

# MoneySavingExpert.com

## Response to Ofcom consultation

### Helping consumers to engage in communications markets: end-of-contract and out-of-contract notifications

MoneySavingExpert.com welcomes the opportunity to respond to this consultation.

It is important that regulators show commitment to increasing consumer engagement and switching behaviours. We are therefore heartened to see Ofcom proactively seek to improve this area in telecommunications.

We have answered the questions which we feel best informed to, and have grouped some questions for coherency. Furthermore, while the consultation covers both residential consumers and small businesses, our answers will concentrate on the former in order to focus on our area of expertise.

### Questions regarding the rationale behind and scope of end-of-contract and out-of-contract notifications

- ***Question 1: Do you agree with our assessment of harm relating to residential consumers and Small Businesses?***
- ***Question 2: Do you agree that providers should send both end-of-contract and out-of-contract notifications?***
- ***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?***

MoneySavingExpert.com (MSE) wholeheartedly agrees with Ofcom's assessment that residential consumers who do not engage with the in the telecommunications market are monetarily disadvantaged.

For example, a customer paying a certain leading telecommunications provider's out-of-contract price for standard speed broadband and line dual play is currently paying £45.49 per month. They would be able to get a similar deal from a different provider for around *£10 per month*, factoring in promotional cashback and vouchers.

This is a massive differential in cost, so consumers *must* be made aware when their contract is about to end, and that they are about to be put on a much more expensive out-of-contract tariff.

Furthermore, while it is easy for a consumer to forget when their contract ends, it can be extremely difficult for them to proactively find information about their contract. Bills and online accounts can be confusing to navigate and relevant information isn't often readily available.

In light of the significant cost of not switching and the difficulty faced by customers trying to find information about their contract, both end-of-contract and out-of-contract notifications should be

sent to all broadband, mobile and landline contract customers. This would ensure customers are equipped with the information they need to make an informed decision about their telecommunications contract, without expecting them to overcome barriers to find it out.

These notifications are a key opportunity for Ofcom to drive up engagement and switching in the telecommunications market, and to protect consumers from being ripped off.

## Questions regarding the content, structure and timing of end-of-contract and out-of-contract notifications

- ***Question 4: Do you agree with our proposals on the content of the end-of-contract notification?***
- ***Question 6: Do you agree with our proposals on the content of the out-of-contract notification?***

We generally agree with Ofcom's proposals for what information end-of-contract and out-of-contract notifications should include, with the most important elements being:

- the difference in cost between what the customer will pay in and out of the contract;
- the difference in services provided to the customer while in and out of the contract; and
- the fact that no termination charges will be levied if the customer wanted to switch while out of contract.

However, MSE reiterates its opinion that unless the notifications showcase examples of the best deals currently available in the market, the customer may remain unengaged. Without examples of alternative deals, they may falsely assume that while their bill will increase, this may simply be reflective of wider market prices. We already shared this opinion in our response to Ofcom's Call for Inputs on 'Helping consumers to engage in consumer markets' in 2017.

These notifications would be most successful in their goal of encouraging engagement and switching if they directed consumers to tools which would help them compare deals and switch provider.

- ***Question 5: Do you agree with our proposals on the structure, method, timing and frequency of the end-of-contract notification?***
- ***Question 7: Do you agree with our proposals on the structure, method and frequency of the out-of-contract notification?***

### Structure

While alternative deals should be included in the end-of-contract and out-of-contract notifications, the notifications should not lead with these. This could result in the notifications being mistaken as marketing material by consumers, and could possibly lead to consumers ignoring them.

For the notifications to be as effective as possible key information must be clear and placed prominently. This key information is:

- That the customer's contract will end soon;
- The new sum the customer will be paying while out-of-contract, and the difference between this sum and what they are currently paying;

- Examples of the best deals currently in the market to illustrate to the customer if the new out-of-contract price is a good deal or not;
- That the customer is able to switch without penalty when out-of-contract.

Furthermore, the notifications should have a long form. Longer content resonates best with less savvy consumers, as it includes more detail and explanation. These notifications are designed to target less engaged and less switching-inclined consumers, and so a long form would be more appropriate.

## **Method**

MoneySavingExpert believes that the durable mediums of post and email are acceptable forms of communication through which to send end-of-contract or out-of-contract notifications. However, alternative formats such as braille or large print should also be made readily available to those who struggle with post and email.

We have concerns that SMS might not be appropriate for communicating enough relevant information about the consequences of a customer's contract ending. Simply having a link from the SMS to more information is not upfront enough, and could give providers the opportunity to bury information, or act as a barrier for consumers trying to seek out more information. Furthermore, some groups who are less mobile savvy, such as older consumers, may be at a disadvantage if notifications were sent by SMS.

While some consumers may be 'paperless' and view their bills online, this is not an acceptable way to send end-of-contract and out-of-contract notifications to consumers. This could more easily result in the notifications being missed, and consumers being left unaware that they are disadvantaged from staying out-of-contract.

## **Timing and frequency**

It would be more beneficial to have more notifications sent to customers to remind them that their contracts are coming to an end.

Ofcom's intention of one notification sent 70 – 40 days before the end of a contract is not sufficient: this notification could be easily missed by a customer, or they may forget in this two month period that their contract is soon coming to an end and they need to act.

Consumers would benefit from receiving more notifications closer to when their contract actually comes to an end: maybe one end-of-contract notification within the last two weeks of the contract and another out-of-contract notification being sent two weeks after it has ended. Therefore, MSE does not agree that the out-of-contract notifications should be a 'one off' at the start of implementation, but should continue as a routine part of the notification practice of firms.

MSE does not think this frequency of communication should be regarded as spam, as what is being sent to the customer is vital information which is beneficial to them.

## Other questions

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

MoneySavingExpert believes that Ofcom's proposals are likely to be effective, as for the first time telecommunications customers will systematically and explicitly be made aware of the cost of not switching off expensive rolling contracts.

Appropriate content, structure, method, timing and frequency of the notifications – as was laid out previously in this response – will be key in ensuring that they are as effective as possible in encouraging consumer engagement.

However, if notifications are not effective, Ofcom must be ready to alter or increase its intervention to address the consumer harm which it has identified.

- ***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***

MoneySavingExpert believes that the implementation timescale given by Ofcom, i.e. 6 months after Ofcom issues its final statement in March 2019, is plenty.

If anything, the implementation timescale should be reduced, and there should certainly be no scope for it to be extended.

## About MoneySavingExpert.com

MoneySavingExpert.com is the UK's biggest consumer website dedicated to saving people money on anything and everything by finding the best deals, beating the system and campaigning for financial justice. It's based on detailed journalistic research and cutting edge tools, and has one of the UK's top 10 social networking communities.

During September 2018 MoneySavingExpert had 16.9 million users, visiting the site 29.9 million times, and looking at over 72.8 million pages. Over 13.5 million people have opted to receive our free weekly email, more than 1.7 million users have registered on the forum and over 3.6 million have joined our Cheap Energy Club.

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