

Ofcom Consultation on end-of-contract and out-of-contract notifications

XLN Telecom Response

XLN provides fixed line and broadband to UK small business customers. We do not provide services to consumers.

XLN also provides SIM only mobile services with no minimum contract term to a subset of our fixed line and broadband customers. We believe that different considerations apply to combined mobile handset and airtime deals where the cost of the handset is usually a material part of the overall package cost and Ofcom should consider this market separately from fixed line and broadband.

XLN does not provide pay TV services and, in any case, this service is unlikely to be of relevance to our Small Business customers (with the possible exception of pub owners). We believe Ofcom should consider this market separately from fixed line and broadband.

Our responses below, therefore, only apply in relation to Small Business customers taking fixed line and/or broadband services and our contracts for these services.

Question 1: Do XLN agree with Ofcom's assessment of harm relating to Small Businesses?

No

The market providing fixed line and broadband services to UK small businesses is very competitive.

Our fixed line and broadband contracts are not like energy contracts where customers fix their price for X months and then default onto a standard variable rate at the end of the contract. Prices are not generally increased at the point a customer moves out of contracts. We do not believe that customers are necessarily disadvantaged by being out of contract. Price rises (if any) are usually carried out on an annual basis across the customer base.

While suppliers do offer promotional tariffs to new customers (e.g. £5 pm reduction for the first six months of a 24 month contract), in our opinion, these promotions are effectively to compensate customers for the time and perceived risk to service continuity of switching provider. It is up to customers to decide whether the relatively small potential savings available by shopping around and, potentially transferring provider, are worth the time cost of doing so.

Ofcom state that a perceived harm is that customers will have to incur time and effort to find information on available deals. Information on deals providers are offering is easily available via the internet and, in particular, price comparison sites. We would also note that it is surely a feature of a competitive market that a customer who devotes the time and effort to scour the entire market for the best deal is likely to achieve a saving over one who only considers offers from their current provider and/or a handful of providers.

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

No, not for fixed line and broadband small business customers.

We believe the key to achieving a competitive market is for customers to have easy access to their contract end date. Uncertainty as to contract end date is one of the major hurdles our sales channels encounter when looking to sign up new customers. Customers can then make their own decision as to whether to shop around or remain on their current tariff.

We believe this can be achieved by requiring communications providers to:

- (i) print contract end date on invoices and/or make it available via online accounts; and
- (ii) provide contract end dates to customers promptly on request either via calling customer service or via email (we believe at least one of our competitors is consistently evasive when asked for this info by customers).

Where providers are proposing to increase prices at the end of a contract period, we believe providers should be required to notify customers of the price change (as they would do with any price change) and this communication should include fact that the customer will have completed their fixed term contract by the time of the proposed price rise.

While we understand why Ofgem requires energy providers to send end of contract letters (given the often significant price differences between in contract prices and variable rate), we do not think similar regulation is necessary in the telecoms sector for fixed line and broadband business customers. In particular, the costs to suppliers in complying with any such regulation would outweigh any benefit to customers and increased supplier costs ultimately lead to higher prices for customers.

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

No

As stated above, we believe Ofcom's aims with regard to fixed line and broadband customers can be achieved by making it easier for customers to find the date they will be out of contract or establish that they are out of contract without imposing on providers the cost of writing to all customers.

Question 4: Do v agree with Ofcom's proposals on the content of the end of contract notification?

n/a

Question 5: Do XLN agree without Ofcom's proposal on the structure, method, timing and frequency of the end of contract notification?

n/a

Question 6: Do XLN agree with Ofcom's proposal on the content of out of contract notification?

n/a

Question 7: Do XLN agree with Ofcom's proposals on the structure, method and frequency of the out of contract notification?

n/a

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

No, see above

Question 9: Do XLN agree with the impacts Ofcom identify and the approach Ofcom take to quantify these impacts in Annex 6?

We believe the costs of implementing Ofcom's proposals will outweigh the benefit for our Small Business customers.

Question 10: Do XLN agree with Ofcom's provisional assessment that the potential costs for providers are not disproportionate in order to achieve our policy objectives?

No. From XLN's point of view we would be incurring costs for IT development with no obvious gain for our customers. In addition, we would have to delay other IT and product development which would be beneficial to our business and customers.

Question 11: Do you agree with Ofcom's proposed implementation timescale for end of contract notifications and for the one off notification to customer who are already outside their minimum contract period?

6 months is not an unreasonable timescale to make these changes. However, for a business with a relatively small IT team such as XLN, it would require us to delay other IT and product development.

Question 12: Do XLN have any comments on the draft condition set out in Annex 9?

N/a