* *Taking pragmatic steps to reduce household costs* - This involved reducing everyday living expenses wherever they can (e.g. going an extra day without putting credit on their phone), or reducing spend on perceived non-essentials (e.g. in some cases choosing not to have pay TV or broadband, or to get a handset included with their mobile phone contract).

*“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)

* *Closely monitoring finances to feel ‘in control’ –* For some this involved closely monitoring their finances via banking apps or using cash as a more tangible way to manage budgets. It was also reflected in participants’ preferred methods for paying bills; while for some direct debits are felt to provide consistency; others preferred having the choice of *when* to pay offered by pay as you go or paying on receipt of a bill. Paper bills are preferred by some, regardless of additional costs, as they are less easily missed than their online equivalent.

*“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+, retired, 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)

* *Focussing on the short-term* – Most participants felt that they had little opportunity to plan more than a month ahead, and they rarely had savings set aside to deal with unexpected expenses. While some saved money it was typically either goal focussed (e.g. daughter’s wedding), small scale (e.g. £2 a week), or flexible and ad hoc (e.g. money in a jar, Credit Union or Christmas Club).
* *Having tactical behaviours for managing unexpected costs* - While not all participants were struggling to pay their bills, there was common recognition that any negative change to their financial situation (either an additional cost or drop in income), could lead to problems. These were often accepted as unavoidable and tactical behaviours to cope with this included; looking for further ways to reduce costs, postponing other payments or negotiating with providers, and borrowing money from family and friends. For communications services there was sometimes a perception that services can be cut off relatively quickly, hastening the need to deal with the situation.

Household service priorities

Communications services are not managed in isolation and as such participants have to consider how best to manage tight budgets. For the majority rent/mortgage and council tax payments were prioritised above other expenditure. These were seen as essential for keeping themselves and/or their families in accommodation and were also seen as the providers hardest to negotiate with to get any payment leeway.

Across the sample, utilities (electricity, gas and water) were seen as the next most important priority services for maintaining a functioning home, especially if older people or children lived there. However, there was some sentiment that because essential utilities providers rarely disconnect you there was more flexibility in making these payments if things were tight.

*“Council tax you can go to jail for, energy and water are essential for life. Below that we have the bills I want to pay which are internet and mobile. That is for entertaining, organising things with friends and family and having fun.” (*Darren, living alone, 25 – 34, not working, Birmingham)

Communications providers were frequently regarded as of secondary importance to these core household services and were not always considered as ‘essential’ to maintaining a functioning household. However, while lower down their payment priorities, services such as broadband and mobile phones were increasingly perceived to be key services and difficult to manage without.

*“Beneath my council tax, housing, water and energy, I’ve grouped TV, broadband, landline and mobile together. They are all similar, they are the extras that keep you entertained when you are in the house. Landline I would value the least. Broadband and TV may slip above the other two but not by very much” (*Tom, living alone, 25-34, working, Wallsend)

***Broadband***

For many, broadband was regarded as an essential service. It was regarded as key for maintaining social connections to others (e.g. through messaging / video call services on phones, the cost of which would be comparatively extortionate through mobile data alone), for watching streamed TV services (e.g. Netflix), and enabling them to manage providers and services (e.g. online banking).

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

The importance of broadband was heightened for those households with children, particularly for its role in entertainment (e.g. gaming and video on demand services) and for education. Those with school age children, who used the internet for their schoolwork, were more inclined to feel that the internet was practically an essential service they could not do without.

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

For those on Universal Credit, their benefits were now managed online and therefore if they wanted to check anything to do with these payments it was necessary to be online.

*“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)

A few factors reduced the importance of broadband as a communications service for a minority of the sample with the main factor being the lack of need/ lack of usage. Typically, these were older consumers who simply used the internet less overall. One participant did not have broadband installed but had access to internet in the communal area of their block of retirement flats if needed.

A few of the low-income households also had ‘workarounds’ meaning they did not need fixed broadband. They described how they used their mobile deals or subscription apps on their smart phones which offered unlimited data (for a small monthly fee). This meant they linked devices to their phone (e.g. streamed TV) and did not incur the additional bill for fixed broadband services.

**Case Study 1: Living without broadband**

*Emma[[6]](#footnote-6) is 23 and works part time in a bar on a zero hours contract while making time to study at college. She lives alone in private rented accommodation. She had been homeless for 18 months before moving into the property 2 years ago. She uses a pre-payment meter for her electricity and gas and is listed as a priority customer as she has a chronic lung condition.*

*She has no access to home broadband as her property is blacklisted. She says she cannot afford to clear this – major providers have asked her for over £100 to get the debt on the property cleared. This has limited her choice of broadband providers.*

*Emma has found a way to ‘work around’ the issue of no broadband by having an app from her mobile provider that costs £7 a month to get unlimited data. This means she is happy to stream from her phone to her TV without having to install broadband.*

*“It’s something that was mentioned to me when I got the phone. It’s a pay as you go, but the guy in the shop said if I didn’t have broadband that this app was brilliant. It’s been great. Coverage is good here, I’m on a hill. So it all works well and I can stream Netflix and iPlayer and ITV Hub all really well. I hook it up for my laptop too, [using the personal Wi-Fi] hotspot [feature]. So I don’t need broadband.”*

***Mobile***

Many also regarded their mobile as a vital communications service for providing connection to others and to wider services.

*“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, 65+, retired, living alone, Merthyr Tydfil)

But for some, broadband was a higher priority than mobile, as it was recognised that by having internet at home you could maintain some mobile functionality.

*“The mobile is at 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)

But where handsets were critical to their work or maintaining contact with their children/families, the importance of keeping mobiles topped up or paying the monthly bills was heightened.

*“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.*” (Katherine, single parent, 18-24, not working, 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)

Three quarters of participants had mobile contracts, although around half of these were on sim only deals. Customers who included a handset in their contract were typically younger and tended to place greater importance on having a new smartphone and were willing to pay more to enable this. The expense and length of contracts and the sometimes-prohibitive cost of new smart phones was raised by some low-income households as a challenge given how integral the phone was in how they ran their lives. For some this meant there was a trade-off between getting a newer handset and what was included in the contract (e.g. data allowance), in order to keep costs down. This was sometimes managed by maximising use of Wi-Fi and using provider apps to keep an eye on data usage. Participants also referenced contract cost being a key consideration when their upgrade was due, with some looking to reduce their outlay at this point.

*“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 have got, you miss it at first, and then you don’t miss it anymore”.* (Carol, Single parent, 45 – 60, not working, South Yorkshire)

Fifteen participants in our sample had sim only mobile deals, typically paying £10 – 20 per month, which was felt to be a much more manageable commitment. Some older (typically aged 30+) participants recognised that their attitudes to mobile phones had changed and they no longer felt the need to keep up to date with the newest handsets. In these instances they were happy to find second-hand reconditioned handset options (e.g. eBay, local shops) or borrow old handsets from family and friends. A couple of participants had also recently switched from pay as you go to a sim only deal, in both cases following word of mouth advice that they could save money (c. £5 a month), by doing this.

*“When I was younger I’d want the best handset, but now I don’t think they’re much different, you can be on a sim only and you’re only paying about £10 a month”* (Emma, living with partner, 35 – 44, working, London)

A quarter of participants had pay as you go mobile deals. These tended to be either older low-income consumers who placed less importance on their mobile phone or those in more precarious financial situations who felt that pay as you go (PAYG) gave them greater control. Among the older group there tended to be less interest in ‘smart’ functionality, and there was often less reliance on their mobile phone as their key communication device compared to the landline. This could really drive costs down, and in some cases, they reported spending as little as £5 a month topping up their mobile phones. Among those who used PAYG to provide more control, there were also some who bought text, call and data bundles at the beginning of the month. Paying for services in advance meant that they didn’t risk going over their allowances, could flex how much they spent depending on affordability, and if necessary could go a few days without calls, text and data if experiencing any financial difficulty.

*“My Dad recommended Giff Gaff, as you can choose what bundle you want to put on every month; it means that if I’m struggling I can delay putting money on it for a few days.”* (Samantha, 18 – 24, living with partner and children, not working, Nairn)

Some households with a number of children using smartphones had family deals to help manage the cost. In some cases handsets were shared in the household; sometimes an adult in the household went without a phone to enable a child to have a handset for safety. To manage costs, there were also examples of younger children who had mobile phones but were instructed to turn them off outside the home (i.e. outside of Wi-Fi) unless there was an emergency.

*“My son’s contract is with the same provider as me. It’s great because I never use all my data and I can transfer mine to him. The girls [his sisters] will be going to secondary school next year so they’ll be getting phones too and I’d like to do the same with them.”* (Laura, single parent, working, 25 – 34, London)

Sometimes participants’ deals helped them to manage their costs, for example some networks offer free calls and messages to people on the same network, which helped them save when calling friends or family.

*“We’re all with (provider) all the family. Messages and calls are free between us so it saves a lot of money. Why would we change?”* (Sandra, living with partner and children, not working, 45 – 60, Belfast)

**Case Study 2: Importance of mobile phones**

*Mark is 42 and lives with his partner and their teenage son in Scotland. They live in privately rented accommodation but are reliant on benefits. His wife has various medical conditions and he acts as her registered carer.*

*Given their rural location, Mark feels their mobiles are critically important describing them as their ‘only lifeline with the outside world”. They have three mobiles in the household, keeping caps on two to control costs, whereas one is left uncapped so they can use it in emergencies.*

 *“We have three of them (mobiles) on contract. We check the three apps all the time so we don’t go over usage. When I’m on benefits it’s important that the bills don’t fluctuate”*

***Pay TV***

Just under half of participants had pay TV services, and while this audience typically perceived pay TV as important, it was frequently positioned below broadband and mobile phones in terms of priority services. Many of those with pay TV had relatively basic packages (i.e. no sport or movies), and this was perceived to keep costs relatively low, particularly when incorporated as part of a triple play bundle (c. £30 – 50 per month).

The importance of pay for television packages (typically Sky / Virgin subscriptions) was heightened among families with children at home. For younger children their need tended to be fulfilled by channels which were included in more basic packages, however as children got older there appeared to be added pressure to take out packages that fulfilled a range of entertainment needs (e.g. movie channels and/or sport channels) therefore increasing costs. There also appeared to be more ‘added extra’ purchases (e.g. rented films) among those with children at home. The additional outlay here was felt to be justified, as money was saved if entertaining the children at home rather than taking them out.

*“It’s important for us to have the kids channels, as otherwise I’d have to listen to the crying.”* (Eilidh, living with partner and children, 25 - 34, County Tyrone)

In contrast, those who didn’t pay for contract TV services, felt it was a luxury they couldn’t afford. Those without children present in the house were quicker to downplay the importance of paid for television services in any case and often felt that Freeview was sufficient. Some had also cancelled pay TV contracts in the past in order to better manage their finances. A few participants had also found that they were able to save money and worry less about non-payment by subscribing to cheaper, alternative TV services with no contractual obligations, such as Now TV or Netflix.

*“If I couldn’t afford [pay TV] I just wouldn’t pay and I would put it back on when I could afford it.”* (Carol, single parent, 45 – 60, not working, South Yorkshire)

Among this cohort cancelling and then re-starting these subscription TV services was a familiar part of their routine when they had fluctuations in income. There was also evidence of consumers finding ways to ‘share’ the cost of subscription services such as Netflix and drive down impact on their income by sharing account details among friends and/or families.

Despite contracted Pay TV being widely seen as less important than broadband and mobile services, bundling of services meant that often people did not have the option of *cancelling or reducing their* Pay TV package to reduce their costs while in contract. This meant that in a small number of cases where affordability proved to be an issue, participants had simply waited until the end of contract to tackle any problems with the financial burden, although one or two had tried to break contract mid-term.

*“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)

**Case Study 3: Importance of pay TV for families**

*Maggie is 32 and lives with her husband and three children, aged 3, 9 and 10, in Glasgow. Two of her children are on the autism spectrum, so she and her husband work part-time to balance caring for them. Her sister-in-law has also recently moved in with them following a bereavement.*

*For her family she feels pay TV is vitally important, as her autistic children love watching certain programmes. She pays to be able to access different channels in different rooms, as this avoids battles in the household.*

*While feeling that her package is expensive she wouldn’t consider giving it up as feels it vital for her kids. To try and manage this she calls Sky when the contract ends to try to get a better deal.*

*“It’s not a big thing for me, but it’s very beneficial to my children. They have obsessive traits so if one wants to watch one programme, the other one can still watch whatever they want so it's not a battle for me and my husband to negotiate and share.”*

***Landline***

Across the sample, participants were more likely to use their mobile phone for any voice communication and therefore placed landline at the bottom of the list in terms of communication service priority. Some recognised that they paid for line rental but didn’t have a landline telephone or in one case had even hidden it behind the TV so it could only be used in case of an emergency.

*“Landline’s the least important to me – I just have it because of the internet.” (*Claire, single parent, 25-34, not working, Croydon)

Only a few families with children and older consumers in the sample felt the landline was an important communication service.

*“I think that is because of our age group. We can do away with the mobile and just stick with the landline.” (*Sue, living with partner, 65+, not working, Midlands)

For most, landline was an assumed necessity when taking out broadband as part of a dual or triple play deal, and in some instances its inclusion was said to help reduce the overall cost of the bundle.

*“I just mainly wanted the broadband and the TV (for the boxsets) but when he totalled it up it was more expensive to get the broadband and the TV than it was to get it all together as a bundle (with line rental). It was around £80/90 a month and the line rental brought it down to £60 even though I don’t really use it.” (*Tamara, single parent, 18-24, working, Midlands)

**Case Study 4: Importance of Landline**

*John and Rachel live with their youngest child (aged 12) in the family home in Cornwall. They went bankrupt 5 years ago when Rachel’s business folded and they are still paying the bank back now. Rachel now receives income support, while John works on a zero hours contract at the local petrol station. In order to manage their reduced budget, they no longer pay for TV services as they felt this was a luxury that they couldn’t afford.*

*They have a family PAYG mobile package that was sorted out by their eldest child as a Christmas present. However, only John and their 12-year-old daughter have a handset so Rachel relies heavily on the landline to be in contact with family, friends and organisations. She is careful how she uses the service so that she can avoid additional charges.*

*“Landline is important to me. I know it’s rare these days, but I don’t have a mobile phone. Just never really got into them. And we need to keep the costs down, so with the broadband it’s cheaper to have a landline, so that’s my contact with the outside world. I get the free evenings and weekends. The usual. I’m careful how I use it.”*

.

Understanding of communications services

Introduction

This section explores customers’ understanding of their communications services, including tariffs, pricing, payment methods and the extent to which their deal fits their needs.

Key findings

There is mixed understanding of communications services in low-income households. Although the majority knew what their deal was and what they were paying, they were frequently less able to assess whether the deals aligned with their usage behaviours (i.e. we’re meeting their needs) or if they were paying a ‘fair’ price.

Most participants paid for at least one of their communications services by direct debit. While some liked consistency of payments, other than for mobile there wasn’t always strong awareness of alternative ways to pay, including among those who preferred not to use direct debit for other household bills.

At a high level, there appeared to be a greater understanding of mobile phone deals as these tended to be standalone and more tangible than other services, whether on contract or pay as you go. Often, other services are bundled (dual/triple play) and there is less clarity about how costs split. This can lead to limited awareness of how to reduce costs or compare deals.

In some cases participants didn’t have a strong understanding of what was included in communications service packages or how they could monitor this usage, and this could lead to going over allowances and incurring additional charges. This could be particularly problematic for lower income households, as in some cases it led to payment difficulties.

Understanding of Communications Services pricing and contracts

Overall, understanding of communications services in low-income households is very mixed. While there was often awareness of the key service features and overall costs there was far less understanding of whether these arrangements met their needs or if better alternatives were available, or if they were paying a ‘fair price’.

This lack of clarity was further complicated by the bundling of services. It was often assumed that bundling of services made things cheaper, while also being easier to manage. Around two thirds of participants had either a dual or triple play package, with landline/ line rental often included here more out of assumed necessity rather than customer need.

*“I like having them (communications services) bundled together because I can have them all on one app. I go onto it and it has the broadband tariff and then the mobile one underneath… I can check any problems on the app or figure out the speed. If there are problems it will come up with options of what to do with the internet modem and the TV/ aerial. If that doesn’t fix it then they might send an engineer out to test it.”* (Claire, single parent, 25-34, not working, Croydon)

However, it was clear that bundling led to less consideration of the constituent parts of a package and clouded people’s ability to assess whether they were getting a ‘good deal’ for each part of the bundle. In addition, introductory offers made it harder to compare deals and price changes could catch consumers out.

*“They should make people aware that even though your [CP] bill may start at £15 per month, it won't stay £15 per month. They need to put it in a little bit more detail.”* (Vanessa, single parent, 25-34, not working, Tredegar)

Those without bundled deals included those with very simple communications service set-ups (i.e. no broadband at home) or had a broadband set-up which didn’t require line rental. One or two participants had also kept their services separate due to service reasons (e.g. pay TV provider not offering broadband in a certain area or having slow broadband speeds in an area).

Most participants paid by direct debit for at least one of their communications services, and other than for mobile there was sometimes low awareness that other payment methods were available. While ten participants were pay as you go for mobile, only a few participants were either paying via Paypoint or on receipt of their bill for other communications services. This contrasted with energy, where just over half of participants either had a pre-payment meter, paid by Paypoint or on receipt of their bill. For many it was assumed that direct debit was the default (and only payment method available) for communications services even though this wasn’t their preferred method for other services. Some also rationalised paying for communications services by direct debit as they were perceived to be generally lower cost (e.g. dual play/ mobile sim only deals for under £20), making direct debits feel more manageable than they did for energy.

**Case Study 5: Avoid direct debit as a payment method**

*Daniel, 65, lives alone, he has had three strokes. He used to be a painter and decorator, but now hasn’t worked for 10 years. He has been living in a private flat arranged by his sister after his last stroke 16 months ago, as it is on the bottom floor, with easy access. A bus stops outside and he used this several times a week to get him around, as he can’t drive anymore. He describes his financial situation as ‘okay’ but has to carefully manage his budget.*

*“I have everything planned, I keep a bit in”.*

*He has no broadband or landline; his mobile phone is described as his “lifeline”. Has not had a landline since leaving his wife some 15 years ago.*

*Daniel does not trust Direct Debits, so he pays all his bills at the local pay point (local shop) when he has got his benefits money. His calendar on his wall keeps him aware of when he needs to make his payments and when he gets his money. When asked what happens if he cannot, for any reason, make the scheduled payment (e.g. he’s away/in hospital), he said his niece would do it.*

*“If she wasn’t able to pay on my behalf? Well, I don’t worry, as this has never happened. I don’t know, I suppose. I could ask around.”*

Taking understanding of each service in turn:

***Mobile Phone***

Typically, there was a better understanding of mobile phone deals than other services and this was true across both contract and pay as you go customers. Reasons for this appeared to relate to the fact that the service was standalone and rarely part of a bundle. This helped with understanding of what was included in contracts and/or pay as you go bundles i.e. number of minutes, texts and data and where relevant in terms of the handset. It also helped people to know what they were paying for the service.

Pay as you go customers, had over time learnt roughly how much they needed to top up each month, which helped to make the service feel more tangible. This payment method was felt to be optimal in allowing them greater control over spend, with the ability to go periods without topping up in the event that they fell into any difficulty. Younger pay as you go customers who were more reliant on their mobile, were typically buying a monthly bundle rather than just topping up set amounts as they had found this to be a more cost-effective approach.

Some customers on contract (both SIM only and handset included) also managed the account through provider apps, which provided a greater understanding of their usage and ability to control their spend.

*“I'm very happy with (provider) as they give me 6GB of internet, 250 minutes and unlimited texts for £10 per month. With my old one, they only give you 500MB, for £10 a month.” (Eilidh*, living with partner and children, not working, 25 - 34, County Tyrone)

In addition, for some of the younger participants in the study, a stronger understanding of core features was often due to having a longer standing relationship with mobile phones compared to other communications services.

Although familiarity with features meant it was easier to compare deals, there was little evidence of this happening regularly. There was some evidence that longer-standing provider relationships could cause a degree of inertia and lower engagement with the market, and this appeared to be true for both contract and pay as you go customers.

Thus, low-income consumers often knew what mobile deal or pay as you go bundle they had, and what they were paying, for it, but they were a bit less certain on whether this represented good value for them (i.e. met their needs). This was particularly true in terms of data allowances, with many admitting not knowing how much data they needed based on their usage, and for those on contracts this sometimes led to additional costs being incurred. On the whole participants did however understand that they could reduce data charges by using their Wi-Fi when at home. Additionally, many of those on a contract suggested that they would be reluctant to downgrade from having ‘unlimited’ text and call deals, i.e. they did not want to give up such an apparently generous offer despite their behaviour not necessarily warranting this kind of deal.

*“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)

*“I think I'm going through too much data so I'm going to go to (provider) and ask them, because I have to keep topping it up. I’m not sure how much data I have.”* (Rose, 65+, living alone, retired, but working part-time, Larne)

***Broadband***

Among those with single/dual play deals, there was fairly high awareness of the price they were paying for broadband. With dual play deals, having broadband was typically the primary driver behind their choices. The price was perceived not to fluctuate very much, if at all, over the course of the contract and even when out of contract making it relatively easy to manage compared with other household services.

*“My monthly contract has never gone up. Even when the contracts ended it just stayed the same.”* (Sarah, living with partner and children, not working, 35 – 44, Larne)

The cost of broadband was felt to be prohibitive for a small number of households who had adopted alternative workarounds, most commonly using their mobile data to access the internet where necessary. A couple of participants also had sim card Wi-Fi routers, which while offering slower speeds, were also felt to be cheaper to manage and control on an ongoing basis given the lack of ongoing commitment.

Just over a quarter of participants had taken out broadband as part of a triple play deal, and here understanding about what they were paying for broadband (and landline) as part of the deal was less clear.

In nearly all deals, whether single, dual or triple play, there was limited understanding of broadband speeds and trade-offs with price. Few were very confident they had a suitable speed for their household’s usage. Thus, even those happy with their deal in terms of what they were paying were unaware how or if their usage had changed over time and if they needed to revisit their deal.

*“I fear that I would change from (CP) to another company and the internet wouldn’t be as good and I would have to go back and set it up again. The charges too, some companies charge cancellation fees. I couldn't afford it. If I was in the middle of a contract I couldn't afford the cancellation fee.”* (Claire, single parent, not working, 25 – 34, Croydon)

There was less evidence of participants using apps to manage broadband than mobile, however again where these were being used they tended to lead to higher understanding of both usage and service (i.e. broadband speeds) experienced.

***Pay TV***

Overall, among the nineteen participants who had paid TV services there was a relatively strong understanding of what was included in their package and the overall cost of their bundle. There was widespread awareness of the ability to pick from different features and package options such as Sports, Entertainment and Family packages, but trade-offs had to be made here in terms of affordability e.g. Sports were often prohibitively expensive. Where more expensive packages had been taken out this had in a small number of cases led to payment difficulties. There was also limited understanding of the cost of pay TV when it was included as part of a bundle.

Overall, there was limited engagement with the provider or the wider pay TV market throughout the length of the contract, assuming there was no interruption to service and/or no issues with payment. A few mentioned receiving letters from providers about direct debit costs going up mid-contract. Understanding of possible/likely increases in cost at the end of contract, or exactly *when* they would be out of contract was also patchy.

***Landline***

Landline was rarely purchased outside of bundled deals, and here was often the least important service, meaning there was very little consideration of the tariff details or specific cost of the landline. There was low level awareness that bundled deals work out cheaper with landline included than without, and this had led them to have a landline as part of the deal.

*“Do you know I don’t even know if I’m paying for a landline! I think I am? I assume I am, but I haven’t checked for years. I suppose I should plug a phone in and see if it’s got a dial tone!” (*Angela, living with partner and children, not working, 25-34, Caernarfon

Many, particularly younger, participants were paying line rental to support their broadband connection, but didn’t have a phone plugged in. Others did have a phone, but rarely used it. This led to limited understanding of landline tariff details and for in a few instances this had led to a reluctance to use the landline, as they had been stung by additional costs in the past.

*“I'm worried about being charged for ring-back or if a phone call was made and I didn't know about it, I would want to know where it came out of and why I’m getting charged for it. I was charged a call-back fee of 50p one time and I don't have my phoneline plugged in!”* (Charlotte, living with partner and children, not working, County Tyrone)

Among the small number of typically older participants who were using their landline more frequently, there tended to be a much greater awareness of landline tariff features, e.g. times of day when calls were free, as it was important to maximise usage at these times to keep costs down.

Relationships with providers

Introduction

This chapter explores the factors which impact on low-income households’ ability to manage communications services and keep on top of the bills. It then explores when and how participants engaged with their providers and describes the nature of these interactions.

Key findings

The complexity of peoples’ financial situation, their approach to financial management, life-stage and additional difficulties such as low literacy or mental health issues all impact low-income households’ ability to manage their financial situation and keep on top of bill payments and debt.

Engagement with providers is typically limited. Relationships can be long-term, relatively transactional with very few touchpoints unless problems are experienced. While those on contracts had sometimes learnt to contact providers to negotiate when their deal ended, there were relatively few examples of participants actively shopping around for better communications service deals.

Reasons to contact a provider were generally related to service or billing issues. Billing issues range from price rises (e.g. end of contract), additional charges (e.g. buying games/movies) or managing payment related problems e.g. cancelling a direct debit without contacting a provider. Although these issues can affect all customers, the impact can be particularly detrimental to low-income households and create the conditions for ongoing non- or under-payment and spiralling debt.

Factors which impact ease of managing communications services

Low-income households are not a homogenous group, and a number of key areas of difference emerged which influenced ease of managing communications services and keeping on top of bills. These included:

* *Financial complexity –* Levels of financial commitments varied, both generally and more specifically in terms of communications services. For example, while many had basic inexpensive set-ups (e.g. mobile sim only and dual play – broadband and landline), others were managing more expensive contracts (including pay TV) with multiple providers. Ease of managing was also felt to be influenced by the consistency of participants’ incomings and outgoings.

*“The amount of hours I get at work is very low so there isn't much money. Usually my bills get paid, but it is by scraping by what I have. None of the bills are paid comfortably. The house bills (rent, gas, electricity) are compulsory, but there's no compulsory for food or other items of pleasure, I just rob from my kitty to pay for food/drinks/cigarettes etc.”* (Daniel, living alone 45 - 60, working, North East)

* *Household management approaches -* Differences emerged in terms of the extent that the participants were confident, organised and proactive, in managing household finances and engaging with communications providers. This had a bearing on their ability to identify issues ahead of time and/or negotiate or switch providers to get better deals and therefore keep their costs down. Limited confidence and understanding were particularly prevalent among those who had experienced payment difficulties, and in these instances there was sometimes a lack of clarity as to what had caused the issue, how it could be managed, and in a few isolated cases participants had avoided contacting their providers about it altogether.

*“There is no incentive to stay with my providers. It’s time that puts me off changing and my time management. I just don’t get around to looking at it.”* (Claire, 25 – 34, single parent, not working, Croydon)

* *Lifestage –* Having children living at home was felt to add additional financial pressures, and children could also act as key influencers in decision making (whether supporting when shopping around online or encouraging parents not to make changes to their services). Attitudes and behaviours were also felt to change over time more broadly as these were influenced by life experiences and increasing responsibilities. In one or two cases older participants living alone were potentially more isolated making their billing situation more precarious if anything happened to them.

*“Some weeks are better than others where I get more money. It is a struggle. Because I have teenage kids and they need things. They are in education and pushing them out to work when they are doing assignments and things is not something I've done.”* (Carol, single parent, 45-65, not working, South Yorkshire)

* *Additional difficulties -* Across the sample a range of additional difficulties emerged which impacted on individuals’ personal situations and ability to manage their household suppliers. These included some who were having to adapt to a new set of circumstances either through recent unemployment, bereavement or divorce, as well as those with low literacy, mental health conditions and learning difficulties, which influenced confidence engaging with suppliers and their communications. In a small number of cases participants also had long-term health conditions and/or were acting in a caring capacity, which restricted their time and ability to focus on managing household bills and suppliers. In rural areas further challenges were sometimes faced with bank branch closures, weak and unreliable internet or signal, and restricted choice of suppliers.

*“I’m not a good reader so my son helps with all the letters they send. I recently moved to a sim only deal from pay as you go as they said in store it would be cheaper, but I got all the information and had him look at it to check it was okay before I moved.”* (Sandra, living with partner and children, aged 45 – 60, Belfast)

**Case Study 6: Managing providers and living with Epilepsy**

*Darren is a 34-year-old from Birmingham, he’s currently unemployed and living on his own in a socially rented property. Darren has been unable to work for the last couple of years due to ill health and so is currently receiving Universal Credit as his only source of income.*

*Darren has a mobile phone contract with Three as well as a portable wireless router that uses a sim card to provide his broadband (he’s looking to move property so didn’t want anything too permanent).*

*Darren has Epilepsy which can cause difficulties when it comes to paying bills. The severity of his condition can vary but at points he’s been having 3 seizures a week. In the past he’s ended up paying the same bill on multiple occasions because he would pay the bill and then have a seizure and not recall paying and end up paying the same bill twice.*

*In his experience, different providers have generally been quite helpful in supporting him with his health issues, but he feels as though they could be doing more to help prevent multiple payments being made of the same bill. A previous mobile phone provider helped him pay off a debt by setting up a payment plan that meant they would call him once a month to make payment over the phone so that he didn’t have to keep track. Additionally, he had made multiple payments on the same bill with his water provider and they agreed that they would just take payments out of the credit he had built up for 3 months so he wouldn’t have to worry about it.*

**Case Study 7: Managing providers with support from formal/informal carers**

*Tom is 19 and lives alone in council housing in South Yorkshire. He has previously been homeless and receives benefits due to several disabilities, which include Asperger’s Syndrome, anxiety, depression and personality disorder and preclude him from working.*

*He recently had his benefits cut after failing to make an appointment due to his condition. He has since had these payments reinstated, but the shortfall here meant that he couldn’t pay his mobile phone bill and ended up in rent arrears.*

*He didn’t contact his provider at the time and there haven’t been any repercussions, but he is now planning to call them to make rearrangements. When contacting providers he likes to have his Mum with him, so he can pass the phone to her if there is anything he doesn’t understand, and he finds they are all very understanding of this.*

*“Due to my Asperger’s and other mental health conditions I try and sort out my dealings with providers on my own but often don't understand what they are saying so I ask my mum to help. Usually I will contact them by calling and ask can my mum or carer speak on my behalf so I don't get ripped off.”*

Relationships with providers overview

Typically, participants had fairly limited engagement with their communications service providers. Despite the stated importance of the services, relationships with providers were fairly transactional with interactions only taking place when issues arose. These touchpoints included:

* Ongoing account management typically involved limited engagement with providers, and customers adopted a range of management behaviours
* Switching or negotiating with existing providers, although this behaviour appeared to be less prevalent among pay as you go customers and many customers simply allowed their contracts to roll on
* Service issues, which were particularly prevalent for broadband and appeared to be more common for customers living in rural areas
* Billing issues, including querying price rises or additional charges, and where customers were experiencing payment difficulties
* The touchpoints and reasons for making contact were not unique to this low-income audience, although how they dealt with the issue and the potential consequences could be particularly detrimental to this audience, with any negative impact amplified by their low-income situation. In addition there were some indications that low-income households sometimes felt less able to engage with providers in these scenarios.

***Ongoing account management***

In terms of ongoing management of services approaches varied. Some direct debit customers took a hand- off approach, didn’t look at their bills, and only really checked their payments by looking at their bank statements. However, others monitored their outgoings much more closely, particularly where they had experienced payment difficulties in the past. Approaches here included, checking apps, receiving paper bills and choosing not to pay by direct debit (i.e. pay as you go or pay on receipt of bill).

There was some evidence that low-income households were sometimes being penalised for using their preferred method/s for controlling costs, although not all were aware of this or sometimes it was just accepted. For example, a few preferred to receive paper bills so they could better keep an eye on costs, however one or two in the sample were unaware or simply denied they were paying for this, while others felt it was worth paying for the peace of mind and in any case, there was nothing they could do about it.

*“I like getting the paper bills, as I know where I am with it on paper. I just prefer it. I don’t know if there’s a cost? I doubt it. I’d know, wouldn’t I?”* (Kayla, living alone, not working, 25 – 34, Bristol)

*“I know I’m paying extra for the paper bills, but it doesn’t bother me. I like having the peace of mind of knowing what I’m paying since having the payment bounce before.”* (Helen, single parent, 18 – 24, working, Belfast)

Similarly, participants who paid on receipt of their bill or via Paypoint often accepted or expected that this would result in higher costs than direct debits but felt this was a price worth paying to avoid the perceived loss of control that came with direct debits. In some cases they refused to have a direct debit due to reported errors in direct debit payment (either their own or a close friend/relative) which had resulted in a late payment charge, while others had received bank charges when direct debits had put them into their overdraft in the past.

*“I don’t trust direct debit. My brother was really ‘had over’ by one coming out late and he couldn’t cover it. Got all these fines and costs. Not for me. I’d rather pay over the road, cash. [Aware if they’re paying extra for this?] No, I don’t know. Would I be?”* (Howard, 65+, retired, living alone, Merthyr Tydfil)

***Switching/negotiating with existing provider***

Although there was often awareness of the financial impact of rolling off contracts, i.e. price rises, this was often learnt through experience. Typically, this was noted more for Pay TV than other communications services, and there was a little more awareness of when contracts were due to expire with those who had experienced an unexpected price rise at the end of their contract in the past. However, where there had been a very high price rise in their billing, this could be a trigger to change their deal or switch providers. For low-income households, increasing costs could be particularly detrimental, as they didn’t always have sufficient funds in the bank to cover these when paying by direct debit.

*“They never let you know the end of the contract, when your contract is finishing. You only found out when your price raised for example from 30-60 pounds.”* (John, living with partner and children, 18 – 24, Larne)

*“They always add more so you end up with an £180 bill to pay at the end of my contract with no warning, as they say we should remember.”* (Abbie, single parent, working, 25 – 34, The Valleys)

There was little evidence of regular switching at the end of contracts with communications providers. Unless they had a reason to switch (e.g. bad customer service, unaffordable price rises), they tended to stay with the provider, but were technically out of contract. Where there was a potential reason to switch, frequently, the first inclination was to negotiate with their existing provider if the issue was price.

*“We were with one provider for landline and broadband but when the contract ran out, the price went up by almost triple, we were happy with the service so we rang up to try and negotiate but they wouldn’t do it so we switched.”* (Brian, aged 65+, living with partner, retired, Birmingham)

Among pay as you go customers, there was rarely any trigger to switch, and limited awareness of better deals available from other providers. That said, one or two had recently changed to newer providers such as Giff Gaff following word of mouth recommendations around the advantages of the pay as you go monthly bundles they offer.

For one or two, ongoing debt with a particular provider, through missed payments / non-payment charges, precluded them from being able to switch provider even though they were technically out of contract.

*“My contract expired back in December, but with the repayment plan I’ve not really looked at updating it.”* (Laura, single parent, 25 – 34, working, London)

***Service issues***

The most common service issues tended to focus on loss of broadband service and were largely dealt with over the telephone. These tended not to be unique to low-income households (e.g. service outage and slow broadband speed), however a relatively frequent trait among participants was a lack of confidence in challenging providers on the information provided over the phone.

There were instances of customers who were told that their internet speed was fine despite having experienced issues with it, and there was a feeling that it improved during and for a short time after the call to their provider, but this improvement was short lived. However, in nearly all cases customers did not go back to the provider to challenge them again, lacking self-belief and confidence to try again, settling for slightly substandard speeds and looking ahead to switch providers when their contract was up.

*“I found them (CP) intimidating on the phone - they were all telling me different things and they were acting as if I was making it up and not believing what the other colleague had said.”* (Joanna, living alone, 18-24, working part-time, Cardiff)

**Case Study 8: Better internet speed available for the same price at expiry**

*Eilidh is 33 and lives in social housing in County Tyrone with her three children. Her partner James also sometimes lives with them, but ‘isn’t good with the bills’ so she manages everything. She used to work in a factory before the children, but now neither of them is working.*

*Eilidh switched to [CP] for broadband after being dissatisfied with the service she received following payment difficulties with [CP]. Despite finding the speed with the new supplier much slower, she didn’t complain as didn’t want to be on the phone for a long time, didn’t really understand her broadband package and didn’t think they would do anything about it.*

*She waited until she was out of contract and was considering moving back to her previous provider. However, when she threatened to leave she was offered fibre broadband, which has proved to be much quicker, and was available at around the same price as she paid before.*

*“It was only when I rang up about my contract that they offered me the faster broadband, but since we’ve had that it’s been much better… like we had with the [CP]”*

***Billing issues***

Billing issues could affect everyone, but can be particularly detrimental to low-income households. Unless there was positive ‘action’ to change their situation or manage the debt over time, the knock-on effect would be higher bills in the subsequent month(s) simply shifting the financial pressure on to the following month(s) and creating the conditions for ongoing non- or under-payment and spiralling debt.

**Case Study 9: Early termination fee after poor service**

*Lucy is 24, and a single mum living in a council flat with two children aged 3 and 5. She is currently unemployed.*

*When she moved home she wished to stay with her existing broadband provider. However, at her ‘go live’ date she only had a connection for 2 hours and then it cut out. She says she phoned and tried live chat and nobody helped her. After waiting a number of days with no response she decided to take matters into her own hands and cancelled her direct debit and switched to [CP].*

*She has since received an early termination fee of over £300 for cancelling her contract but is refusing to pay this as she doesn’t feel she should be liable for this payment given the internet never worked properly.*

*[CP] continues sending her letters and she did initially try to call them but didn’t feel they were helpful so now she ignores them. She is aware this is not good for her credit score but feels she has already tried to sort it and there’s nothing else she can do.*

*“I have a £300 early termination fee even though I was only live for about half an hour, before they cut it off.”*

Payment and billing issues could result from ‘unexpected’ but ultimately predictable price rises during the contract (e.g. inflationary rises, or the end of introductory offers). Customers were sometimes unaware when these offers ended or had simply focused on short term affordability without considering their ability to continue to pay a higher rate for the remainder of the contract.

*“I had an email recently from my CP about a price increase from April 1. It annoyed me a little bit but I should have read the small print. I have never had a mid-contract price increase before. It should be made more obvious that this can happen. With energy, they always say that there is a possibility that the price may change.”* (Sophie, single parent, 35 - 44, not working, Croydon)

**Case Study 10: Fluctuating bills**

*David and Angela live with three children aged 1, 9 and 12 and Angela is currently pregnant with their fourth. They rent their home from a housing association in Caernarfon and neither are currently working.*

*Their broadband bills are very inconsistent. They should be £25 per month but every three or four months they jump up to around £85 and this leaves them short for other bills they have to pay so they end up having to borrow money to cover these or be late paying them.*

*They contact their provider using online chat to ask them about the issue, as they believe it would be too expensive to call them. They are unclear what causes the issue, and don’t feel it has been fully explained. They have been told it is not to do with their usage and at times they’ve received refunds as their provider has admitted that it was an error. This still takes 3 or 4 days to process though so leaves them out of pocket.*

*Most recently they were told it was because their contract had ended, and after threatening to leave they have been offered a cheaper deal. They don’t have a good understanding of their package, and feel the terminology is too complicated*

*“In my eyes they are making up an excuse as they are saying it's their error, the contract has run out and the deal ended so we agree to a new contract”*

Additional charges, such as international calls, movies/games downloaded and in-app purchases often via their Pay TV platforms could also have a detrimental impact on ability to pay their bills. Typically, this resulted in calling their providers to explain the situation and see if there was a way to resolve and manage repayments.

**Case Study 11: Additional charges**

*Amy is divorced and lives with her 9-year-old son in private rented accommodation. She left her job as a hairdresser 2 years ago, as she couldn’t get the hours to fit around her childcare arrangements and has not been working since.*

*Amy was struggling to pay her bills around Christmas time, and noticed that an extra £25 was going out a month on her mobile contract. She had just assumed she was going over her allowances but when on the phone to her provider she discovered that this was a games subscription that had started some 9 months before. She assumed this was something her son must have signed up to, but he couldn’t remember.*

*While she was able to stop the payment, her provider told her she would have to contact the games company to get the money back. However, they were based in Australia and she found them to be very unresponsive.*

*More recently, her mobile contract has been up for renewal. Her provider phoned her about this and she told them she was thinking about switching as she wasn’t happy about how they had dealt with the billing issue. Following this, the provider refunded the entire subscription within a couple of days.*

*“If it hadn’t shown up as (provider) on my bank statement I feel like I’d have noticed it straight away. I’ve been with them 15 years and they just left me to do all the chasing.”*

In contrast to positive action to resolve a payment issue, a few customers’ behaviour when faced with an unexpectedly high bill was to avoid their provider e.g. cancel their direct debit without directly notifying the provider. Although this sidestepped the issue in the short term, the potential longer-term consequences of this action were not readily appreciated, and this led to exacerbating debt with additional fees for non-payment, breaking contract and in a few instances where they had moved home, even resulted in being taken to court.

*“When I originally took out the contract it was around £42-£45 but I ended up paying around £100-£150 per month and I didn't even know what I was paying for. I cancelled the direct debit and they passed it onto a debt collector.”* (Samantha, living with partner and children, 18 – 24, not working, Nairn)

Payment difficulty experiences

Introduction

This chapter describes the experiences of low-income households who have had difficulties making payments in the communications services sector. It explores the factors which can lead to financial difficulty and the different responses from both consumers and providers, as well as the impact this can have on eventual outcomes.

Key Findings

A range of factors can lead to payment difficulties with communications providers. This can include broader household financial difficulties as well as specific unexpected/unplanned costs relating specifically to communications services (e.g. unknown price rises or additional charges for exceeding allowances or paying for add-ons). Given many people pay for communications services by direct debit, participants were often not aware of additional costs until after the fact and therefore not able to plan for them.

While many participants had contacted their provider when experiencing payment problems, in a few instances participants ignored the problem where they lack confidence that they will be able to find a resolution. A complaint from these participants was that providers were relatively quick to cut services, and with fairly minimal warning.

Experiences when contacting providers about problems appeared to be relatively mixed. Typically, participants were not aware of provider’s debt policies or their consumer rights and there was often perceived to be a lack of clarity around next steps and potential solutions.

Those who were satisfied with the service they received felt that the provider was sympathetic to their situation, had sometimes been able to reduce the amount required to repay and demonstrated flexibility in suggesting a manageable repayment plan. Others were less satisfied, in these instances feeling the provider hadn’t provided a clear rationale for additional charges or was unable to suggest a realistic payment plan.

Across the sample participants had experienced mixed outcomes following their payment difficulty. Among those who had negotiated payment plans they often felt that they now had the situation under control. However, for others the situation had escalated leading to debt collector involvement, and/or having to adapt to living without certain communications services. Following their experiences participants had also sometimes developed new behaviours to stay on track and these included adding caps to mobile usage, choosing to receive paper bills or pay on receipt of bills, switching to a cheaper contract or moving from mobile contract to mobile pay as you go.

Ability to cope when facing payment difficulties appears to depend on a range of factors including size of expense and whether this is a temporary or ongoing issue. Level of resilience when dealing with these scenarios can also depend on personal support networks available, access and use of credit, life experience and confidence engaging providers, and awareness of other support available.

Factors leading to payment difficulties with communications service providers

A range of factors can lead to payment difficulties with communications services. These can include a drop in income due to relationship breakdown, job loss, a reduction in working hours, a reduction in benefits, or an unexpected cost elsewhere (e.g. washing machine breaks or a large utility bill). As such, difficulties with paying for communications services are rarely felt in isolation, with many participants also facing similar challenges with other household bills, such as rent, energy, water, TV licence or council tax.

*“The last couple of years it has been more of a struggle. We get paid on different rotations (fortnightly/monthly/weekly). We try to budget everything on a monthly basis, except for our phones. When I get paid, I pay the gas and electricity at the same time for the whole month. We are in arrears with council tax (priority bill) and water. It's a struggle to make ends meet sometimes.”* (Andy, aged 35-44, no children living at home, on benefits, Newcastle)

*My bills for a single person are really low, but I still find it really hard to make everything stretch. I have been in rent arrears where I have had to get into contact with my housing and a financial advisor through them. I have had a few food bank vouchers. That really helps with putting some food in the house. It helps with paying for these ridiculous gas and electric bills. If anything major broke, a washing machine or fridge my finances wouldn’t cover that so I would apply for a crisis loan through the job centre.”* (Kayla, living alone, not working, 25 – 34, Bristol)

In a few instances participants had taken on service contracts which have stretched their budgets and later proved to be unaffordable. Reducing elements of bundled deals was quite common, particularly where pay TV was included.

*“I took out the Sports package for quite a high amount just before Christmas, I realised quite soon after that I couldn’t afford it and I fell behind on the bills. I had a bill in January that I just simply didn’t have the money to pay.”* (Molly, single parent family, 25-34, working, Newcastle)

In many cases payment difficulties were also triggered by unexpected billing costs, fluctuations or price rises. The reasons for these occurring varied by communications service type, but for mobile and landline were most commonly attributed to out of plan charges (e.g. additional data usage, subscription costs, picture messaging, evening calls).

*“I changed from a non-smart phone to a smart phone, I over-used my data. I wasn't aware of how much data I had. At the end of the month, my bill came to more than I thought and because it was a direct debit, it was automatically paid.”* (Daniel, living alone, aged 45 – 60, Newcastle)

Additional costs were in a small number of cases incurred by children, meaning that the bill payer wasn’t aware of charges until the bill was received. There were occurrences of this for both mobile (e.g. buying PlayStation points, signing up to a Barbie YouTube channel, or subscribing to a game), and pay TV, where Movies had been purchased without consent.

In addition, a couple of participants had incurred early termination fees for cancelling their contracts due to dissatisfaction with the service and felt both unable and unwilling to pay these costs.

*“I was previously with (CP) at my old address and I wanted to bring them with me to my new address. I got my go live date and it was live for maybe an hour or two, but then it went off. I contacted them and they made me wait days upon days each time. They told me it was problems in the house and then problems outside. An engineer would go to the box outside but no one ever came inside. This went on for a month. I ended up just leaving them and going to (CP) but now I have a £300 early termination fee even though I was only live for about half an hour before it was cut off.”* (Lucy, single parent, 18-24, not working/on benefits, Glasgow (case study 9)

Across these examples, a common challenge was that participants were often not aware of these costs until their CP took, or tried to take, the money out of their accounts. In addition, reasons for these additional costs were sometimes felt to be unclear and not understood.

*“When the bill was expensive and I contacted them they said the offer we signed up for has ended already and so it's gone up without an email or phone call in advance.”* (David, living with partner and children, 25 – 34, not working, Caernarfon)

As communications services were often paid by direct debit, with money automatically leaving accounts, bounced payments could lead to bank charges as well as a late payment charge from a CP. In addition, for one or two participants additional charges were paid in full to CPs, but this had a knock-on effect on other bills, leading to payment difficulties elsewhere.

*“Sometimes a payment will be due to go out on the Monday, but the banks have paid it on the Friday. If you are very short on money in the bank, that could cause you to go into overdraft which you could be penalised for. Unless you look at your statement, you might not even be aware that you've been fined because your money has gone out early.”* (Rachel, 45-60, children, working, Cornwall)

Among those who didn’t pay by direct debit, additional costs were noted in advance of payment, which did allow some leeway in finding the money to pay the CP (including borrowing from friends or family if necessary). However, reactions here still depended on a participant’s ability to cope with the situation, and where not dealt with, as with direct debit, problems could escalate.

Consumer approaches to dealing with payment difficulties

Unsurprisingly debt issues created an emotional response among participants, ranging from shock for large, unexpected bills that came out of the blue, to a more numbing ‘not knowing what to do’ if longer-term problems developed. There was a recognition that this affected how they dealt with the issue, and one or two people with mental health issues, such as anxiety also felt this made it more difficult to contact providers and deal with the problem.

*“With my condition [anxiety] I don’t really like phoning providers. I put off calling them, for days, weeks and then you think what’s the point?” (*Samantha, living with partner and children, 18 – 24, not working, Nairn)

Most participants said they had contacted their providers about their payment issue. This could be to both understand the reason for any additional costs, and to identify potential resolutions. This was sometimes learned from previous experiences where they had been able to negotiate a repayment plan with a provider or their services had been cut because they had not contacted them previously.

*“[It’s] better to get in contact with providers instead of ignoring it completely - I used to ignore the problem.”* (Katherine, single parent, not working, 18 – 24, Cardiff)

However, in a few cases participants ignored or looked to manage the problem themselves in the first instance. Some borrowed money from family and friends to cover the shortfall. Others felt it to be embarrassing to ask for help and this was seen as more of a last resort.

*“My brother-in-law is a gem. If I’ve got no money, and a bill needs paying, and I’ve done all I can, he’ll help me out. Then I’ll pay him back over the next few benefits. He’s good as gold like that. Means I don’t have to ask my mum too, which helps!”* (Daisy, single parent, not working, 18-24, The Valleys)

A few customers also reported feeling particularly pressured when in arrears for pay TV services, as a box would show up and move around the screen asking for payment. This was felt to cause social embarrassment if friends or family were around or in front of their children.

*“They have a little box that says you need to pay your bill [and it] makes you not want to pay it. It just bounces around the screen and you cannot watch the telly.” (*Kayla, living alone, not working, 25 – 34, Bristol)

In some isolated cases participants avoided contacting providers until their services had been reduced or cut. In these instances, participants either felt that they didn’t have the money to deal with the issue, were concerned about the cost of calling their provider, or simply weren’t confident that they would be able to find a resolution. The speed with which all communications services were cut, was felt to be surprising and did tend to encourage them to contact their provider. In these cases, some also said that they had received little warning that their services were going to be cut.

*“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)

**Case Study 12: Learning from her past**

*Stacey, 26, is a single mother of two living in South Wales and is not currently working. She has had a CCJ in the past due to accumulating huge debts after missing payments. She admits that in the past she avoided making payments if companies/organisations didn’t chase her for them.*

*“I thought, I wonder how long I can get away with it?”*

*When these habits eventually caught up with her she owed thousands on her Council Tax and TV licencing. This resulted in bailiffs being sent in and she only managed to avoid jail through agreeing a repayment plan in court.*

*Nowadays she now looks for ways to ‘avoid running into trouble’ such as caps on payment. She also budgets very carefully now. When there are signs of trouble paying, she’ll call the supplier and see if she can get a payment holiday.*

*“I could see I wasn’t going to be able to pay (CP) and I rang them up, explained the situation and they bumped my payment on a month. I don’t bury my head these days, I know what happens if you do.”*

Experiences engaging with communications service providers

Participants reported having mixed experiences when contacting providers about payment difficulties. Customers were often unsure of whether they had contacted the general customer services number or a more specialist debt management division, although typically they would reference the nature of their call before being put through to an advisor. None of those calling claimed to have checked providers’ debt policies, and their consumer rights prior to calling. Even if they had done so, the desk research stage[[7]](#footnote-7) conducted for this study highlighted that this information isn’t always easy to find on CP websites, if it is available at all. Even where it is included the information provided can be complex or ambiguous, for example:

* Timelines for disconnection or information being passed on to debt collectors can be unclear
* Penalty charges are often only included in terms and conditions documentation
* Potential support available from providers (i.e. how they can help) are not always signposted
* Providers use inconsistent terminology, types and amounts of penalty fees

Similar participants reported that provider communications tended to focus on making payment or encouraging contact rather than explaining next steps. As such, the initial phone call with providers to discuss payment difficulties is crucial in ensuring participants understand the process.

Those who had more positive experiences, felt that the CP had understood their situation, and been able to offer realistic solutions and clarity on next steps. Solutions offered including postponing payments, setting up a longer-term repayment plan, and in one or two cases reducing the amount that the customer had to repay.

*“My provider was 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.”* (Katherine, single parent, 18 – 24, not working, Cardiff)

**Case Study 13: Positive experience when contacting a provider**

*Laura is 34, and lives with her three children in a council flat in central London. She works part-time as a teaching assistant at her children’s primary school, which means she doesn’t have to pay for childcare.*

*Recently her son racked up a £2,000 mobile phone bill, she thinks from buying V-bucks using his phone for the PlayStation. She found out when checking her bank statement and with the payment bouncing she also received bank charges.*

*While she was really panicked, she contacted (CP) immediately and found them very helpful. They were able to set up a repayment plan, which spread the cost over 6 months and reduced what she owed so she only had to pay back a third. They were also able to set-up a cap on her son’s phone so that he couldn’t go over allowances again.*

*“I called up and spoke to a really nice lady. I explained I couldn’t afford to pay it. They set up a repayment plan where they reduced my monthly tariff and I would have to pay it back over 6 months. I have to pay a third of the £2000. I have one more repayment to make and then the cost of the phone goes back to where it should be.”*

Among those who had more negative experiences when contacting their CP, a common complaint was that they showed little empathy for the participant’s situation, and little flexibility in terms of when money owed had to be paid back.

*“I found (CP) quite strict. One time (when I had a landline) my phone bill was high and they said they were going to cut it off if the bill wasn't paid that month. There was no leeway.”* (Joanna, living alone, 18 – 24, working part-time, Cardiff)

*“There was about 10 days between us missing payments and them turning me off. They didn't contact me, they just kept sending me reminders about the bill via the post.”* (Charlotte, living with partner and children, 35 - 44, not working, County Tyrone)

At a low level it was sometimes felt that long wait times and potential call charges which would add to your debt situation, were a barrier to contacting providers. One or two participants had tried to make contact via live chat in the first instance to avoid this issue but were told that for debt issues they would need to call.

*“I had a problem and had been passed onto several different call handlers where 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 7 different people in a 2-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)

In a couple of cases participants experienced recurring issues with the cost of their bill fluctuating, which meant they had to contact their CP multiple times to understand and try to resolve the issue. In these cases, it was felt that the CP had not properly explained the reason for these additional costs or taken actions which had been discussed on previous calls. For example, one couple claimed their bundle kept changing price and they were told it was out of contract but having thought they had signed up to a new contract the price would be different again the following month.

*“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)

Likewise, one participant was told her additional mobile charges were due to going over her data allowance, but having asked for a cap found that she had again incurred additional charges again the following month. In cases such as this, participants felt that CPs should take greater responsibility for the additional costs incurred and should be better at flagging these expenses before the bill arrives.

*“I got a text from them saying that they were going to cut me off. Then all of a sudden, I was cut off. I was told that my data had gone over. I didn’t understand why that had happened because I was told previously that they could put a cap on everything. When you reach your limit you can’t make any more calls. On this occasion I was told that you cannot cap your data you can cap everything else.”* (Kayla, living alone, not working, 25 – 34, Bristol)

In a few cases participants also felt that next steps were not fully explained, whether or not a payment plan had been agreed or one could not be negotiated. For example, one participant had agreed a six-month extension, when she couldn’t pay her bill but wasn’t aware what would happen after this and said they had been cut off without warning by her CP.

*“I got a bill at about £170 and I simply couldn't afford it. When I first rang them they were very very helpful and said they would put on an extension and as long as I paid that then I was fine. So I paid them the minimum I was allowed to pay [and] I kept on paying the bills to keep over. Then they cut off everything completely because unbeknown to me they had 6 months extension but I didn't know that at the time.”* (Laura, Single parent, not working, 25 – 34, Newcastle)

In a couple of instances, participants who were unhappy with the service they received took matters into their own hands and cancelled their direct debits. Early termination fees incurred here were often unexpected, and again not felt to have been fully explained either at the start of the contract or when engaging with the CP about their issue.

*“I took out a contract with that gave me X amount of data. When I got my monthly bill, I had been charged for excess data being used. I rang them to talk about the situation and told them I hadn't even used my allocated amount of data. They would sort it out but I was back to square one the following month, as the same thing would happen, when the bill came in. I made a complaint higher up so they had a look at my notes and gave me £50 compensation, but the following month the same thing happened again. I then stopped paying my bill. I was massively angry, I got bills from a debt collecting agency saying that I had breached my contract with (CP) which is unbelievable as it was the other way around. If you haven't got the money to buy out of your contract and you're tied into it, there's not a lot you can do.”* (Andy, living with partner, not working, 35 – 44, Newcastle)

**Case Study 14: Negative experience when contacting a provider**

*Samantha is 23 and recently gave birth to her first child. She lives with her partner in social housing in Nairn and was unemployed when she became pregnant so is reliant on benefits.*

*Samantha lives with anxiety and says she finds it difficult to deal with her financial problems as a result of this. This has meant that in the past she has ignored her financial problems and got into debt.*

*She has longstanding debts with a payday loan company, which she took out to pay off other debts, and her old mobile phone provider. On her contract she kept incurring charges which she didn’t understand, making her bill over £100 a month when it should have been £40.*

*She found the provider was quite rude to her over the phone, did not explain the problem and made her feel stupid so she cancelled her direct debit and switched to pay as you go. She received additional charges for early termination but has ignored them. The debt has now been passed to debt collectors, but she is trying not to worry about it, and is speaking to Citizens Advice to help with her wider debt issues.*

*“When I originally took it out it was £45 then I ended up paying around £100 - £150 and I didn’t even know what I was paying for. They said emojis counted as picture messages but that didn’t sound right.”*

Payment difficulty outcomes

Across the sample, participants had experienced mixed outcomes following their payment difficulty. Among those who had negotiated and were still on a repayment plan, many felt that they now had the situation under control. However, in order to keep on track, one or two had to borrow money from family or friends and were still in a position where they needed to pay this money back.

There were some participants who recognised they struggled with the affordability of their household bills and had been in and out of debt with CPs in the past. By dealing with their problems each time they occurred however they had prevented problems from escalating.

Others had taken steps to reduce the cost or gain greater control of their communications services following a payment problem. Examples of actions taken here included; switching to a cheaper provider, moving from a mobile contract to pay as you go, adding caps to mobile usage, switching from direct debit to paying on receipt of bill, and switching to paper bills so they could more closely scrutinise their outgoings.

*“[After going over my allowances] I transferred myself from mobile providers, so that I could have a cap and would never use data that I never had.”* (Daniel, living alone, 45 – 60, not working, Newcastle)

For a few participants, payment difficulties with CPs had escalated and led to longer-term impacts. Where contracts had proved unaffordable, and in a couple of cases where direct debits had been cancelled and large early termination fees incurred, debts had been passed on to debt collectors. Participants here were often aware of the impact this had on their credit rating, but felt resigned to their situation. In addition, a few had sought formal advice (e.g. from Citizens Advice or Step Change) and said that they had been told to prioritise other expenses over their communications service debt.

*“We decided to get broadband [and] had it for 4/5 months and then we came into difficulty paying the bill. I rang them up to try to get the issue sorted but they weren't very forthcoming in being very helpful. They put a bar on the service which meant the internet got cut off immediately. We tried to come to an arrangement but we were still struggling to pay the bill. The end result was that we were disconnected with an extortionate disconnection fee. I'm not happy with the outcome to be honest.” (*Andy, living with partner, not working, 35 – 44, Newcastle)

**Case Study 15: Spiralling debt problems**

*Charlie is 33, living alone in new build flat via the Housing Association. She has been there for 3 years. She had been in an abusive relationship and was re-housed by the council.*

*She has lived within a tight budget for some time and is reliant on benefits, but over the past 6-10 months, her financial situation has spiralled due to mounting debts resulting from an initial unexpected energy bill.*

*The knock-on effect has been felt with her CPs. With her mobile contract, she was out of contract so flexed her package to make it smaller – a sim only deal – but then exceeded her allowance of (free?) minutes because she was on the phone to her doctor due to stress.*

*“The bill’s usually £13, but that month it was £38 and then the bank were in touch saying you’ve got insufficient funds. So more charges. It’s like a hamster wheel.”*

*“I then left my phone on a bus. Someone handed it in, but it had been used a lot – I don’t have a code on it. I had a bill of £179. I had a police report number, spoke to [mobile company]. They said I was still responsible for the bill and had to pay it. They originally said they’d waive the bill if I took out a new contract for £16.50 a month, instead of the £13 one. I said I’d be happy with that. But then they didn’t call me back and when I called them back they said they were not able to honour this. They said I just had to pay it. Had to be paid in one go. Then gas and electric couldn’t be paid. And so it went on…”*

*She decided to suspend broadband as a result. But she felt this provider was more considerate and helped her find a compromise solution.*

*“They were alright actually. They will contact me in 3 months and will put me back on then hopefully. They were really good about my situation. Instead of a cancellation and exit fee, they said they could put it on hold for 3 months and see where we are then. If you’re not in a position to put it back on, they said they can hold off another month, but then you’d have to pay to shut it down. A month’s bill, I think. £30-40.”*

*Charlie is receiving Universal Credit and has been using a food bank recently – but has been told she can only do this up to 3 times a year. She has considered, but not used the Citizens Advice Service.*

 *“It’s so long and costs too much to get there on the bus. It’s £5 there and back for me. And you might not get seen for hours. So I don’t know, I haven’t bothered.”*

In a small number of cases participants had adapted to living without broadband at home, having been cut off, and were using mobile as a workaround. However, this wasn’t felt to be ideal, as they couldn’t afford unlimited data so had to be careful how this was managed. One participant said that her property had been blacklisted, which she said was due to the actions of a previous tenant and this now restricted her access to communications services unless she paid a ‘fine’ to clear the property, which she couldn’t afford.

*“The property’s blacklisted. I spoke to (CP) and (CP) about it, but it seems I have to pay it. Nothing I can do. It’s over £100, they explained what it was but I can’t remember the terms. It’s like an outstanding debt on the property, sort of thing. I can’t just find over £100 like that. So it’s really restricted who I can go to.”* (Joanna, living alone, 18-24, working part time, Cardiff)

**Case Study 16: Living without broadband as a result of payment difficulties**

*Rachel and Andy are a couple living together in Newcastle. Andy previously worked in catering but has been out of work for 2 ½ years due to illness and is now receiving Universal Credit. Rachel was previously an NHS nurse but had to leave her job to begin full-time care of her brother (now receiving carer’s allowance).*

*Financially, Rachel and Andy are generally struggling, their “income comes in and then goes straight back out.” Their benefits are paid at different times so they pay different bills at different times according to when their benefits are paid.*

*They have a landline but no broadband and so rely heavily on their pay as you go mobile phone contracts to access the internet.*

*Andy signed up to a broadband deal 2 years ago but was struggling financially after a few months and wasn’t able to pay the bills 3 or 4 months in a row. They put a block on the service after the missed payments so Andy called them to try and resolve the payment difficulties but was told they would have to pay half of the outstanding amount (around £100) immediately to get the service reconnected which he couldn’t afford to pay. The CP cut off the service and after a few weeks he received a ‘final bill’ of £250. This was over a year ago now and the debt has been passed between multiple debt collectors but still hasn’t been paid.*

*“It was nice to have the internet but it’s not the be all and end all because we have our phones we can use to access the internet.”*

**Case Study 17: Affordability issues and lack of clarity over the repayment process**

*Karen is a 33-year-old single parent to 4 children all living in social housing in Wallsend. Karen and her husband recently divorced and she’s had to tighten the household budget as a result.*

*Karen ran into some payment difficulties over Christmas when she took out the Sports package with her CP but quickly realised it was going to be too expensive to keep. She received a bill of £170 in January which she couldn’t afford to pay. Initially she was pleased with her provider as they said they would put a £100-150 extension on her account to cover the bill. This allowed her to make a reduced payment each month which she did until March when her services were cut off out of the blue.*

*Karen rang her provider to query this and was told that the extension on her account was only for a limited period and that she was expected to have been making increased payments each month to cover the extension while she had just been paying the minimum now had to make a payment of £60 up front and then another £40 within the next 3 days.*

*Karen asked if she could pay back the amount in instalments but this was refused outright. She eventually had to borrow money from her mum to pay off the bill that day before the children got home from school as having the internet and the TV is so important to keeping her children entertained.*

*“I know broadband is not actually a priority bill in terms of other commitments but it really is for me because they (children) use it every day.”*

Factors which influence level of resilience when struggling with payments

A range of factors emerged which influenced participants’ level of resilience to dealing with financial difficulties and debt. These included:

* *Confidence engaging providers –* Some participants felt more comfortable contacting providers to discuss their payment difficulties and negotiate a route forward. This was more common among older (25+) participants who were more experienced dealing with these issues, and typically more proactive in managing their household services generally. A lack of confidence was often linked to a lack of clarity as to how to have these difficult conversations with providers, as well as a general feeling of hopelessness that no clear solution was available.
* *Personal support networks* – in the short-term it was apparent that most had or would rely on their personal networks in times of financial need. However, there was sometimes a reluctance to ask for help until problems had developed due to embarrassment about the issue. In addition, there were some things participants felt more able to ask for help with, e.g. grandparents’ support if it was something for their child, a short-term loan due to issues with Universal Credit (i.e. where they didn’t feel it was their fault).
* *Access to credit -* For a few, credit had (cards, loans, store finance) provided an alternative solution, although many were wary of using credit to pay off debt, and/or had difficulty accessing cost effective solutions. In Northern Ireland in particular credit unions were referenced as being a flexible and trusted alternative to asking for friends/family support due to strong links in the communities they were based and the flexibility to increase or decrease payments.
* *Access to wider support –* While more widely referenced by those who’d had more serious difficulties, once used confidence often grew in terms of using local support services to aid in managing problems, those referenced included Citizens Advice, Step Change, Housing Support Officers and food banks. While provider websites often highlight that they direct customers who are struggling to make payments to this type of third party support, participants typically only said they had accessed this type of support if suggested by someone that they know.

Factors which make it more difficult for participants to manage payment problems

In contrast there are a range of factors which make it more difficult for participants to deal with financial difficulties and debt, and these include:

* *Limited awareness or access to support* – Some participants felt less able to ask others for support or didn’t feel they had friends or family they could ask for help. Similarly, awareness of third-party support available was mixed, with some not aware of Citizens Advice or Step Change being available in their area.
* *Use of credit leading problems to escalate* – While use of credit could provide a short-term solution to managing payment problems, in one or two cases use of payday loans and then not being able to pay back the interest had led to debt problems to increase.
* *Avoiding dealing with the problem* – Some participants had adopted an avoidance approach to dealing with the financial problem, particularly when it felt unmanageable for them to cope. This could lead to debt and penalty fees multiplying, and eventually services being cut off.
* *Limited confidence engaging with providers* – More broadly not all participants were comfortable engaging with suppliers, and had limited experience dealing with payment problems and suppliers in the past (i.e. particularly younger audiences aged (25+). For some additional difficulties also created a further barrier to contacting suppliers, this included those with lower literacy and mental health issues (e.g. anxiety).

Good practice customer service and support for low-income customers

Introduction

This section highlights participant generated good practice customer service and support suggestions for low-income customers. It explores the key customer touchpoints where low-income customers may have particular needs and identifies five good practice pillars. Finally, there is a review of potential learnings from other sectors.

Key Findings

Low-income households generally don’t express a need for differentiated treatment. They are however more likely to experience payment difficulties and can find it more challenging to engage with providers in discussing and resolving these issues. Overall low-income households felt that communications providers could provide more help by:

* Offering more proactive support to help low-income customers find the most effective deals
* Providing alerts or caps to avoid unexpected costs
* Showing more empathy and respect for customers who experience financial difficulty, which may require staff training, signposting third party support and helping customers to find solutions
* Providing flexibility when supporting customers with payment difficulties, for example offering payment holidays, extending or suspending contracts, offering long-term manageable repayment plans, and allowing customers to reduce bundles mid-contract should these prove to be unaffordable
* Making it easier to contact providers and manage services, by providing and promoting Freephone services, providing clearer explanations of service features, and by not penalising for choosing payment methods or paper billing which helped to feel in control of their costs
* Providing greater clarity and transparency, particularly in terms of making information on debt policies and customer options when in difficulty clearer, but also in terms of raising awareness of direct debit alternatives

The desk research suggested that in both the energy and water sectors, there appears to be a greater emphasis on the support available for customers experiencing payment difficulties, with this being more clearly signposted on their websites, and this appeared to have been borne out in participants’ experiences. Assistance Funds were also sometimes available for lower income customers to enable them to afford these essential services. While low-income customers didn’t feel that communications services were essential in quite the same way, it was recognised that not having access to broadband at home was particularly detrimental given the number of services (including Universal Credit), which are managed online.

Good practice customer service overview

Low-income households did not express a direct need for preferential or ‘differentiated’ treatment unless they were experiencing payment difficulties or had actively requested help. However, it was acknowledged that the impact of payment and billing issues can be particularly problematic with potentially longer term or spiralling consequences. In addition, levels of confidence, literacy levels and their approach to financial management could all exacerbate the impact of provider interactions and relationships management.

As such, there were a number of areas where it was felt that providers could better support for low-income households. These included

* ***Understanding their existing contract arrangements***– helping them understand if they have chosen the right ‘deal’ to fit their needs, providing clarity around the potential for price rises and additional costs, to help low-income households keep costs down and avoid unexpected expenses.
* ***Ongoing account management*** – making it easier for low-income households to manage, monitor and feel in control of their costs, and not penalising them for choosing preferred mechanisms for doing so (e.g. not paying by direct debit/ receiving paper bills)
* ***Managing payment difficulties*** - providing greater clarity around the processes here and customer service designed to help them find solutions

Overall five ‘good practice’ pillars emerged which highlighted how communications providers can better support and meet the needs of customers:

* Proactivity
* Empathy and Respect
* Flexibility
* Ease of contact and management
* Clarity & Transparency

Although these are universally applicable, they have specific implications for low-income households. To summarise the pillars in more detail:

***Proactivity***

Overall, it was felt that providers could be more proactive in helping customers to understand their service arrangements and provide advance warning of any price increases. Low-income households often had low awareness of their options in terms of reducing communications services costs. Many kept their existing set-ups until they ran into difficulty. It was felt more could be done either at the end of the contract, or on an annual basis if not in contract, to nudge customers to consider their options (e.g. via text alerts). These prompts could help customers to check if they were on the most appropriate deal to suit their needs (e.g. if better deals existed which stopped them paying for elements or features in a deal they did not require/need based on their usage).

*“[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)

Providing advance warning of any additional costs incurred, and/or contractual price rises was felt to be particularly important for low-income households as they didn’t always have money available to manage any rising costs.

It was felt that providers could do more to promote spending caps or usage alerts, particularly for mobile. These were welcomed by low-income households across the board, but awareness of their availability was mixed. Those who had them in place had often only done so following payment issues. Similarly, it was felt providers could do more to increase awareness of measures to control children’s usage (e.g. measures to prevent the purchase of add-ons on pay TV).

*“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 children, working, Cornwall)

*“(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, not working, Tredegar)

***Empathy & Respect***

The way customers are treated when dealing with a payment problem was felt to have a major bearing on eventual outcomes. It was felt that advisors did not always show any understanding or empathy towards them when discussing payment and debt issues. Customer service agents could be better trained to deal with these situations and offer greater empathy towards the nuances which affect individual financial circumstances. This also includes respectful treatment of customers that have mental health issues or low literacy levels. These circumstances should be reflected in scripts with advice on how advisors should talk to customers with difficult circumstances or additional needs.

*“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, not working, Tredegar)

Many felt communications providers should give more leeway to customers who had a good payment history. For example, by allowing one or two ‘payment holidays’ before stronger action, such as cutting them off, was implemented.

*“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 was a desire for more help in advising third party support options for customers with longer term financial problems. Few had experienced any proactivity in detailing third party support services. However the desk research indicated that this was meant to be standard policy for customers in difficulty so is maybe not being fully implemented.

“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)

***Flexibility***

A few participants had experienced a positive level of flexibility from providers. This included the organisation of repayment plans or contract extensions in order to agree a manageable monthly payment. It was felt that helping customers to spread their costs was key to giving them a realistic chance of getting back on track. Customers faced more problems when any outstanding debt was simply carried forward to the next month, which often simply delayed the problem.

*“They could have worked with me and told me to pay so much a month to gradually pay it off maybe that would have worked.” (*Charlotte, aged 35 – 44, living with partner and children, County Tyrone)

It was also suggested providers could show more proactivity in highlighting more appropriate deals for those struggling to pay, as well as showing willingness to flex contracts mid-term to find a more realistic and sustainable repayment solution. The desk research showed that some mobile phone providers offer these types of solution. The ability to change deals month to month was a key benefit cited by mobile pay as you go customers who tend to choose a bundle based on what they could afford each month and generally the idea of being able to flex their tariff and remove unnecessary services was particularly appealing.

*“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.”* (Jonathan, living alone, working, 25 – 34, Nairn)

***Ease of contact and management***

Getting in touch with providers when seeking to resolve payment and debt related issues was not always considered to be as easy as it should be. In an isolated number of cases customers said they had amassed further debt through the cost of calling customer services when trying to resolve payment problems. It was considered very important that providers provide and promote Freephone services – including services that are free to call from mobiles.

*“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, not working, 25 – 34, Bristol)

*“I just feel that they avoid me, so I’ve started avoiding them. I figure if it’s a big problem, they’ll be in touch. They don’t make you want to deal with them, as they’ll end up trying to make you buy something or whatever.” (*Joanna, living alone, 18-24, working part-time, Cardiff)

A few customers also said it would be helpful if, in their interactions with customer services, their contract arrangements could be more clearly explained and discussed. This would help ensure that they were on the best/most suitable package for their usage/consumption pattern.

A small number also wanted the technical aspects of services better explained so they could make a better judgement on the value of that service.

*“I don’t really know if we need super high-speed fibre optic internet? I mean, I’ve never looked into whether we’re paying far too much for something I barely make use of, but I think given they know we’re not loaded – based on conversations with them about moving payments – they could at least look at this and explain if it’s money well spent. Probably not in their interests to, I guess.”* (Lisa, living with partner and children, working, 18-24, Cornwall)

It was also felt that 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 made it easier for them to manage their accounts. If additional charges are incurred for these services, it was felt to be important for providers to provide greater clarity that this is the case.

*“If I’m paying more for not doing that [bill] by Direct Debit, then I should know this? I can’t remember this ever being a thing?”* (Kayla, living alone, not working, 25 – 34, Bristol)

***Clarity & Transparency***

Low-income households often felt more could be done to help them to understand the key features of their communications deals, their bundle cost breakdowns (i.e. what they’re paying for each service), the consequence of missed payments, and transparency around payment increases in advance of money being taken from accounts.

*“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, working, 18-24, Cornwall)

Similarly, others felt that providers should raise awareness that alternative methods to pay (i.e. not just direct debit), were available for communications services, as these were often perceived to be the default rather than the customer’s preference.

Relatively few low-income households were switching their communications service providers. These customers often lacked confidence when it came to comparing tariffs and negotiating with providers. There were indications that this led to them often paying more for their communications services, stretching already tight budgets. It was felt that providers could provide more information to demystify and emphasise the ease and potential benefits of going through the process. This could include providing clarity around usage so customers can make decisions on this basis, and helping customers better understand differences in broadband speeds or data by grounding these in the customer’s reality (i.e. what more can they do with faster broadband speed).

Providing greater clarity and transparency was also particularly important in helping them to understand next steps and potential solutions. It was felt that being reliant on the information provided during telephone calls with customers service staff was not always sufficient. There was evidence of some confusion following these calls, as there could be a lot of information to take in. It was felt that directing customers to simple information on their debt policies could help to improve understanding and provide a useful reference for customers contacting their providers. Considerations here would also need to be taken around how to make this information accessible for all customers, e.g. videos rather than written information for lower literacy customers.

The desk research suggested that providers do tend to have clear debt policies in place, so consideration should be given as to how these can be better signposted and communicated to customers across channels. Consideration here should also be given as to whether there is a need for additional training for frontline staff, who play a key role in aiding customer understanding in these situations.

Learnings from other sectors

Our desk research[[8]](#footnote-8) highlighted the apparent disparity between support available from energy and water providers to customers compared to communication service providers. This included Water Direct and Fuel Direct schemes for those in debt and on Universal Credit, where repayments are taken directly from their benefits. A few customers in our sample mentioned having this set-up and were largely satisfied with having one (or more) fewer bill(s) to remember each month.

More broadly information on the debt policies tends to be more easily accessible on energy and water company websites. This is often shown in a customer friendly format that focusses on the support available, rather than hidden in the terms and conditions and written in legalistic prose.

Where they had run into payment difficulties, there was evidence of energy and water companies directing customers to documentation, assistance and ways of managing their payments to avoid disconnection. This included installing pre-payment meters (i.e. suggesting alternative ways to pay) so they could manage their spend more directly.

In addition, a few customers mentioned receiving Assistance Funds (e.g. Warm Home Discount) from their energy supplier. This was seen as a reason not to switch suppliers; there was concern about losing this cash benefit, even if they were on a standard variable rate and probably paying more than they needed to for their energy.

*“I haven’t looked around for ages, but I’m not sure if I’d get a better deal. It’s the warm home discount. I wouldn’t want to give that up.”* (Rachel, living with partner and children, 45-60, on benefits, Cornwall)

In addition, a few customers mentioned being on the Priority Service Register for their energy supply. These cases were due to disability / chronic sickness and were proactively provided by their energy supplier when they had run into a supply disruption and had spoken to customer services. A resolution was found within a day or so, and had been seen as a good customer services experience, minimising disruption to their supply.

*“I’ve got COPD [Chronic Obstructive Pulmonary Disease], and I’m on their priority scheme. So [Energy Provider] got National Grid to sort it out [when the electricity cable to her home stopped functioning]. It was up and running in about 36 hours. And it’s been running off the Grid ever since. It was good it was sorted so quickly. I’m assuming having COPD wouldn’t mean I’d get the same treatment if my mobile phone died on me. But in a way I need that if I have a medical emergency, so should it be treated differently?”* (Joanna, living alone, 18-24, part time working, Cardiff)

Ultimately, most customers did not believe their communications services were ‘essential’ services in quite the same way as energy and water. However, there are indications that views here are changing as more and more services, including Universal Credit, are accessed online, and fewer participants have access to a landline in the event of emergencies at home.

Appendix 1 – Research Design

***Sample Design***

To make the sample was representative of lower income households the following aspects were taken into consideration:

* *Mix of demographics:* Gender was slightly female weighted to reflect our focus on single parent families, social grade heavily skewed DE, and a majority of participants were non-homeowners (mix of private and social renting)
* *Mix of communications service set-up*: Minimum quotas set to make sure we had a good mix of contracts held, along with some pay as you go customers. Minimum quotas were also set using Ofcom data to reflect single play, dual play and triple play holdings among DE consumers[[9]](#footnote-9).
* *Mix of engagement with communications services:* in terms of switching behaviour, recent contact and satisfaction with communications provider (CP)
* *Focus on key groups of interest:* Minimum quotas were set to provide coverage of those with multiple part-time jobs and/or on zero hours contracts, those with low literacy levels and BAME consumers. We also monitored the existence of other potential vulnerability factors, and those covered included; mental health conditions, mobility issues, acting in a full-time caring capacity and learning disabilities.

***Final sample achieved***

In-home depth interviews were conducted across all four nations: England, Wales, Scotland and Northern Ireland. The final sample achieved is shown below.

*Final sample achieved*

|  |  | Total | Northern Ireland | England | Wales | Scotland |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |
|  |  | N | N | N | N | N |
|  |  | 40 | 7 | 21 | 6 | 6 |
|  |  |  |  |  |  |  |
| Age | 18-24 | 9 | 1 | 4 | 2 | 2 |
|  | 25-34 | 15 | 3 | 8 | 2 | 2 |
|  | 35-64 | 8 | 1 | 6 | 0 | 2 |
|  | 65+ | 8 | 2 | 3 | 2 | 1 |
|  |  |  |  |  |  |  |
| Working status | Not working- on benefits | 17 | 3 | 8 | 3 | 3 |
|  | Not working - retired | 4 | 0 | 2 | 1 | 1 |
|  | Working part time- retired | 4 | 2 | 1 | 1 | 0 |
|  | Working- full time/ part time | 15 | 2 | 10 | 1 | 2 |
|  |  |  |  |  |  |  |
| Living arrangements | Living alone, no children at home | 15 | 2 | 9 | 3 | 1 |
|  | Living alone, with children | 9 | 1 | 6 | 1 | 1 |
|  | Living with partner, no children at home | 5 | 1 | 3 | 0 | 1 |
|  | Living with partner, children at home | 11 | 3 | 3 | 2 | 3 |
|  |  |  |  |  |  |  |
| Gender of lead respondent | Female | 23 | 4 | 12 | 4 | 3 |
|  | Male | 17 | 2 | 9 | 2 | 3 |
|  |  |  |  |  |  |  |
| Housing situation | Social renter | 23 | 3 | 12 | 5 | 3 |
|  | Private renter | 12 | 2 | 6 | 1 | 3 |
|  | Mortgage | 5 | 2 | 3 | 0 | 0 |
|  | Smaller household (1-3 people) | 33 | 6 | 15 | 6 | 6 |
|  | Larger household (3+ people) | 7 | 1 | 6 | 0 | 0 |
|  |  |  |  |  |  |  |
| Location type | Urban / Suburban | 25 | 4 | 17 | 2 | 2 |
|  | Rural/ Semi- rural | 15 | 3 | 4 | 4 | 4 |
|  |  |  |  |  |  |  |
| Communications services | Landline Contract | 30 | 6 | 16 | 2 | 6 |
|  | Mobile Contract | 15 | 2 | 9 | 3 | 1 |
|  | Mobile Sim only | 15 | 2 | 8 | 2 | 3 |
|  | Mobile PAYG | 10 | 3 | 4 | 1 | 2 |
|  | Pay TV | 19 | 4 | 10 | 3 | 2 |
|  | Broadband | 33 | 6 | 18 | 3 | 6 |
|  |  |  |  |  |  |  |
| Communications bundles | Single play contract | 12 | 1 | 7 | 4 | 0 |
|  | Dual play contract  | 15 | 4 | 5 | 1 | 5 |
|  | Triple play contract | 13 | 2 | 9 | 1 | 1 |

This fieldwork took place between March 2019 and May 2019.

Appendix 2 – Desk research

***Desk research purpose***

The purpose of the desk research exercise was to review and summarise consumer facing communications/codes of practice regarding debt management and disconnection policies from 3 providers to understand the different approaches currently being adopted. This exercise was conducted in March 2019.

***Summary of findings:***

**Exploring ease of finding communications providers’ debt/disconnection policies and related support online**

* The ease of finding information online was mixed – while contact information (email/phone numbers) were clearly highlighted, specific details about debt/disconnection policies were often more difficult to find.
* With the exception of BT, no other communications provider had a document published online dedicated to their debt and disconnection policy. For others, this information was often found among FAQs or within their terms. For example, Direct Telecom only have information on their policies in the fine print of their code of conduct.
* Among providers who offer multiple communications, services, it is also sometimes unclear if they have different policies for different services.
* There was a marked difference in the ease of finding information between the communications industry and the energy/water industry. SSE provides services in both the communications and energy sector. It was very easy to find information online for their energy customers. SSE do not provide the same level of detailed information for their broadband and landline customers.

**Comparing and contrasting providers’ debt and disconnection policies and approaches**

* In general communications service providers ask for customers to contact them if they are having difficulty paying their bills, and there are varying levels of detail given in terms of penalties, policies and timelines.
* The information published online by communication providers focuses on disconnection process in the event of non-payment of bills. The tone of this information tends to be quite factual and focussed on what will happen rather than support available.
* Most communications providers state online that they will pass your information onto a third party debt collection agencies to retrieve the outstanding balance if your bill remains unpaid.
* In general, communications providers clearly state that they will pass on the cost of debt collection to the customer. EE and Three mention that they will also pass on your details to credit rating agencies and that this could affect your credit rating.
* Energy and water providers such as British Gas, EDF Energy, Thames Water and Northumbrian Water have comprehensive documents outlining the support available and the steps they’ll take to avoid disconnection e.g. installing pre-payment meters. The focus here tends to be more on the support available e.g. repayment plans to assist customers.

***Summarising providers’ approaches***

**Penalties**

* There was a degree of ambiguity surrounding the information about penalty charges associated with late payments and disconnection. Some providers (such as BT, EE and Vodafone) mentioned penalty charges but did not stipulate the exact cost. Other providers (such as Sky and Post Office) did not mention any penalty charges online at all.
* Penalty charges are generally not clearly stated on the website and are found elsewhere in the terms and conditions documents or in a difficult to find charges document.
* There doesn’t seem to be consistency across the providers on the specific costs and types of penalty charges. Those referred to include; late payment charges, admin fees, debt collection fees, reconnection fees, termination fees, early termination fees, bill reissue fees and cancellation fees. Vodafone also stated that they charge interest on the debt incurred – at 2% above the banking base rate daily.
* Exact timelines for dealing with late payments were not always clear on provider websites, with many simply stating that in the event of a late or failed payment they may restrict or suspend services. In these instances they do state they will attempt to contact the customer prior to taking any action.
* BT provided greater clarity here, with a reminder being sent after 10 days, and suspension of service 28 days (21 if a monthly customer), after missing payment.

**Third Party Support:**

* The majority of communications providers direct customers in difficulty to third party support services.
* Those mentioned included Citizens Advice, Money Advice Service, StepChange, National Debtline, Money Advice Trust and The Money Charity.

**Support available from the provider:**

* Providers tend to advocate contacting them in the event of difficulties, but the types of support available weren’t always clear. The support which was referenced included payment extensions (Three stated that you may able to apply for a payment extension, and this would be valid for 24 days), and repayment plans to help restructure your debt.
* Vodafone highlighted a range of other measures which customers could take to save money, manage their usage and reduce their bill. These included proactive spending alerts, removing unnecessary services, selling your old mobile phone, and/or increasing data limits to avoid overspending.
* O2 also offered a flexible tariff solution, so customers could change their allowance each month depending on available income.

**Support for low-income customers:**

* Only one communications provider mentioned any support option for low-income and vulnerable customers online. BT has a low cost line rental and inclusive calls plan for customers who get income support, jobseekers allowance or universal credit.
* BT also has a protected services scheme that ensures that elderly or disabled customers do not have their phone lines cut off for missing payments. The purpose of the protected services scheme is to ensure that vulnerable customers are not at risk by having their means of communication cut off.
* In contrast energy and water reference a range of support available. This included the Water Direct and Fuel Direct schemes for those in debt and on Universal Credit, where repayment is taken directly from their benefits. They also offered Customer Assistance Funds or Trusts to help customers who are struggling to manage their payments.
* Energy and Water companies also reference ‘The Priority Services Register’, which is a free service provided by suppliers and network operators to customers in need. This applies to those who are of pensionable age, disabled or chronically sick, have a long-term medical condition, have a hearing or visual impairment or additional communication needs and are in a vulnerable situation

***Support contact information***

The table below outlines the various contact options communications providers have for their customers who are experiencing financial difficulty, as specified on providers websites in March 2019:

| **Comms provider** | **Support contact information** |
| --- | --- |
| *BT* | BT web chat service available 7am -10:45pm 7 days a week (2 clicks)Phone line - open Monday to Friday 8am - 9pm, Saturday 8am - 8pm, Sunday 9am - 6pm (4 clicks) |
| *EE* | Phone line- open Mon to Fri 08:00 am - 09:00 pm, Sat to Sun 08:00 am - 08:00 pm (5 clicks)Web chat (3 clicks) |
| *Virgin Media* | Phone line Monday to Friday, 8am until 9pm, Saturday, 8am until 8pm and Sunday 8am until 6pm - not free of charge. (4 clicks)Text line- free Monday to Friday, 8am until 7pm. (4 clicks)Online chat Monday to Saturday, 8am until 8pm. (4 clicks)Sign language interpreter. Open 7 days a week, 8am until midnight. (4 clicks) |
| *Sky* | Phone line. No information given about opening hours of phone line. (7 clicks)Ask the Community option. This is a forum for Sky customers. (7 clicks) |
| *TalkTalk* | Phone line - free for TalkTalk customers. Everyday 8am -8pm (1 click)Text relay service available for those deaf and hard of hearing (1 click)Live Chat - open every day 8am - 10pm (1 click)Online community. The answers come from other TalkTalk customers’ comments (1 click)Postal address for TalkTalk (1 click) |
| *Three* | Live chat- 24/7, 7 days a week. (2 clicks)Phone line - open 8am - 8pm Monday to Friday, 9am - 6pm Saturday and Sunday (2 clicks)Postal address for Three (2 clicks) |
| *O2* | Phone line Monday to Friday – 8am to 8pm, Saturday – 8am to 6pm and Sunday – 9am to 6pm (3 clicks)Live chat 24/7 opening hours (1 click)O2 online community (2 clicks)Book a Guru option where customers can book an appointment in store to speak to an O2 employee. (1 click) |
| *Vodafone* | Live chat. No opening hours mentioned. (2 clicks) Phone line – open Monday to Sunday 8am to 9pm (2 clicks) Online community (2 clicks)  |
| *SSE* | Phone line- open from 8am to 8pm Monday to Friday and 8am to 2pm on Saturdays (2 clicks)Sign Video service (3 clicks)Text Line - open between 8am and 8pm Monday to Friday and 8am to 2pm on Saturday (2 clicks)Email address (2 clicks)Postal address (2 clicks) |
| *Direct Save Telecom* | Phone line– open from 8am to 8pm Monday to Friday and 9am to 5pm on Saturdays and Sundays (2 clicks)Online enquiry form (2 clicks) |
| *Post Office* | Phone line- open 8am to 8pm from Monday to Saturday. 9am to 6pm on Sunday (2 clicks) |

***Debt and disconnection policies***

| **Comms provider** | **Disconnection policy** |
| --- | --- |
| *BT* | BT will first send you a reminder if you have not paid after 10 days. They say that they may add a late payment charge to your account. If you still don’t pay your bill, they will suspend your service 28 days after the payment was first due (21 days if you are a pay monthly customer). If this wasn’t your first instance of late payment, they may suspend your service earlier. |
| *EE* | EE state that if you have a failed payment they will retry after seven days. If this fails they will add a late payment charge to your account. If they're having problems collecting payment for your EE Broadband account, EE will email you asking you to pay your outstanding balance, the email will also ask you to update your payment details online and if you still don’t pay the bill, they will temporarily disconnect your broadband until you do. If you can’t pay your bill and you haven’t talked to EE about it, they will try and contact you by phone and mail. They will suspend your service until you clear any outstanding balance. If this happens, EE may add a termination fee. |
| *Virgin Media* | Virgin Media state that if you have missed a payment they will add a late payment charge to your account and they will restrict your service. They do not stipulate how long it takes before they restrict your service. Virgin Media say that they will contact you before restricting your service. |
| *Sky* | In the event of a late payment, Sky will send you reminders by email, post or SMS. If your bill remains unpaid they will restrict your service so you can't make any outgoing calls, except to Sky customer services, certain Freephone numbers and emergency services. If you still don't settle your bill, they may disconnect your service so you can't receive any incoming calls or make any outgoing calls. Sky will notify you before they disconnect your service. |
| *TalkTalk* | TalkTalk will apply an administration charge to your account if they have been unable to collect your payment. They will try to contact you to request a payment, but your services may be restricted until a payment is made. If your account remains unpaid, they may disconnect your service and pass your account to a Debt Collection Agency to recover any outstanding money on their behalf. |
| *Vodafone* | If you don’t pay your bill in time, Vodafone will ask you to pay for any outstanding charges within seven days of your billing date. If you’re not able to pay your outstanding balance within a week, they may charge you an additional late payment fee. If you owe Vodafone any money after your due date Vodafone may charge you interest on the money owed (charged daily at 2% above the base rate of Barclays Bank). You may also need to pay any administration costs that result from the late payment of your bill or your failure to pay it. If you still do not pay your bill Vodafone will restrict your service and then will disconnect you. |
| *O2* | O2 state that if you’re late paying a bill they will restrict your services. They will also add a late payment fee to your bill. If you continue to not pay your bill they will cancel your contract and you will be liable for an early termination fee. |
| *Three* | Three’s policy states that if you do not pay your bill they will try to contact you by phone and by mail. They will restrict your service until the outstanding balance is paid. You can apply for a payment extension if your account is overdue but by no more than 24 days. You must then pay your bill in 7 days. If you do not contact Three to organise such an arrangement they will restrict your service, suspend your account and then disconnect. They do not mention the timeline of this process. |
| *Direct Save Telecom* | Direct Save say that when a direct debit is unpaid due to insufficient funds or cancellation of the direct debit instruction, an £11.95 administration charge will be included on your next monthly bill. They will not disconnect you from our service unless payment is defaulted on, or a direct debit is not in place to allow us to collect future payments. Prior to doing so they will contact you advising of the outstanding balance or the need for you to re-establish the direct debit instruction, allowing 7 days for this to be done. After this period they may restrict your telephone service by way of call barring to prevent an increase in the debt. |
| *Post Office* | Post Office require you to pay your bill in full within 12 days from the date of your bill. If you have not paid after 12 days, they will send you automated call reminders to your home phone, place notifications on your online My Account and remind you about an overdue bill by email and contact you by phone call and letter.They may restrict your broadband and/or phone service if they still have not heard from you. This means you won’t be able to use your broadband and you won’t be able to make any outgoing phone calls. When you make a call you’ll automatically be diverted to the call centre to make a payment or discuss payment options.If you still don’t settle your bill, they will pass your details to a debt collection agency who will continue to chase payment on our behalf. If you continue to fail to pay your bill, they will notify you that they are disconnecting your service. After your service has been disconnected you will receive a final bill which will include Early Termination charges if you are still within your minimum contract term. Debt collection agencies will continue to collect this final outstanding balance on our behalf. |

***Third party support***

The support providers that were mentioned on communications providers websites included:

* Citizens Advice Bureau
* Money Advice Service
* Step Change
* The Money Charity
* National Debtline
* Money Advice Trust

***Support for customers***

If a communication provider mentioned support for a customer it was usually a spend control mechanism, a restructuring of the repayment plan or changing tariff.

| **Communications providers** | **Support mentioned online** |
| --- | --- |
| *BT* | Repayment plan - They may give you a BT Payment card so that you can pay in instalments. Restricted service stops outgoing calls meaning you can only receive incoming calls until end of repayment plans.Call barring on premium services. |
| *EE* | None mentioned online. |
| *Virgin Media* | Paying your debt in instalments |
| *Sky* | Call charge alertCall spend limit |
| *TalkTalk* | None mentioned online. |
| *Three* | Payment extension of 31 days (24 days extension and then 7 days to pay before disconnection) |
| *O2* | O2 have a custom plan called O2 Refresh. Customers can choose how much to pay upfront, and spread the balance for up to 36 months to keep the cost down or choose as little as three months if they want to pay it off quicker. Customers can then choose their data allowance. Customers can change it every month. |
| *Vodafone* | Changing your monthly payment date or switching to Direct Debit Paying the debt over time with a payment planSelling your old mobile phone(s) for recycling Removing additional services that aren’t part of your monthly contractMoving to a plan with more data to reduce additional out of bundle charges Signing up for free text alerts Vodafone Spend Manager |
| *SSE* | None mentioned online. |
| *Direct Save Telecom* | None mentioned online. |
| *Post Office* | None mentioned online. |

***Penalty charges***

| **Communications providers** | **Penalties mentioned online** |
| --- | --- |
| ***BT*** | Debt collection charge (not specified), failed payment charge (£10 per occasion), late payment charge (£10 per occasion) |
| ***EE*** | Termination fee (not specified), bill reissue (£2.55 per bill), late payment fees (£7.20 per payment), debt collection, reconnection fee (£24), payment failure fee (£5.00 per failure) |
| ***Virgin Media*** | Late payment fee (£7.50) |
| ***Sky*** | Late payment charge (£10) |
| ***TalkTalk*** | Admin fee (£12.50) |
| ***Three*** | Cancellation fee (not specified) |
| ***O2*** | Late payment fee (£3.50), early termination fee (not specified), debt collection fee (not specified) |
| ***Vodafone*** | Late payment fee (£5), admin fee (not specified), early termination fee (not specified), debt collection fee (not specified) |
| ***SSE*** | Early termination fee (£5.50) |
| ***Direct Save Telecom*** | Admin charge (£11.95) |
| ***Post Office*** | Early termination fee (not specified) |

© 2019 PricewaterhouseCoopers Consulting Services UK Limited. All rights reserved. In this document, “PwC Consulting Services UK" refers to PricewaterhouseCoopers Consulting Services UK Limited, a wholly owned subsidiary of PricewaterhouseCoopers LLP in the United Kingdom, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity. Please see www.pwc.com/structure for further details

1. <https://www.ofcom.org.uk/__data/assets/pdf_file/0018/132912/Access-and-Inclusion-report-2018.pdf> [↑](#footnote-ref-1)
2. <https://capuk.org/connect/policy-and-government/stacked-against-1> [↑](#footnote-ref-2)
3. <https://www.gov.uk/government/publications/how-low-income-is-measured/text-only-how-low-income-is-measured>   [↑](#footnote-ref-3)
4. <https://www.jrf.org.uk/data> [↑](#footnote-ref-4)
5. <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-8191#fullreport> [↑](#footnote-ref-5)
6. Names in case studies have been altered to protect participants’ anonymity. [↑](#footnote-ref-6)
7. PwC Research: Ofcom CCP – Low-income Household Research, Desk Research Report March 2019 [↑](#footnote-ref-7)
8. PwC Research: Ofcom CCP – Low-income Household Research, Desk Research Report March 2019 [↑](#footnote-ref-8)
9. Ofcom Technology Tracker H1 2018 data tables for publication 04052018 [↑](#footnote-ref-9)