



Review of measures to protect people in debt or at risk of disconnection

Call for Inputs

Virgin Media O2 response

30th September

Non - Confidential response

EXECUTIVE SUMMARY

Virgin Media O2 welcomes the opportunity to respond to Ofcom's call for inputs ("CFI") regarding the "Review of measures to protect people in debt or at risk of disconnection".

We support Ofcom's desire to protect those customers who may find themselves in financial difficulty, whether that be a consequence of long or short-term issues or vulnerability. However, we have concerns in relation to some of the proposed guidance within the CFI.

We consider that the guidance in its current form is working well, with high levels of adherence to it. Moreover, this is not an area in which providers have been inert, as evidenced by the additional support measures that were introduced during the recent lockdowns and many providers going beyond the guidance. In addition to the Fairness Commitments which both VM and O2 signed up to which, of course, includes a commitment to ensure customers get the support they need when their circumstances make them vulnerable

We, do, though, believe that there are a number of additional things that communication providers ("CPs") could do to ensure that consumers who find themselves in financial difficulties are aware of the support available. However, some of the other proposals put forward take a broad-brush approach to managing and supporting customers in debt and do not consider what factors may have caused their indebtedness. In our view, Ofcom's approach carries inherent risks for both CPs and customers that have not been considered.

Ofcom should be alert to the fact that customers often enter their provider's overdue payment management process due to a number of factors, each of which may need to be dealt with through different methods. Throughout the CFI, Ofcom does not adequately differentiate between the reasons why customers may miss payments, something which we believe is vital. We believe that providers should support customers if they are struggling, via such things as payment plans, but we must also try to effect payment where possible. Leaving services running or simply slowing down speeds in place of disconnection, actively lowers customers propensity to pay and can provide some customers with an incentive not to pay.

Furthermore, it is essential that customers communicate with us if they are experiencing financial difficulty. Providers cannot simply keep customers connected indefinitely, accruing further debt, if the customer is unwilling to engage with us. Put another way, there is a difference between customers who are unable to pay and those who, for whatever reason, simply want to delay payment (in effect to use Virgin Media O2 as a source of credit). We strive, of course, to provide as much help and support as appropriate for the former. We consider that this is an important distinction to make: without it, there is a risk that providers will be distracted from providing support to those customers who genuinely require it.

1. INTRODUCTION

Virgin Media O2 takes the support of customers who may be vulnerable or on low incomes very seriously. We aim to provide the necessary help to these customers and attempt to avoid any circumstances in which they are able to build up large debts leading to serious financial issues. We strive to ensure that all of our customers are provided with support, including important information

if they find themselves in debt, communicating with them in a clear and concise way, and ensuring that we do not over-burden them with non-critical detail.

We appreciate Ofcom sharing its findings with CPs via this call for inputs alongside proposals for updates to the existing guidance. We address elements of the data provided by Ofcom in the main body of this response, but we note that, for the most part at least, the data has remained relatively stable over time. It is clear that the COVID-19 pandemic, and resulting lockdowns, had an impact on the parameters measured and this has led to a number of spikes at certain points in the period covered. However, it is noteworthy that many of the metrics have returned to roughly pre-pandemic levels.

During the pandemic, and the specific set of circumstances it created, Virgin Media O2 consistently sought to ensure its customers were supported and introduced a number of measures specifically targeted at those customers who found themselves in financial difficulty.

The remainder of our response is structured as follows:

- In **Section 2** we provide our comments on the current guidance and the data provided by Ofcom;
- In **Section 3** we discuss the proposed changes to the current guidance and where we believe they may be appropriate or otherwise;
- In **Section 4** we discuss the issue of consistency highlighted by Ofcom and provide our thoughts;
- In **Section 5** we provide our concluding thoughts;
- In **Section 6** we provide our responses to Ofcom's consultation questions.

2. CURRENT GUIDANCE & FINDINGS

Ofcom's Key Findings

The evidence presented in the call for inputs shows for the period January 2020 to January 2021

- The proportion of customers in arrears remained relatively stable;
- The proportion of customers in arrears by two or more payments increased during the pandemic before returning to pre-pandemic levels by the end of the period;
- The proportion of customers disconnected for non-payment decreased during the pandemic before returning to original levels;
- The length of time spent in arrears before being disconnected increased during the period and has remained above pre-pandemic levels;
- There was some variability between the levels of forbearance afforded to customers;
- Total customer debt level has increased by around £75m during the period; and
- Engagement between providers and customers struggling to pay has remained at similar levels.

At a high level, the data demonstrates evidence that many CPs were flexible and adapted their policies to support customers during the pandemic and levels have relatively quickly reverted to their "normal" pre-pandemic levels. This is clear from the CFI where Ofcom states that they "have

not seen evidence of significant consumer harm” that would require any changes to the General Conditions.

It is important to note that during the timeframe covered by the data sets provided by Ofcom, Virgin Media and O2 were separate entities. Our comparison of the data with our own metrics reflects this.

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During the pandemic, both providers and customers were presented with challenges not seen previously and CPs reacted in order to ensure consumers remained connected, especially vulnerable customers or those who may be in financial difficulties. The data provided by Ofcom shows that the steps taken by CPs had the desired impacts and that customers were supported in a variety of ways. The return to pre-pandemic levels amongst the majority of the metrics illustrates not only that CPs were able to provide the required support to their customers but also that the existing guidance is working well.

3. PROPOSED CHANGES

Virgin Media O2 understands that communicating with customers in a clear, transparent way is vital. Clearly, the main purpose of any payment management communication is to highlight to the customer they have missed a payment and consequently to encourage them to effect payment. It is essential that these communications contain clear instructions on the ways in which customers can: rectify their account; get advice on setting up future payment methods; receive support to avoid a recurrence of a missed payment and understand the potential impact that continued non-payment would have on the services they enjoy. These communications are part of a step-by-step process triggered at the point at which the customer misses a payment. As payments are missed (and the customer makes no contact with us), a customer will progress through this communication process and the tone of these communications becomes more urgent, emphasising the potential loss of service and the impact that non-payment may have on a customer’s credit score.

When a customer misses a scheduled payment, Virgin Media O2 uses a variety of communications methods in order to get in touch with them. (S)

We note that Ofcom is proposing guidance to encourage CPs to emphasise the support available to customers in debt or struggling to pay. We support this recommendation.

In addition to the potential support on offer from individual providers, there are debt advice organisations who offer specialised help and advice. Ofcom recommends updating the current guidance to include signposting of debt advice organisations on all payment and overdue payment management related communications. Although Virgin Media O2 has no objection to the signposting and promotion of such services, we are concerned with the proposal to include these on *all* related communications. The overdue payment management journey experienced by customers is a step-by-step process and the needs of customers will vary depending on where customers are in the process. A ‘one size fits all’ approach is not appropriate, with those customers at the start of the journey, who often make payments as soon as they receive the first communication, potentially not requiring the kind of support these organisations offer. It would be more appropriate for the

guidance to recommend signposting these organisations at the appropriate point of the overdue payment management process, for example, when a customer has failed to respond to several attempts to effect payment. For Virgin Media O2, this would complement our existing approach to signposting which is prominent on our respective websites and discussed by agents if direct contact is made with the customer.

The call for inputs recommends that third party consumer organisations should be able to contact providers directly on the customer's behalf. Although this might help to support certain customers in dealing with their finances in specific circumstances, we believe that the most positive and effective way to resolve the issues a customer may be experiencing is via direct engagement. This situation may change when dealing with customers who have specific communication requirements. There may also be a number of challenges in relation to privacy and security which may mean this is neither practical nor possible. Therefore, we would suggest that if Ofcom wishes to update the current guidance in this way, it should focus the recommendation on customers whose circumstances mean that they face challenges in communicating or engaging with their provider.

4. CONSISTENCY ACROSS COMMUNICATIONS PROVIDERS

Virgin Media O2 understands Ofcom's desire to promote a consistent approach amongst providers. However, blanket consistency presents a number of issues that have not been adequately considered within the CFI.

The recommendations listed do not take into consideration the different reasons why people may miss payments and setting a specific timeframe for disconnection fails to differentiate between the heterogeneous customer types that enter overdue payment management processes. Furthermore, there will certainly be a number of different systems, services and process configurations across providers that will mean achieving consistency is not possible.

Ofcom is proposing to update the existing guidance to recommend a minimum period of three months from when a payment is missed to the point of disconnection. However, Ofcom makes it clear that no significant consumer harm currently exists, and we therefore find it difficult to understand the justification for this recommendation. Virgin Media O2 believes that it would be more appropriate for Ofcom to consider providers' disconnection processes in the round, focussing on elements such as how many contact attempts have been made and the varying communication methods that have been employed. Recommending such a mandatory minimum timeframe for disconnections also fails to take into consideration that customers have a responsibility to engage with providers when they find themselves in an overdue payment management process. We make a number of attempts to contact a customer following a missed payment and are unable to provide any support unless a customer responds to these communications. It is unclear within Ofcom's proposals whether the expectation would be for providers to set a minimum three-month timeframe on disconnections to include those customers who fail to make any sort of contact with their provider. This area is another in which we believe further discussion and clarification is required.

As discussed, there are many reasons why customers may miss a payment and find themselves in an overdue payment management process. Obviously, we understand that there are those customers who find themselves in debt due to financial difficulties and we support those customers as much as

possible; we will make several attempts to contact them via various communications methods and, once contact is made, we are able to offer support where appropriate, such as payment plans, and also advise these customers about external organisations that may be able to offer further support. As is clear, this relies on the engagement of the customer which, if not forthcoming, will lead to further steps and eventual disconnection. However, there are a significant number of customers who repeatedly miss payments almost as a form of “credit” and will then make the payment once their services have been restricted. (X) It is not necessarily appropriate to classify them in the same way as those genuinely experiencing serious financial hardship; a mandatory disconnection timeframe may be exploited by customers and used as a reason for further delay. The reaction of CPs to the consequent increase in debt is uncertain. One consequence could be to restrict access to the late payments process to repeat users. This might not be what Ofcom intends, but it is a perfectly foreseeable outcome.

Within the CFI, Ofcom recommends that providers move to a phased approach to service restrictions, particularly in relation to broadband services. Currently, when a customer is within the overdue payment management process and their services are restricted, (X). This ensured continuity of service during lockdown, but there was no consequent increase in customers’ propensity to make payments. Phasing the approach to restricting service could therefore often result in the same outcome: disconnection - but with customers facing a higher level of indebtedness to Virgin Media O2. This may be detrimental to their ability to obtain credit.

Furthermore, amending existing overdue payment management cycles and strategies could involve significant system changes and development costs. This may be difficult to justify given the doubtful customer benefits and, in turn, crowd out other customer-friendly projects.

Finally, Virgin Media O2 understands and, in principle, supports Ofcom’s proposals to update the guidance about understanding customers’ individual circumstances before referring them to debt collection agencies. However, this is only possible where a customer is willing to engage with us. In a situation where a customer fails to engage with us, the overdue payment management process will run its course and this may result, after a reasonable period of time, in a referral to a debt collection agency.

5. CONCLUSION

Virgin Media O2 is committed to supporting customers who find themselves in financial difficulty and this has been demonstrated via our commitment to the existing guidance and with the steps we have taken during the recent pandemic and lockdown. We agree that emphasising the support available from providers as part of the communication to customers who fall into debt could be helpful to customers. Signposting debt advice organisations on our websites, relevant overdue payment related communications and via customer service agents could also assist those who are struggling to pay. However, taking a ‘one size fits all’ approach to each element of the overdue payment management process is not appropriate and this should be reflected in the updated guidance.

We question the appropriateness of recommended changes to the overdue payment management and disconnections journeys on the grounds that they may be detrimental to some customers. We believe that providers should retain discretion over disconnection timescales and the manner in which service restrictions are imposed.

6. CONSULTATION QUESTION RESPONSES

Please see below for our response to the specific questions in the Consultation.

Question 1: Do you agree that we should amend the guide in the ways suggested? If not, are there any alternative options you think we should consider? Please provide evidence supporting your views, including any research you have conducted or have access to.

Virgin Media O2 believes that, in principle, making it clear to customers what support is available to them if they are facing financial difficulty, is a positive step.

Furthermore, as a provider who already uses a number of different communications methods when attempting to contact these customers, we agree that recommending providers use a variety of communications methods is a positive update to the guidance.

Question 2: Do you agree that we should amend the guide in the ways suggested? If not, are there any alternative options you think we should consider? Please provide evidence supporting your views, including any research you have conducted or have access to.

For the reasons set out above, we do not believe it is appropriate or practical to include signposting to debt advice organisations on *all* payment/collection communications.

Currently we allow third parties to contact us on behalf of a customer in written communication. However, it may not be possible or practical for providers to allow a third party to communicate directly with them on behalf of the customer. Therefore, we believe that any language used in the guidance should reflect this.

Question 3: Do you agree that there should be more consistency in the way in which providers seek to effect payment from customers in debt? If so, how do you believe this could be achieved most effectively? Please provide evidence supporting your views, including any research you have conducted or have access to.

Although we understand the desire to achieve consistency, we believe that the recommendations put forward are not appropriate. Not only does there not appear to be any evidence of consumer harm that would warrant this, but we do not feel that Ofcom has taken into account the fact that customers enter the overdue payment management journey for many different reasons, which require differing approaches. Blanket consistency is not, therefore, appropriate.

Question 4: Do you agree that we should amend the guide regarding the provision of information about measures to support customers? If not, are there any alternative options you think we should consider? Please provide evidence supporting your views, including any research you have conducted or have access to.

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Virgin Media O2 supports, in principle, the idea of ensuring the relevant signposting is available on providers' websites and available to customer service agents where necessary. However, once again we feel it necessary to highlight the fact that a one size fits all approach may not be appropriate.