

Communications Consumer Panel and ACOD response to Ofcom's proposed cap on the cost of calls to directory enquiries services

The Communications Consumer Panel, established by the Communications Act 2003, is a group of independent experts with direct sectoral experience. We ensure the citizen and consumer voice is represented in communications policy development.

The Panel's job is to ensure that the sector works for consumers, citizens and micro businesses - and in particular people who may be in a more vulnerable position in society. We carry out research, provide advice and encourage Ofcom, governments, the EU, industry and others to look at issues through the eyes of consumers, citizens and micro businesses.

The Panel pays particular attention to the needs of older people and people with disabilities, the needs of people in rural areas and people on low incomes, and the needs of micro businesses, which have many of the same problems as individual consumers.

Four members of the Panel also represent the interests of consumers in England, Northern Ireland, Scotland and Wales respectively. They liaise with the key stakeholders in the Nations to understand the perspectives of consumers in all parts of the UK and input these perspectives to the Panel's consideration of issues. Following the alignment of ACOD (the Advisory Committee for Older and Disabled people) with the Panel, the Panel is more alert than ever to the interests of older and disabled consumers and citizens.

Response

Ofcom proposes a cap to reduce the cost of directory enquiries per minute, bringing the average 90 second call to a cost of £3.10 (including VAT), in line with BT's recently announced reduction. This would be a welcome reduction to the prices in May 2018 of a 90 second call across the sector: for example, £11.23 for 118 118 (TNUK) and Maureen (118 212), and Telecom2 (118 004) at £19.98. These charges are unacceptable and unjustified, for all consumers but are particularly pernicious for consumers in vulnerable circumstances.

Ofcom's estimate that 450,000 UK adults have paid £2.4 million more than expected for calls to directory enquiries in a 12 month period shows that market forces alone are failing to serve users of directory enquiries.

We have highlighted previously to Ofcom the impact of the cost of these calls on people who have limited or no alternative methods to find a telephone number when they need one. We are therefore pleased to see Ofcom acting on our concerns and we firmly support the proposal to impose, without delay, a cap on the cost of calls to directory enquiries services.

The consultation document sets out a strong argument to support swift action to protect consumers, particularly those in more vulnerable circumstances. Ofcom's consumer research and evidence from complaints to its consumer contact team highlight the need for these services to remain affordable. This, together with the fact that users of these services are not well served by competition in the market, means that protective measures must be taken.

The annexed research shows that consumers do not know how much calls to directory enquiries cost and that they generally use a service whose number they recall, rather than shopping around for a cheaper alternative.

Twice as many UK adults aged 65+ use directory enquiries (4%) compared to the UK as a whole (2% of UK adults aged 16+). Consumers aged 65+ are also less likely to be users of the internet, which

means they are less likely to have an alternative way of accessing information about the numbers they need to call. For consumers who do not, for whatever reason, have access to the a paper directory or the internet directory enquiry services enable them to find out the number of someone they wish to call – be that an individual or organisation (providing the number is not ex directory). The annexed research shows that 42% of directory enquiries users said they had no alternative way of getting the number on the occasion they had used a directory enquiries service that they recalled for the purposes of Ofcom’s survey.

Of those using directory enquiries, 30% were searching for numbers relating to health and government/public services. This illustrates the essential nature of these services and the possibility that challenges faced by people in vulnerable circumstances may be being compounded by communications providers, when those consumers are met with bill shock. Of directory enquiries users, 82% described the need to access the number as ‘important’ at the time of the call.

We recognise that Ofcom has proposed the cap at a level that has already been proven to be achievable by one of the market leaders, to encourage implementation within four months. We therefore support the cap per minute, but we do not consider that it alone goes far enough to protect consumers, without a cap on the cost of the call overall. We appreciate that there is a cost to providing directory enquiry services and that firms need to make a profit; but we still consider that £3.10 per minute is an expensive call for a consumer with no alternative means of finding a phone number. For consumers who use an onward call connect service (which the consultation document suggests about 30% of users did on the last call they made to directory enquiries) this could still result in a very high bill.

We therefore recommend a cap on the price per minute as proposed, with overall cost fixed at the price of a 4.5 minute call. We also urge Ofcom to monitor closely communications providers’ compliance with the cap and to review the cap’s effectiveness at that price point.

Alternative remedies

The alternative remedies set out in the consultation document would not go far enough to address the harm to consumers. These include greater price transparency and a cap on the overall call duration.

Since Ofcom’s 2013 review, communication providers have, as required, provided pricing details in advertising, but as the consultation document highlights, advertising of 118 numbers has declined. The evidence shows that consumers are unaware of the cost of the call, the cost of the connection and the service charge and do not generally shop around.

Communications providers have taken the initiative to introduce pre-call notifications, recognising the need to protect consumers from hefty service charges when connecting a call, but consumers are still experiencing bill shock. So, while we support price transparency, we do not believe that giving more information to consumers on the cost of calls will, in isolation, provide a solution. That said, we would like to see the new price cap widely communicated to consumers so that they know where they stand, and we urge providers of directory enquiry services and Ofcom to ensure that this happens.

Given the proven detriment to consumers making short calls, the only satisfactory solution is, in our view, a cap applied incrementally as opposed to the overall call length. Ofcom’s complaints data on the distribution of bill shock complaints by call indicates that the majority of complainants experienced unexpected charges of under £10 per call.

We therefore consider it the right decision by Ofcom to dismiss all remedies other than a well-communicated cap on the cost per minute, but with the overall cost fixed at the price of a 4.5 minute call and carefully monitored compliance with the proposed, four month implementation period. We also urge ongoing monitoring with a view to reviewing the effectiveness of the cap once it has been established.