

Ofcom  
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15 March 2019

### **Consultation on helping consumers to get better deals in communications markets: mobile handsets**

I write in response to the consultation on helping consumers to get better deals in communications markets: mobile handsets

#### **About Ombudsman Services:**

Ombudsman Services is a not-for-profit private limited company established in 2002 which runs a range of discrete national ombudsman schemes across different sectors including energy and communications. Each scheme is funded by the companies under our jurisdiction and our service is free to consumers. In 2017 we received 172,865 initial contacts from complainants and resolved 92,110 complaints.

For consumers, we offer a free and accessible way of resolving complaints, with a focus on swift, impartial resolutions based on principles of fairness. We also use the insights and data we gather through our casework and other sources to help bring about wider improvements which deliver benefits to all consumers, not just those who have turned to us for help.

For businesses, we help resolve disputes with customers in a fast and non-adversarial way, helping with customer retention and brand loyalty. We go beyond individual complaints to identify broader trends which can be a source of innovation. We also use our expertise to help companies identify opportunities for improvement, which can sharpen competitiveness and help build reputation.

#### **General comments:**

We welcome the proposals put forward in this consultation. We think that more transparent pricing, fairer tariffs with appropriate minimum contract periods will help to ensure that consumers are getting the best deals which will help to build trust and fairness in the communications markets for all consumers including those in vulnerable circumstances.



## **Answers to the specific questions raised:**

We have provided responses to all the consultation questions as see that these areas have a focus on fairness and transparency for all consumers which we believe is key to reducing detriment and sources of customer dispute.

### **Q1: Do you agree with the concerns we have identified in relation to bundled mobile airtime and handset contracts?**

Yes. Ombudsman Services shares the concerns raised within the Consultation. We have only received a small number of complaints from customers who have argued that they have been financially disadvantaged because their monthly charges did not decrease after the expiration of the minimum term of their airtime agreements (although we have seen several complaints in the last few months, as the issue has attracted publicity). We suspect, however, that many customers who may be unhappy with the situation have chosen not to complain because providers are charging them in line with their contracts.

We believe that consumers should have access to clear information about the products and services they are paying for to allow them to make informed decisions. We support any course of action which creates more transparency for consumers.

### **Q2: Do you agree with the options we have outlined as potential remedies for the concerns identified?**

Yes. Ombudsman Services thinks all the options listed by Ofcom have merit. Providing more information to customers at the end of a contract could be a useful prompt for them to take action. However, we are aware that some customers do not always engage with the market (potentially including customers in vulnerable circumstances) and therefore a notification alone may not prompt action. To ensure that no consumers experience detriment, we think a system under which a customer is automatically switched to a cheaper tariff at the end of their minimum contract term would be more effective.

If customers were automatically switched to a new tariff at the end of the minimum term, care should be taken to ensure that they are not disadvantaged – for example, because their new tariff does not include all the features of their previous tariff and the customer is not made aware of the changes. We think that, ideally, any new tariff would include exactly the same features as the previous tariff at a lower cost.

### **Q3: Do you have views on additional solutions we should consider, including on split contracts?**

Ombudsman Services is of the view that split contracts offer solutions to some of the problems raised in the consultation. Customers on split contracts receive clear information about the cost of their handsets/airtime services and automatically see the cost of their mobile phone payments reduce once the handset is paid off.

As mentioned in paragraph 4.25 of the consultation, however, we share concerns about the length of some handset contracts now offered and the effect this has on consumer switching. Whereas, previously, mobile phone contracts ran for a maximum of 24 months, we are increasingly seeing the introduction of 36-month contracts for handsets onto the market.

We recognise there can be some benefits for consumers to be able to pay off the cost of a handset over longer periods of time, particularly as handsets are becoming more expensive. However, as most communications providers require the customer to have an airtime agreement active until such time as the handset has been paid off, customers are effectively being tied to providers for longer than previously (and longer than the General Conditions otherwise allow). We are concerned that the linking of airtime agreements to lengthy handset agreements could potentially act as a disincentive to switch.

To solve this problem, we think mobile providers could break the link between the airtime and handset agreements offered to customers. We think that if customers were able to cancel the airtime element of the contract while retaining their handset agreement, the problem would be solved and split contracts would become a better solution to the overall issue.

Please do not hesitate to contact us if you would like further information regarding our response.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Jonathan Lenton', written in a cursive style.

Jonathan Lenton  
Ombudsman

**For more information regarding this consultation please contact:**

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