



Virgin Media Response: Directory Enquiries (118) Review

Virgin Media welcomes the opportunity to respond to Ofcom's review of Directory Enquiries ('DQ') (118), and the proposal to introduce a price cap for 118 service charges. As the access service provider we have the closest relationship to the consumer, therefore we are acutely aware of the reaction of some customers to 'bill shock', where the service charge cost of a call is significantly higher than perhaps anticipated by the customer. Given the recent sharp rise in price of some 118 DQ services we were sympathetic to the introduction of Ofcom's Call Cost Review in May 2017.

Given the particular and exceptional circumstances surrounding 118 DQ services, Virgin Media understands why the regulator is pursuing the approach it is. However we believe that Ofcom's proposal to introduce a price cap for 118 calls – if carried through – should represent an exception, rather than the rule for Ofcom's approach to the market going forward. Retail price regulation should be considered an absolute last resort, because it is the most invasive approach to the market. Any decision to impose retail price regulation should not be taken lightly, therefore should Ofcom seek to pursue such an approach in the future, the decision to do so, and the level of intervention must be clearly justified. As such Virgin Media encourages Ofcom to develop a series of principles based tests for retail price regulation, which must be met before such an approach is pursued. As well as a deep understanding of consumer harm, these tests should include consumer/market trends, proportionality and market impact of the proposed intervention, and analysis of whether other interventions might be more appropriate. Virgin Media would welcome the opportunity to support the development of these tests.

Virgin Media believes more could have been done to enhance transparency of call charges, to encourage consumers to shop around. As Ofcom points out, service charges for 118 services are rarely advertised, despite specific rules for industry¹. We believe Ofcom could still consider ways that this could be remedied within the current advertising self-regulatory framework. The CAP and BCAP codes can and do refer to guidance set by other regulatory authorities (such as financial, medical or gambling regulators). Ofcom's existing policy on clarity of service and

¹ <https://www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/advice/uk-calling/uk-calling-for-businesses> and <https://www.asa.org.uk/advice-online/non-geographic-call-charges.html>



access charges in non-geographic call charges is therefore upheld by the ASA. Ofcom should also consider other awareness raising activities on an ongoing basis. Working with DQ suppliers to promote the prevalence of alternative 118 suppliers, and indeed to availability of free to use services. The introduction of new General Condition C5.7 would be an opportune moment to do so.

Virgin Media responds to the following questions:

1. Do you agree with our assessment of harm?

Virgin Media understands that there are particular group of consumers, whose circumstances may make them vulnerable, for whom DQ providers currently offer an essential service. We note the Kantar research supporting Ofcom's decision which points to a dependence of particular identified consumer groups to a) use DQ services, and b) to use DQ service which have a high associated cost.

However there is also a question of proportionality. As Ofcom notes, consumers' use of DQ services 'is in steep decline' by more than a third in recent years. It would be helpful to understand the trends in consumers – including vulnerable consumers – who have switched to other services that offer a low or no cost alternatives. In addition, what is the propensity of consumers– after receiving a bill shock –to alter their behaviour and seek alternative services? Further, are there barriers to stop vulnerable consumers switching to these alternative low or no cost services.

2. Do you agree with our view that the proposed cap on the service charge for a call to a 118 number of £2.58 (ex VAT) per 90 seconds of the call is an effective and proportionate to remedy the harms identified?

VM has no comment.

3: Do you agree with our view that an overall implementation period of four months following Statement will be a sufficient time for providers to introduce the proposed cap?

We do not. Virgin Media believes Ofcom's proposed implementation timeline is overly ambitious. We remind Ofcom of the significant amount of work that was put in to agreeing



interconnect charges, which we do not believe has not been given due consideration. Virgin Media therefore asks Ofcom to set a more realistic timeframe for implementation that considers the impact on access service providers.

4. Do you have any comments on the notifications at Annex 10 and the draft modification set out within them? Where you disagree with the proposed modification, please explain why.

VM has no comment.