

## Consultation response form

Please complete this form in full and return via email to [improving.engagement@ofcom.org.uk](mailto:improving.engagement@ofcom.org.uk) or by post to:

Carmen To  
Ofcom  
Riverside House  
2A Southwark Bridge Road  
London SE1 9HA

<b>Consultation title</b>	Consultation on end-of-contract and out-of-contract notifications
<b>Full name</b>	[X]
<b>Contact phone number</b>	
<b>Representing (delete as appropriate)</b>	Organisation
<b>Organisation name</b>	Dixons Carphone
<b>Email address</b>	[X]

## Confidentiality

We ask for your contact details along with your response so that we can engage with you on this consultation. For further information about how Ofcom handles your personal information and your corresponding rights, see [Ofcom's General Privacy Statement](#).

<b>Your details: We will keep your contact number and email address confidential. Is there anything else you want to keep confidential? Delete as appropriate.</b>	Nothing / Your name / Organisation name / Whole response / Part of the response (you will need to indicate which question responses are confidential)
<b>Your response: Please indicate how much of your response you want to keep confidential. Delete as appropriate.</b>	None / Whole response / Part of the response (you will need to indicate below which question responses are confidential)
<b>For confidential responses, can Ofcom publish a reference to the contents of your response?</b>	Yes / No

## Your response

Question	Your response
Question 1: Do you agree with our assessment of harm relating to residential consumers and Small Businesses?	Confidential? – Y / N
Question 2: Do you agree that providers should send both end-of-contract and out-of-contract notifications?	Confidential? – Y / N
Question 3: Do you agree with our proposal that notifications should be sent to all residential and Small Business customers who take Public Electronic Communications Services?	Confidential? – Y / N
Question 4: Do you agree with our proposals on the content of the end-of-contract notification?	Confidential? – No
Question 5: Do you agree with our proposals on the structure, method, timing and frequency of the end-of-contract notification?	
Question 6: Do you agree with our proposals on the content of the out-of-contract notification?	
Question 7: Do you agree with our proposals on the structure, method and frequency of the out-of-contract notification?	
Question 8: Do you agree that our proposals are both effective and the minimum necessary to achieve our policy objectives?	Confidential? – Y / N
Question 9: Do you agree with the impacts we identify, and the approach we take to quantify these impacts, in our assessment in Annex 6?	Confidential? – Y / N
Question 10: Do you agree with our provisional assessment that the potential costs for providers are not disproportionate in order to achieve our policy objectives?	Confidential? – Y / N
Question 11: Do you agree with our proposed implementation timescale for end-of-contract notifications and for the one-off notification to customers who are already outside of their minimum contract period?	Confidential? – Y / N
Question 12: Do you have any comments on the draft condition set out in Annex 9 to this document?	Confidential? – Y / N

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**Question 1: Do you agree with our assessment of harm relating to residential consumers and Small Businesses?**

DC is very aware that some customers continue to pay monthly fees that reflect both their airtime usage and their handset cost beyond the end of their minimum term (once their handset has already been paid off). To combat this Dixons Carphone offers all our customers an “upgrade reminder service” through which all customers opting in are contacted c.60 days prior to the end of their contract to inform them of their options. Customers are contacted again at their contract end date and those customers who have not changed their contract are contacted a final time 1 month after their contract end date.

However, we do recognise that customers not purchasing through Dixons Carphone may not receive the same level of information. We do note that while the level of ‘unnecessary’ spend appears significant (estimated at between £350-400m) it is barely 1% of the total spend in the telecommunications market. That said, £10-22 per month is a significant sum for some people, and the issue is more grievous if it singularly impacts those customers who are less engaged and more vulnerable, such as the elderly.

We do see the issue of customer engagement more broadly than the scope of this consultation, namely improving customer engagement is not just about eliminating handset costs after the handset is effectively paid for – it’s about ensuring the customer periodically engages in the market to reassess their changing needs and the changing solutions in the market, understand the benefits of innovation and technology, and make sure they have the right products and services for them, at fair and explicit prices. We acknowledge that this consultation is potentially the first of many, seeking to address one of the more tangible and immediate issues facing customer, though we think it important to bear in mind the broader agenda of customer engagement when considering the right solution.

We see no reason to differentiate and exclude small businesses from the scope of this regulation – demands on small business owners’ time are no less than on consumers’, the likelihood of not being aware of when contractual minimum terms have expired and handsets have been paid off, and the impact of overpaying is equally as financially punitive.

**Question 2: Do you agree that providers should send both end-of-contract and out-of-contract notifications?**

We agree that only contacting customers who are currently nearing the end of their contract risks excluding a large number of customers who are currently sleeping from receiving a prompt to reengage in the market. Therefore we are in favour of a one-off communication to customers who are already beyond the end of their contract period to ensure all customers benefit from a reminder to reengage in the market and review both their needs and the solutions available.

**Question 3: Do you agree with our proposal that notifications should be sent to all residential and Small Business customers who take Public Electronic Communications Services?**

Yes. The issues around awareness of contract end dates and implications on pricing are different for mobile and fixed-line services however end-of contract notifications could be a single solution to both problems. In fixed-line the issue is often that promotional discounts end resulting in a sharp increase in price for the customer (which unless they are actively monitoring their bills/payments may go unnoticed). For example, Virgin's Full House package increases from £89 to £129/mth at the end of the 12 month contract period, an increase of 45%.

In mobile the issues are slightly different where promotional periods are less common (though do exist on some brands and product types e.g. EE SIM-only). Here the greater issue is the one discussed in question 1.

**Question 4: Do you agree with our proposals on the content of the end-of-contract notification?**

**Question 5: Do you agree with our proposals on the structure, method, timing and frequency of the end-of-contract notification?**

We are very much in favour of providing customers with greater clarity on their contract end-date, current tariff, services and cost. Understanding a customer's current tariff is by no means the only input for recommending the right tariff moving forward, but it is never-the-less an important one. For our returning customers, our colleagues can see what the customer bought last time, but this is less than perfect given that customers may change their package directly with their network during their 24 month contract. For customers who are new to Dixons Carphone our colleagues need to rely on the customer to inform them. Anecdotal feedback from our stores suggests while most customers have an idea of the package they signed up to (potentially over 24mths ago) they lack specific and comprehensive details which can make reviewing alternatives difficult. This can lead to delays in the 'consideration' process. Explicit information on their current package will result in better recommendations, and give customers greater confidence on what they might stand to lose and gain by switching which ultimately leads to a more informed choice with fewer surprises.

We are very much in favour of finding a solution to the issue of customers (and particularly vulnerable) wasting money on h/s rates after their contract has ended. But there are a number of other important factors and issues with the proposed solution

1. Impact on switching and market competition

Under Ofcom's proposal, providers will be mandated to contact customers between 40-70 days prior to the end of their contract to notify customers their contract is coming to an end

and highlight the customers options. We anticipate that providers are very unlikely to recommend offers and solutions other than their own (potentially including the option to upgrade or migrate to SIMO early), thereby giving customers an opportunity to save money at a point in time when they have no other options to consider/compare (on a like-for-like basis). Customers responding to such offers will certainly recommit the customer to the network for a period of time, and the customer will forego any opportunity to compare the wider market to find the best deal.

We anticipate the lure of a marginal but immediate saving will further reduce comparison and switching (which has already declined 25% over the last 2 years from c. 30% to 23%) and further reduce competitive forces on operators (the link between the two having been extensively documented by Ofcom as part of the consultations and policy decisions on switching last year.)

Furthermore, a provider may offer the customer a 12m SIMO which reduces their monthly bill but recommit the customer for a further 12 months. If the customer wishes to renew their handset in this time (through choice or because the old one gets damaged etc.) then their current provider may give them the option to upgrade, but the customer has no option to elect for an alternative provider's offer without potentially double-paying. Their current provider has effectively avoided competition not just around the customer's choice of SIMO but also their subsequent handset choice.

Ofcom have three main duties: to promote competition and ensure that markets work effectively for consumers; to secure standards and improve quality; and to protect consumers from harm<sup>i</sup>. While Ofcom's proposal may partly protect customers from the bad practice of continued monthly payments that reflect both handset and airtime costs beyond the customer's end-date, our view is that this would be at the expense and detriment of one of the other three key duties.

2. Recommendations from the customer's current provider may reduce their monthly spend but may not offer the best offer for their needs or fully eliminate waste and harm.

While we consider the proposed solution may go some way to reducing the number of customers continuing to pay monthly amounts reflecting both airtime and handset costs, it's unlikely to fully address the issue of customer harm and ensure customers get the best from their mobile services.

Providers are unlikely to promote offers other than their own. So, the offers that they do promote may not be best suited to customer needs. There are a number of reasons why a limiting a customer's choice to their current network may not result in the best outcome for the customer.

***NB – the purpose of the examples below and references to network providers is not to call out any of the networks as better or worse, but simply to illustrate a general point that applies to all networks. We would like to make clear that our intention is not to criticise any network providers, but to make our position clear using practical examples. The prices in the table below have been***

sourced from network provider websites directly. These prices were accurate as of 04/09/18 and are for illustrative purposes only.

i) Alternative providers may offer the similar service for an even lower price

Price differences between mobile operators can be significant - a 40GB SIM-only package from EE is £35/mth but a 45GB SIM-only package from Virgin is only £18. This is a price difference of £17/month or £204 per year. Under the current proposal, EE customers are only to be made explicitly aware of the EE proposition, which may still be a significant saving versus their current pay-monthly handset bill, leading them to accept this offer and forego the opportunity to compare the market and consider whether the Virgin proposition offers them better value. Moreover, customers may choose to remain with EE for reasons such as familiarity of service, quality of network coverage etc. and will be happy to take the first saving they see to do so. However, only by shopping around would a customer learn that Virgin uses EE's network infrastructure. Therefore, the customer could save a substantial amount more by switching to the Virgin package and suffer no reduction in service quality as a result. This highlights the importance of making sure the notification is effective in driving the customer to truly reengage in the market.

Networks promoting their own offers prior to the end of their contract will lure customers into taking deals that give them marginal savings but prevent them coming out of contract and being able to compare the market (i.e. exert competitive pressure)

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**SIM Only offers across the market**

Network	3GB	5GB	8GB	10GB	20GB	40GB	Additional Services
	£15 1000/1000	£17 1000/UNL			£20 UNL/UNL	£25 UNL/UNL	Red Entertainment package Inc Spotify & Now TV
	£17 UNL/UNL				£20 UNL/UNL	£25 UNL/UNL	Apple Music & BT sport. 18 months tariffs & flex plans. Data sharing
	£13 (2GB) UNL/UNL	£15 (6GB) UNL/UNL		£17 1000/UNL	£20 UNL/UNL	£25 UNL/UNL	Netflix & O2 Priority
		£12.50 (4GB) UNL/UNL	£16 UNL/UNL		£17 (30GB) UNL/UNL	£17 (100GB) UNL/UNL	Travel upgrades with Easyjet
	£9 (2GB) 1500/UNL	£10 2500/UNL	£12 2500/UNL			£23 UNL/UNL	Unlimited data for £25 for existing TV customers
	£8 1000/UNL	£10 1000/UNL	£10 UNL/UNL		£20 UNL/UNL		
	£15 UNL/UNL			£20 UNL/UNL	£30 UNL/UNL	£40 UNL/UNL	BT reward card. £5 off every month if you have broadband with BT
		£12.50 (6GB) 5000/5000			£18 5000/5000	£30 (50GB) UNL/UNL	
	£5 (2GB) UNL/UNL	£15 UNL/UNL		£20 UNL/UNL			
	£10 UNL/UNL	£12 (4GB) UNL/UNL	£15 UNL/UNL		£20 UNL/UNL	£25 (Always on) UNL/UNL	30 days only, data roll over

**Max**

- Meet Max, a 29 year old real estate agent who uses his work phone for the majority of his daily calls and mobile browsing
- Max is nearing the end of his EE handset contract at £30p/m for £6GB UNL/UNL and would like to move to SIMO. Max has estimated that his personal data usage is 4GB and would like a 5GB SIM just to be safe
- EE send Max a notification stating that he can save £10p/m and get more data by easily switching to a £20 20GB UNL/UNL SIM using the link provided
- Max has a quick scan of the EE website to see if there are any 5GB SIMs for less and finds there aren't. So, he takes the 20GB offer
- Had Max shopped around, he could've taken out the 5GB SIM he wanted from Virgin Mobile for £10p/m less
- Max could have been **£120 a year better off** if the notification encouraged him to shop around

**Jane**

- Meet Jane, aged 38 with 2 teenage kids. She's a consultant who travels a lot and needs data to stream music while she commutes
- Jane's nearly at the end of her O2 handset contract at £40p/m for 15GB UNL/UNL and is happy with her current iPhone. She spends a separate £9.99p/m for Spotify
- O2 send Jane a end of contract notification encouraging her to save money by switching to a £20p/m SIM only deal that gives her 20GB data, unlimited minutes, texts and Netflix
- Jane takes the deal as it represents a saving to what she's paying now
- Jane has no time to watch TV, so barely uses Netflix. Had she shopped around, she could've taken EE's deal - £20p/m for 20GB data, unlimited minutes, texts, free Apple music and data sharing
- So, Jane could've got more data for the same price, free Apple music (saving £9.99p/m or £120 a year on spotify) to use on the commute and the ability to share any data she doesn't use with her kids who always run out!

ii) The customer's current provider may not offer a tariff which is the best fit for the customer's current needs

Providers don't offer a continuous range of allowances and price-points – for example, EE offer a 20GB and 40GB sim-only option, with nothing in between. There is a risk that a provider recommends the 40GB tariff as the "best" option for a 25GB customer, and while that might be true

if only the current provider's propositions are on offer, it may not be true if the customer were to review the options in the market. However, as Ofcom's analysis shows, some customers are unlikely to do this without explicit prompting which the proposed solution is unlikely to do.

- iii) When recommending options to a customer, a provider is unlikely to consider the potential value of network add-ons which in some cases can offer customers more savings than finding a cheaper tariff (see example above).

- 3. SIM-only may be the right choice for some customers but not all. Singling out SIM-only and mandating that providers make customers aware of sim-only offers (but not other options) could lead to customers to form an unbalanced view of the right option for them, and ultimately the wrong selection

A sim-only solution may be the right solution for some customers but not all. Some customers may choose to upgrade their handset if made explicitly aware of the choices and features available on the latest handsets. Some customers may have phones that are out of warranty or end-of-life, for whom an upgrade or new handset agreement might be a better solution for their overall needs. Our contention is that it is only by exploring and evaluating a full set of options that the customer is likely to arrive at the best option for them. Mandating the promotion of SIM-only offers but not other solutions risks prejudicing the options a customer believes they have, and could lead a customer to a solution that actually isn't the right one for them.

- 4. Number and frequency of notifications

We believe a single notification at some point between 40 and 70 days before the end of the customer's contract to be insufficient to drive the desired outcome. While a single notification might be enough to prompt a customer to simply select a single recommendation by their current provider 'on faith', our research suggests a full consideration journey is a more involved process that can last a number of weeks. It is the latter which we believe will lead to the best outcome for the customer (i.e. a process of needs assessment, market exploration and evaluation, with advice being sought from a number of different sources).

For customers who have signed up to our Upgrade Reminder Service, we've found the most effective balance between achieving customer engagement and minimising the likelihood of 'over-communicating' is to send 3 notifications – one at c.70 days before the contract end-date to trigger the start of the research and consideration journey, one at the contract end-date to precipitate action, and one a month after for those customers who have not taken any action.

5. Needs and market re-assessment is an essential part of the solution to ensure the right outcome for customers

By suggesting an automatic renewal of the customer's contract onto SIMO it does not consider the customer's needs or their usage history. The majority of customers already buy more Data, Minutes and Texts than they require or use. If a customer buys 20GB of data a month but only uses 2GB then they are already being over charged and it would be prudent to re-evaluate at the point of contract renewal.

Customer's needs can change significantly over the course of their contract, and new features and technology may radically change a customer's requirements for data moving forwards. Making assumptions around what a customer needs (and, worse, recommending as solution) without engaging with the customer and exploring their situation could result in customers ending up with the wrong tariff and being committed to it for a period of time. Worse, a recommendation (for example, for a 30-day SIMO with significantly higher data allowance) may actually be the right deal for a customer but without the right exploration process the customer may not understand or believe it is the right option, and therefore ignore the call to action to re-engage and avoid continuing to pay monthly fees that reflect both airtime and handset costs beyond the end of their contract.

6. Customers should have equal rights to an effective call-to-action at the end of their contract.

While the current proposal gives individual providers latitude to tailor their message and offers as they see fit, we feel this could lead to inconsistency and inconsistency of outcome for the customer. While each provider's message will need to be 'approved' to ensure it is fit for purpose, the guidelines are sufficiently broad so as to allow a wide range of messages with varying effectiveness to cause the customer to reengage (which is inherently subjective and difficult to 'prove' or 'disprove' one way or the other. We are strongly in favour of a standardised message, scripted by Ofcom that provide much better guarantee customers will receive the right message that benefits their best interests, and a consistent message so all customers can fairly benefit from this regulation.

We would like to propose a step further where the notification is sent with Ofcom branding so the message more clearly stands out from standard bill notifications. Using the Ofcom brand will give customers more confidence that the notification is an impartial message for their benefit, rather than a veiled "sales" message from their provider, which they are more likely to discard as such.

This doesn't preclude providers from sending the notifications operationally (though there may be efficiencies in centralising the process, if a standard message is to be used)

7. Respecting customers' choice of who to have their mobile relationship with



Some customers chose to buy their mobile products and services directly with a network, but some customers chose to visit 3rd parties who can often give them a broader range of options and choices across multiple networks. Such customers often choose to return to these 3rd parties when looking to upgrade. While we agree that the provider should be ultimately accountable for ensuring customers are notified at the end of their contract, we think it should be explicitly permissible that retailers (with whom customers have their advice and purchase relationship) be able to send end-of-contract notifications on behalf of the network. For example, those who consider themselves to be Carphone Warehouse customers are much more likely to respond to notifications from the same company they trust and chose to buy from them in the first instance, possibly due to the variety, low prices and face to face expertise that a scale 3<sup>rd</sup> party like Carphone Warehouse has to offer. Customers deliberately choosing not to buy from the network direct are more likely to ignore notifications direct from the network. Without this, there is a risk that this regulation upsets delicately balanced agreements over customer ownership and communication rights, which could give providers a commercial advantage they don't have today and unfairly disadvantages 3<sup>rd</sup> party distribution channels by threatening the customer relationships they own. In a market in which customers are increasingly turning to network direct channels and upgrades, we feel it is important not to disadvantage 3<sup>rd</sup> party retailers, even if accidentally rather than intentionally.

**Question 8: Do you agree that our proposals are both effective and the minimum necessary to achieve our policy objectives?**

We are very much in favour of seeking to remedy the customer harm caused by lack of awareness around contract end-dates and continued payments that reflect the cost of the handset after it's been paid off.

However, we believe the current proposal doesn't fully address the real issue of customer engagement in the market at the end of their minimum term, and instead is an inadequate compromise that could lead to cheaper bills for customers, but leave them still fundamentally overpaying.

Moreover we think the proposed solution, while being in the interests of reducing customer harm, is to the detriment of market competitive forces and switching. Section 3(1) of the Communications Act 2003 (the "Act") states that it shall be the principal duty of Ofcom, in carrying out its functions to further the interests of consumers in relevant markets, where appropriate by promoting competition.

We believe a standardised message under Ofcom branding will be both more effective, fairer, more likely to drive the right outcomes for the customer, and not accidentally hinder comparison and competition.

PLACEHOLDER FOR MARKETING COPY

# Appendix

## Exhibit 1

<a href="#">← Return to main menu</a>	<a href="#">Home</a> • <a href="#">About Ofcom</a> • <a href="#">What is Ofcom?</a>
<b>About Ofcom</b>	<h3>What is Ofcom?</h3>
<a href="#">What is Ofcom?</a>	Ofcom is the regulator for the communications services that we use and rely on each day.
<a href="#">How Ofcom is run</a>	We make sure people get the best from their broadband, home phone and mobile services, as well as keeping an eye on TV and radio.
<a href="#">News and updates</a>	We also oversee the universal postal service, which means Royal Mail must deliver and collect letters six days a week, and parcels five days a week, at an affordable and uniform price throughout the UK.
<a href="#">Jobs</a>	We look after the airwaves used by wireless devices like cordless phones, walkie talkies and even some car keys and doorbells.
<a href="#">International work</a>	We also help to make sure people don't get scammed and are protected from bad practices. This is particularly important for vulnerable or older people.
<a href="#">Contacting Ofcom</a>	Our duties come from Parliament. Our priority is to look after you, and we sometimes do this by promoting competition among companies we regulate.
<a href="#">Policies and guidelines</a>	We provide advice and information to thousands of people each year, through our website and call centre. We register complaints from people and businesses, which helps us to take action against firms when they let their customers down. Parliament has not given us powers to resolve people's complaints about their broadband, home phone or mobile phone. Instead, these can be considered by alternative 'dispute resolution' services.
<a href="#">Accessibility and diversity</a>	We also help to make sure people across the UK are satisfied with what they see and hear on TV and radio, and that programmes reflect the audiences they serve. We consider every complaint we receive from viewers and listeners. Often, we investigate further and we sometimes find broadcasters in breach of our rules.
<a href="#">Annual reports and plans</a>	We are independent, and funded by fees paid to us by the companies we regulate.
<a href="#">FOI and Data Protection</a>	
<a href="#">Supplying Ofcom</a>	

## Exhibit 2

The screenshot shows a web browser window with the URL <https://www.ofcom.org.uk/about-ofcom/annual-reports-and-plans>. The browser's address bar and tabs are visible at the top. On the left side, there is a navigation menu with the following items: [Contacting Ofcom](#), [Policies and guidelines](#), [Accessibility and diversity](#), [Annual reports and plans](#) (which is highlighted), [FOI and Data Protection](#), and [Supplying Ofcom](#). The main content area on the right features a section titled **Annual plans** with the sub-header **Annual plan 2018/19**. The text in this section states: "Ofcom's purpose is to make communications markets work for everyone. To achieve this, we have three main goals: to promote competition and ensure that markets work effectively for consumers; to secure standards and improve quality; and to protect consumers from harm. Our Annual Plan highlights some of the key work areas that we will seek to deliver in order to meet these goals, across the UK and its nations. We also outline our broader ongoing work to support these goals, and how we will work for consumers across the UK's nations. We published our Proposed Annual Plan 2018/19 for consultation on 1 December 2017. In January 2018 we held public events for stakeholders to present and discuss the Plan in London, Belfast, Edinburgh and Cardiff. We received 46 responses which are summarised in Annex 2. This final Plan takes into account stakeholders' views on, and responses to, the proposed Plan."

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Shop > SIM Only > Pay monthly phone SIM only plans

# PAY MONTHLY SIM ONLY PLANS

Need loads of data? Or just the essentials? We've got the perfect plan.

Sort by Recommended Grid List

All these plans last for 12 months

**10GB**  
data

**£20**  
a month

Unlimited texts Unlimited minutes

See plan details

Choose this plan

**20GB**  
data

**£25**  
a month

Unlimited texts Unlimited minutes

See plan details

Choose this plan

**40GB**  
data

**£35**  
a month

Unlimited texts Unlimited minutes

See plan details

Choose this plan

**30GB**  
data

**£17**  
a month

Unlimited texts Unlimited minutes

See plan details

Choose this plan

**1GB**  
data

**£14**  
a month

Unlimited texts Unlimited minutes

See plan details

Choose this plan

**250MB**  
data

**£11**  
a month

Unlimited texts Unlimited minutes

See plan details

Choose this plan

Total monthly cost **£7** Contract duration  12 months [Continue](#)

£7	1500	Unlimited	1GB	✓
£9	1500	Unlimited	2GB	
£13 £10	2500	Unlimited	5GB	
£12	2500	Unlimited	4GB 8GB 2x data	
£18	5000	Unlimited	16GB 45GB 3x data	
£23	Unlimited	Unlimited	40GB	

Help Me Choose

Live chat

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This plan is available to existing Virgin TV and Broadband customers: