Prohibiting inflation-linked price rises

Proposals for new rules and guidance

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Consultation

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Contents

Section

1. Overview 3
2. Background 6
3. Consumer harm from inflation-linked price variation terms 19
4. Proposals to address consumer harm from inflation-linked price variation terms........ 38

Annex

A1. Responding to this consultation 61
A2. Ofcom’s consultation principles 63
A3. Consultation coversheet 64
A4. Consultation questions 65
A5. Notification proposing modifications to General Condition C1 – Contract Requirements and Definitions section 66
A6. Table of proposed changes to GC C1 Guidance 74

1. Overview

1.1 **This consultation sets out Ofcom's plans for new consumer price protections in telecoms, including a ban on price increases linked to uncertain future inflation.**

1.2 When people sign up to a phone, broadband or pay TV contract, they should be clear and certain about what they will have to pay throughout its duration. This hasn't always happened, because a growing number of providers' contract terms allow for an annual price rise linked to future inflation plus an additional percentage, typically 3.9%. As of April 2023, four in ten broadband customers and over half of mobile customers were on contracts subject to these terms. We estimate that these numbers may grow further, to around six in ten of both broadband and mobile customers, as Three and Virgin Media apply inflation-linked in-contract price rise terms to more of their customers' contracts during 2023/24.

1.3 We are proposing to ban telecoms companies from providing for both inflation-linked price rises and price rises that are set out in percentage terms in contracts. Instead, where companies' contracts provide for any price rises during the contract period, they must set this out up-front *in pounds and pence*. Providers should also set out *when* any changes to prices will occur. Under our proposals, customers will be certain about the cost of their contract before they sign up.

1.4 A well-functioning market requires informed, confident consumers who can identify the best deal for their needs. Engagement with the market drives competition, which encourages providers to offer better deals, higher service quality and stronger networks.

1.5 Our role is to protect consumers and ensure fair competition that supports affordable prices and high-quality phone and broadband services, while also encouraging long-term investment in the networks that the country needs for future growth, productivity and innovation.

1.6 Recent investment in full-fibre and 5G networks has led to significant improvements in the speed and reliability of the services that keep us connected. Full-fibre broadband is now available to over half of UK homes, where just 6% could access it five years ago. Gigabit-capable broadband is available to 75% of UK homes. 5G coverage was available to 85% of premises outdoors in April 2023, up from 69% in May 2022.

1.7 The UK residential telecoms market is competitive and there are good deals available to consumers who shop around. Over the last five years, prices for broadband and mobile services have fallen in real terms, while quality has improved. In that period, average prices for new landline and broadband (standard, superfast or ultrafast) bundles fell in real terms: for example, by 13% for superfast broadband bundles. The average monthly price of mobile services, based on average use and excluding handset costs, fell by 33% in real terms, while mobile data use grew by 249%.

1.8 However, in 2023, against a backdrop of high inflation, some prices rose in real terms, while others continued to fall. Average prices for new landline and standard broadband bundles increased by 10% in real terms. By contrast, the equivalent prices for bundles containing superfast and ultrafast broadband fell in real terms, by 6% and 9%, respectively. The average monthly price of mobile services (based on average use and excluding handset costs) was unchanged year-on-year.

1.9 Customers on deals subject to inflation-linked price rises can't know for sure by how much the price they are contracted to pay will rise during their contract period. However, these price rises have a significant impact on what customers pay for their services: in spring 2023, most customers on contracts subject to inflation-linked price rises saw their bills increase by between 14% and 17%. For a family with a broadband connection and several mobile subscriptions, these increases could amount to hundreds of pounds a year.[1]

1.10 In our view, inflation-linked price rise terms complicate the process of shopping for a deal for consumers. To estimate the price they might pay for services subject to these terms, people must: be aware of the terms; understand what various inflation rates mean; know how to find and predict inflation rates; and calculate the price rises accurately, by adding a fixed percentage on top of an uncertain future inflation rate. They must then compare these calculations across different deals. These are complex and laborious steps for most people to take.

1.11 We have found that consumers have low awareness and understanding of inflation-linked price rises and are unable to estimate reliably what they will pay. We also found that people do not typically consider future inflation-linked price rises when choosing a contract. When they do, they often do not understand them fully and find it difficult to estimate what the impact could be on their payments.

1.12 We are concerned that inflation-linked price rise terms not only make it hard for people to find the best deal, but also make competition less effective. Further, they require customers to assume the risk and burden of financial uncertainty from inflation, with tangible impacts on their ability to manage costs.

What we are proposing - in brief

Wherever telecoms or pay TV providers apply in-contract price rises, they must set these out clearly and up-front, in pounds and pence, when a customer signs up

We are proposing to amend our General Conditions to introduce this rule. Where a telecoms or pay TV company provides for a change to the monthly price of their service during the contract period, they must set that changed price out at the point-of-sale *in pounds and pence* (the £/p requirement). Providers should also set out *when* any changes in monthly price will occur. Providers will be required to ensure this information is drawn prominently to customers' attention before they are bound by the contract.

The £/p requirement would stop providers from including inflation-linked, or percentage-based, price rise terms in new contracts. Providers would be able to increase their prices during the contract period, but any price rises that they write into the contract would need to be set out in pounds and pence, prominently and transparently, at the point-of-sale.

We propose that the requirement would come into effect four months after the publication of our final decision in 2024. This implementation period reflects our concern about the scale of consumer harm that may result from providers continuing to sign customers up to inflation-linked price rise terms, while giving providers sufficient time to make the necessary changes to their processes and business plans.

[1] We estimate that inflation-linked price rises in spring 2023 increased the amount that customers on these contracts will pay in 2023/24 by, on average, £62 for customers taking landline and broadband from the same provider and between £28 and £69 for pay-monthly mobile customers.

Next steps

1.13 Our proposals are set out in section 4, proposed amendments to General Conditions in annex 5 and draft guidance in annex 6. We invite responses to our consultation questions by 5pm on Tuesday, 13th February 2024. We plan to publish our final decision in spring 2024.

2. Background

2.1 This section sets out developments in the market that are the context for our review, the review's scope and our objectives. It also summarises the relevant legislative context to our consultation on new rules and guidance.

Inflation-linked price variation terms have become increasingly common over the last three years

2.2 Many communications providers include price variation terms in customers' broadband, mobile and pay TV contracts, which enable them to increase prices for in-contract customers by an amount linked to a measure of inflation ('inflation-linked price variation terms'). Typically, these terms enable providers to make annual price rises linked to the Consumer Prices Index (CPI) or Retail Prices Index (RPI), plus a further 3.9%.

2.3 When a customer enters a contract subject to inflation-linked price variation terms, they may experience up to two annual price rises during a contract period of 18 months or 2 years. If a customer wants to exit the contract early (for example, if they want to switch provider to avoid incurring an annual price rise), they are likely to incur an early termination charge, making them effectively unavoidable. These contracts differ from others available to consumers in UK telecoms markets, including those that do not provide for price rises (where the provider would need to give customers on these contracts at least one month's notice of any price rise and a right to exit without penalty); and those that guarantee no price rise during the contract period (albeit these contracts are less common).

2.4 Ofcom imposes General Conditions (GCs) on providers requiring them to specify certain pricing information in a clear and comprehensible manner at the point-of-sale.[2] These rules should enable customers to make informed decisions and find the best deal for their needs. Under this regime, if a price variation term is not sufficiently prominent and transparent (such that the customer can be said to have agreed to those terms) and the provider subsequently increases its price, or increases its price beyond what the customer has agreed, the customer would have a right to exit the contract without penalty.[3]

2.5 However, market conditions have evolved and inflation-linked price variation terms may now have a greater impact on consumers than before. First, there has been a reduction in choice as most major providers have adopted inflation-linked price variation terms over the past three years including an additional fixed percentage (typically 3.9%). This means consumers now have less choice of services not subject to inflation-linked price variation terms.

2.6 Second, volatile and rising inflation rates have led to greater unpredictability and significant price rises for many consumers in 2022 and 2023. This means that even consumers who are aware of inflation-linked price variation terms would find it harder than ever to estimate what they will pay for a service when they choose it.

[2] See Condition C1.3 of Ofcom, General Conditions of Entitlement, 2023.
[3] See Conditions C1.14 – C1.15 of Ofcom, General Conditions of Entitlement, 2023 and paragraph 1.100 of Ofcom, Ofcom's guidance under General Condition C1 – contract requirements (June 2022), 2022.

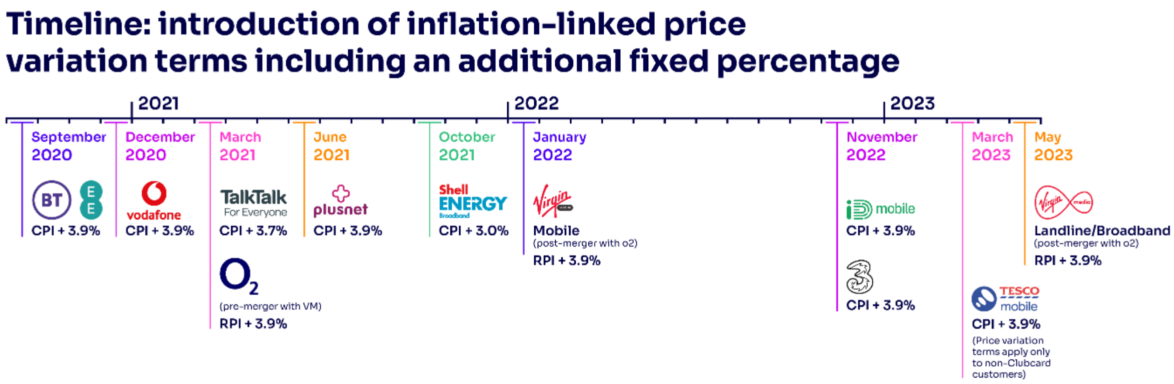
2.7 The level of retail prices is for providers to determine, taking into account market conditions, their business needs and costs, and is outside the scope of this review. As set out in our most recent Pricing Trends report, some prices rose in real terms in 2023, while others continued to fall and there are good deals available to consumers who shop around.[4]

Most major telecoms and pay TV providers have adopted inflation-linked price variation terms

2.8 Before the widespread adoption over the last three years of inflation-linked price variation terms with an additional fixed percentage, many providers did not specify price rises in customers' contracts, but instead applied 'prices may vary' terms that permitted for unspecified price rises,[5] or they used inflation-linked price variation terms without an additional fixed percentage (more common among mobile providers).

2.9 Figure 1 shows how, since 2020, most of the UK's largest telecoms and pay TV providers have introduced inflation-linked price variation terms with an additional fixed percentage (in most cases for the first time). In September 2020, BT announced that it would start to apply inflation-linked price variation terms with an additional fixed percentage to new customers' contracts, namely CPI plus 3.9%. Over time, many other providers adopted similar terms. Today, of the major providers, only Sky applies prices may vary terms.[6]

Figure 1: Timeline of the introduction of inflation-linked price variation terms with an additional fixed percentage since 2020



[4] Ofcom, Pricing Trends Report, 2023.

[5] 'Prices may vary terms' refer to contract terms that enable providers to implement price rises for which the value and frequency are not specified in a customer's contract. Our rules do not prohibit prices may vary terms, but providers are required to give customers at least one month's notice of the price increase and the right to exit their contract without penalty, as they constitute contractual modifications. See Conditions C1.14 – C1.20 of Ofcom, General Conditions of Entitlement, 2023.

[6] Here, major providers are those with a stable market share of over 1.5% of either landline, broadband, mobile or pay TV subscribers. See Ofcom, Telecoms and Pay TV Complaints methodology document, 2023.

Table 1: Summary of the inflation-linked price variation terms applied by major providers

Provider	Service	Price variation terms	Month of annual price rise	2023 price rise
BT, EE and Plusnet	Broadband, mobile and bundles	CPI published in January + 3.9%	March	14.4%
iD Mobile	Mobile	CPI published in February + 3.9%	April	14.0%
Shell Energy	Broadband and bundles	CPI published in January + up to 3.0%	April	12.5%
TalkTalk	Broadband	CPI published in January + 3.7%	April	14.2%
Tesco Mobile	Mobile	Fixed with a Clubcard For customers without a Clubcard: CPI published in January + 3.9%	April	14.4% (for customers without a Clubcard)
Three	Broadband, mobile and bundles	CPI published in January + 3.9%	April	14.4%
Virgin Media O2	Broadband, mobile and bundles	RPI published in February + 3.9%	April	17.3% (Virgin Mobile and O2)
Vodafone	Broadband, mobile and bundles	CPI published in January + 3.9%	April	14.4%

Source: responses to our statutory information request dated 20 June 2023. Information is correct as of date of publication.

2.10 Consequently, the proportion of customers on contracts subject to inflation-linked price variation terms has increased. As of April 2023, at least 11 million broadband customers and 36 million mobile customers were on contracts subject to these terms.[7] This is equivalent to four in ten broadband customers and over half of mobile customers.[8] We estimate that

[7] Based on our analysis of providers' information on the number of their customers on different product and the terms and conditions of their products (from providers' response to questions 1, 2, 10, 11 and 13 of our statutory information request dated 20 June 2023 ('our statutory information request')). These include in-contract customers and customers no longer within their Commitment Period who continue to be subject to inflation-linked price variation terms.

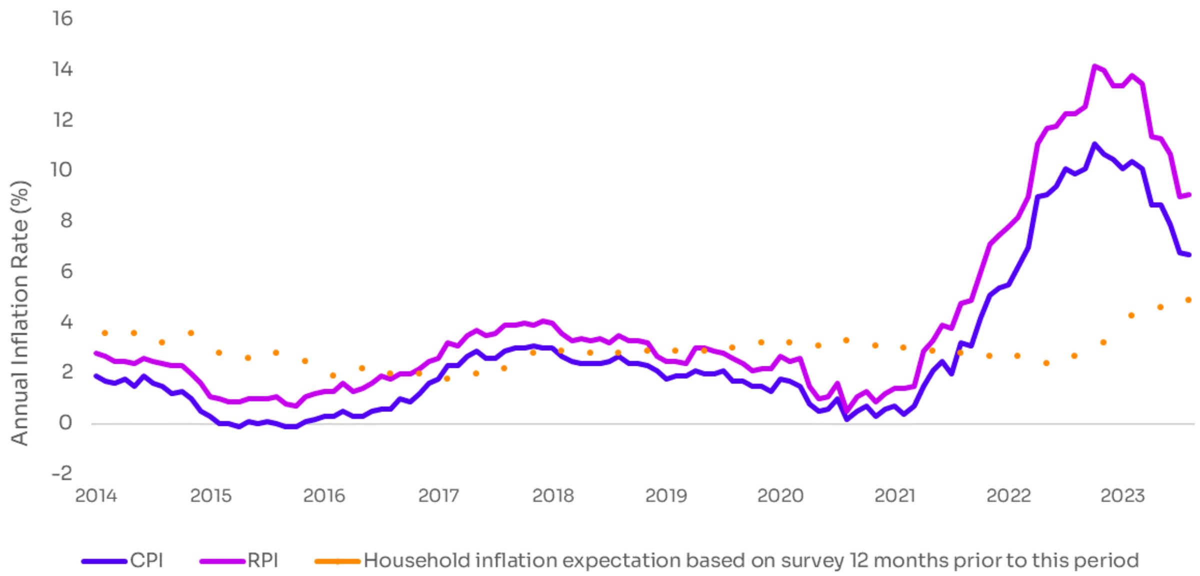
[8] Other customers were either with providers that have not introduced inflation-linked price variation terms or on products without these terms. In the mobile market, inflation-linked price variation terms are applied to pay-monthly contracts with a duration over 30 days. Pay-as-you-go customers and 30-day pay-monthly contracts are not subject to price variation terms. In the broadband market, some providers offer legacy products or social tariffs that are not subject to inflation-linked price variation terms.

these proportions may grow further, to around six in ten of both broadband and mobile customers, as Three and Virgin Media apply inflation-linked in-contract price rise terms to more of their customers' contracts during 2023/24.[9] In spring 2023, most customers on contracts subject to inflation-linked price rises saw their bills increase by between 14% and 17%. These increases could amount to hundreds of pounds a year for a family with a broadband connection and several mobile subscriptions.[10]

Inflation has risen quickly and become harder to forecast

2.11 Customers on contracts subject to inflation-linked price variation terms have faced unpredictable price rises in recent years because inflation rates have been volatile and rose dramatically between 2021 and 2022. While inflation is now falling, it remains volatile and rates are above the Bank of England target. Figure 2 shows the sharp increases in CPI and RPI since 2021.

Figure 2: CPI and RPI rates and households' expectations of inflation



Sources: Office for National Statistics (CPI, RPI) and Bank of England.

[9] Virgin Media introduced inflation-linked price variation terms into broadband contracts from May 2023, to apply inflation-linked price rises from April 2024. Three introduced inflation-linked price variation terms into pay-monthly mobile contracts for new and upgrading customers from November 2022. In addition, as set out in Figure 1, Tesco Mobile and iD Mobile have also recently introduced inflation-linked price variation terms for some of their customers.

[10] We estimate that, for the year from April 2023, customers subject to inflation-linked variation terms faced average price rises of £62 per year for customers taking a bundle of landline and broadband services from a single provider, and between £28 and £69 per year for mobile customers. To estimate these values, we used data submitted by providers in response to questions 10 and 26b of our statutory information request. We calculated the average annual price rise per type of service in 2023 across all providers, weighted by the number of customers who are on that type of service with each provider. For pay-monthly SIM-only customers on contracts that last longer than 30 days, the average annual price rise was £28. For pay-monthly split linked mobile service contract (in this case there are two contracts, one for the handset and one for airtime, with the price rise applied to the airtime contract only), the average annual price rise was £43. For pay-monthly mobile airtime and handset bundle subscriptions, the average annual price rise was £69.

2.12 Consumers find volatile inflation rates difficult to predict. Responses to the Bank of England's Inflation Attitudes Survey demonstrate how households struggle with this (see Figure 2).[11] The various Inflation Attitudes Surveys published in 2022 showed households' expectation of how prices will change over the next twelve months: the median response ranged from 4.3% to 4.9%, while the actual CPI rates were 6-10% for most of 2023.

2.13 Volatile and unpredictable inflation rates mean that consumers, particularly those on longer contracts, would find it more and more difficult to estimate what they will pay for their services. Even where consumers have access to inflation forecasts, consumers still have no certainty about the actual price rises they will face. More unpredictable inflation may exacerbate the broader concern that consumers struggle to engage with inflation-linked-price variation terms, as we discuss in further detail in section 3.

The scope of our review and policy objectives

2.14 In the context described above, we launched this review to assess the effects of inflation-linked price variation terms on consumers, including on their ability to understand and choose the right deals for them, as well as on how this affects the functioning of markets.[12] The questions we are considering include the following:

- Are customers aware of inflation-linked, and other percentage-based, in-contract price variation terms before they sign up to a contract?
- Do customers understand how these terms are applied?
- Can customers work out with certainty how much they will need to pay during the contract period?
- How do inflation-linked price variation terms affect customers' ability to make informed choices about their contract?
- What is the impact of inflation-linked price variation terms on consumer outcomes, for example on the likelihood of consumers finding the best deal for their needs?
- Do inflation-linked price variation terms reduce customer engagement and undermine effective competition?
- Do inflation-linked price variation terms impose unfair burdens and risks on customers?

2.15 Providers must comply with both general consumer law and our GCs when they apply inflation-linked price variation terms.[13] We have considered issues around inflation-linked price variation terms previously in different contexts, amended our rules and published guidance to clarify our expectations of providers.

[11] Bank of England, Inflation Attitudes survey, 2013-2022. The Inflation Attitudes survey asks respondents by how much they expect prices in shops will change over the next twelve months. Each data point in Figure 2 shows the median value of households' responses from the survey that took place twelve months prior (for example, the November 2023 data point refers to the survey data published in November 2022).
[12] See Ofcom, Review of inflation-linked in-contract price rises - Terms of reference, 2023.
[13] The Consumer Rights Act 2015 provides that unfair terms in consumer contracts are not binding. The Competition and Markets Authority has issued guidance on the relevant provisions in the Consumer Rights Act. See Competition and Markets Authority, Unfair contract terms guidance: Guidance on the unfair terms provisions in the Consumer Rights Act 2015, 2015. Further, the Consumer Protection from Unfair Trading Regulations 2008 contain a general prohibition of unfair trading, prohibitions of misleading and aggressive trading practices, and specific prohibitions on particular practices considered to be inherently unfair.

2.16 Our longstanding objectives have been to ensure that our rules support consumers to make informed decisions and that the information providers present to customers is sufficiently clear and transparent. These principles help deliver good outcomes for consumers and the market, such as strengthening competition and ensuring customers get a fair deal.

2.17 In 2014, we issued guidance in relation to price rises and the notification of contractual modifications.[14] It set out that we are likely to regard any increase to prices during the fixed term of a contract to be 'material detriment' (which should give the customer a right to exit their contract without penalty), unless the relevant price terms are sufficiently prominent and transparent that the customer can be said to have agreed on an informed basis.

2.18 In June 2022, a number of changes to the GCs came into effect, which were accompanied by new guidance on the use of price variation terms:

- Under these rules (which are still in place today),[15] providers are required to provide customers with 'Contract Information' before customers are bound by a contract.[16] It must be in a clear and comprehensible manner and on a durable medium.[17] Contract Information must include the 'Core Subscription Price', namely the sum that customers must pay at regular intervals for the services and / or facilities that the provider is bound to provide.[18] The accompanying guidance states that we expect providers to give an example to the customer of how any planned price increase term is likely to affect the price they pay, using the most recent value of inflation if the provider's terms uses an inflation index such as CPI or RPI to calculate price increases.[19]
- Further, these rules require providers to give customers at least a month's notice and a right to exit penalty free in respect of any contractual modification, unless the proposed modification is exclusively to the benefit of the customer, is of a purely administrative nature and has no negative effect on the customer, or is directly imposed by law.[20] The accompanying guidance addresses how this rule would apply in circumstances involving a price variation term.[21] If that term is sufficiently prominent and transparent, and if the provider ensures that the customer was fully informed about the different amounts they would have to pay (such that they could be said to have agreed to those terms), the provider is not required to give the customer a right to exit penalty free upon changing the price pursuant to that term. This guidance also

[14] Ofcom, Guidance on "material detriment" under GC9.6 in relation to price rises and notification of contract modifications, 2014. The term 'Core Subscription Price' was, at that time, defined in this guidance. It is now defined in the Definitions section of our GCs.
[15] Ofcom made further changes to GC C1 that took effect in April 2023. However, these changes related to the switching process and did not materially change the GCs that are most relevant to this review. See Ofcom, Fair treatment and easier switching for broadband and mobile customers: Implementation of the new European Communications Code, 2020.
[16] See Condition C1.3 of Ofcom, General Conditions of Entitlement, 2023.
[17] See Condition C1.4 of Ofcom, General Conditions of Entitlement, 2023.
[18] See Annex to Condition C1, Table A, paragraph 3(a) of Ofcom, General Conditions of Entitlement, 2023.
[19] See paragraphs 1.21 – 1.24 of Ofcom, Ofcom's guidance under General Condition C1 – contract requirements (June 2022).
[20] See Condition C1.14 of Ofcom, General Conditions of Entitlement, 2023.
[21] See paragraph 1.100 of Ofcom, Ofcom's guidance under General Condition C1 – contract requirements (June 2022).

states that price variation clauses should only be used where there is reasonable justification on practical grounds.[22]

- Lastly, these rules require providers to provide customers with a 'Contract Summary' before customers enter into a contract.[23] Customers can only give consent to enter the contract after receiving the Contract Summary. This must include certain information, including information as to the price of the services provided.[24] The accompanying guidance states that it is likely to be helpful to customers if they are presented with prices in a consistent way across both the Contract Summary and Contract Information.[25]

2.19 In the accompanying statement, we noted that we would be concerned if the use of variation clauses became significantly more widespread, that this could make contracts harder to understand and give customers less certainty about important terms of the contract at the point they enter into it.[26]

2.20 Notwithstanding changes to our rules and guidance in recent years, we have had concerns about the potential impact of inflation-linked price variation terms on consumers and on the market. Prior to the launch of this review, we stated that price increases that are seen to be delivered in a way that is unfair could diminish consumer engagement, undermine confidence in the market and weaken competition.[27]

2.21 However, at the time we last considered this issue, our ability to make changes was constrained by the framework of European Union law. In particular, the changes to our rules that came into effect in June 2022 were made to implement provisions in the European Electronic Communications Code which were subject to 'full harmonisation'.[28] This meant that, in the areas that those provisions covered, Ofcom could not maintain or introduce end-user provisions that diverged from those provisions, including more or less stringent provisions that would provide a different level of protection for end-users, except for where the provisions allow for such divergence.

2.22 One of our longstanding priorities is to ensure customers are treated fairly. All the UK's biggest broadband, phone and pay TV companies have committed to put fairness at the heart of their business, after signing up to Ofcom's Fairness for Customers commitments.[29] These require that, among other things: customers get a fair deal; providers offer customers packages that fit their needs and have a fair approach to pricing; and that prices are clear and easy to understand. In addition, our Fairness Framework sets out that we are likely to be concerned where providers do not treat customers fairly and that this can happen where,

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[22] See paragraph 1.101 of Ofcom, Ofcom's guidance under General Condition C1 – contract requirements (June 2022).

[23] See Condition C1.5 of Ofcom, General Conditions of Entitlement, 2023.

[24] The template for and the information which must be included in the Contract Summary is set out in Commission Implementing Regulation (EU) 2019/2243 (as amended).

[25] See paragraph 1.38(b), Ofcom, Ofcom's guidance under General Condition C1 – contract requirements (June 2022).

[26] See paragraph 8.21, Ofcom, Fair treatment and easier switching for broadband and mobile customers: Implementation of the new European Electronic Communications Code, 2020,.

[27] Ofcom, Ofcom's future approach to mobile markets and spectrum: Conclusions paper, 2022. Ofcom has made repeated calls for providers to exercise restraint in applying in-contract price rises, given the financial pressures facing some consumers. See Ofcom, Providers must think carefully about price rises, 2022.

[28] Article 101, Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code (Recast).

[29] Ofcom, Fairness for Customers commitments, 2019.

for example: information is not clear, easy to understand and timely; behavioural biases and / or barriers to engagement are exploited; or customers are not supported in making well-informed decisions. In particular, we are likely to be concerned where certain groups, such as vulnerable customers, are being harmed.[30]

2.23 We have taken the above into consideration as part of our review and its scope.

2.24 The review focuses on inflation-linked price variation terms, and price variation terms that include fixed percentages, in contracts for landline, broadband, mobile and pay TV services purchased by residential customers and small businesses (including where these are purchased as part of a bundle).

2.25 Both people who are in-contract and people who have seen out their contract period may face inflation-linked price rises. The review focuses on inflation-linked price variation terms that apply to prices for in-contract customers, because we think this is where we need to target intervention. Customers who have seen out their contract period are not bound to accept price rises, as they are free to leave their contract, shop around and to switch to a new deal or to re-contract with their provider at any time. We have measures in place to ensure people are notified when their contracts come to an end,[31] as well as annual reminders,[32] and we have also made switching easier for mobile customers via Auto Switch and soon for landline and broadband customers with One Touch Switch. Customers who have seen out their contract period would also experience the benefits of our proposals when they engage with the market.

2.26 The review does not consider prices may vary terms, which, as set out above, only Sky applies today among major providers. Providers are required to give customers at least one month's notice of price rises that are not specified in the customer's contract and the right to exit their contract without penalty.

2.27 Some stakeholders have argued that the adoption of similar inflation-linked price variation terms by major providers, including annual price rises of broadly the same level, is indicative of some form of anti-competitive behaviour. Our review is not examining providers' compliance with competition law, nor are we examining how competitive telecoms markets are in general. That said, in the course of this review we have not found evidence of anti-competitive conduct. As set out above, we are considering whether inflation-linked price variation terms may affect the effectiveness of competition and the potential benefits for competition of our proposed remedies.

Our objectives for the review build on longstanding principles

2.28 Our policy objectives for this review build on our longstanding objectives and the principles that underlay our previous reviews of price rises. They also reflect our statutory duties (see below). Our objectives are to:

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[30] Ofcom, Making communications markets work well for customers - a framework for assessing fairness in broadband, mobile, home phone and pay TV, 2020.

[31] Requirements related to end-of-contract notifications. See Conditions C1.21-1.29 of Ofcom, General Conditions of Entitlement, 2023.

[32] Requirement related to Annual Best Tariff Notifications. See Conditions C1.30-1.36 of Ofcom, General Conditions of Entitlement, 2023.

- Enable consumers to understand the price of a service readily, with sufficient clarity and certainty to make informed comparisons and choices and find the right deal for their needs.
- Drive providers to compete based on pricing structures that are clear and transparent.
- Protect consumers from unfair burdens and risks (for example from contract terms that impose unfair financial risks on consumers).

2.29 Ofcom's priorities for 2023/24 also inform our objectives. They include continuing to ensure that consumers are empowered to make choices that are right for them and are treated fairly.[33] The objectives are also consistent with the matters set out in the Government's Statement of Strategic Priorities for telecommunications, the management of radio spectrum and postal services, described below.

Legal framework

General duties

2.30 We set out below our powers and duties that are relevant to the proposals set out in this consultation. We explain how we propose to exercise these powers and take account of these duties in the context of our proposals in section 4.

2.31 The Communications Act 2003 (the '2003 Act') places a number of duties on us that we must fulfil when exercising the regulatory powers and functions we have been given. Section 3(1) of the 2003 Act states that it shall be our principal duty, in carrying out our functions:

- To further the interests of citizens in relation to communication matters.
- To further the interests of consumers in relevant markets, where appropriate by promoting competition.

2.32 In performing our duties under section 3(1) of the 2003 Act, we are required to have regard to the principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed, as well as any other principles appearing to us to represent best regulatory practice (section 3(3) of the 2003 Act).

2.33 Section 3(4) of the 2003 Act provides that in performing our duties we must have regard to a number of matters as they appear to us to be relevant in the circumstances, including the desirability of promoting competition in relevant markets; the desirability of encouraging investment and innovation in relevant markets; the desirability of encouraging the availability and use of high speed data transfer services throughout the United Kingdom; the needs of persons with disabilities, of the elderly and of those on low incomes; the opinions of customers in relevant markets and of members of the public generally; and the extent to which, in the circumstances of the case, the furthering or securing of the matters mentioned in section 3(1) is reasonably practicable.

2.34 In addition, section 3(5) of the 2003 Act requires that, when performing our duty to further the interests of consumers, we must have regard, in particular, to the interests of those consumers in respect of choice, price, quality of service and value for money.

[33] Ofcom, Ofcom's Plan of Work 2023-24, 2023.

2.35 When exercising our functions in relation to electronic communications networks and services under Chapter 1 of Part 2 of the 2003 Act, we have a duty to act in accordance with certain requirements set out in section 4, such as:

- Promoting competition in relation to the provision of electronic communication networks and electronic communication services.
- Promoting the interests of all members of the public in the United Kingdom.

UK Government's Statement of Strategic Priorities

2.36 As required by section 2B(2)(a) of the 2003 Act, we also need to have regard to the UK Government's Statement of Strategic Priorities (SSP) for telecommunications, management of radio spectrum and postal services.[34] The SSP sets out that the Government's strategic priorities for current and future telecoms consumers include to:

- Tackle harmful industry practices and improve the support available to vulnerable consumers.
- Address the difficulties that consumers experience in navigating the communications market by giving them the right data, information and support to boost their engagement.
- Remove barriers that consumers face to switching products and services, and ensure that all consumers get better outcomes, even if they are not actively searching for the best deal all of the time.
- Improve the overall quality of service for telecoms consumers.

2.37 The SSP also states that Ofcom should take all opportunities to improve the consumer experience in the telecoms sector, particularly for vulnerable consumers, including those with disabilities.

Powers and duties in relation to GCs

2.38 Section 45 of the 2003 Act says that we may set GCs which contain provisions authorised or required by one or more of sections 51, 52, 57, 58 or 64. Under section 51(1)(a), we may set GCs making such provisions as we consider appropriate for the purpose of protecting the interests of end-users of public electronic communications services.

2.39 Section 51(2) of the 2003 Act sets out a non-exhaustive list of the specific types of GCs that we may set in pursuance of this purpose. This includes:

- Section 51(2)(a) which gives Ofcom the power to set conditions relating to the supply, provision or making available of goods, services or facilities in association with the provision of public electronic communications services.
- Section 51(2)(ba) which gives Ofcom the power to set conditions that relate to any of the elements of a bundled contract.
- Section 51(2)(d), which gives Ofcom the power to set conditions which require the provision, free of charge, of specified information, or information of a specified kind, to end-users.

2.40 Section 47(2) of the 2003 Act governs the circumstances in which we can set or modify a General Condition. It states that a condition can be modified where it is objectively

[34] Department for Digital, Culture, Media & Sport, Statement of Strategic Priorities for telecommunications, the management of radio spectrum, and postal services, 2019.

justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates, not such as to discriminate unduly against particular persons or against a particular description of persons, proportionate to what the condition or modification is intended to achieve, and transparent in relation to what it is intended to achieve.

Impact assessment

2.41 Impact assessments provide a valuable way of assessing different options for regulation and showing why the preferred option was chosen. They form part of best practice policymaking. This is reflected in section 7 of the 2003 Act, which means that generally we must carry out impact assessments where our proposals would be likely to have a significant effect on businesses or the public, or when there is a major change in our activities. However, as a matter of policy, we are committed to carrying out and publishing impact assessments in relation to most of our policy decisions.

2.42 Pursuant to section 7(4), an impact assessment must set out how, in our opinion, the performance of our general duties (within the meaning of section 3 of the 2003 Act) is secured or furthered by or in relation to what we propose. In assessing the impact of our proposals, we have taken account of the approach set out in Ofcom's Impact Assessment Guidance.[35]

2.43 Section 4 sets out our assessment of different regulatory options to protect the interests of consumers. We set out:

- Why we consider doing nothing and relying on existing rules and guidance would not meet our objectives (paragraphs 4.9-4.20).
- Our analysis of how far other alternative remedies would meet our objectives (paragraphs 4.21-4.34).
- Why we consider that our proposed intervention would be an effective way to meet our objectives (paragraphs 4.45-4.65).

2.44 We then consider the proportionality of our proposals (paragraphs 4.66-4.82). In particular, we set out our reasons as to why we consider our proposed intervention to be appropriate and proportionate to meet our objectives.

Equality Act impact assessment

2.45 Section 149 of the Equality Act 2010 (the 2010 Act) imposes a duty on Ofcom, when carrying out its functions, to have due regard to the need to eliminate discrimination, harassment, victimisation and other prohibited conduct related to the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation.

2.46 The 2010 Act also requires Ofcom to have due regard to the need to advance equality of opportunity and foster good relations between persons who share specified protected characteristics and persons who do not.

2.47 Section 75 of the Northern Ireland Act 1998 (the 1998 Act) also imposes a duty on Ofcom, when carrying out its functions relating to Northern Ireland, to have due regard to the need

[35] Ofcom, Statement: Impact Assessment Guidance, 2023.

to promote equality of opportunity and have regard to the desirability of promoting good relations across a range of categories outlined in the 1998 Act. Ofcom's Revised Northern Ireland Equality Scheme explains how we comply with our statutory duties under the 1998 Act.[36]

2.48 To help us comply with our duties under the 2010 Act and the 1998 Act, we assess the impact of our proposed intervention on persons sharing protected characteristics and in particular whether they may discriminate against such persons or impact on equality of opportunity or good relations.

2.49 Section 3(4) of the 2003 Act also requires us to have regard to the needs and interests of specific groups of persons when performing our duties, as appears to us to be relevant in the circumstances. These include:

- The vulnerability of children and of others whose circumstances appear to us to put them in need of special protection.
- The needs of persons with disabilities, older persons and persons on low incomes.
- The different interests of persons in the different parts of the UK, of the different ethnic communities within the UK and of persons living in rural and in urban areas.

2.50 We have not identified any adverse impacts from our proposed intervention on specific groups of persons that are likely to be affected in a different way to the general population.

2.51 We also consider that our proposed intervention is likely to have a positive impact on consumers with a disability, in particular. Our consumer research found that disabled people are disproportionately more likely to find inflation-linked price variation terms more difficult to understand than non-disabled people. We consider that our proposed remedies would address this impact, as the removal of the inflation-linked and fixed percentage price variation terms will make any future price rises easier to understand.

2.52 In addition, we consider that our proposed intervention is likely to have a positive impact on financially vulnerable consumers and those with lower levels of numeracy, in particular. Research shows that awareness of CPI and RPI is lowest among the most financially vulnerable and that those with lower levels of numeracy struggled more than other consumers to understand inflation-linked price variation terms.

2.53 In light of the above, we are satisfied that we have complied with the public sector equality duty in the 2010 Act, and the 1998 Act, in making the proposals set out in this consultation.

Welsh language impact assessment

2.54 The Welsh Language (Wales) Measure 2011 established a legal framework to impose duties on certain organisations to comply with 'Standards' in relation to the Welsh language. In January 2017, the Welsh Language Commissioner issued a compliance notice to Ofcom. This lists 141 Standards which Ofcom must meet when carrying out its work to ensure that it treats Welsh no less favourably than English.

2.55 Where the Welsh Language Standards are engaged, we consider the potential impact of a policy proposal on: (i) opportunities for persons to use the Welsh language; and (ii) treating the Welsh language no less favourably than the English language. We also consider how a

[36] Ofcom, Revised Northern Ireland Equality Scheme for Ofcom, 2019.

proposal could be formulated so as to have, or increase, a positive impact, or not to have adverse effects or to decrease any adverse effects.

2.56 We have considered these matters. We are not aware of evidence suggesting that there is a particular lack of consumer understanding of inflation-linked price variation terms related to the Welsh language. Further, our proposals are focussed principally on the provision of numerical pricing information. Our proposals do not focus on the overall presentation of contractual documents. Therefore, we do not think that our proposals will have positive or negative effects on opportunities to use Welsh, or could be formulated so as to have, or increase, a positive effect, or not to have adverse effects or to decrease any adverse effects.

2.57 However, we note that our proposed changes to the GCs regarding the provision of pricing information to consumers would mean that providers would need to comply with those amended GCs in the Welsh language versions of their contractual documents if Welsh language versions are provided already.

Consultation questions: section 2

Question 1: Do you agree with the conclusion in our Equality Act impact assessment?

Question 2: Do you agree with our assessment of the potential impact of our proposal on the Welsh language? Do you think our proposal could be formulated or revised to ensure, or increase, positive effects, or reduce / eliminate any negative effects, on opportunities to use the Welsh language and treating the Welsh language no less favourably than English?

Please also see Question 4 with respect to our impact assessment.

3. Consumer harm from inflation-linked price variation terms

Introduction

3.1 This section sets out our assessment of consumer harm from inflation-linked price variation terms. In the first part of this section, we analyse the evidence on how consumers engage with inflation-linked price variation terms (paragraphs 3.10-3.41). In the second part, we draw on this and other evidence to assess how inflation-linked price variation terms can lead to consumer harm (paragraphs 3.42-3.78).

3.2 As explained in section 2, our objectives are to:

- Enable consumers to understand the price of a service readily, with sufficient clarity and certainty to make informed comparisons and choices and find the right deal for their needs.
- Drive providers to compete based on pricing structures that are clear and transparent.
- Protect consumers from unfair burdens and risks (for example from contract terms that impose unfair financial risks on consumers).

3.3 We are concerned that inflation-linked price variation terms may limit consumer engagement in ways that harm consumers and undermine these objectives.

3.4 For consumers to estimate the price they will pay for most mobile or broadband services reliably, they must be confident in engaging with inflation-linked variation terms. This requires consumers to: be aware of these terms; understand what various inflation rates (i.e. CPI and RPI) mean; know how to predict inflation rates (or at least find information about inflation forecasts); be able to calculate the price rises accurately by adding a fixed percentage on top of an uncertain future inflation rate over the relevant periods; and compare these across deals.

3.5 These are very complex steps for consumers to take. As explained in detail in this section, our analysis shows that, in practice, most people struggle with more basic steps: consumers have low awareness and understanding of inflation-linked price variation terms. In addition, consumers find it difficult to engage with inflation-linked price variation terms, e.g. to estimate how these terms affect what they will pay over the lifetime of their contract. These steps are particularly challenging for people with certain vulnerabilities. Moreover, inflation has become more unpredictable in recent years, which has made prices less certain and further undermines consumers' ability to engage with inflation-linked price variation terms.

3.6 We have gathered a wide range of evidence to assess how consumers engage with, and can be affected by, inflation-linked price variation terms. It includes:

- Two quantitative consumer surveys of pay-monthly mobile and broadband customers,[37] one conducted in January 2023 and the other in October 2023.[38]
- Qualitative consumer research, conducted in July and August 2023.[39]
- Providers' responses to our statutory information request dated 20 June 2023, which include information on how they present pricing to consumers, consumer research and internal documents.
- Complaints to Ofcom.[40]

3.7 We have also considered research by consumer advocacy organisations such as Which? and Citizens Advice on the consumer experience and understanding of inflation-linked variation terms.[41] We also bring in insights from behavioural economics to explain why we may not expect consumers to engage effectively.

3.8 Drawing on the evidence of how consumers engage with inflation-linked price variation terms, we then assess how these terms can cause consumer harm. As detailed in the second part of the section (paragraphs 3.42-3.76), it is our provisional view that inflation-linked price variation terms can cause consumer harm in three main ways:

- They increase cognitive burden and search costs and can lead to consumers not finding the best deal for their needs.
- They limit consumer engagement, which can in turn reduce the effectiveness of competition.
- They impose unfair financial risks on consumers, which has a particular impact on people with certain vulnerabilities (e.g. lower income households).

3.9 We conclude this section by considering the scale of consumer harm (paragraphs 3.77-3.78). In our view, the consumer harm is substantial. As of April 2023, four in ten broadband customers and over half of mobile customers were on contracts subject to inflation-linked price variation terms. We estimate that these proportions may grow further, to around six in ten of both broadband and mobile customers, as Three and Virgin Media apply inflation-linked in-contract price rise terms to more of their customers' contracts during 2023/24. Moreover, the degree of consumer awareness and understanding of these terms is very low. Taking these together, we consider that a large proportion of UK consumers are unable to choose mobile and broadband services based on clear and certain price information.

[37] Pay-as-you-go customers are not subject to inflation-linked price variation terms and therefore our research sample included only those who were on a pay-monthly plan (either in or out of contract, fixed term or rolling). Where we report results from our surveys in relation to mobile customers in this consultation, they refer to pay-monthly mobile customers.

[38] See Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Mobile), 2023 and Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Broadband), 2023. Online omnibus research (phase 1), among 4213 UK Adults aged 16+. Fieldwork conducted 6-11 January 2023. Online omnibus research (phase 2), among 4232 UK Adults aged 16+. Fieldwork conducted 18-23 October 2023.

[39] See Ofcom, Inflation-linked price rises: qualitative research report, 2023. We commissioned Community Research to conduct qualitative research with 54 participants, involving an online forum pre-task, online focus groups and individual in-depth interviews (with those in vulnerable situations) across the UK between July and August 2023. The sample represented a broad range of demographics with minimum quotas set on age, gender, socio-economic group and location.

[40] We analysed the number of consumer complaints to Ofcom from January 2021 to mid-October 2023 related to mobile and broadband price rises.

[41] See Citizens Advice, Dialling up prices: Why mobile and broadband consumers need better protections from unfair pricing practices, 2023; Which?, Customer knowledge and understanding of mid-contract price rises, 2023, and Which?, The benefit of certainty, 2023.

Our analysis shows that consumers struggle to engage with inflation-linked price variation terms

3.10 For consumers to work out the price they will pay for a mobile or broadband service reliably, they must be confident in engaging with inflation-linked price variation terms. This includes taking all the following steps when choosing a service:

- Being aware that price will increase during their contract period.
- Understanding that price will increase by a rate of inflation plus a fixed percentage (e.g. 3.9%).
- Understanding over which period(s) the price rise(s) will apply (e.g. from March or April each year).
- Understanding which inflation measure (i.e. RPI or CPI) and which month of that rate will be used for the price rise.
- Predicting the relevant inflation rate in future, or at least knowing where to find information about inflation forecasts.
- Calculating the size of the price rise accurately by adding a fixed percentage on top of an uncertain future inflation rate and applying these to the relevant periods.
- Repeating the calculations above if they are on longer contracts with a second annual price rise.
- Repeating the calculations above if they wish to compare deals that may use inflation-linked price variation terms with different inflation rates or different price rise periods.

3.11 These are very complex steps for consumers to take. As shown in our analyses of the evidence (notably from our consumer research), consumers cannot be expected to take these steps confidently. In particular:

- Consumers have low awareness of inflation-linked price variation terms (paragraphs 3.14-3.16).
- Consumers have limited understanding of measures of inflation (paragraphs 3.17-3.18).
- Consumers find inflation-linked price variation terms complex and difficult to engage with (paragraphs 3.19-3.22).
- Consumers with certain vulnerabilities experience particular difficulties in engaging with inflation-linked price variation terms (paragraphs 3.23-3.27).
- Inflation-linked price variation terms create price uncertainty that further limits consumer engagement (paragraphs 3.28-3.30).

3.12 In addition, we have assessed how providers present inflation-linked price variation terms to consumers. Our analysis shows that inflation-linked price variation terms are explained to consumers only in later stages of the sales journey and, even if providers follow our existing rules and guidance, they do not give consumers sufficient price clarity and certainty (paragraphs 3.31-3.41).

3.13 The evidence on consumer engagement with inflation-linked variation terms in turn informs our assessment of consumer harm, which we discuss in the second part of this section (paragraphs 3.42-3.76).

Awareness of inflation-linked price variation terms among consumers is low

3.14 Our consumer research shows that there is limited awareness of inflation-linked price variation terms. In our October 2023 survey, of those customers who were in-contract and were with providers that use inflation-linked price variation terms, four in ten (42%) mobile customers and around half (49%) of broadband customers were unaware that their provider could increase their monthly payment.[42] In addition, among those customers who were aware that their prices could increase, most were unable to identify correctly how their provider would increase their price (67% of broadband customers, 78% of mobile customers).[43] Overall, very few customers who contracted with providers that use inflation-linked price variation terms were both aware of price rises and able to identify how their provider would increase prices (i.e. that the price rise was inflation-linked with an additional fixed percentage) (16% of broadband customers, 12% of mobile customers).[44]

3.15 Our qualitative consumer research also shows that awareness of inflation-linked price variation terms among consumers is low.[45] Specifically, research participants tended to focus on headline prices and overlook inflation-linked price variation terms when making decisions.[46] Even when participants spent significant amounts of time comparing offers, engagement with inflation-linked price variation terms was low. Notably, none of the participants reported having seen worked examples in their contractual documents that explained the calculation of inflation-linked price variation terms.[47]

3.16 Further, research carried out by other organisations is consistent with our findings about low awareness of inflation-linked price variation terms. For example, Which? found that 92% of people who did not think their monthly price could increase during their contract term were in fact with a broadband provider that could increase their monthly in-contract payment.[48] A broadband provider carried a survey of UK households and found that around three-quarters said they were unaware of the details of the price increase they were facing in April 2023.[49]

Consumers have limited understanding of measures of inflation

3.17 Our quantitative research indicates that consumers have very limited understanding of inflation and different measures of inflation used by providers. In our October 2023 survey, 55% of broadband customers and 58% of mobile customers were unable to identify that CPI

[42] See slide 7 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Mobile) and slide 9 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Broadband).
[43] See slide 15 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Mobile) and slide 17 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Broadband).
[44] See slide 15 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Mobile) and slide 17 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Broadband).
[45] See section 4.1, Ofcom, Inflation-linked price rises: qualitative research report.
[46] Headline price refers to the price of a service available to new or re-contracting customer during an initial period before any in-contract price rises apply.
[47] Although some participants will have entered into contracts before Ofcom rules required providers to give customers a contract summary (from June 2022).
[48] Which?, The benefit of certainty.
[49] Hyperoptic, Instant regret – shock mid-contract price hikes make two thirds of recent broadband buyers wish they'd chosen a different provider, 2023.

and RPI measure inflation.[50] These proportions were largely the same in our January 2023 survey,[51] which suggests that consumers' understanding of inflation has not improved over time despite widespread media coverage of inflation and the cost-of-living crisis during 2023. Furthermore, our January 2023 survey shows that even among those people who were aware that the CPI and RPI measure rates of inflation, a large majority did not understand the difference between CPI and RPI (79% of mobile customers, 75% of broadband customers).[52] In practice, as shown in Figure 2, above, RPI is higher than CPI; not understanding their difference means consumers would not be able to compare prices across providers that use these measures to calculate price rises.

3.18 Several providers and consumer organisations have also conducted research that found that consumers have a low degree of understanding of inflation. For example, Which? found that about half of the participants of its research did not know or could not identify the correct description of CPI or RPI.[53] Citizens Advice found that one in three people on contracts with price rises linked to CPI said they have never even heard of CPI, and 84% of people did not know that CPI was lower than RPI, so would not be able to compare contracts that use different measures of inflation accurately.[54] In addition, two major providers' own research shows a similarly low level of understanding of inflation among consumers.[55]

Consumers find inflation-linked price variation terms complex and difficult to engage with

3.19 Our qualitative research shows that, even among participants who are aware of inflation-linked price variation terms, many struggle to work out what these mean for the price they will pay. In a hypothetical exercise, we asked participants to calculate what the monthly price would be after applying an inflation-linked price variation term.[56] Of the 54 participants in this research, around two-thirds could not do this calculation correctly, despite being given all relevant information to do so.

3.20 Our research suggests that low numeracy and overconfidence may be among the reasons why consumers could not calculate price rises accurately.[57] In the above hypothetical exercise, a quarter of participants thought the calculation was difficult, and a third gave the price with only the CPI increase, not noticing the additional 3.9%. Four participants claimed

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[50] See slide 10 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Mobile) and slide 11 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Broadband).
[51] There is no statistically significant change in the proportion of customers who were unable to identify that CPI and RPI measure inflation in October 2023 compared to January 2023 (mobile: 61% in January, 58% in October; broadband 58% in January, 55% in October).
[52] See slide 12 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Mobile) and slide 13 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Broadband).
[53] See section 4.2, Which?, The benefit of certainty.
[54] See section 2, p. 12, Citizens Advice, Dialling up prices.
[55] [✂] provided research documents which found that 67% of respondents had little understanding of RPI: [✂] provided in [✂] response to our statutory information request. [✂] provided consumer research where it found that 66% of respondents said they were familiar with the concept of CPI; however, only half of the respondents (52%) could accurately identify the CPI rate: [✂] provided in [✂] response to our statutory information request.
[56] See section 4.2, Ofcom, Inflation-linked price rises: qualitative research report. Participants were asked to imagine they had a monthly contract for £40, with inflation-linked price variation terms, and asked to work out what the monthly cost would be when the price rise was applied in April 2024. They were told that the CPI in January 2024 would be 8.5%.
[57] See section 4.2, Ofcom, Inflation-linked price rises: qualitative research report.

that the calculation was easy but gave an incorrect answer, which showed that they had overestimated their ability to calculate price rises.

3.21 In addition, our qualitative research highlights that shopping around for a deal is a time-consuming and confusing process for consumers and inflation-linked price variation terms further complicate it. In a simulated exercise where we asked participants to find a deal, participants typically spent considerable time reviewing options from different providers and price comparison websites.[58] Despite their effort, many participants found inflation-linked price variation terms confusing and poorly communicated, the terminology difficult to understand and that inconsistencies across providers made it hard for them to shop around.[59]

3.22 The difficulties consumers face when engaging with inflation-linked price variation terms is also evident from other research. For example, Which? found that only one in twenty consumers were capable of estimating the impact of inflation-linked price variation terms on their monthly price.[60] Similarly, a provider's internal research suggests that the majority of customers did not know prices would increase by more than the rate of inflation.[61] More generally, Ofcom's switching tracker shows that 2 in 10 customers (18%) are not confident in comparing costs of the various deals available in the market.[62] These can in part be explained by low numeracy skills: for example, UK Government research in 2011 found that approximately half of the UK's working age population had a numeracy skill level below that where they would be expected to be capable of calculating simple percentages.[63]

Consumers with certain vulnerabilities experience particular difficulties in engaging with inflation-linked price variation terms

3.23 Having considered how consumers engage with inflation-linked price variation terms in general, we now assess the evidence specific to vulnerable consumers.[64]

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[58] See section 3.2, Ofcom, Inflation-linked price rises: qualitative research report. Participants completed a pre-task simulating the mobile / broadband contract research and decision-making process and a price increase calculation exercise. Participants were asked to limit their research to a maximum of 20 minutes. As noted in the qualitative research report, some participants would easily have been able to carry on researching far beyond this timeframe.

[59] See sections 3.2 and 4.3, Ofcom, Inflation-linked price rises: qualitative research report.

[60] Which? research took respondents through a series of steps exploring awareness of what CPI and RPI are, estimation of future CPI and calculating the likely price after an inflation-linked price rise. Considering all steps implies that only 5% of respondents were able to estimate the impact of inflation-linked price variation terms. Which?, Customer knowledge and understanding of mid-contract price rises.

[61] [✁] provided consumer research which found that only two in ten [✁] customers (19%) knew that their bill may increase each year by more than the rate of inflation: [✁] provided in [✁] response to our statutory information request.

[62] Ofcom, Ofcom Core Switching Tracker Study 2023, October 2023.

[63] See Figure 1.2 of Department for Business Innovation & Skills, The 2011 Skills for Life Survey: A Survey of Literacy, Numeracy and ICT Levels in England, 2012, which shows that 49% of UK adults aged 16-65 had a numeracy level at or below Entry Level 3. An adult with a numeracy skill level at or below Entry Level 3 is not expected to understand how to calculate simple percentages. For the definitions of the adult numeracy skill levels, see National Numeracy, What do adult numeracy 'levels' mean?, 2023.

[64] Vulnerable consumers include those with physical or mental health problems, specific characteristics such as age or literacy skills, or changes in personal circumstances such as bereavement, job loss or changes in household income.

3.24 Our quantitative research shows that customers with certain vulnerabilities tend to have lower awareness and understanding of inflation-linked price variation terms than an average customer. In particular:

- Awareness of CPI and RPI is lower among the most financially vulnerable and those with a mental health condition.[65]
- Our January 2023 survey suggests that respondents with a disability are more likely to lack confidence in knowing where to look for information on inflation rates.[66]
- Our January 2023 survey suggests that broadband respondents who reported having a mental health condition are significantly more likely than other respondents to be unaware of whether their provider applies price rises during the contract period. However, our October 2023 survey does not show such differences.[67]

3.25 Furthermore, our qualitative research shows that participants with financial vulnerability or a lower degree of literacy or numeracy struggled more than others with understanding inflation-linked price rises. Of the seven participants with these characteristics in our hypothetical price rise exercise, five reported that the calculation was difficult or very difficult for them.[68]

3.26 Similarly, research conducted by Which? found that disabled people, people with lower levels of educational attainment or people on lower incomes are all less likely to be aware of what CPI and RPI are a measure of, to be able to forecast future rates of inflation, or to be able to calculate a price increase.[69] In line with this, research by Citizens Advice found that disabled people are significantly less likely to feel confident comparing deals on a price comparison website than people who are not disabled.[70]

3.27 Overall, the evidence above shows that consumers with certain vulnerabilities, including mental health conditions, disability, financial vulnerability or low numeracy, may experience particular difficulties in engaging with inflation-linked price variation terms.

Inflation-linked price variation terms create price uncertainty that further limits consumer engagement

3.28 Inflation-linked price variation terms create price uncertainty and this may affect consumer engagement. The rate of future inflation is unknown when a consumer chooses a deal. This means that even for consumers with good awareness and understanding of inflation-linked price variation terms, and with good numeracy skills to calculate price rises, most still cannot know reliably how much they will pay for a deal with these terms.[71] For the same reason,

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[65] See slide 11 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Mobile) and slide 12 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Broadband).

[66] See Table 71, question 19 of Ofcom, Inflation-linked price rises: quantitative survey data tables (Mobile) – January 2023 and table 71, question 19 of Ofcom, Inflation-linked price rises: quantitative survey data tables (Broadband) – January 2023.

[67] See Table 35, question 10 of Ofcom, Inflation-linked price rises: quantitative survey data tables (Broadband) – January 2023.

[68] See section 4.2, Ofcom, Inflation-linked price rises: qualitative research report. Our qualitative research included in-depth interviews with participants who were financially vulnerable, or with lower literacy or numeracy skills.

[69] See Table 1 of Which?, Customer knowledge and understanding of mid-contract price rises.

[70] Citizens Advice, Dialling up prices.

[71] Except where a customer signs up to a deal after the publication of the inflation rate used for the next price rise but before the price rise is applied in March or April.

they would not be able to compare a deal with inflation-linked price variation terms with other deals without these terms.

3.29 In addition, as set out in paragraph 3.10, to even estimate what they will pay for deals subject to these terms reliably, consumers would need to be able to predict future inflation, or at least know where to find information about inflation forecasts, and to calculate how inflation will affect the price of the deal over time. In practice, however, this is too complex for most consumers.

3.30 Inflation has become more unpredictable over the past two years, as outlined in section 2. Volatility of inflation exacerbates price uncertainty faced by consumers and further limits their ability to understand and compare prices.[72]

Providers' explanations of inflation-linked price variation terms do not give consumers sufficient price clarity and certainty

3.31 We have considered how providers present and explain details about inflation-linked price variation terms to consumers and to what extent providers' approaches affect consumers' ability to engage with these terms.

3.32 As noted in paragraph 2.18, if providers wish to apply inflation-linked price variation terms, providers must ensure that those terms are sufficiently prominent and transparent before the customer becomes bound by the contract.[73] The provider must also ensure that the customer is fully informed about the different amounts that they would have to pay at different times. Our rules require this to be included in the Contract Information.[74] Pursuant to our guidance, we also expect providers to include a worked example to explain how an inflation-linked price variation term is likely to affect the price that customers pay.[75]

3.33 We asked providers, through our statutory information request, to describe typical sales journeys through the main sales channels: phone, online and face-to-face. We also asked them to explain at what stage(s) and how they inform customers of inflation-linked price variation terms.[76] In addition, we considered complaints from consumers to Ofcom in relation to how providers' sales agents communicate inflation-linked price variation terms. Our analysis shows that, across all sales channels, inflation-linked price variation terms are shown less prominently than headline prices and details are explained only later in the sales journey.

3.34 For online customers, providers tend to show inflation-linked price variation terms initially in a footnote at the bottom of a web page. Some providers display an asterisk next to the headline price to reference this footnote. It is only later in the sign-up process that the

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[72] For example, if inflation rates are low and stable, then understanding the difference between CPI and RPI may be less important relative to the situation when inflation is higher and volatile.

[73] If inflation-linked price variation terms are not sufficiently prominent and transparent, then providers must give customers one month's notice and the right to terminate penalty-free. See Conditions C1.14-C1.15 of Ofcom, General Conditions of Entitlement, 2023 and paragraph 1.100, Ofcom, Ofcom's guidance under General Condition C1 - contract requirements (June 2022).

[74] See Annex to Condition C1, paragraph 3, Ofcom, General Conditions of Entitlement, 2023.

[75] See paragraph 1.21 – 1.24, Ofcom, Ofcom's guidance under General Condition C1 – contract requirements (June 2022).

[76] We asked providers to submit screen shots, call scripts, or any other relevant visual evidence or documentation, which shows how they informed customers of price variation terms. This was provided in providers' responses to questions 15 to 22 of our statutory information request.

provider makes information about the inflation-linked price variation terms more prominent. Moreover, while many providers use a dedicated web page to set out details about inflation-linked price variation terms (including in some cases additional tools such as a price calculator), these resources are typically signposted to customers in a footnoted text and customers need to click through an external link to access them.

3.35 For customers signing up by phone or in-person, which account for a significant proportion of customers,[77] some providers' sales agents explained inflation-linked price variation terms verbally for the first time after the customer has chosen their package:[78]

- For example, based on a sales script we have reviewed, a major broadband provider instructed its sales agents to inform customers of the headline price, and a time-limited discount applied to that headline price, but to only inform them of the inflation-linked price variation term sometime later in the conversation (after discussing additional costs that the customer could incur, additional features, equipment features and speed).[79]
- Furthermore, even if additional tools were available from some providers (e.g. an online sales calculator), the standard call script for sales agents did not always make customers aware of this.

3.36 We have also received a number of complaints from consumers who alleged that sales agents did not notify them of inflation-linked price variation terms at all during sales calls.

3.37 Across all their sales channels, providers must give customers the Contract Information, containing a worked example, and Contract Summary before they agree to the contract. However, as our qualitative research shows, none of the participants reported having seen any worked example in their contractual documents (paragraph 3.15), and in any event consumers tend to have already made a choice at this stage of the process.[80]

3.38 This evidence suggests that, even if providers follow our rules and guidance in setting out the relevant explanations of inflation-linked price variation terms to consumers, they are not enough to ensure price clarity for consumers. Further, if sales agents do not prominently draw inflation-linked price variation terms to customers' attention verbally, customers signing up by phone or in-person may be less likely to be aware of them when they enter into a contract. In any event, as explained in paragraphs 3.28-3.30 above, the unpredictability of inflation means that price uncertainty remains, irrespective of how inflation-linked price variation terms are explained to consumers.

3.39 We have also considered whether digital comparison tools provide additional clarity to consumers about inflation-linked price variation terms.[81] Ofcom research has shown that nearly 3 in 10 customers make use of digital comparisons tools to aid their decision-

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[77] In Q1 2023, across mobile and broadband, we estimate that 72% of re-contracting customers and 59% of new customers signed up over the phone or face-to-face. Based on the percentage of each provider's customers signing by face-to-face or by phone (from providers' response to question 14 of our statutory information request), we estimated the average across all mobile and broadband providers weighted by the number of new customers for each provider (from providers' response to question 12 of our statutory information request).

[78] Although in accordance with our rules, before the customer expressed consent to enter the contract.

[79] [✂] in [✂] response to our statutory information request.

[80] See section 4.6, Ofcom, Inflation-linked price rises: qualitative research report.

[81] Digital comparison tools, such as price comparison websites, are tools that operate in many sectors of the economy to help customers compare services from different providers.

making.[82] Our analysis shows that most digital comparison tools included basic information in their comparisons such as contract headline price and contract length, but they do not note that the headline price would increase due to inflation-linked price variation terms.[83] Moreover, while digital comparison tools provide additional metrics such as total contract cost and / or average cost per month to facilitate price comparison, these metrics do not factor in inflation-linked price variation terms. This suggests that digital comparison tools do not provide additional clarity regarding how inflation-linked price variation terms will impact the price consumers pay throughout their contract period.

3.40 We recognise that guidance from the Committee of Advertising Practice (CAP) and Broadcast Committee of Advertising Practice (BCAP) is coming into effect in mid-December 2023, which will require providers to raise the prominence of inflation-linked price variation terms in adverts and marketing communications.[84] However, this guidance will not apply to verbal communication between providers and customers, and we still have concerns about consumers' ability to know with clarity and certainty the price they will pay where inflation-linked price variation terms are used. We discuss the CAP / BCAP guidance in more detail in paragraphs 4.16-4.19.

3.41 In summary, it appears that even if providers follow our rules and guidance to explain inflation-linked price variation terms to consumers, they do not give consumers sufficient clarity and certainty about what they will pay over the duration of the contract.

As consumers struggle to engage with inflation-linked price variation terms, this can lead to consumer harm

3.42 Effective consumer engagement plays a key role in ensuring good outcomes. Engaged consumers are more likely to make informed choices and to drive providers to compete effectively. However, our analysis above shows that consumers struggle to engage with inflation-linked price variation terms, which means these terms can adversely affect outcomes for consumers.

3.43 In the remainder of this section, we assess how inflation-linked price variation terms can lead to consumer harm. Drawing on the analysis on consumer engagement set out above and evidence of how inflation-linked price variation terms affect consumers from our consumer research and complaints to Ofcom, we discuss our provisional view on how consumer harm can arise. In particular, we consider how inflation-linked price variation terms:

- Increase cognitive burden and can lead to consumers not finding the best deal for their needs (paragraphs 3.45-3.53).
- Limit consumer engagement, which in turn can reduce the effectiveness of competition (paragraphs 3.54-3.59).
- Impose unfair financial risks on consumers (paragraphs 3.60-3.76).

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[82] Ofcom research in 2020 found that 28% of UK customers had used a price comparison tool for communications services. See slide 7 of Ofcom, Open Communications, 2020

[83] We assessed the websites for six digital comparison tools: GoCompare, Compare the Market, MoneySuperMarket, Uswitch, broadband.co.uk and MoneySavingExpert.

[84] For more information see CAP / BCAP, Guidance on the presentation of mid-contract price increases in telecoms ads, 2023.

3.44 We conclude the section by considering the scale of the consumer harm (paragraphs 3.77-3.78).

Inflation-linked price variation terms increase cognitive burden and can lead to consumers not finding the best deal for their needs

3.45 Price plays a central role in consumers' choice of broadband and mobile services. Participants in our qualitative research ranked price as the most important factor to their purchasing decision.[85] Similarly, previous Ofcom research found that price is an important choice attribute for consumers.[86]

3.46 Inflation-linked price variation terms are an important component of price. Depending on when consumers sign up and how long they are committed for, these terms can affect the monthly price they pay for much of the contract. The impact of inflation-linked price variation terms on the total cost of a deal has increased in the past two years in particular, given high inflation and the substantial level of annual price rises that have resulted. As set out in section 2, in spring 2023, most customers on contracts subject to inflation-linked price variation terms saw their bills increase by 14-17%.

3.47 Consumers would need to go through a series of steps to work out the actual price of a deal with inflation-linked price variation terms (paragraph 3.10). However, as our analysis above shows, most consumers have low awareness and understanding of inflation-linked price variation terms (paragraphs 3.14-3.18), and the uncertainty and complexity of these terms mean that most consumers struggle to engage with them effectively (paragraphs 3.19-3.22; 3.28-3.30). These mean that, in practice, consumers cannot reliably work out the actual price of a deal subject to inflation-linked price variation terms.

3.48 Inflation-linked price variation terms also make it hard for consumers to compare the prices of services from different providers. Although most major providers now apply these terms, different variants are used (e.g. linking price rises to CPI or RPI, which month's inflation rate is used, or applying price rises in either March or April - see Table 1), which complicate any comparison. As our quantitative research shows, most consumers do not understand the differences between inflation measures (paragraph 3.17) and, in our qualitative research, participants found information about inflation-linked price variation terms to be inconsistent across providers, which made it hard for them to shop around (paragraph 3.21). Therefore, price comparison among providers using different variants of inflation-linked price variation terms, as well as with providers using other price variation terms or fixed pricing, is a complex process for consumers.

3.49 In our view, by making it hard for consumers to work out actual prices reliably and compare deals between providers, inflation-linked variation terms can harm consumers in the following ways.

3.50 Inflation-linked price variation terms have a negative impact on consumers' ability to make an informed choice. For example, as many consumers are unaware of inflation-linked price

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[85] See section 3.3, Ofcom, Inflation-linked price rises: qualitative research report.

[86] When asked what made the respondent first think about switching, many picked price-related reasons, for example wanting to reduce the cost of their service or finding a better deal with another provider. See table 45, question 13 of Ofcom, Switching Experience Tracker, 2022.

variation terms (paragraphs 3.14-3.16), they will not factor in future price rises when they choose a deal. This can lead them to choose a more expensive deal than they would have, for example, by misperceiving a deal with a lower headline price (that will increase after the application of an inflation-linked price rise) as cheaper than, for example, a deal with a higher headline price that is fixed for the entire contract period. Moreover, consumers may misjudge when the best time is to take out a new deal because they fail to account for future price rises sufficiently. Inflation-linked price variation terms can therefore result in consumers not choosing the best value deal for their needs.

3.51 In addition, inflation-linked price variation terms increase the cognitive burden on consumers, even among those who are able to engage. We consider that the steps consumers would need to take to work out actual prices (paragraph 3.10), especially to forecast future inflation or to calculate price rises by adding a future inflation rate to a fixed percentage, are demanding for most consumers, if possible at all, given the uncertainty of future inflation. Higher cognitive burden also means higher search costs, as consumers need to spend more time and effort to attempt to understand inflation-linked price variation terms. As our qualitative research shows, many participants found inflation-linked price variation terms difficult to understand and only few were able to calculate price rises correctly. The complexity of inflation-linked price variation terms adds burden on consumers in an already time-consuming process of finding a deal (paragraphs 3.19-3.22).

3.52 Inflation-linked price variation terms can also impose particular cognitive burdens on consumers with certain vulnerabilities. For example, as our qualitative consumer research shows, consumers with financial vulnerability or a low degree of literary or numeracy tend to find inflation-linked price variation terms more difficult to understand and engage with than consumers on average (paragraph 3.25), and our quantitative research shows that awareness of CPI / RPI is lower among the most financially vulnerable and those with a mental health condition (paragraph 3.24). This means that some consumers with certain vulnerabilities are even less able to find the right deal for their needs.

3.53 Overall, behavioural economics insights support our view that inflation-linked price variation terms can adversely affect consumers.[87] As noted in our Fairness Framework,[88] behavioural biases can affect consumers' ability to choose the best deal and their participation in markets. In relation to inflation-linked price variation terms, several behavioural biases are relevant. For example, consumers are subject to 'salience bias' which means they may focus on headline price and overlook inflation-linked price variation terms when choosing a deal. They are also subject to 'inertia', meaning that they may be reluctant to shop around even if they become aware of inflation-linked price variation terms towards a later stage of a sales journey. Furthermore, because of 'present bias' consumers may not take enough account of inflation-linked price variation terms, as they will incur higher prices only in the future. More generally, due to 'cognitive load' consumers may avoid engaging with complex information about inflation-linked price variation terms. These behavioural biases can explain why consumers struggle to engage with inflation-linked-price variation terms and how they can result in consumers not finding the right deal for their needs.

[87] We set out relevant behavioural economics insights in further detail in our supporting document, Inflation-linked price rises: relevant behavioural economics concepts.

[88] See paragraphs 2.4 and 3.21-3.27, Ofcom, Making communications markets work well for customers.

Inflation-linked price variation terms limit consumer engagement, which in turn can reduce the effectiveness of competition

3.54 The fact that strong consumer engagement spurs competition is well established in economic literature[89] and previous Ofcom work.[90] In markets where consumers can easily compare prices and shop around for deals, consumers are more confident in switching between and negotiating with providers and providers have greater incentives to compete. That means clarity and certainty of prices can not only enable consumers to make more informed choices, but also make competition more effective.

3.55 We are concerned that inflation-linked price variation terms can undermine the competitive process. As set out in the first part of this section and further explained in paragraph 3.47, our analysis shows that inflation-linked price variation terms make it hard for consumers to work out actual prices reliably and to compare deals between providers. In our view, this reduces consumers' propensity to shop around and lowers their engagement with the market. For example, our qualitative research indicates that participants often assumed that all providers applied inflation-linked price variation terms and thought they had no alternative but to accept them rather than shop around for an alternative.[91] Less consumer engagement in turn makes the competitive process less effective.

3.56 In particular, we consider that inflation-linked price variation terms can reduce providers' incentives to compete by being clear and transparent about the actual price of a deal. Our analysis shows that consumers tend to focus on headline prices but overlook inflation-linked price variation terms and cannot work out actual prices (paragraphs 3.15 and 3.19). We consider that, in response to such consumer behaviour, providers may have a greater incentive to compete by lowering headline prices (as this is the most salient price component that consumers understand), rather than by lowering actual prices for the entire contract (which most consumers cannot work out). This can put providers that are clear and transparent about actual prices at a competitive disadvantage, for example because providers using fixed pricing for the entire contract duration may look more expensive at the headline price level.

3.57 This is consistent with some providers' rationale of adopting inflation-linked price variation terms. In internal documents, smaller providers have mentioned 'alignment with the market' as a reason for introducing inflation-linked price variation terms, even though some of them recognised other pricing structures would be clearer to consumers.[92] We also

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[89] For example, see Fletcher, A, Disclosure as a tool for enhancing consumer engagement and competition, 2021 and Bennett, M, Fingleton, J, Fletcher, A, Hurley, L & Ruck, D, What does behavioral economics mean for competition policy?, 2010.

[90] For example, see Ofcom, Quick, easy and reliable switching: Statement on changes to the General Conditions, 2022, which states that customers need to be able to switch telecoms providers easily so that they can take advantage of competition in communications markets, and effective switching is also important to support future competitive investment.

[91] See section 4.3, Ofcom, Inflation-linked price rises: qualitative research report.

[92] [✂] notes that its adoption of inflation-linked in-contact price variation terms is, in part, due to [✂]: [✂] provided in [✂] response to our statutory information request. In [✂] response to our statutory information request, the [✂] considers the pros and cons of different price variation rates. It notes that moving to a variable rate has the advantage of aligning to the market. In the [✂] provided in [✂] response to our statutory information request, it states that moving to an inflation-linked price variation term brings its policy in line with the market.

understand from some providers that offering fixed pricing can make it difficult to compete because consumers focus more on the headline price than the total contract price.[93]

3.58 We have considered whether there are mitigating factors suggesting that inflation-linked price variation terms could increase competition. We understand that a major provider expressed a view that inflation-linked price variation terms can drive a difference between pricing for new and existing customers, which may increase switching in the market.[94] However, we have not seen any evidence suggesting that switching has increased due to inflation-linked price variation terms; this is unsurprising given that consumers cannot immediately exit contracts with these terms without paying a penalty. In any case, we consider that switching is most effective when consumers can respond to clear and certain pricing signals; our concern is that inflation-linked price variation terms are opaque and uncertain and fail to provide such pricing signals to consumers.

3.59 For the reasons set out above, in summary, our provisional view is that the widespread adoption of inflation-linked price variation terms reduces price clarity and certainty and hence limits consumer engagement with the market. This in turn can make the competitive process less effective and reduce the availability of deals with pricing structures that are certain, transparent and understandable in the markets. Less effective competition can ultimately harm consumers.[95]

Inflation-linked price variation terms can impose unfair financial risks on consumers

3.60 We have set out our view previously that providers should generally bear the risk of cost increases during the lifetime of fixed-term contracts.[96] This is, in part, because providers are better placed to bear risks compared to consumers. We also stated that if price increases are seen to be delivered in a way that is unfair, such as resulting in unexpected price increases, they could diminish consumer engagement, undermine confidence in the market and weaken competition.[97]

3.61 This remains our view. This section explains our provisional view about the unfair burden inflation-linked price variation terms present to consumers by assessing the evidence on how price uncertainty has adversely affected consumers and how providers manage financial risks.

Price uncertainty can impose financial risks and harm consumers

3.62 A range of consumer research shows that consumers value price certainty. For example, most participants in our qualitative consumer research expressed a preference for price certainty.[98] Similarly, research conducted by Which? found that consumers were prepared

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[93] Meeting with [✂]. Also, as set out in footnote 92, [✂] noted a [✂].
[94] Meeting with [✂].
[95] Similarly, Citizens Advice and Which? both raised concerns about the impact on competition when providers use inflation-linked price variation terms. See section on 'Limited Choice and barriers to competition' in Which?, The Right to Connect: Ensuring the price you see is the price you pay, 2023. See also chapter 2, Citizens Advice, Dialling up prices.
[96] See paragraphs 6.120-6.143, Ofcom, Price rises in fixed term contracts, 2013.
[97] See paragraph 5.27, Ofcom, Ofcom's future approach to mobile markets and spectrum: Conclusions paper.
[98] See section 5.5, Ofcom, Inflation-linked price rises: qualitative research report.

to pay extra to avoid inflation-linked price rises.[99] The value of price certainty to consumers is also recognised in some providers' own consumer research.[100]

3.63 Despite their preference for certainty, consumers have been facing greater price uncertainty than before. This is due to the wide-spread adoption of inflation-linked price variation terms and the increased unpredictability of inflation, as noted in section 2 and further explained in paragraphs 3.28-3.30. In other words, the main options available in the broadband and mobile markets do not deliver the price certainty valued by consumers.

3.64 Price uncertainty can impose financial risks on consumers and have a direct adverse impact on them. For example, in January to October 2023, Ofcom has received over 800 consumer complaints related to price rises, almost double the volume of complaints received in January to October 2021. Complainants highlighted that uncertainty created by inflation-linked price variation terms can lead to unanticipated changes in their budgets. They expressed concerns such as that:

- They were struggling to budget for unknown future price rises which have exceeded their budgets (e.g. "It doesn't allow accurate budgeting and a bill can quickly become unaffordable for the remaining 24-month contract").
- It was unfair to sign up to a contract subject to an unavoidable and unpredictable price rise (e.g. "It is inherently unfair to get someone to sign up for an amount that at the time is unknowable").
- They regretted taking out a long contract subject to unpredictable price rises (e.g. "Had I known that the increase would be nearly 15%…I would not have taken out a 24-month contract").

3.65 Our consumer research also shows that inflation-linked price variation terms have had an adverse impact on some consumers. For example:

- In our October 2023 quantitative research, we asked consumers what effect the price rise in March/April 2023 had on them. Many customers who experienced a price rise said they were 'annoyed' by the price rise (36% mobile, 49% broadband) and some said they had to adjust their budget (9% mobile, 11% broadband).[101] A small minority said they had difficulty affording the increased price.[102] However, other customers who experienced a price rise said they did not notice it because they could either afford it (15% mobile, 12% broadband) or found it quite small (20% mobile, 11% broadband).

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[99] Which?, The benefit of certainty.

[100] [✂] consumer research suggests that consumers want to feel prepared and in control around cost-of-living increases and financial uncertainty and most believe monthly price should stay the same throughout the contract: [✂] in [✂] response to our statutory information request. [✂] consumer research also indicated that there is consumer appetite for fixed price plans as consumers appear willing to pay a little more to counteract future price rises: [✂] provided in [✂] response to our statutory information request. However, a [✂] survey suggests that consumers may not be willing to pay a substantial premium for certainty as only one in five preferred a fixed price contract with a much higher headline price than other options with inflation-linked price variation terms: [✂] provided in [✂] response to our statutory information request.

[101] See slide 18 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Mobile) and slide 19 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Broadband).

[102] Five per cent of mobile participants and seven per cent of broadband participants reported they had difficulty paying the increased amount. See slide 18 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Mobile) and slide 19 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Broadband).

- Our qualitative research also shows that participants felt annoyed or resigned to inflation-linked price rises. Moreover, some participants felt that those on low incomes or fixed budgets, for example pensioners or students, would be at particular risk of being negatively impacted by unexpected price rises.[103]

3.66 Similarly, research from other organisations shows that the financial burdens from inflation-linked price variation terms can adversely affect some consumers. Uswitch conducted a consumer survey indicating that more than a quarter of consumers said an increase of £5 to their mobile or broadband bill would cause them stress.[104] Citizens Advice also noted that a third of consumers said it is difficult for them to predict their financial situation, and Citizens Advice advisers identified telecoms price rises as an aggravating factor for their clients. To illustrate the impact of these terms on vulnerable consumers, Citizens Advice highlighted an example where a customer, who was on benefits and suffered from depression and anxiety, had her mobile service cut off after being unable to pay bills following a price rise. This reportedly made her money issues worse, as "they were unable to contact her for a commitment interview so she has been sanctioned and not been paid her award".[105]

3.67 In our view, the price uncertainty and financial risks that arise from inflation-linked price variation terms can have a material adverse impact on consumers. As explained in paragraph 2.10 above, in spring 2023 most customers on contracts subject to inflation-linked price rises saw their bills increase by 14-17%. For a family with a broadband connection and several mobile subscriptions, these increases could amount to hundreds of pounds a year. While broadband and mobile may account for a small proportion of total household budget for some, our view is that the financial burden from these price rises is nevertheless significant, considering that they are unanticipated or not well understood by many consumers.

3.68 It is not feasible to predict how inflation will evolve in future. While high inflation adds to our concerns, it is not the main driver of our concerns. As outlined in paragraph 3.2, two of our objectives are to enable consumers to have sufficient clarity and certainty and to ensure they do not face unfair burdens. In our view, as consumers struggle to understand and predict inflation, which will continue to be the case even if inflation were to fall in future, the financial risks from price uncertainty as a result of inflation-linked price variation terms will remain.

3.69 Finally, we consider that unanticipated price rises can be particularly harmful for low-income consumers. For example, Ofcom's Affordability Tracker showed that, in October 2023, 9% of households with a mobile phone service and 10% of households with fixed broadband were struggling to afford the service.[106] [107] Our consumer research also suggests that financially vulnerable consumers have lower understanding of measures of inflation and tend to struggle more than others with understanding inflation-linked price rises (paragraphs 3.24-3.25), which may make them less able to anticipate or understand inflation-linked price rises. Taking these together, inflation-linked price variation terms can add financial burdens

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[103] See section 4.5, Ofcom, Inflation-linked price rises: qualitative research report.

[104] Uswitch, Four in five consumers say mid-contract mobile and broadband price rises are unfair as millions face hikes next April, 2022.

[105] See pp. 16-17, Citizens Advice, Dialling up prices.

[106] Ofcom's Communications Affordability Tracker monitors consumers' attitudes and behaviours regarding the affordability of communications services and has been running since June 2020.

[107] While broadband and mobile social tariffs offering a lower-price service to those on qualifying benefits are available from many providers, most people who are eligible do not know about them and take up of these tariffs remains low as a proportion of eligible households, at 8.3%. Ofcom, Pricing Trends Report, 2023.

to households that already struggle to afford communications services and that may understand these price rises less well. Their impact is made worse as customers are contractually bound to incur these increased prices and cannot trade down to cheaper options.

Providers are better placed than consumers to manage financial risks from inflation

3.70 We have considered whether it is necessary for providers to use inflation-linked price variation terms to manage their costs and financial risks from inflation.

3.71 Our review of providers' internal documents shows that many of them engage in multi-year financial planning processes based on a range of inflation scenarios.[108] This suggests that providers anticipate changes in finances over longer periods, accounting for unpredictable inflation in their normal course of business.

3.72 In addition, providers can set various parameters to manage their revenues to mitigate financial risks. For example, they are free to determine prices, taking into consideration competitive constraints and their own costs. Should costs increase in an unexpected way, providers can adjust the services they offer and their price.

3.73 Providers are also free to design contract lengths and tariffs and choose which ones to promote to customers.[109] For example, if providers consider that there are excessive financial risks associated with providing longer contracts they could choose to promote shorter contracts.

3.74 A few providers told us that inflation-linked price rises are explained by increases in costs and dealing with uncertainty around their costs of supply.[110] However, the evidence from our review of providers' internal documents about their rationale for adopting inflation-linked price variation terms was mixed. Most providers put more emphasis on raising revenues rather than on covering costs as a rationale. Even where increasing cost was mentioned, we have seen only two providers identify cost components (wholesale product costs) that are linked to measures of inflation directly.[111] Overall, we have not seen clear evidence of a direct link between providers' costs and the inflation-linked price variation terms they have adopted.

3.75 In our view, providers have a wider range of tools at their disposal to manage financial risks and mitigate the impact of inflation, compared to consumers.

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[108] For example, [✂], [✂], [✂], and [✂] provided internal documents, in response to question 23 and 25 of our statutory information request, which showed multi-year financial planning or financial planning with multiple inflation scenarios considered: [✂], [✂], [✂] and [✂].

[109] This is subject to certain requirements: mobile service, landline and broadband contracts must be no longer than 24 months (C1.11) and they must offer contracts with a maximum duration 12 months (C1.13): See Conditions C1.11 and C1.13 of Ofcom, General Conditions of Entitlement, 2023.

[110] For example, in response to question 23 of our statutory information request [✂] response outlined the increase in cost over the past 2 years; [✂] response highlighted that it is experiencing increased costs; [✂] response outlined that consideration was given to the likely increases it would see it costs over time; and [✂] response explained that the price variation term was introduced to create a more accurate alignment between costs it was exposed to and what was passed on to customers.

[111] In response to question 25 of our statutory information request, [✂] and [✂] internal documents point to an increase in Openreach wholesale costs as one of the factors for their decision to implement inflation-linked price variation terms: [✂].

Inflation-linked price variation terms impose unfair financial risks on consumers

3.76 For the reasons explained above, inflation-linked price variation terms create price uncertainty and impose financial risks that can adversely impact consumers. By contrast, we consider providers are better placed to manage financial risks from inflation than consumers. Therefore, our provisional view is that inflation-linked price variation terms can lead to consumer harm by imposing unfair financial risks on consumers. Moreover, future inflation is, by its very nature, unpredictable, and even if inflation were to fall in future this would not address the lack of certainty consumers face. Therefore, our view is that inflation-linked price variation terms will continue to impose unfair financial risks on consumers.

The scale of consumer harm is substantial

3.77 Taking our analysis of the evidence in the round, we consider that the scale of consumer harm is substantial across the mobile and broadband markets.[112] This is because:

- Most major providers apply inflation-linked price variation terms (paragraph 2.9).
- As of April 2023, at least 11 million broadband customers and 36 million mobile customers, equivalent to around four in ten broadband customers and over half of mobile customers in the UK, were on contracts subject to these terms. We estimate that these proportions may grow further, to around six in ten of both broadband and mobile customers, as Three and Virgin Media apply inflation-linked in-contract price rise terms to more of their customers' contracts during 2023/24 (paragraph 2.10).
- The degree of consumer awareness and understanding of inflation-linked price variation terms is very low (paragraphs 3.14-3.18), which means the risk of consumers not anticipating or not understanding price rises is very high.
- The size of the inflation-linked price rises is substantial, which means that, as consumers do not anticipate or understand these large price rises and cannot work out actual prices reliably, the risk of them not choosing the right deal for their needs is high. In spring 2023, most customers on contracts subject to inflation-linked price rises saw their bills increase by 14-17% (paragraphs 2.10 and 3.67).
- Mobile and broadband are both considered to be essential services for consumers.
- Inflation-linked price variation terms have a particular impact on certain vulnerable consumers (paragraphs 3.23-3.27, 3.52 and 3.69).
- We expect the lack of clarity and certainty of inflation-linked price variation terms to remain, even if inflation were to return to low levels in future (paragraph 3.76).

3.78 It is therefore our provisional view that inflation-linked price variation terms will continue to lead to substantial consumer harm absent intervention.

[112] As noted in our Fairness Framework, in assessing concerns about fairness we consider the extent of harm by reference to whether the harm to each affected customer is significant, whether many customers are affected and whether the practice has persisted and is expected to persist for a long time. We also take into account who is being harmed (e.g. vulnerable customers) and how important the service is. See Figure 1, Ofcom, Making communications markets work well for customers, 2020.

Consultation questions: section 3

Question 3: Do you agree with our assessment of the consumer harm arising from inflation-linked price variation terms?

We invite evidence from respondents on the matters addressed in section 3.

4. Proposals to address consumer harm from inflation-linked price variation terms

Introduction

4.1 Our analysis in section 3 indicates that inflation-linked price variation terms may limit consumer engagement in ways that can cause harm (paragraphs 3.10-3.41). We identified three consumer harms that they cause:

- They increase cognitive burden and search costs and can lead to consumers not finding the best deal for their needs (paragraphs 3.45-3.53).
- They limit consumer engagement, which in turn can reduce the effectiveness of competition (paragraphs 3.54-3.59).
- They impose unfair financial risks on consumers (paragraphs 3.60-3.76).

4.2 As set out in section 2, reflecting our statutory duties, our objectives are to:

- Enable consumers to understand the price of a service readily, with sufficient clarity and certainty to make informed comparisons and choices and find the right deal for their needs.
- Drive providers to compete based on pricing structures that are clear and transparent.
- Protect consumers from unfair burdens and risks (for example from contract terms that impose unfair financial risks on consumers).

4.3 To meet our objectives, and in the light of the evidence of harms set out in section 3, we are proposing amendments to our GCs to introduce new requirements for providers. First, we are proposing amendments to our GCs to require providers to ensure that, before a customer is bound by a contract, the following information is drawn prominently to the customer's attention in a clear and comprehensible manner (including during sales call or other verbal sale such as an in-store sale):

- The Core Subscription Price.
- If the Core Subscription price is to change during the Commitment Period, that changed Core Subscription Price, in pounds and pence.
- The date from which any changed Core Subscription Price(s) take effect.

4.4 Second, we are proposing to require providers to set out in Contract Information and Contract Summary:

- If the Core Subscription price is to change during the Commitment Period, that changed Core Subscription Price, in pounds and pence.
- The date from which any changed Core Subscription Price(s) during the Commitment Period shall have effect.[113]

[113] Our GCs already require providers to set out the Core Subscription Price in the Contract Information. The Core Subscription Price is (in summary) the sum that the customer is bound to pay the provider at regular intervals for the services and / or facilities that the latter is bound to provide.

4.5 Further, we are proposing amendments to our existing guidance on Contract Information and Contract Summary to give providers clarity about our expectations of how they can comply with our proposed requirements.

4.6 This section sets out: why we consider it appropriate to introduce these measures; what the proposals are in more detail; why we believe our proposals are proportionate and satisfy other relevant legal tests; and how we intend to implement our proposals.

4.7 The section is set out as follows:

- We explain our view that relying on existing rules and guidance would not meet our objectives and that consumers are at risk of harm without further regulatory protections in paragraphs 4.9-4.20.
- We set out the options we have considered and explain why, in our view, alternatives to our proposed measures would not meet our policy objectives in paragraphs 4.21-4.34.
- We set out the measures we are proposing and how they will address the harm we have found in paragraphs 4.35-4.65.
- We set out why we consider our proposals to be a proportionate way to meet our objectives in paragraphs 4.66-4.82.
- We explain our proposed changes to GC C1 and guidance in paragraphs 4.87-4.105

4.8 Paragraphs 4.9-4.86 contribute to our impact assessment, as described in paragraphs 2.41-2.43 above, and for the purposes of consultation question 4.

Consumers are at risk of harm without further regulatory protections

4.9 We have considered whether we could continue to rely on further enforcement of our existing rules, or rely on additional protections which apply in this context, to meet our policy objectives and address the harms we have identified.

Our existing rules and guidance

4.10 As set out in paragraph 2.18, there are a number of GCs in place, and related guidance, which are intended to ensure that consumers receive sufficiently clear and transparent information in relation to pricing and any price rises.

4.11 However, in the light of the evidence and analysis we presented in section 3, we consider that measures intended to ensure that customers are informed about inflation-linked price variation terms, such as our GCs and our guidance on the provision of examples of how they are likely to affect the price the customer will have to pay, do not fully address our concerns about consumers getting the clarity and certainty they need about the price they will pay during the duration of their contract. This is because we have found that consumers have a low awareness of inflation-linked price variation terms, a limited understanding of inflation and find inflation-linked price variation terms complex and difficult to engage with, while more unpredictable inflation exacerbates our concerns. As set out above, our assessment is that these terms give rise to wider consumer harms.

4.12 Therefore, we do not consider that relying on existing rules would enable us to meet our policy objectives and address the harms we have identified.

General consumer law

4.13 We have also considered whether relying on general consumer law could achieve our objectives. In particular, we have had regard to the unfair terms provisions in the Consumer Rights Act 2015 and the relevant guidance produced by the Competition and Markets Authority (CMA). Under this regime a term is unfair if, contrary to the requirement of good faith, it causes a significant imbalance in the consumer's and trader's rights and obligations under the contract to the detriment of the consumer.[114] Inflation-linked price variation terms are not 'blacklisted' (i.e. automatically unfair) under this regime. Further, the Consumer Protection from Unfair Trading Regulations 2008 contain a general prohibition of unfair trading, prohibitions of misleading and aggressive trading practices and certain specific prohibitions on particular practices considered to be inherently unfair.

4.14 Ofcom is an enforcer of general consumer protection legislation in the sectors it regulates. However, we do not consider that enforcement under consumer law is likely to achieve our objectives. This is because:

- First, it is likely to be complex. Under these regimes, the question of whether a particular inflation-linked price variation term is lawful depends upon the facts and circumstances in a particular case.[115] Furthermore, this question can only be decided by a court and only on an *ex post* basis (i.e. after contravening conduct has occurred).[116]
- Second, it is unlikely to achieve our objectives in a timely manner. Bringing consumer enforcement proceedings in court is likely to take time. This is part of the reason that the Government has proposed legislation which, if passed, will establish a direct enforcement regime empowering the CMA to be able to find breaches of consumer law and impose penalties itself.[117]
- Third, even if Ofcom brought consumer law proceedings in respect of one or more inflation-linked price variation terms and was successful, this may clarify the types of terms that are *not* lawful but may nevertheless create uncertainty about what kinds of price increases *are* lawful.

4.15 We therefore consider that enforcement under consumer law is unlikely to achieve our objectives in a practical and timely manner.

CAP / BCAP guidance on the presentation of in-contract price increases in telecoms ads

4.16 The Committee of Advertising Practice (CAP) and Broadcast Committee of Advertising Practice (BCAP) have rules in place which apply to advertisements and marketing

[114] See section 62(4) of Consumer Rights Act, 2015.
[115] For example, in relation to the Consumer Rights Act 2015, a term which permits an increase linked to a published inflation index may be acceptable, provided the details are clear and adequately drawn to the consumer's attention before entering into the contract in a way which allows the consumer to foresee and evaluate the practical implications on them of the variation. See paragraph 5.23.5, CMA, Unfair contract terms guidance: Guidance on the unfair terms provisions in the Consumer Rights Act 2015, 2015.
[116] The Government has introduced the Digital Markets, Competition and Consumers Bill into Parliament. If passed, that Bill will empower the CMA to enforce consumer law directly without the need to bring court proceedings. However, that direct enforcement regime would not extend to Ofcom if passed.
[117] See Chapter 3, Department for Business, Energy & Industrial Strategy, Reforming competition and consumer policy: government response, 2022.

communications. Among other things, they prohibit misleading advertisements and marketing communications. In line with these rules, the CAP / BCAP have recently issued new guidance on the presentation of in-contract price rises in telecoms ads.[118] The aim of the guidance is to assist advertisers in ensuring that ads for telecoms services that include, or have the potential to include, in-contract price rises do not mislead consumers, including by omitting material information and by presenting qualifying information clearly and prominently.

4.17 The guidance, which will take effect from 15 December 2023, includes a set of principles intended to help compliance. The principles include that an ad is more likely to comply when:

- Advertisers do not state or imply that a price will apply for the full minimum term of the contract if that is not the case.
- Information indicating the presence or possibility of a price rise has equal prominence with the price claim.
- If known, information about the nature of the price rise is featured prominently within the main copy of the ad. For static-format ads, this means no lower than one 'step' below the information signalling the price increase.
- Descriptions of future price rises and terminology used are clear and simple to understand, e.g. writing out terms such as 'retail price index' in full the first time they are used followed by 'rate of inflation' to aid consumer understanding.

4.18 This new guidance may improve consumer awareness of inflation-linked price variation terms by requiring certain information about price rises to be presented more prominently in ads (including on online sales channels). However, a key driver of our concern is that consumers have limited understanding of inflation, struggle to calculate price rises based on estimates of inflation plus a fixed percentage to a headline price and face substantial uncertainty about price rises. Therefore, even with the CAP / BCAP's new guidance, we still have concerns about consumers' ability to know with clarity and certainty the price they will pay where inflation-linked price variation terms are used and make an informed choice.

4.19 In addition, the CAP / BCAP's guidance does not apply to all sales channels, such as telephone or in-store sales and sign-up processes.

Conclusion on relying on existing protections

4.20 Our provisional view is that the existing protections described above are not sufficient to meet our policy objectives or to address the consumer harms we have identified. This is because consumers will continue to lack clarity and certainty about the prices they will pay when contracts include inflation-linked price variation terms and because of the disadvantages of consumer law enforcement described above. Consequently, we provisionally consider that it is appropriate to introduce new regulatory protections.

[118] CAP / BCAP, Guidance on the presentation of mid-contract price increases in advertising for telecoms contracts, 2023.

We have considered a number of remedy options

4.21 We have considered several remedy options to meet our objectives and to address the harms we have identified. These are:

a) Requiring more point-of-sale information about the potential impact of inflation-linked price variation terms on the price customers will pay. For example, this remedy could require providers to give customers more extensive and detailed estimates at the point-of-sale of what the impact of inflation-linked price variation terms might be using inflation forecasts, as well as the most recent measures of inflation.
b) Prohibiting inflation-linked price variation terms that would apply in-contract price rises less than 12 months after the start of the contract period.
c) Requiring providers to offer additional products with a contract period of up to 12 months only. Our rules already require providers to offer contracts of no longer than 12 months; this remedy option could extend the requirement to a wide range of products (e.g. by requiring providers to offer a choice of services with a contract period of up to 12 months).
d) Requiring providers to offer additional products with a monthly price fixed at the same level for the duration of the contract.
e) Requiring providers to limit the contract period for their services to up to 12 months only.
f) Requiring providers to fix monthly price for their services at the same level for the duration of the contract (a 'fixed charges' requirement).
g) Requiring providers, when they provide for a change to the monthly price of their service during the contract term, to set that change out at the point-of-sale in pounds and pence ('a £/p requirement').

4.22 We sought consumers' views of potential remedy options as part of our qualitative consumer research. For the purpose of the research, we grouped the remedy options into four broad categories for discussion with participants.[119]

4.23 When considering what remedies might address the confusion and lack of clarity that participants had identified in relation to in-contract price rises, they valued options that would go some way towards meeting their need for certainty, consistency and transparency. In particular, participants were more favourable towards remedy options that would prohibit inflation-linked in-contract price rises (which included the £/p requirement and the fixed charges requirement) and remedy options that would give them more choice (which included a greater choice of 12-month contracts and requiring providers to offer fixed price tariffs across a range of its products / services).

Five of the remedies we considered do not meet our objectives

4.24 For the reasons set out below, our view is that five of these remedies (a-e, above) would not meet our objectives.

[119] See section 5, Ofcom, Inflation-linked price rises: qualitative research report. As part of this research, we sought consumers' views of a remedy that would give customers the right to exit a contract without penalty in the event that providers applied inflation-linked price rises that were specified within the contract. However, research participants expressed a number of concerns about this remedy and we have not explored it further in this consultation.

4.25 **Option (a), requiring more point-of-sale information about the potential impact of inflation-linked price variation terms on the price customers will pay**, could make the potential effects of these terms more transparent to some consumers. However, as set out in section 3, many consumers lack understanding of inflation indices. Assessing and comparing detailed estimates of the effects of inflation-linked price variation terms would be a complex task that we would not expect people to find straightforward. Given these factors, as well as the inherent uncertainty around future rates of inflation, we do not consider that this remedy could give customers sufficient clarity or certainty about what they would pay for services subject to inflation-linked price variation terms.

4.26 **Option (b), prohibiting inflation-linked price variation terms that would apply in-contract price rises less than 12 months after the start of the contract**, would give customers temporary certainty about what they will pay for services subject to inflation-linked price variation terms. Italy's national regulatory authority has consulted on interventions that include this requirement in response to the proliferation of inflation-linked price variation terms in that market.[120] However in the context of the UK telecoms market, we do not consider that this remedy could give customers sufficient clarity or certainty about what they would pay for services subject to inflation-linked price variation terms and contract periods of over 12 months.

4.27 **Option (c), requiring providers to offer additional products with a contract period of up to 12 months only**, could potentially give consumers greater choice of products that are subject to fewer in-contract price rises during the duration of their contract. It would also enable customers to switch provider or re-contract more frequently to take advantage of attractive offers, mitigating the financial impact of any price rises they faced while in-contract. However, we do not consider that this remedy could give customers sufficient clarity or certainty about what they would pay, as providers would still be able to apply inflation-linked price variation terms to all contract lengths they offer (including the 12 month contracts required by this option and any longer contracts that providers continued to offer). Further, by introducing additional product variants that mirror existing products in most respects, this remedy could introduce additional complexity and complicate consumers' experience without addressing the core harm. We also consider option (c) likely to be a complex remedy for industry to introduce in such a way that it is effective: for example, with respect to advertising and marketing different product variants.

4.28 **Option (d), requiring providers to offer additional products with a monthly price fixed at the same level for the duration of the contract**, would give consumers greater choice of products that are not subject to in-contract price rises. However, we do not consider that this remedy could give customers sufficient clarity or certainty about what they would pay for all services, as providers would still be able to offer contracts with inflation-linked prices variation terms. Providers may have limited incentive to promote these additional fixed price products relative to their other products, which could limit the remedy's effectiveness. Further, this could introduce a large number of additional tariffs alongside those subject to inflation-linked price variation terms, which could complicate, rather than simplify, price comparison for consumers.

[120] Autorità per le Garanzie nelle Comunicazioni, DELIBERA N. 89/23/CONS AVVIO DEL PROCEDIMENTO E DELLA CONSULTAZIONE PUBBLICA INERENTE ALLA MODIFICA DEL REGOLAMENTO RECANTE DISPOSIZIONI A TUTELA DEGLI UTENTI IN MATERIA DI CONTRATTI RELATIVI ALLA FORNITURA DI SERVIZI DI COMUNICAZIONI ELETTRONICHE, 2023.

4.29 **Option (e), requiring providers to limit the contract period for their services to up to 12 months only**, would have the effect of enabling customers to switch provider or re-contract more frequently to take advantage of attractive offers, mitigating the financial impact of any price rises they face while in-contract. Portugal's national regulatory authority has recommended a reduced limit of six months for contract durations, in part as a response to the proliferation of inflation-linked price variation terms in that market.[121] Malta's national regulatory authority has decided to implement a reduced contract period limit of six months for contracts that contain inflation-linked price variation terms.[122] However, in the context of the UK telecoms market, we do not consider that this option would give consumers sufficient clarity or certainty about what they would pay for services subject to inflation-linked price variation terms.

4.30 Therefore, our assessment is that the options set out above do not meet our policy objectives and as a result we have not considered them further.

The fixed charges requirement

4.31 In addition to the remedy options we examine above ((a)-(e)), we have considered two further options that would require providers to change the structure of the prices they offer to meet our objectives and address the harms we set out in section 3. The first ((f), above) is a **fixed charges requirement: requiring providers to fix the monthly price for their services at the same level for the duration of the contract.**

4.32 Under this option, consumers would have clarity and certainty about the price they would pay without any need for complex calculations. Understanding and managing their future outgoings would be straightforward. In turn, this option could drive greater consumer engagement and incentivise providers to compete more effectively.

4.33 However, there are also some drawbacks to this option. A large number of providers compete to serve consumers in the UK telecoms market and there are good deals available to consumers who shop around. A common way that providers compete is by marketing their products with introductory discounts and other offers to attract customers. In our view, introductory discounts can be good for competition and are liked by consumers. However, for the fixed charges requirement to work as intended (i.e. for consumers to be able to engage with and compare prices that do not change during the contract), it may be necessary to restrict introductory discounts.

4.34 We also note that under this option, providers may seek to limit their exposure to changing economic circumstances by introducing and exercising prices may vary terms (as more providers did prior to 2020). It is possible that, if the fixed charges requirement were to drive more frequent unspecified price rises, it could have the unintended consequence of undermining our objective that consumers can understand the price of a service readily with sufficient clarity and certainty.

[121] Autoridade Nacional de Comunicações, ANACOM believes it is urgent to adopt measures to strengthen competition and consumer protection, proposing to the Government a reduction in customer loyalty periods to promote price reductions, 2023.
[122] Malta Communications Authority, Decision notice - Contracts which include 'Price Indexation Clauses', 2023.

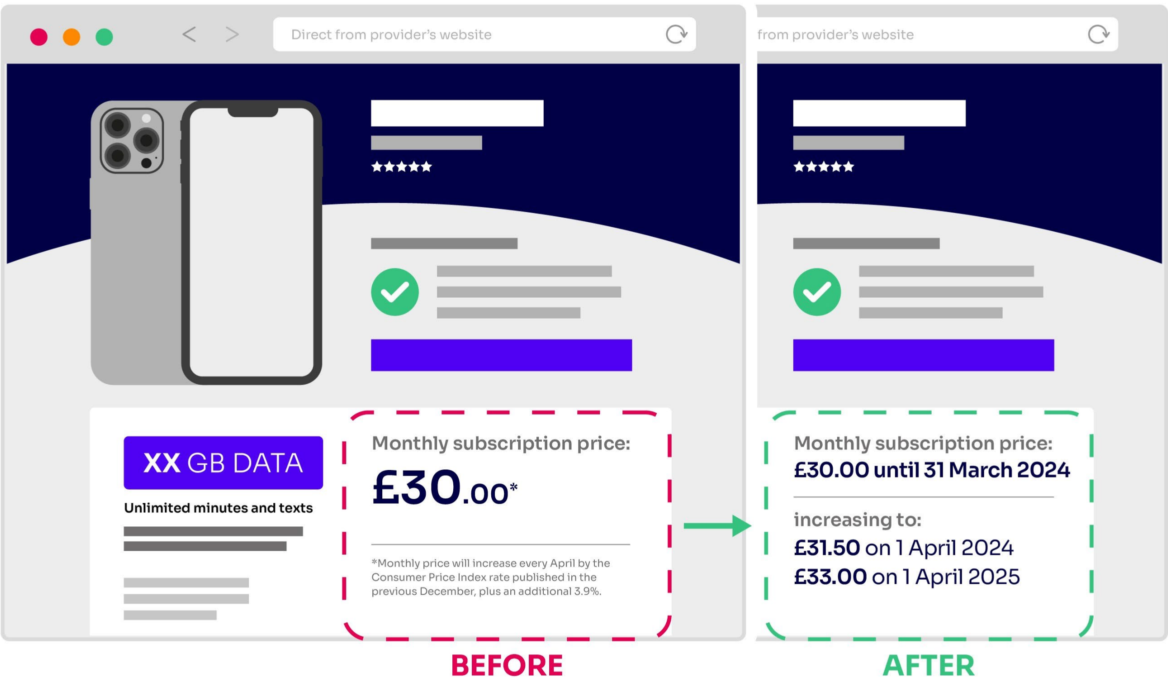
The £/p requirement

4.35 The final option we have considered ((g), above) is a **£/p requirement: requiring providers, when they provide for a change to the monthly price of their service during the contract term, to set that change out at the point-of-sale in pounds and pence.**

4.36 Under the £/p requirement, unlike the fixed charges requirement, providers would have commercial flexibility to allow for contractual price rises. It would also permit providers to continue to compete for customers with discounts and introductory offers.

4.37 A £/p requirement would also mean that providers would no longer be able to offer contracts that provide for inflation-linked price rises during the contract period. It would ensure that contractual information on prices (including where services are taken together as a bundle) is clear and certain, i.e. providers would be required to set out clearly and with certainty what the customer will pay, as well as when any price rise(s) would occur: for example, "Your monthly price is £30 until 31 March 2024, increasing to £31.50 on 1 April 2024 and to £33 on 1 April 2025" (see Figure 3).

Figure 3: Example of how the £/p requirement would apply



4.38 We expect that consumers would be more confident in engaging with services that are priced in pounds and pence, better able to work out how much they would have to pay for the services, to shop around and to compare prices. They would not need to engage in complex calculations of unpredictable future prices of different services, as described in section 3. We expect that the requirement would drive providers to compete on the basis of clear and transparent prices. We also expect that the £/p requirement would protect consumers from unfair burdens and risks, such as the financial risks that unpredictable price rises pose. We explore its benefits in more detail below.

4.39 As part of our consideration of the £/p requirement, we examined whether this option could allow for providers to set out any price changes at the point-of-sale in fixed percentage terms (rather than pounds and pence). However, our qualitative research suggests that some people cannot calculate percentage changes.[123] Similarly, as we set out in section 3, UK Government research has found that nearly half the UK's working age population have a numeracy skill level below where they would be expected to be capable of calculating simple percentages (paragraph 3.22). The difficulty of calculating a percentage increase would be compounded by the need to do it multiple times, depending on when the customer takes out a contract and the duration of the contract. We therefore consider a significant cognitive burden would remain and do not consider this variation of the remedy option would meet our objectives.

Both the fixed charges and £/p requirements would address our concerns, but they may have different effects on the market

4.40 Our provisional view is that **both the fixed charges requirement and the £/p requirement would meet our objectives** of ensuring consumers can understand the price of a service readily, with sufficient clarity and certainty to make informed comparisons and choices, driving providers to compete based on pricing structures that are clear and transparent and protecting consumers from unfair burdens and risks.

4.41 However, we consider that the **effects of these options on the market might be different and that the fixed charges requirement might have more significant unintended consequences that could make it less effective at delivering our objectives, in the round**. A fixed charges requirement constrains the commercial flexibility of providers to a degree that we do not consider necessary to ensure consumers have clarity and certainty about the prices they will pay. Further, it is our view that requiring providers to fix the price of the contract for up to two years would create a greater risk that providers revert to applying prices may vary terms, undermining consumers' certainty about whether or not they will pay the same price every month.

4.42 On that basis, our provisional view is that the £/p requirement addresses our concerns and meets the policy objectives in a proportionate way. We set our detailed reasoning below.

[123] See section 5.4, Ofcom, Inflation-linked price rises: qualitative research report.

The benefits of the £/p requirement

4.43 Our proposed requirements are summarised below (and further detail on our proposed amendments to the GCs and guidance is set out in paragraphs 4.87-4.105).

The £/p requirement

Changes to GC C1

Providers would be required to set out prices and any price rises in pounds and pence.

First, providers will be required to ensure that, before a customer is bound by a contract, the following information is drawn prominently to the customer's attention in a clear and comprehensible manner (including during a sales call or other verbal sale such as an in-store sale):

- The Core Subscription Price.
- The changed Core Subscription Price(s), if it is to change during the Commitment Period, in pounds and pence.
- The date from which any changed Core Subscription Price(s) take effect.

Second, providers will also be required to provide the following information in the Contract Information and Contract Summary:

- The changed Core Subscription Price(s), if it is to change during the Commitment Period, in pounds and pence.
- The date from which any changed Core Subscription Price during the Commitment Period shall have effect.

Changes to our guidance on contract requirements

We propose to clarify our expectations on how providers could comply with the new requirements by amending our guidance on contract requirements.

We propose to:

- Clarify how providers can choose to comply with the requirement to draw pricing information to customers' attention prominently in a clear and comprehensible manner, including in the contexts of sales calls or other verbal sales, such as in-store sales.
- Include non-exhaustive examples of how providers could set out their Core Subscription Price, and any changes to that price during the Commitment Period, in a way which would likely comply with the new requirements.
- Remove the part of the guidance that refers to the provision of a worked example in the Contract Information, as this would no longer be relevant under our new requirements.

4.44 We consider that the £/p requirement would bring a number of benefits for consumers and would also help to address the harms that arise from the use of inflation-linked price variation terms, as identified above, in several important ways.

The £/p requirement would give consumers clarity and certainty over the price they will pay

4.45 One of our key concerns about inflation-linked price variation terms is that they do not provide sufficient clarity and certainty with respect to the price consumers will pay for their broadband, mobile or pay TV contract. This is because they link price rises to future inflation rates that are unpredictable and not well-understood by many consumers. Even if consumers are aware of inflation-linked price variation terms, many struggle to perform complex calculations to work out how much they will pay for the duration of the contract. In any event, they are not able to estimate prices with certainty, except where the relevant inflation rate has been published by the time they enter their contract,[124] and no other price rises will apply.

4.46 The £/p requirement means that customers would have clarity and certainty about what they have to pay. Our consumer research demonstrates that customers value this clarity and certainty. For example, as set out above (paragraphs 4.21-4.23), we sought consumers' views on broad categories of potential remedy options as part of our qualitative research.

4.47 The research confirms that consumers look for certainty, consistency and transparency when it comes to prices. Participants also said that they would be willing to pay a little more for the security of knowing that they would not encounter any unexpected price rises.

4.48 They also wanted to be able to make meaningful comparisons between providers, and for information to be presented consistently across the market in a uniform way so that consumers can compare like with like. Participants wanted to be sure that they got what they were expecting when they took out a contract and avoided any surprises. They felt that this information was currently hidden and price rises were not made clear and understandable.

4.49 Our quantitative research confirmed that the majority of broadband and mobile customers agreed a £/p formulation would be easy to understand.[125]

4.50 The £/p requirement will also ensure that certain information is drawn prominently to the attention of customers who approach them over the phone or face-to-face. That information is the headline price, any changes to the headline price and when they come into effect during the Commitment Period (not just in the Contract Information and Contract Summary).

4.51 Our view is that this requirement would ensure that consumers can make more informed choices about what the best deal will be for them, including about bundle deals, based on clear and certain prices, without the need to forecast what their monthly price will be at a future date.

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[124] Depending on the length of the contract and when the customer enters into it, a customer may be subject to more than one price rise. In that case, the customer would still face uncertainty over subsequent price rises even if the inflation rate was known for the initial price rise (for example, a customer may sign up to contract in February 2023 with a price rise in April 2023 based on the CPI rate published in January 2023. However, if the contract was for 18 or 24 months, the customer would still face another pay rise in April 2024, based on the unknown CPI rate to be published in January 2024).

[125] See slide 19 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Mobile) and slide 20 of Ofcom, Inflation-linked price rises: Summary of quantitative research findings (Broadband). Our research in October 2023 sought consumer views on how easy it would be to understand how much they would be required to pay each month and over the full contract if the price was fixed, or if price rises were expressed in pounds and pence in different ways.

Improved consumer engagement as a result of the £/p requirement would help to drive more effective competition

4.52 As set out in section 3, we are concerned that inflation-linked price variation terms make it hard for consumers to work out actual prices reliably and to compare deals between providers. In our view, this reduces consumers' propensity to shop around and their engagement with the market, making the competitive process less effective (paragraph 3.54). In particular, inflation-linked price variation terms can reduce providers' incentives to compete by being clear and transparent about the actual price of a deal (paragraph 3.56).

4.53 We consider that giving consumers clarity and certainty about prices during the contract period at the point-of-sale, in pounds and pence, would help to drive more effective competition. The £/p requirement would make any in-contract price rises clear and transparent at the point-of-sale and should improve consumers' understanding of the prices of different contracts. This should increase consumers' ability to shop around, compare deals and choose the right deal for them based on the price across the duration of the contract. The £/p requirement should therefore make consumers feel more confident to engage with the market and, in turn, drive providers to compete on the basis of clear pricing structures.

The £/p requirement would ensure customers do not face unfair financial risks from inflation-linked price variation terms

4.54 As set out in paragraphs 3.70-3.75, we consider that providers are better placed than consumers to manage the uncertainty and financial risks that arise from inflation and that inflation-linked price variation terms impose unfair financial risks on consumers. We understand that providers engage in multi-year financial planning and conduct analysis and projections to estimate revenues and costs in different inflation scenarios. Providers can also determine the prices of their services and respond accordingly, subject to competitive constraints and their own costs.

4.55 Additionally, providers have choice about the length of contracts they offer (up to 24 months) and therefore could manage inflation risks by promoting shorter contracts, if they consider this necessary.

The impact of the £/p requirement

4.56 Under our regulatory principles, we operate with a bias against intervention. This is based on our duty under section 3(3)(a) of the 2003 Act to have regard to the principles under which regulatory activities should be proportionate and targeted only at cases where action is needed.

4.57 In assessing the impact of our proposal, we have undertaken a provisional assessment to:

- Consider whether it would be an effective means of achieving our policy objectives (paragraphs 4.59-4.60).
- Consider whether our proposed intervention is necessary to achieve our policy objectives or could be achieved by a less onerous approach (paragraphs 4.61-4.65).
- Assess the proportionality of our proposal in the round, including whether requiring providers to implement the proposal would give rise to adverse effects which are disproportionate to the policy objectives (paragraphs 4.66-4.82).

4.58 Overall, having applied this framework, our provisional assessment is that the £/p requirement is both appropriate and proportionate to protect the interests of consumers.

Our proposal is an effective means of achieving our policy objectives

4.59 As set out in paragraph 2.28, our policy objectives are to:

- Enable consumers to understand the price of a service readily, with sufficient clarity and certainty to make informed comparisons and choices and find the right deal for their needs.
- Drive providers to compete based on pricing structures that are clear and transparent.
- Protect consumers from unfair burdens and risks (for example from contract terms that impose unfair financial risks on consumers).

4.60 Our provisional view is that the £/p requirement would be an effective means of achieving our policy objectives. As set out in paragraphs 4.45 to 4.51 above, our proposals would ensure that consumers have sufficient clarity and certainty about pricing for the duration of their contract, which they do not currently have due to the lack of clarity and uncertainty of inflation-linked price variation terms. Our proposal would ease the cognitive burdens on consumers because they would not need to undertake complex calculations to understand the price they pay. We expect that this would increase consumer understanding of the price of different contracts, improving consumers' ability and confidence to shop around, compare deals and choose the right deal for them. We expect that improving consumer engagement would ultimately strengthen the effectiveness of competition between providers. Furthermore, consumers would not face unfair financial risks arising from the price uncertainty caused by inflation-linked price variation terms.

Our proposal is necessary to protect consumers from the harms caused by inflation-linked price variation terms

4.61 In section 3, we explained that inflation-linked price variation terms create substantial consumer harm. As set out in paragraphs 4.10 to 4.15 above, our provisional view is that this harm will remain unaddressed, absent intervention, because our existing rules and guidance do not prohibit providers from including inflation-linked price variation terms in contracts. We do not expect providers will remove inflation-linked price variation terms, as most providers have chosen to use them and the number of providers adopting such terms has increased over time. Consequently, we consider that we need to bring in new rules to address the harms we have identified as arising from inflation-linked price variation terms.

4.62 Our provisional view is that our proposal is necessary to deliver against our policy objectives. It is necessary for any increased prices to be set out at the point-of-sale to give customers clarity and certainty in the price they will pay throughout their contract. Further, it is necessary for any increased prices to be set out in pounds and pence (rather than, for example, in percentages) to minimise complexity for customers.

4.63 We have also tailored our proposed requirements to ensure that they are targeted and limited to what is necessary. For example, as set out in paragraph 4.99 below, our proposals are limited to the Core Subscription Price (rather than extending to other price elements) and are limited to the Core Subscription Price payable in the Commitment Period (rather than extending to prices beyond the Commitment Period).

4.64 We note that Citizens Advice has called on Ofcom to explore appropriate approaches to ensure consumers who are outside of their contract period are not subject to inflation-linked price variation terms or other price variation terms.[126] We do not consider it appropriate to extend our proposals to price rises after the contract ends for a number of reasons. As set out in paragraph 2.17, we have measures in place to ensure people are notified when their contracts come to an end, as well as annual reminders, and we have also made switching easier for mobile customers via Auto Switch and soon for broadband and landline customers with One Touch Switch. We also consider that customers who are outside of their contract period are, by definition, not bound by any price rise and can leave their contract without penalty. In any event, our £/p requirement will also help customers who are outside of their contract period engage with the market, as the range of offers (including those required in the end-of-contract notifications and annual best tariff notifications) will need to provide clarity and certainty of the price and any subsequent price rises.

4.65 We also consider that our proposal to introduce a £/p requirement is the least onerous way of achieving our policy objectives. We do not consider any other option would fully address, in a less onerous way, our objective of ensuring clear and certain pricing, while giving providers flexibility to choose their own pricing structures.[127]

Our proposal is proportionate to our policy objectives and does not give rise to disproportionate adverse effects

4.66 We have considered whether our proposed £/p requirement is proportionate to our objectives. In doing so, we have considered the expected benefits and costs of our proposal and whether it may give rise to adverse effects that are disproportionate to the policy objectives. For the reasons set out below, we consider that our proposed £/p requirement is proportionate to the policy objectives.

There are clear and meaningful benefits of improved clarity and certainty of prices

4.67 As set out above in paragraphs 4.43-4.55, we consider that there would be significant benefits to consumers from improved clarity and certainty of prices in pounds and pence for the duration of the contract at the point-of-sale. In turn, this would strengthen the effectiveness of competition to the benefit all customers shopping for services to which Contract Information and Contract Summary GCs apply.[128] We discuss the potential scale of these benefits, and the groups of consumers who may benefit, below:

- Active consumers who shop around would have a range of options that offer clear, certain prices for the duration of their contract. This benefits both customers who are currently subject to inflation-linked price variation terms as well as those who are not. The evidence set out in paragraph 3.62 indicates that consumers value certainty.
- Clear and certain pricing could increase consumer engagement, including by helping customers who are outside of their contract period engage with the market, as providers will need to offer clarity and certainty about their services' prices and any subsequent prices rises.

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[126] See p.27-33 of Citizens Advice, Dialling up prices.
[127] For example, see paragraph 4.41 above in relation to the fixed charges requirement.
[128] Consumers, microenterprise or small enterprise customers, and not-for-profit customers.

- All of these consumers would benefit from the strengthened effectiveness of price competition between providers.

4.68 We expect this benefit to be large, given the evidence of scale of harm set out in paragraph 3.77, in particular the number of customers who are subject to these terms. As of April 2023, four in ten broadband customers and over half of mobile customers were on contracts subject to these terms. We estimate that these proportions may grow further, to around six in ten of both broadband and mobile customers, as Three and Virgin Media apply inflation-linked in-contract price rise terms to more of their customers' contracts during 2023/24.

4.69 It is also our view that our proposed remedy would deliver additional significant benefits for many consumers:

- Consumers would not need to undertake complex calculations, including calculating percentage increases. Our evidence shows that consumers find it difficult to do the complex calculations needed to correctly calculate inflation-linked price rises (see paragraphs 3.19-3.22 and 4.39, above).[129] Consumers would also not need to estimate inflation or find inflation forecasts in order to understand the price they will pay for the duration of their contract; inflation is impossible to predict with accuracy unless the relevant inflation rate has been published by the time they enter their contract. This is compounded when more than one price rise applies to the contract. Although our remedy may not remove the cognitive burden that consumers face when comparing deals subject to in-contract price rises, it would significantly reduce the burden. While we expect this to benefit all consumers, it could have particularly large benefits for some disabled people, those with lower levels of educational attainment or with lower incomes, as research finds that these consumers face particular difficulties understanding inflation-linked prices (see paragraphs 3.23-3.27).
- Customers would not face unfair financial risks arising from the price uncertainty due to the unpredictability of future inflation. This benefit may be particularly significant for financially vulnerable customers, such as lower income households, where large unexpected price increases at short notice could have significant impacts on their wider household budget (see paragraphs 3.62-3.69).

We expect the cost of our proposed intervention to be low relative to the benefits

4.70 We have considered the potential cost of our proposed intervention and our view is that this is low relative to the consumer benefits we expect.

4.71 Providers who currently use inflation-linked price variation terms would need to change the way they set in-contract price rises as a result of our proposed £/p requirement. This may entail some changes to billing systems to operationalise the new pricing structures. This may also entail training customer-facing sales agents to explain new contract terms, changes to advertising and marketing and amendments to providers' contractual terms.

4.72 We expect that the costs of these changes are likely to be relatively small. We do not expect that providers would need to build new systems to implement the changes. As a result, we expect any changes to their existing systems that are needed to move from one form of

[129] Around two-thirds of participants in our qualitative research could not calculate the price rise when given an inflation rate and an inflation linked price rise.

price increase to another, and associated costs, to be small.[130] We further understand that some providers' systems may already have the capability to implement pounds and pence increases.[131] For those providers it is likely the incremental systems-related cost of our proposals would be negligible. We also note providers have been able to adopt inflation-linked price rises without reporting the need to incur significant changes and costs to their systems.

4.73 Equally, we consider the incremental cost to providers of training agents, and making changes to communications to reflect a different pricing structure and ensure that certain information is drawn prominently to the customer's attention, is likely to be small. In any case, providers should ensure their customer service agents are trained regularly to deliver the customer service that consumers expect and deserve.

4.74 We recognise that most major providers would need to account in their business plans for retail price increases in pounds and pence, rather than based on inflation plus an additional fixed percentage increase. However, as set out in paragraphs 3.70-3.75, providers have a number of tools at their disposal to manage financial risks and mitigate the impact of inflation. Providers would retain the freedom to decide on their contract lengths (subject to our rules on contract duration)[132] and pricing strategies, taking into account the risks of changes in their costs during the lifetime of the contract. Further, our review of providers' internal documents shows that many of them already engage in multi-year financial planning processes based on a range of inflation scenarios, suggesting that they can plan for changes in finances over longer periods. Importantly, our proposed intervention would not restrict the ability of providers to raise prices during the contract and therefore we think any impact should be minimal and within a business's ability to manage.

4.75 We also consider that pricing structures that are clear and certain to consumers could save on providers' costs in relation to customer service. Our proposals would clarify pricing structures, which we expect will increase consumers' understanding of any price increases and reduce the need to handle enquiries and complaints about price rises.[133] This could ultimately lead to cost savings for providers by reducing calls to their call centres.

We consider that the risk of adverse impacts is low

4.76 We have also considered the risk of any unintended consequences arising from our proposed remedy, which could ultimately be detrimental to consumers. We have considered whether our proposals could lead to adverse impacts on providers' ability to recover their costs or on their ability and incentive to invest. We have also considered what we expect the impact of our proposed intervention to be on the functioning of the market, including on

[130] Providers may wish to apply a greater level of tailoring to their prices to have different pounds and pence rises for different tariffs, but ultimately this would be a commercial decision.
[131] For example, we understand that [✂] and [✂] have price rise tools which can enact price rises fixed in pounds and pence. ✂] provided in [✂] response to our statutory information request and [✂].
[132] See Conditions C1.11 – GC C1.13 of Ofcom, [General Conditions of Entitlement](), 2023.
[133] In this context, we note that Ofcom received over 800 complaints related to broadband and mobile price rises from January to October 2023, almost double the volume from the equivalent period in 2021. We would expect providers would receive significantly more communications and complaints from customers than those raised with Ofcom.

investment as we set out in our review of our future approach to mobile markets and spectrum.[134]

4.77 Several providers told us that inflation-linked price variation terms are explained by increases in costs.[135] Some providers have suggested that inflation-linked price variation terms enable and fund investment directly, particularly in relation to fibre rollout and 5G networks.[136] One provider suggested that inflation-linked price variation terms could be used to fund other initiatives for vulnerable consumers, such as social tariffs.[137]

4.78 However, we consider that our proposal would not undermine providers' ability to recover their costs, nor would it limit providers' flexibility to set prices to fund investment or fund initiatives to protect vulnerable consumers. Our proposed intervention would not affect how much providers can charge, nor whether they can raise prices during the term of a contract. Rather it would affect how any price rise is set out, requiring clarity and certainty, so that consumers know what they are signing up to pay for the duration of a contract.

4.79 Providers can also decide on contract length (subject to our rules on contract duration)[138] and pricing strategies. Further, as set out in paragraph 3.74, we have not seen clear evidence of a direct link between providers' costs and the inflation-linked price variation terms they have adopted. Moreover, we expect our proposal would increase consumer engagement and strengthen the effectiveness of competition between providers, which ultimately drives investment.

4.80 We have considered whether providers might choose instead to apply unspecified price rises. As set out in paragraph 2.26, we have not examined the impact of unspecified price rises in this review. As set out in paragraph 4.34 above, it is possible that more frequent unspecified price rises could have the unintended consequence of undermining our objective that customers can understand the price of a service readily, with sufficient clarity and certainty. However, we note providers can only increase prices pursuant to these terms if customers are given at least one month's notice and the right to exit the contract penalty free.[139] As such, unspecified price rises are not without risk for providers, as customers can engage their right to exit and switch away to rival providers. In any event, we consider that the £/p requirement lowers the likelihood of unspecified price rises being introduced given providers will still have the flexibility to set contract terms which include price rises.

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[134] Ofcom, [Ofcom's future approach to mobile markets and spectrum: Conclusions paper](). In that publication we stated that we would set out more explicitly the impact of future policy changes on the market, including on investment.

[135] For example, [✂] response to question 23 of our statutory information request, [✂] response to question 23 of our statutory information request, [✂] response to question 23 our statutory information request, [✂] response to our statutory information request, [✂] provided in [✂] response to our statutory information request and [✂] response to question 23 of our statutory information request.

[136] For example, [✂] response to question 23 of our statutory information request, [✂] response to question 23 of our statutory information request, and [✂] provided in [✂] response to our statutory information request.

[137] [✂] response to question 23 of our statutory information request.

[138] See Conditions C1.11 – C1.13 of Ofcom, General Conditions of Entitlement, 2023.

[139] GCs C1.14 to C1.20 require Regulated Providers to provide Relevant Customers at least one month's notice before any modification to their contract takes place, and in that notice, the Relevant Provider must offer a right to exit with no penalty to the Relevant Customer: See Conditions C1.14 – C1.20 of Ofcom, General Conditions of Entitlement, 2023.

4.81 Some stakeholders have raised other potential impacts of removing inflation-linked price variation terms. But we do not consider that these create a risk of an adverse impact that would lead us to change our position:

- Two providers have suggested to us that inflation-linked price variation terms enable them to lower headline prices for new customers and that these headline prices could increase in the absence of inflation-linked price variation terms.[140] However, irrespective of whether this would be likely to materialise or not, we consider it is important that providers compete by being clear and certain about overall actual prices paid by customers, rather than headline prices alone. Our proposal is designed to improve clarity and certainty of pricing upfront, which would make it easier for customers to compare offers and select the best deal for their needs. As a result, we expect consumer engagement and the effectiveness of price competition in the market to be strengthened, which will ensure consumers can benefit from more competitive prices overall.
- Some stakeholders have suggested that some providers might increase the number of contracts they offer that have shorter contract periods (such as 12-month contracts), and that this could lead to more people being outside their contract period.[141] We note that there is already a requirement for providers to offer contracts of no longer than 12 months, although these deals are not necessarily being promoted or well-advertised in the broadband market.[142] It is not clear to us that a £/p requirement would lead to providers introducing a wide range of contracts of up to 12 months, nor that this would necessarily lead to more customers being outside of their contract period.

4.82 As set out above in paragraph 4.53, we expect our proposals may increase consumer engagement as a result of clear and certain pricing, and so may reduce the number of customers who are outside of their contract period. Furthermore, customers who are outside of their contract period are able to switch away or recontract at any time and without penalty.

Conclusion

4.83 Having carefully considered the information currently available in the round, our provisional conclusion is that targeted regulation in the form of the £/p requirement is both appropriate and proportionate to protect the interests of consumers.

4.84 We will use the information and evidence submitted to us in response to this consultation to further inform the assessment of our proposal.

4.85 In addition, if we proceed to implement our proposals, we intend to continue to monitor market developments to understand how our remedy is working, as well as any changes to contract terms that might not be in the interests of consumers and which might have the effect of reducing the effectiveness of our proposed remedy or undermining our objectives.

4.86 For example, we are aware that some providers’ terms currently include both inflation-linked price variation terms and prices may vary terms. As our objectives include ensuring

[140] Meeting with [✂] and meeting with [✂]. Which? also considered the potential for higher headline prices, but noted that this impact would be mitigated by more intensive price competition. See p. 16, Which?, The Right to Connect.

[141] See pp. 16-17, Which?, The Right to Connect and p. 31, Citizens Advice, Dialling up prices.

[142] See Condition C1.13 of Ofcom, General Conditions of Entitlement, 2023.

that consumers can understand the price of a service readily with sufficient clarity and certainty, we may be concerned if providers apply both price variation terms specified in pounds and pence and prices may vary terms, such that they undermine both clarity and certainty.

Proposed changes to GC C1

4.87 To implement the £/p requirement, we are proposing to make three sets of changes to GC C1.

4.88 First, we propose to introduce a new requirement which applies before a Relevant Customer is bound by a contract. Pursuant to this requirement, providers must ensure that certain information is drawn prominently to the customer’s attention in a clear and comprehensible manner, including during a sales call or other verbal sale such as an in-store sale. That information is:

- The Core Subscription Price.
- If the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price expressed in pounds and pence.
- The date from which any changed Core Subscription Price shall have effect.

4.89 Second, we propose changes to the Annex to GC C1 to require providers to include certain information in their Contract Information (which must be provided to customers before they are bound by the contract). Providers are already required to include the Core Subscription Price in their Contract Information. The additional information that we propose to require providers to include:

- If the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price expressed in pounds and pence.
- The date from which any changed Core Subscription Price(s) shall have effect.

4.90 Third, we are proposing changes to GC C1.5 to require providers to include the same pricing information in the Contract Summary. The GCs already require providers to set out in the Contract Summary the ‘price’ of the service (i.e. the recurring price in subscription contracts). Our proposed amendments to GC1.5 will explicitly provide that the ‘price’ set out in the Contract Summary must include the Core Subscription Price. Providers will also need to include the following in the Contract Summary:

- If the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price expressed in pounds and pence.
- The date from which any changed Core Subscription Price(s) shall have effect.

4.91 ‘Contract Summary’ is currently defined in our GCs as the information required and set out in accordance with a template specified in a European Commission regulation. In order to implement the Contract Summary proposals referred to above, we propose to amend the definition of ‘Contract Summary’ so that it captures the information required to be set out by the amended GC1.5. We also propose to amend the footnote in the Contract Summary definition to flag that the relevant European Commission regulation has been amended by The Electronic Communications and Wireless Telegraphy (Amendment) (European Electronic Communications Code and EU Exit) Regulations 2020.

4.92 Finally, we propose to amend the preamble to GC C1 to highlight that one of the purposes of this Condition is to ensure that consumers receive information about any changes to the price that they will face during their contract, in order to provide them with certainty as to the amounts they will be required to pay. We also propose to amend the title appearing before GC C1.3 to signpost the proposed modifications.

4.93 The text of the proposed changes outlined above can be found in annex 5.

4.94 Our proposed requirements will mean that, if providers choose to apply changes to the Core Subscription Price during the Commitment Period, they would have to set out the future subscription price(s) in pounds and pence and the date of when the price rise(s) will occur e.g. "Your monthly price is £30 until 31 March 2024, increasing to £31.50 on 1 April 2024 and to £33 on 1 April 2025".

4.95 We do not consider it would be sufficient to simply state the change in the Core Subscription Price, nor would it be sufficient to state a broader timeframe for when the price rise will occur, e.g. *"Your monthly price will change by £3 each March until the end of your contract".*

4.96 Our proposed requirements will also mean that, in the context of an online sales process, it would be insufficient for a provider's website to, for example, require the customer to hover over an asterisk or other symbol to view the Core Subscription Price after any changes for which the contract provides (in pounds and pence) and the date(s) from which they will take effect. It would also be insufficient to present this information in a footnote at the bottom of a web page.

4.97 In the context of sales calls or other verbal sales, it would be insufficient for a provider's sales agent to communicate to the customer verbally only the Core Subscription Price, and not the Core Subscription Price after any changes for which the contract provides (in pounds and pence), nor the date(s) from which changed Core Subscription Prices will take effect. A provider would not comply where a sales agent communicates the changes to the Core Subscription Price, and the date(s) from which they will take effect, significantly later in their discussion with a customer than the point at which they communicate the initial Core Subscription Price, or in a way that makes it difficult to understand, for example by speaking inaudibly or at a fast pace as compared with the Core Subscription Price. We propose to set out further examples of how providers could comply with our proposed requirements in our revised guidance (see annex 6).

4.98 Where a number of services can be taken together as a bundle, we consider that information about any changes to the Core Subscription Price in pounds and pence should be presented for the price of the whole bundle. We would not expect providers to provide a breakdown of the price changes for each separate element of the bundle.

Proposed scope of requirements

4.99 The proposed scope of the £/p requirement is as follows:

- It would apply to all **broadband, landline, mobile and pay TV services;** including where they are taken in combination as a bundle.
- It would apply to any contracts for the above services taken by **Consumers**. It would also apply to **Microenterprise, Small Enterprise and Not-For-Profit Customers** unless they have expressly agreed otherwise. These are the groups of customers that must be provided with Contract Information and Contract Summary under our current GCs. While our evidence-gathering and assessment has focussed on the impact of inflation-linked price variation terms on consumers, i.e. residential customers, we consider that

these other customers are likely to be in the same position as residential customers and would therefore require the same protections.[143]

- It would apply to the **Core Subscription Price only**. We consider that it is important for customers to have clarity and certainty of this price because it is the recurring price that the customer will be required to pay for the Commitment Period.
- It would apply **during the Commitment Period only**, given this is the period for which a customer is bound to a contract.
- It requires providers to ensure that key pricing information is drawn prominently to customers' attention before they enter a contract, as well as to include that information in the **Contract Information and Contract Summary**.

4.100 In addition, we would expect providers to ensure that the pricing information available and given to consumers is consistent throughout the consumer journey. That is, any changes to the Core Subscription Price should be made clear regardless of where the consumer is in the purchasing process (this could range from initial shopping around for deals to the point at which they agree to enter into a contract) and irrespective of the channel(s) they choose to engage with providers, e.g. in-store, by telephone or online.

Proposed guidance

4.101 We propose to clarify our expectations of how providers could comply with the new requirements by amending our existing GC C1 guidance.

4.102 The proposed additions and amendments to the GC C1 guidance are set out in annex 6. In particular, we are proposing to:

- Clarify how providers can choose to comply with the requirement to draw pricing information to customers' attention prominently in a clear and comprehensible manner, including in the contexts of sales calls or other verbal sales, such as in-store sales.
- Include non-exhaustive examples of how providers could set out their Core Subscription Price and any changes to that price during the Commitment Period which would likely comply with the new requirements.
- Remove the part of the guidance which refers to the provision of a worked example in the Contract Information, as this would no longer be relevant under our new requirements.

Interaction with Ofcom's proposed changes to guidance in relation to broadband information

4.103 In March 2023 we consulted on new guidance under GCs C1 and C2 to set out how we think broadband providers should tell customers about the underlying technology used to deliver their broadband service when they provide Contract Information and a Contract Summary.[144] This consultation also proposed amendments to the existing GC C1 guidance, to help providers cross-refer between both sets of guidance easily.

[143] Our research on SME consumer experience in the communications market found that the majority of micro SMEs (those with 1-9 employees) are on residential contracts only (64% mobile, 58% landline, 58% internet). See slide 28 of Ofcom, SME consumer experience in the communications market, 2022.

[144] Ofcom, Improving broadband information for customers: Proposal for new guidance to improve customer information, 2023.

4.104 The proposed changes to the GC C1 guidance in annex 6 does not include the amendments to the same guidance proposed in Ofcom's March 2023 consultation. This is because we have not yet taken a final decision in respect of those broadband information proposals, which we will publish in due course. We will shortly conclude our work on this and will reflect our final position in any final guidance on this issue.

4.105 We consider that the proposals in this consultation, and those in our earlier consultation on broadband information, are consistent with the objectives of the provision of Contract Information and the Contract Summary: to ensure customers are given clear information about their communications services before they enter into a contract to help them make informed choices.[145]

Implementation

4.106 In the event that we decide to make changes to GC C1 as set out above, we propose an implementation period of four months from publication of a statement to that effect. We also propose that the requirements should apply to new contracts only, i.e. contracts entered into by relevant customers from a date that will be specified in our statement.

4.107 Our analysis in section 3 set out our provisional view that the scale of consumer harm arising from inflation-linked price variation terms is substantial. We therefore want to ensure that our proposed intervention takes effect as soon as reasonably possible to protect consumers from those harms.

4.108 As noted above, some providers would need to change the way they set in-contract price rises as a result of our proposed amendments to the GCs. This may entail some systems changes to operationalise the new pricing structures, training customer-facing staff to explain new contract terms, changes to the way price rises are presented and explained in advertising and marketing and require amendments to providers' Contract Information and Contract Summary. However, as also noted above, we do not expect that providers will need to build new systems to implement the changes, and we understand that some providers' systems may already have the capability to implement pounds and pence increases. Providers should also already ensure their customer service agents are trained regularly.

4.109 Our initial view is that an implementation period of four months should be sufficient to allow providers to make the necessary changes to comply with the new rules. This would mean that providers are not able to include an inflation-linked price variation term that applies to the Core Subscription Price during the Commitment Period in any new contract offered from the date the new requirement takes effect.

Legal tests

4.110 We consider the legal tests under section 47(2) of the 2003 Act are met in the context for our proposed changes to GC C1, as those amendments are:

- Objectively justifiable, as they are aimed at protecting the interests of customers by ensuring they can make informed decisions based on clear and certain pricing.

[145] Ofcom, Fair treatment and easier switching for broadband and mobile customers: Implementation of the new European Electronic Communications Code, 2020.

- Not unduly discriminatory as the requirement will be imposed on all providers that provide Public Electronic Communications Services to Consumers, Microenterprise or Small Enterprise Customers, and/or Not-For-Profit Customers.
- Proportionate for the reasons set out above, including that we consider our proposal to be the least onerous way to protect consumers from the harms we have identified while also meeting our policy objectives. We also consider that the implementation costs are likely to be low relative to the benefits, and have taken care to ensure that our proposals are appropriately targeted e.g. limited to new contracts and to the Core Subscription price and any price rise that applies during the Commitment Period.
- Transparent as the reasons for the rules we are proposing to make are explained above. Issuing guidance alongside the GC will also clarify our expectations and our likely approach to compliance and enforcement.

4.111 We also consider that our proposals are consistent with our general duties set out in section 3 of the 2003 Act and the requirements in section 4 of the 2003 Act. In formulating our proposals, we have also had regard to the UK Government's SSP.

Consultation questions: section 4

Question 4: Do you agree with the conclusion in our impact assessment?

Question 5: Do you agree with our proposal to require providers to ensure that the following information is drawn prominently to the customer's attention in a clear and comprehensible manner before a customer is bound by a contract: i) the Core Subscription Price; ii) if the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price, in pounds and pence; and iii) the date from which any changed Core Subscription Price shall have effect?

Question 6: Do you agree with our proposal to require providers to include in the Contract Summary: i) the Core Subscription Price; ii) if the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price in pounds and pence; and iii) the date from which any changed Core Subscription Price during the Commitment Period shall have effect?

Question 7: Do you agree with our proposal to require providers to include in the Contract Information: i) if the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price in pounds and pence, and ii) the date from which any changed Core Subscription Price during the Commitment Period shall have effect?

Question 8: Do you agree with our proposed additions and amendments to GC C1 (see detailed amendments in annex 5)?

Question 9: Do you agree with our proposed additions and amendments to existing GC C1 guidance to clarify our expectations on how providers could comply with the new requirements (see detailed amendments in annex 6)?

Question 10: Do you agree with the proposed implementation period of four months from publication of the statement and the changes to GC C1 and guidance?

Please provide evidence in support of your views.

A1. Responding to this consultation

How to respond

A1.1 Ofcom would like to receive views and comments on the issues raised in this document, by 5pm on Tuesday, 13 February 2024.

A1.2 You can download a response form from https://www.ofcom.org.uk/consultations-and-statements/category-1/review-of-inflation-linked-telecoms-price-rises. You can return this by email or post to the address provided in the response form.

A1.3 If your response is a large file, or has supporting charts, tables or other data, please email it to Cameron.bailey@ofcom.org.uk, as an attachment in Microsoft Word format, together with the cover sheet. This email address is for this consultation only and will not be valid after 13 February 2024

A1.4 Responses may alternatively be posted to the address below, marked with the title of the consultation:

Inflation-linked in-contact price rise team
Ofcom
Riverside House
2A Southwark Bridge Road
London SE1 9HA

A1.5 We welcome responses in formats other than print, for example an audio recording or a British Sign Language video. To respond in BSL:

- send us a recording of you signing your response. This should be no longer than 5 minutes. Suitable file formats are DVDs, wmv or QuickTime files; or
- upload a video of you signing your response directly to YouTube (or another hosting site) and send us the link.

A1.6 We will publish a transcript of any audio or video responses we receive (unless your response is confidential)

A1.7 We do not need a paper copy of your response as well as an electronic version. We will acknowledge receipt of a response submitted to us by email.

A1.8 You do not have to answer all the questions in the consultation if you do not have a view; a short response on just one point is fine. We also welcome joint responses.

A1.9 It would be helpful if your response could include direct answers to the questions asked in the consultation document. The questions are listed at annex 4. It would also help if you could explain why you hold your views, and what you think the effect of Ofcom’s proposals would be.

A1.10 If you want to discuss the issues and questions raised in this consultation, please contact by email to Cameron.bailey@ofcom.org.uk.

Confidentiality

A1.11 Consultations are more effective if we publish the responses before the consultation period closes. This can help people and organisations with limited resources or familiarity with the issues to respond in a more informed way. So, in the interests of transparency and good regulatory practice, and because we believe it is important that everyone who is interested in an issue can see other respondents' views, we usually publish responses on the Ofcom website at regular intervals during and after the consultation period.

A1.12 If you think your response should be kept confidential, please specify which part(s) this applies to and explain why. Please send any confidential sections as a separate annex. If you want your name, address, other contact details or job title to remain confidential, please provide them only in the cover sheet, so that we don't have to edit your response.

A1.13 If someone asks us to keep part or all of a response confidential, we will treat this request seriously and try to respect it. But sometimes we will need to publish all responses, including those that are marked as confidential, in order to meet legal obligations.

A1.14 To fulfil our pre-disclosure duty, we may share a copy of your response with the relevant government department before we publish it on our website.

A1.15 Please also note that copyright and all other intellectual property in responses will be assumed to be licensed to Ofcom to use. Ofcom's intellectual property rights are explained further in our Terms of Use.

Next steps

A1.16 Following this consultation period, Ofcom plans to publish a statement in the spring of 2024.

A1.17 If you wish, you can register to receive mail updates alerting you to new Ofcom publications.

Ofcom's consultation processes

A1.18 Ofcom aims to make responding to a consultation as easy as possible. For more information, please see our consultation principles in annex 2.

A1.19 If you have any comments or suggestions on how we manage our consultations, please email us at consult@ofcom.org.uk. We particularly welcome ideas on how Ofcom could more effectively seek the views of groups or individuals, such as small businesses and residential consumers, who are less likely to give their opinions through a formal consultation.

A1.20 If you would like to discuss these issues, or Ofcom's consultation processes more generally, please contact the corporation secretary:

A1.21 Corporation Secretary
Ofcom
Riverside House
2a Southwark Bridge Road
London SE1 9HA
Email: corporationsecretary@ofcom.org.uk

A2. Ofcom's consultation principles

Ofcom has seven principles that it follows for every public written consultation:

Before the consultation

A2.1 Wherever possible, we will hold informal talks with people and organisations before announcing a big consultation, to find out whether we are thinking along the right lines. If we do not have enough time to do this, we will hold an open meeting to explain our proposals, shortly after announcing the consultation.

During the consultation

A2.2 We will be clear about whom we are consulting, why, on what questions and for how long.

A2.3 We will make the consultation document as short and simple as possible, with an overview of no more than two pages. We will try to make it as easy as possible for people to give us a written response.

A2.4 We will consult for up to ten weeks, depending on the potential impact of our proposals.

A2.5 A person within Ofcom will be in charge of making sure we follow our own guidelines and aim to reach the largest possible number of people and organisations who may be interested in the outcome of our decisions. Ofcom's Consultation Champion is the main person to contact if you have views on the way we run our consultations.

A2.6 If we are not able to follow any of these seven principles, we will explain why.

After the consultation

A2.7 We think it is important that everyone who is interested in an issue can see other people's views, so we usually publish the responses on our website at regular intervals during and after the consultation period. After the consultation we will make our decisions and publish a statement explaining what we are going to do, and why, showing how respondents' views helped to shape these decisions.

A3. Consultation coversheet

Basic details

Consultation title:

To (Ofcom contact):

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

Confidentiality

Please tick below what part of your response you consider is confidential, giving your reasons why

- Nothing ☐
- Name/contact details/job title ☐
- Whole response ☐
- Organisation ☐
- Part of the response ☐

If you selected 'Part of the response', please specify which parts:

If you want part of your response, your name or your organisation not to be published, can Ofcom still publish a reference to the contents of your response (including, for any confidential parts, a general summary that does not disclose the specific information or enable you to be identified)?

Yes ☐ No ☐

Declaration

I confirm that the correspondence supplied with this cover sheet is a formal consultation response that Ofcom can publish. However, in supplying this response, I understand that Ofcom may need to publish all responses, including those which are marked as confidential, in order to meet legal obligations. If I have sent my response by email, Ofcom can disregard any standard e-mail text about not disclosing email contents and attachments.

Ofcom aims to publish responses at regular intervals during and after the consultation period. If your response is non-confidential (in whole or in part), and you would prefer us to publish your response only once the consultation has ended, please tick here.

Name Signed (if hard copy)

A4. Consultation questions

Question 1: Do you agree with the conclusion in our Equality Act impact assessment?

Question 2: Do you agree with our assessment of the potential impact of our proposal on the Welsh language? Do you think our proposal could be formulated or revised to ensure, or increase, positive effects, or reduce / eliminate any negative effects, on opportunities to use the Welsh language and treating the Welsh language no less favourably than English?

Question 3: Do you agree with our assessment of the consumer harm arising from inflation-linked price variation terms?

We invite evidence from respondents on the matters addressed in section three.

Question 4: Do you agree with the conclusion in our impact assessment?

Question 5: Do you agree with our proposal to require providers to ensure that the following information is drawn prominently to the customer's attention in a clear and comprehensible manner before a customer is bound by a contract: i) the Core Subscription Price; ii) if the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price, in pounds and pence; and iii) the date from which any changed Core Subscription Price shall have effect?

Question 6: Do you agree with our proposal to require providers to include in the Contract Summary: i) the Core Subscription Price; ii) if the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price in pounds and pence; and iii) the date from which any changed Core Subscription Price during the Commitment Period shall have effect?

Question 7: Do you agree with our proposal to require providers to include in the Contract Information: i) if the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price in pounds and pence, and ii) the date from which any changed Core Subscription Price during the Commitment Period shall have effect?

Question 8: Do you agree with our proposed additions and amendments to GC C1 (see detailed amendments in annex 5)?

Question 9: Do you agree with our proposed additions and amendments to existing GC C1 guidance to clarify our expectations on how providers could comply with the new requirements (see detailed amendments in annex 6)?

Question 10: Do you agree with the proposed implementation period of four months from publication of the statement and the changes to GC C1 and guidance?

Please provide evidence in support of your views.

A5. Notification proposing modifications to General Condition C1 – Contract Requirements and Definitions section

Notification of Ofcom's proposal to modify General Condition C1 and Definitions section under sections 48(1) and 48A(3) of the Communications Act 2003 ('Act')

A5.1 Ofcom, in accordance with sections 48(1) and 48A(3) of the Act, hereby proposes to modify General Condition ('GC') C1 and the Definitions section of the GCs, in particular:

a) the preamble to GC C1;
b) the title appearing before GC C1.3;
c) GC C1.3;
d) GC C1.5;
e) Table A of the Annex to Condition C1, paragraph 3 ('Price');
f) the definition of 'Contract Summary' in the Definitions section of the GCs.

A5.2 The proposed modifications are set out in the Schedule to this Notification.

A5.3 Ofcom's reasons for making these proposals and the effects of the proposals are set out in the accompanying consultation document, titled *'Prohibiting inflation-linked price rises: proposals for new rules and guidance'*.

A5.4 Ofcom considers that these proposals comply with the requirements of sections 45 to 49C of the Act, insofar as they are applicable.

A5.5 In making these proposals, Ofcom has considered and acted in accordance with its general duties under section 3 of the Act and the six requirements set out in section 4 of the Act. Ofcom has also had regard to the UK Government's Statement of Strategic Priorities in making the proposals referred to in this Notification.

A5.6 Representations may be made to Ofcom about the proposals until 5pm on Tuesday 13 February 2024.

A5.7 If implemented, the modifications shall enter into force four months from publication of the further notification accompanying Ofcom's final statement in relation to these proposals, or such other date as specified in that notification.

A5.8 Copies of this Notification and the accompanying consultation have or will be sent to the Secretary of State in accordance with section 48C(1) of the Act.

A5.9 In this Notification:

a) **'the Act'** means the Communications Act 2003;

b) **‘General Conditions of Entitlement’** and **‘General Conditions’** mean the general conditions set by Ofcom under section 45 of the Act on 19 September 2017, as amended or replaced from time to time;
c) ‘**Ofcom’** means Office of Communications;
d) **‘Statement of Strategic Priorities’** means the UK Government’s Statement of Strategic Priorities for telecommunications, the management of radio spectrum, and postal services designated by the Secretary of State for Digital, Culture, Media, and Sport, for the purposes of section 2A of the Communications Act 2003 on 29 October 2019.

A5.10 Words or expressions shall have the meaning assigned to them in this Notification, and otherwise any word or expression shall have the same meaning as it has in the Act.

A5.11 For the purposes of interpreting this Notification:

a) headings and titles shall be disregarded; and
b) the Interpretation Act 1978 shall apply as if this Notification were an Act of Parliament.

A5.12 The Schedule of this Notification shall form part of this Notification.

Signed by:

Cristina Luna-Esteban
Director – Telecoms Consumer Protection

A person authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002

12 December 2023

Schedule

This Schedule shows the changes we are proposing to make to the General Conditions to give effect to the policy proposals outlined in the consultation to which this Notification is annexed.

Proposed modifications to the preamble to GC C1

Existing Text	Proposed New Text	Explanation
This condition aims to protect consumers and end-users by ensuring that contracts for public electronic communications services include key information about the services they are receiving and that such information is provided to them before they enter into their contract to allow them to make an informed choice. It also sets out requirements about contract duration, contract renewal, end-of-contract notifications, annual best tariff information, facilitating changes of communications provider and end-users' rights to terminate a contract, which are designed to ensure that end users are treated fairly and able to switch to a different provider in appropriate cases.	This condition aims to protect consumers and end-users by ensuring that contracts for public electronic communications services include key information about the services they are receiving and that such information is provided to them before they enter into their contract to allow them to make an informed choice. This includes information about any changes to the price that consumers and end-users will face during their contract, in order to provide them with certainty as to the amounts they will be required to pay. It also sets out requirements about contract duration, contract renewal, end-of-contract notifications, annual best tariff information, facilitating changes of communications provider and end-users' rights to terminate a contract, which are designed to ensure that end users are treated fairly and able to switch to a different provider in appropriate cases.	Provides additional information about the purpose of GC C1 in light of the proposed amendments referred to below.

Proposed modifications to the title appearing before GC C1.3

Existing Text	Proposed New Text	Explanation
Contract requirements[1] [1] See also Ofcom's guidance under General Condition C1	**Contract requirements – information to be provided at point of sale and before customer gives consent to enter a contract**[1] [1] See also Ofcom's guidance under General Condition C1	Amendment to title to signpost the proposed modifications to GC C1.3 set out below.

Proposed modifications to GC C1.3

Existing Text	Proposed New Text	Explanation
C1.3 Before a **Relevant Customer** is bound by a contract for a **Relevant Communications Service**, **Regulated Providers** shall provide that **Relevant Customer** with the **Contract Information** set out in the Annex to **Condition** C1 to the extent that it relates to a service they provide.	C1.3 Before a **Relevant Customer** is bound by a contract for a **Relevant Communications Service**, **Regulated Providers** shall: (a) ensure that the following information is drawn prominently to the **Relevant Customer**'s attention in a clear and comprehensible manner (including during a sales call or other verbal sale such as an in-store sale): (i) the **Core Subscription Price**; (ii) if the **Core Subscription Price** is to change during the **Commitment Period**, that changed **Core Subscription Price**, expressed in pounds and pence; and (iii) the date from which any changed **Core Subscription Price**(s) referred to in **Condition** C1.3(a)(ii) above shall have effect; and (b) provide that **Relevant Customer** with the **Contract Information** set out in the Annex to **Condition** C1 to the extent that it relates to a service they provide.	Requires Regulated Providers to ensure that certain pricing information is drawn prominently to the Relevant Customer's attention (including during a sales call or other verbal sale such as an in-store sale) in a clear and comprehensible manner before a Relevant Customer is bound by a contract.

Proposed modifications to GC C1.5

Existing Text	Proposed New Text	Explanation
C1.5 Before entering into a contract, **Regulated Providers** shall provide the **Relevant Customer**, free of charge, with a **Contract Summary.**	C1.5 Before entering into a contract, **Regulated Providers** shall: (a) provide the **Relevant Customer**, free of charge, with a **Contract Summary**; and (b) when providing information as to 'Price' within a **Contract Summary**, include the following information: (i) the **Core Subscription Price**; (ii) if the **Core Subscription Price** is to change during the **Commitment Period**, that changed **Core Subscription Price**, expressed in pounds and pence; and (iii) the date from which any changed **Core Subscription Price**(s) referred to in **Condition** C1.5(b)(ii) above shall have effect.	Requires Regulated Providers to provide certain pricing information in the Contract Summary.

Proposed modifications to Annex to Condition C1, Table A, paragraph 3 (Price)

Existing Text		Proposed New Text		Explanation
(a) the price of the service (including VAT), including: (i) the **Core Subscription Price**; (ii) any usage charges for any additional use of services or facilities, or for use of any additional services or facilities not included in (i); (iii) where applicable, any activation charges. If the **Relevant Customer** is not a **Consumer**, prices may be stated exclusive of VAT.	(b) the cost of using the means of distance communication for the conclusion of the contract where that cost is calculated other than at the basic rate;	(a) the price of the service (including VAT), including: (i) the **Core Subscription Price**; (ii) any usage charges for any additional use of services or facilities, or for use of any additional services or facilities not included in (i); (iii) where applicable, any activation charges; (b) if the **Core Subscription Price** is to change during the **Commitment Period**, that changed **Core Subscription Price**, expressed in pounds and pence; (c) the date from which any changed **Core Subscription Price**(s) referred to in paragraph 3(b) above shall have effect. If the **Relevant Customer** is not a **Consumer**, prices may be stated exclusive of VAT.	(d) the cost of using the means of distance communication for the conclusion of the contract where that cost is calculated other than at the basic rate;	Requires Regulated Providers to provide certain pricing information in the Contract Information.

Proposed modifications to Definitions section

Existing Text	Proposed New Text	Explanation
'**Contract Summary**' means the information required and set out in accordance with the contract summary template specified by the European Commission under Commission Implementing Regulation (EU) 2019/2243 of 17 December 2019 establishing a template for the contract summary to be used by providers of publicly available electronic communications services pursuant to Directive (EU) 2018/1972;[23] [23] See Commission Implementing Regulation (EU) 2019/2243	'**Contract Summary**' means the information required and set out in accordance with **Condition** C1.5 and the contract summary template specified by the European Commission under Commission Implementing Regulation (EU) 2019/2243 of 17 December 2019 establishing a template for the contract summary to be used by providers of publicly available electronic communications services pursuant to Directive (EU) 2018/1972;[23] [23] See Commission Implementing Regulation (EU) 2019/2243, as amended.	Amends the definition of 'Contract Summary' to ensure that it captures the pricing information that Regulated Providers must include in the Contract Summary as a consequence of the amendments to GC 1.5. Amends footnote 23 to flag that Commission Implementing Regulation (EU) 2019/2243 has been amended (see The Electronic Communications and Wireless Telegraphy (Amendment) (European Electronic Communications Code and EU Exit) Regulations 2020, schedule 3, paragraph 1).

A6. Table of proposed changes to GC C1 Guidance

This table shows the changes we are proposing to make to the GC C1 Guidance. A complete version of this GC C1 Guidance with our proposed amendments in markup is included as a supporting document to this consultation: Inflation-linked price rises: proposed GC C1 guidance.

Current text	Proposed text	Notes
Purpose of this document	**Purpose of this document**	
1.1 This document sets out Ofcom's guidance under General Condition C1 (Condition C1) in the following areas: a) Identifying Microenterprise or Small Enterprise Customers, and Not-for-Profit Customers; b) Contract Information and the Contract Summary; c) Conditions and procedures for contract termination; d) Non-coterminous linked contracts; e) Automatically renewable contracts; f) Contractual modifications; and g) End-of-contract and annual best tariff notifications.	1.1 This document sets out Ofcom's guidance under General Condition C1 (Condition C1) in the following areas: a) Identifying Microenterprise or Small Enterprise Customers, and Not-for-Profit Customers; b) Contract Information and the Contract Summary; c) Pricing information to be drawn to customers' attention before they enter into a contract; d) Conditions and procedures for contract termination; e) Non-coterminous linked contracts; f) Automatically renewable contracts; g) Contractual modifications; and h) End-of-contract and annual best tariff notifications.	
Conditions C1.3-C1.7: Contract Information and Summary	**Conditions C1.3-C1.7: Contract Information and Summary and pricing information to be drawn to customers' attention before they enter into a contract**	
1.8 The provisions specifically provide for two sets of information to be provided to customers before they are bound by a contract: the specified Contract Information and a Contract Summary. Additional information requirements also apply to providers of certain types of services, such as	1.8 The provisions specifically provide for three sets of information to be provided to customers before they are bound by a contract: information in relation to the Core Subscription Price, and how and when it might change, which must be drawn to customers' attention; the specified Contract Information; and a Contract Summary. Additional information requirements also apply to providers of certain	

Current text	Proposed text	Notes
Internet Access Services (as specified in the Annex to Condition C1).	types of services, such as Internet Access Services (as specified in the Annex to Condition C1).	
1.9 This part of the guidance outlines Ofcom's expectations as to how the Contract Information in the Annex to Condition C1 and the Contract Summary should be provided, as well as further specifics on the information that should be provided in compliance with those conditions. This guidance is not exhaustive, and the full list of information which needs to be provided before a customer is bound by a contract under these Conditions is set out in the Annex to Condition C1 and in the Contract Summary Implementing Regulation.[2]	1.9 This part of the guidance outlines Ofcom's expectations as to how the Contract Information in the Annex to Condition C1, the Contract Summary and pricing information to be drawn to relevant customers' attention before they enter into a contract should be provided, as well as further specifics on the information that should be provided in compliance with those conditions. This guidance is not exhaustive, and the full list of information which needs to be provided before a customer is bound by a contract under these Conditions is set out in Condition C1.3(a), the Annex to Condition C1, Condition C1.5(b) and the Contract Summary Implementing Regulation.[2]	
How the Contract Information and Contract Summary are provided	**How the Contract Information and Contract Summary are provided**	
1.10 Under Conditions C1.3-1.4, the **Contract Information** needs to be provided "Before a Relevant Customer is bound by a contract" in a "*clear and comprehensible manner*" and on a Durable Medium. A Durable Medium is defined in the Conditions as: "*paper or email, or any other medium that:* *a) allows information to be addressed personally to the recipient;* *b) enables the recipient to store the information in a way accessible for future reference for a period that is long enough for the purposes of the information; and*	1.10 Under Conditions C1.3(b)-1.4, the **Contract Information** needs to be provided "Before a Relevant Customer is bound by a contract" in a "*clear and comprehensible manner*" and on a Durable Medium. A Durable Medium is defined in the Conditions as: "*paper or email, or any other medium that:* *a) allows information to be addressed personally to the recipient;* *b) enables the recipient to store the information in a way accessible for future reference for a period that is long enough for the purposes of the information; and*	

Current text	Proposed text	Notes
c) *allows the unchanged reproduction of the information to be stored.”*	c) *allows the unchanged reproduction of the information to be stored.”*	
Guidance on elements of the Contract Information	**Guidance on elements of the Contract Information**	
1.20 In all cases, the Contract Information must include the Core Subscription Price.[5] In some contracts, that Core Subscription Price is structured so that it is £X for part of the contract period and £X + a measure determined by an inflation index (e.g. £X + the retail price index (‘RPI’) or £X + the consumer price index (‘CPI’)) for a later part of that period. In accordance with the guidance on contract modifications,[6] specifying the price this way in their contracts, and at the point of sale, means that providers are not required to give customers a right to exit their contract without additional charge when the price uplift takes effect. The guidance in paragraphs 1.21-1.24 below sets out how we expect providers to tell customers about these sorts of prices in the Contract Information for the purposes of Condition C1.3.	1.20 In Table A in the Annex to Condition C1: • Clause 3(a)(i) requires providers to set out “the Core Subscription Price”; • Clause 3(b) requires that, if the Core Subscription Price is to change during the Commitment Period, providers should set out the changed Core Subscription Price, expressed in pound and pence; and • Clause 3(c) requires providers to set out the date from which any changed Core Subscription Price(s) referred to in Clause 3(b) above shall have effect.	
1.21 Table A, clause 3(a)(i) in the Annex to Condition C1 requires providers to set out “the Core Subscription Price”. In complying with this requirement, where a provider is offering a package in which the Core Subscription Price is set out on the basis described in the paragraph above, an estimate of the price, including any increment for inflation, should be included, in an accessible way, such that the customer has an indication of how the relevant inflation index might affect the price they will pay.	1.21 In all cases, the Contract Information must include the Core Subscription Price.[5]	

Current text	Proposed text	Notes
1.22 This means that stating that there will be an (unspecified) uplift to the Core Subscription Price in line with a particular inflation index is unlikely to be sufficient. For example, text which states "*In April 2020 your price will increase by an amount equal to the RPI rate published in March of that year*" does not make clear to the customer what the impact on their Core Subscription Price will be.	1.22 Some providers may choose to structure their contracts so that the Core Subscription Price is £X for part of the contract period and £Y for a later part of that period. Where they do so, the provider should, in accordance with the clauses set out above, clearly set out the different Core Subscription Prices points that would apply during the Commitment Period, expressed in pounds and pence. Providers should also clearly state the date on which the changes to the Core Subscription Price will occur.	
1.23 Instead, we expect providers to provide an example to the customer of how such a price term is likely to affect the price they will pay. If the increase is by reference to an inflation index, then providers should use the most recent value of that index.	1.23 In accordance with the guidance on contract modifications,[6] specifying the price this way in their contracts, and at the point of sale, means that providers are not required to give customers a right to exit their contract without additional charge when the price uplift takes effect. The guidance in paragraphs 1.24-1.27 below sets out how we expect providers to tell customers about these sorts of prices in the Contract Information for the purposes of Condition C1.3(b).	
1.24 As an example, this additional clarification could read: "*For example, using last year's RPI value of 2%, this would mean your monthly price of £40 would increase to £40.80 from April next year*".	1.24 Below are non-exhaustive examples of how this information could be presented in the Contract Information: • "*Your monthly price is £30 until 31 March 2024, increasing to £31.50 on 1 April 2024 and to £33.00 on 1 April 2025.*" • "*Your monthly price is half price at £15 a month for the first six months and then £30 a month until 31 March 2024, increasing to £31.50 a month on 1 April 2024.*"	

Current text	Proposed text	Notes
N/A	1.25 It would not be sufficient for providers to simply state the change in the Core Subscription Price, nor would it be sufficient to state a broader timeframe for when the price rise will occur, e.g. "*Your monthly price will change by £3 each March until the end of your contract*".	New paragraph
N/A	1.26 Providers could also comply with these requirements if the Core Subscription Price is fixed at the same amount for the duration of the Commitment Period.	New paragraph
N/A	1.27 Core Subscription Prices where price increases are linked to an inflation index, or a set percentage, or both, would not comply with the rules because the price change is not set out in pounds and pence.	New paragraph
1.25 – 1.31	1.28 – 1.34	No changes other than numbering
N/A	1.35 Where a number of services are taken together as a Bundle, we do not expect providers to set out any price rises that apply to individual parts of the Bundle it sells separately. However, providers must present the Core Subscription Price for the Bundle as a whole in accordance with Table A, clause 3, i.e. the Core Subscription Price information for the Bundle must include the different Core Subscription price points for the Bundle that would apply if there are any price changes during the Commitment Period.	New paragraph
1.32 – 1.35	1.36 – 1.39	

Current text	Proposed text	Notes
N/A	**[New sub-heading] Pricing information to be drawn to relevant customers' attention before they enter into a contract**	
N/A	1.40 Condition C1.3(a) says: "Before a Relevant Customer is bound by a contract for a Relevant Communications Service, Regulated Providers shall: a) ensure that the following information is drawn prominently to the Relevant Customer's attention in a clear and comprehensible manner (including during a sales call or other verbal sale such as an in-store sale): i) the Core Subscription Price; ii) if the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price, expressed in pounds and pence; and iii) the date from which any changed Core Subscription Price(s) referred to in Condition C1.3(a)(ii) above shall have effect".	New paragraph
N/A	1.41 Providers should draw this information to relevant customers' attention prominently and in a clear and comprehensible manner *before* the customer becomes bound by a contract. In practice, and taking account of paragraph 1.14 above, this means that providers can choose to comply by drawing this information to the customer's attention: a) before they provide the customer with the Contract Information, which will then be followed by the Contract Summary;	New paragraph

Current text	Proposed text	Notes
	b) before they provide the customer with both the Contract Information and Contract Summary; or c) at the same time as they provide the customer with the Contract Information and Contract Summary.	
N/A	1.42 We consider that the requirement to draw this information prominently to the relevant customers' attention in a clear and comprehensible manner means that the customer must be fully informed of this information and it should be presented in a way that is easy for the consumer to understand.	New paragraph
N/A	1.43 In the context of an online sales process, providers may comply by ensuring that: a) information indicating the fact that the Core Subscription Price will change has equal prominence to the initial / headline Core Subscription Price; and b) the changed Core Subscription Price(s), and the dates from which they shall have effect, is either: i) equally prominent to, or ii) presented immediately below or alongside, the information set out in sub-para (a) above.	New paragraph
N/A	1.44 For example, we consider that the following would comply:	New paragraph

Current text	Proposed text	Notes
	"Your monthly price is £30 until 31 March 2024, increasing to £31.50 on 1 April 2024 and to £33.00 on 1 April 2025." *"£30 a month until 31 March 2024.* *Increasing to £31.50 on 1 April 2024 and to £33.00 on 1 April 2025."*	
N/A	1.45 However, we consider that the following would not comply: a) requiring the customer to hover over an asterisk or other symbol or indicator in order to view any changed Core Subscription Price(s) and the date from which any changed Core Subscription Price(s) shall have effect; or b) presenting any changed Core Subscription Price(s) and the date from which any changed Core Subscription Price(s) shall have effect in a footnote at the bottom of a web page.	New paragraph
N/A	1.46 In the context of sales calls or other verbal sales (such as an in-store sale), the provider could comply by ensuring sales agents explain to relevant customers any changed Core Subscription Price(s), and the dates from which the contract provides for them to take effect, immediately after explaining the initial Core Subscription Price and in a clear and comprehensible manner, for example at the same pace as compared with the Core Subscription Price. We consider that a provider would not comply where a sales agent provides this information:	New paragraph

Current text	Proposed text	Notes
	a) significantly later in their discussion than the point at which they set out the initial Core Subscription Price; or b) in a way which makes it difficult to understand, for example by speaking inaudibly or at a fast pace as compared with the Core Subscription Price.	
Guidance on information in the Contract Summary	**Guidance on information in the Contract Summary**	
1.36 The Contract Summary Implementing Regulation sets out detailed requirements on what information should be included. In complying with these requirements, we would expect providers to consider in particular: a) the extent to which the information required is relevant to their customers; b) what elements of that information are key to a customer's understanding of the contract and their decision about whether to sign-up to the contract; and c) how they can present those key elements in clear language that is understandable to a UK customer.	1.47 The Contract Summary Implementing Regulation,[10] read together with C1.5, sets out detailed requirements on what information should be included. In complying with these requirements, we would expect providers to consider in particular: a) the extent to which the information required is relevant to their customers; b) what elements of that information are key to a customer's understanding of the contract and their decision about whether to sign-up to the contract; and c) how they can present those key elements in clear language that is understandable to a UK customer.	
1.37	1.48	No changes other than numbering
1.38 With respect to presenting prices in the Contract Summary: a) where the Implementing Regulation refers to "recurring prices" we expect providers to include the Core Subscription Price, as well as any other recurring prices (such as addons) which appear automatically on a customer's bill each month;	1.49 With respect to presenting prices in the Contract Summary: a) where the Implementing Regulation refers to "recurring prices" this includes the Core Subscription Price (as required by C1.5(b)(i)), as well as any other recurring prices (such as add-ons) which appear automatically on a customer's bill each month;	

Current text	Proposed text	Notes
b) it is likely to be helpful to customers if they are presented with these prices in a consistent way across both the Contract Summary and Contract Information and therefore providers may want to set out the Core Subscription Price, and any other recurring or consumption-related prices, in a consistent way with the Contract Information (as set out in paragraphs 1.20 to 1.25 above); c) providers only need to include taxes in these prices where the Contract Summary is being provided to customers who are Consumers (i.e. prices for business customers can be stated exclusive of VAT); and d) providers may indicate that information about tariffs for additional services is available separately, for example by providing a link to where that information is published.	b) GC C1.5(b)(ii)-(iii) require that if the Core Subscription Price is to change during the Commitment Period, providers should present the changed Core Subscription Price in pounds and pence, and the date from which any such change shall have effect. This information is the same as the information required in the Contract Information pursuant to the Annex to Condition C1 (as set out in paragraphs 1.20 to 1.27 above) and the information that must be drawn prominently to the customers' attention pursuant to C 1.3(a) (as set out in paragraphs 1.40-1.46 above); c) providers only need to include taxes in these prices where the Contract Summary is being provided to customers who are Consumers (i.e. prices for business customers can be stated exclusive of VAT); and d) providers may indicate that information about tariffs for additional services is available separately, for example by providing a link to where that information is published.	
1.39 – 1.66	1.50 – 1.77	No changes other than numbering
1.67 Where the factors at paragraph 1.65 apply, we would then consider the case for taking enforcement action by assessing the potential for, and extent of, any customer harm, taking into account the factors below.	1.78 Where the factors at paragraph 1.76 apply, we would then consider the case for taking enforcement action by assessing the potential for, and extent of, any customer harm, taking into account the factors below.	
1.68 – 1.69	1.79 – 1.80	No changes other than numbering

Current text	Proposed text	Notes
1.70 In addition, we would take into account any other factors which might reduce the potential for harm from non-coterminous linked contracts, for example: a) whether the contractual arrangements provided efficiencies or other benefits for customers. We would, however, expect providers to be able to evidence that there were such efficiencies or other benefits to customers. We would also consider whether a provider could deliver those efficiencies or other benefits without the factors described at 1.65. b) whether, when customers originally entered into non-coterminous linked contracts, they chose to take such contracts even though they were offered the option to take contracts with aligned Commitment Periods; and c) whether customers were well-informed about the arrangements and their implications, when they entered into them. We would take account of the level of support providers give to customers to help them understand the implications of entering into these agreements, including what happens to prices at the end of the different Commitment Periods. However, even if customers were well-informed about non-coterminous linked contracts at the point of sale, this is unlikely to be sufficient on its own to allay potential concerns if there were no efficiencies or other benefits for customers.	1.81 In addition, we would take into account any other factors which might reduce the potential for harm from non-coterminous linked contracts, for example: a) whether the contractual arrangements provided efficiencies or other benefits for customers. We would, however, expect providers to be able to evidence that there were such efficiencies or other benefits to customers. We would also consider whether a provider could deliver those efficiencies or other benefits without the factors described at 1.76. b) whether, when customers originally entered into non-coterminous linked contracts, they chose to take such contracts even though they were offered the option to take contracts with aligned Commitment Periods; and c) whether customers were well-informed about the arrangements and their implications, when they entered into them. We would take account of the level of support providers give to customers to help them understand the implications of entering into these agreements, including what happens to prices at the end of the different Commitment Periods. However, even if customers were well-informed about non-coterminous linked contracts at the point of sale, this is unlikely to be sufficient on its own to allay potential concerns if there were no efficiencies or other benefits for customers.	
1.71 – 1.89	1.82 – 1.100	No changes other than numbering

Current text	Proposed text	Notes
1.90 The above will also be subject to any contractual terms that set out specified variations to the prices charged, or services offered, during the contract period (see below at 1.100).	1.101 The above will also be subject to any contractual terms that set out specified variations to the prices charged, or services offered, during the contract period (see below at 1.111).	
1.91 – 1.92	1.102 – 1.103	No changes other than numbering
1.93 In contrast, where an access charge for calling a premium rate service is levied by a communications provider, and forms part of the communications provider's contract with its customer, an increase in the access charge would trigger the right to exit (unless the increase was in line with a price variation clause, see below at 1.100).	1.104 In contrast, where an access charge for calling a premium rate service is levied by a communications provider, and forms part of the communications provider's contract with its customer, an increase in the access charge would trigger the right to exit (unless the increase was in line with a price variation clause, see below at 1.111).	
1.94 – 1.101	1.105 – 1.112	No changes other than numbering
Variation clauses in contracts	**Variation clauses in contracts**	
1.102 Our guidance on Contract Information and Contract Summary provides examples of how information on Core Subscription Price could be set out in clear and useful terms for customers. We would however expect providers to adopt a clear and transparent approach in setting out all price variation terms as part of the Contract Information, regardless of whether the service and/or facility constitutes part of the Core Subscription Price and regardless of whether the price variation is linked to a particular price index.	1.113 Our guidance on Contract Information and Contract Summary provides examples of how information on Core Subscription Price could be set out in clear and useful terms for customers. We would however expect providers to adopt a clear and transparent approach in setting out all price variation terms as part of the Contract Summary and Contract Information, regardless of whether the service and/or facility constitutes part of the Core Subscription Price.	

Current text	Proposed text	Notes
1.103 – 1.123	1.114 – 1.134	No changes other than numbering
1.124 In complying with this requirement, providers should apply the principles described above in paragraphs 1.118-1.122 to set out the changes to the listed services that will come into effect because the Commitment Period is ending. Any changes to the main services provided under the contract, and the associated aspects of those services, should be included in the notification itself. A full list of changes to the services provided under the contract may be listed elsewhere (subject to compliance with the requirements described above).	1.135 In complying with this requirement, providers should apply the principles described above in paragraphs 1.129-1.133 to set out the changes to the listed services that will come into effect because the Commitment Period is ending. Any changes to the main services provided under the contract, and the associated aspects of those services, should be included in the notification itself. A full list of changes to the services provided under the contract may be listed elsewhere (subject to compliance with the requirements described above).	
1.124 – 1.144	1.136 – 1.155	No changes other than numbering
1.145 If multiple Public Electronic Communications Services are provided under the contract subject to the notification (e.g. a dual or triple play contract), the provider should consider all of those services when determining its best tariffs in accordance with paragraph 1.138.	1.156 If multiple Public Electronic Communications Services are provided under the contract subject to the notification (e.g. a dual or triple play contract), the provider should consider all of those services when determining its best tariffs in accordance with paragraph 1.149.	
1.146 Where: a) the provider provides multiple Public Electronic Communications Services to the Subscriber, but some are provided under the contract subject to the notification and some under other linked contract(s)[20]; or b) the contract subject to the notification forms part of a Bundle with another contract(s), the provider	1.157 Where: a) the provider provides multiple Public Electronic Communications Services to the Subscriber, but some are provided under the contract subject to the notification and some under other linked contract(s)[20]; or b) the contract subject to the notification forms part of a Bundle with another contract(s), the provider	

Current text	Proposed text	Notes
should consider the services / Terminal Equipment provided or sold under all of the contracts when determining its best tariffs in accordance with paragraph 1.138 in the following circumstances: c) in an End-of-Contract Notification, if either: i. the 31-day window[21] for the contract subject to the notification overlaps with the 31-day window for the other contract(s); or ii. the other contract(s) is (are) not subject to a Commitment Period when the notification is sent, d) in an Annual Best Tariff Notification, if the other contract(s) is (are) not subject to a Commitment Period when the notification is sent.	should consider the services / Terminal Equipment provided or sold under all of the contracts when determining its best tariffs in accordance with paragraph 1.149 in the following circumstances: c) in an End-of-Contract Notification, if either: i. the 31-day window[21] for the contract subject to the notification overlaps with the 31-day window for the other contract(s); or ii. the other contract(s) is (are) not subject to a Commitment Period when the notification is sent, d) in an Annual Best Tariff Notification, if the other contract(s) is (are) not subject to a Commitment Period when the notification is sent.	
1.147 – 1.154	1.158 – 1.165	No changes other than numbering
1.155 The remaining information required by Condition C1.24 should be made available to the Subscriber in a single location, which is referred to in paragraph 1.154e).	1.166 The remaining information required by Condition C1.24 should be made available to the Subscriber in a single location, which is referred to in paragraph 1.165e).	
1.156 – 1.162	1.167 – 1.173	No changes other than numbering
1.163 The remaining information required by Condition C1.33 should be made available to the Subscriber in a single location, which is referred to in paragraph 1.162d).	1.174 The remaining information required by Condition C1.33 should be made available to the Subscriber in a single location, which is referred to in paragraph 1.173d).	

Current text	Proposed text	Notes
Footnotes	**Footnotes**	
[Footnote 2] Commission Implementing Regulation (EU) 2019/2243 of 17 December 2019 ('the Contract Summary Implementing Regulation').	[Footnote 2] Commission Implementing Regulation (EU) 2019/2243 of 17 December 2019 ('the Contract Summary Implementing Regulation') (as amended).	
[Footnote 3] Commission Implementing Regulation (EU) 2019/2243 of 17 December 2019. In particular the Annex to this regulation specifies the template that must be used (in Part A of the Annex), along with instructions for completing the template (in Part B of the Annex).	[Footnote 3] Commission Implementing Regulation (EU) 2019/2243 of 17 December 2019, as amended. In particular the Annex to this regulation specifies the template that must be used (in Part A of the Annex), along with instructions for completing the template (in Part B of the Annex).	
[Footnote 6] Paragraph 1.100	[Footnote 6] Paragraph 1.111	
N/A	[Footnote 10] Commission Implementing Regulation (EU) 2019/2243, as amended.	New footnote
[Footnote 10] – [Footnote 13]	[Footnote 11] – [Footnote 14]	No changes other than numbering
[Footnote 14] See paragraphs 1.96-1.99 for add-on services provided as part of a bundle, where those add-ons do not have a Commitment Period.	[Footnote 15] See paragraphs 1.107-1.110 for add-on services provided as part of a bundle, where those add-ons do not have a Commitment Period.	
[Footnote 15] – [Footnote 17]	[Footnote 16] – [Footnote 18]	No changes other than numbering
[Footnote 18] Paragraphs 1.40-1.55 above.	[Footnote 19] Paragraphs 1.51-1.66 above.	
[Footnote 19] We discuss at paragraphs 1.120-1.122 what we mean by a Subscriber's main services, and the associated aspects of those services.	[Footnote 20] We discuss at paragraphs 1.131-1.133 what we mean by a Subscriber's main services, and the associated aspects of those services.	

Current text	Proposed text	Notes
[Footnote 20] See paragraphs 1.128-1.129 for an explanation of this term.	[Footnote 21] See paragraphs 1.139-1.140 for an explanation of this term.	
[Footnote 21] See paragraph 1.148 for an explanation of this term.	[Footnote 22] See paragraph 1.159 for an explanation of this term.	
[Footnote 22] This is subject to an exception in relation to aggregated notifications, as set out in paragraph 1.150.	[Footnote 23] This is subject to an exception in relation to aggregated notifications, as set out in paragraph 1.161.	
[Footnote 23] See paragraphs 1.128-1.129 for an explanation of this term.	[Footnote 24] See paragraphs 1.139-1.140 for an explanation of this term.	
[Footnote 24]	[Footnote 25]	No changes other than numbering
[Footnote 25] See paragraphs 1.128-1.129 for an explanation of this term.	[Footnote 26] See paragraphs 1.139-1.140 for an explanation of this term.	