

FCS Response to Ofcom's Consultation on End of Contract Notifications

Introduction

The Federation of Communication Services represents companies which provide professional communications solutions to business and residential users. Our members deliver telecommunications services via mobile and fixed line telephony networks, broadband, satellite, wi-fi and business radio. Our members' customers range from SMEs, consumers, home-workers and micro-businesses up to the very largest national and international private enterprises and public-sector users. FCS is the largest trade organisation in the professional communications arena, representing the interests of around 300 businesses who supply mainly B2B services nationwide.

Overview

We think that Ofcom has correctly identified problems that residential consumers suffer from when they reach the end of their initial contract periods with the large volume providers. We believe that the small business market is better equipped to understand cost implications and is generally much more cost and commercially aware. B2B providers are significantly less likely to push up costs at the end of an initial period and have a strong desire to keep customers, thus avoiding hefty increases.

We are concerned that Ofcom refers throughout the consultation to the issues facing "consumers" (usually defined as a natural person), yet in the proposals refers to "customers" including micro-businesses¹ with little support to show that they suffer in the same way as consumers when they are in a business-based contract. Those who find that their costs have suddenly increased (due to reaching the end of contract) should be able to contact their provider for an explanation and move if need be: Ofcom does not explore why this does not happen in reality and instead looks to pre-empt the issue. We believe that micro businesses can generally make these decisions to the benefit of their business.

In our response to Ofcom's consultation on automatic compensation, we highlighted the difficulty with providers being able to recognise the customer type and whether there was a difference between a consumer contract and a business contract. We asked Ofcom for guidance on what a "business contract" might look like. We believe that by setting the rules for end of contract notifications on the same basis as auto-compensation, identification of the correct party would be easier. We understand that BT, for example, cannot readily identify the difference between residential and business customers but makes assumptions based on products taken.

¹ We use micro-business and small business to mean essentially the same number, per Ofcom's definition of 10 or fewer

Answers to specific questions

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

We believe that small businesses are much less likely to suffer the harms identified as, firstly they are likely to be much more price-aware than the average residential consumer and, secondly, they are generally on a business-orientated contract with a B2B provider who will be more concerned about keeping their business than the volume providers are. FCS encourages ethical behaviour from its members which involved keeping customers informed about services and costs. Many would be horrified by the idea of end of contract price rises with no notification.

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

We believe that both notifications will be worthwhile to the residential consumer market. Ofcom is effectively introducing the requirements placed on CPs for Automatic Renewal of Contract notifications into a new arena: now those who would normally have to be notified about the renewal of a fixed term contract are also notified of its end regardless of whether it is moving into a rolling or fixed term contract. This could cause confusion in the end-user's mind about the sort of contract that they are moving into and will require system builds and updates for the CPs to accommodate relevant information.

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?

We do not believe that Small Businesses on business contracts need the same level of protection. Those c30% of small businesses that have chosen to take a residential contract may well benefit from required notifications for consumers: if businesses take contracts that are more suitable for consumers, then they will benefit from the safeguards that Ofcom proposes by default.

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

Yes, for consumers, not business.

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

Ofcom sets out that most harm is caused to those with contracts of 12, 18 or 24 months. Therefore, it may be worthwhile to limit sending of notifications to those with a maximum contract duration of 24 months. This would avoid businesses with contracts of 24+ months receiving unnecessary notifications.

Question 6: Do you agree with our proposals on the content of the out-of-contract notification?

Yes, for consumers, not business.

Question 7: Do you agree with our proposals on the structure, method and frequency of the out-of-contract notification?

Yes, subject to earlier comments about involvement of the small business customer.

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

We believe that the proposals go above the needs of the small business customer on a “business” contract.

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?

As the impact assessment relates for costs of provision for residential customers, we have no specific comments to make.

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?

It is difficult to comment at this time, as individual CP’s development costs, ongoing IT support costs and customer agent costs to deal with queries are largely unknown.

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?

Yes, subject to CPs having sufficient staff resource available to implement system updates and deal with customer queries.

Question 12: Do you have any comments on the draft condition set out in Annex 9 to this document?

Our only comment would be to limit the condition requirements to residential consumers.

Conclusion

We believe this is another example of the confusing cross-over when small businesses are treated as though they are individual consumers. Small business owners, who thrive on competition, are aware of their overheads and competent enough to be able to understand a contract. If these consultation suggestions are enforced, it will put further resource, process and system development pressures on small business communication providers who are already struggling with the implementation of mobile bill capping, Calling Line Identification (CLI), and so on.

The thrust of all that Ofcom suggests makes perfect sense – when applied to the residential consumer market.