

# Citizens Advice Scotland – Response to Ofcom’s Discussion paper: Ofcom’s future approach to mobile markets

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Scotland’s Citizens Advice Network is an essential community service that empowers people through our local bureaux and national services by providing free, confidential, and independent advice. We use people’s real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.

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## Introduction

The day-to-day activities of citizens are becoming increasingly dependent on their ability to use telecommunications services, such as mobile phones, broadband or landlines. The COVID-19 pandemic has highlighted the essential nature of online connectivity and access to internet data, with many people relying on internet access for working from home, staying informed, or interacting with welfare services, and friends and family.

For clients of the Scottish Citizens Advice network, their mobile phones have become increasingly important in accessing vital online services; with one in five of our clients accessing the internet only through their smart phones<sup>1</sup>. Having a reliable, consistent and affordable mobile connection is essential for clients to access services such as Universal Credit journals and online banking.

Ofcom’s own research into the affordability of communication services estimated that there are 1.5 million households who currently only have access to a mobile internet connection at home. Households in which the primary decision makers are aged 18-24, unemployed and seeking work or have an income below £11,500 are more likely than average to only have access to the internet in this way<sup>2</sup>.

Citizens Advice Scotland (CAS) therefore welcomes Ofcom’s desire to understand how the mobile market works for consumers and to identify the challenges they may face in the future. We are pleased to see Ofcom’s continuing focus on the affordability of telecommunication services and on ensuring that vulnerable consumers are treated fairly.

CAS welcomes the plans of providers to invest in their networks and believes that clarity regarding the future regulatory framework will support this investment. In this response, we highlight the need for network capacity to be expanded to meet the predicted increase in data usage across the whole of the UK. We believe that the internet will play an increasingly larger role in the delivery of public services and the ability of consumers to access new

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<sup>1</sup> [https://www.cas.org.uk/system/files/publications/cas\\_disconnected\\_report.pdf](https://www.cas.org.uk/system/files/publications/cas_disconnected_report.pdf)

<sup>2</sup> <https://www.ofcom.org.uk/consultations-and-statements/category-3/ofcoms-future-approach-to-mobile-markets>

products and services. Consumers will require high quality, reliable mobile services to access these. We also highlight our ongoing concerns regarding affordability.

We have concerns about whether competition on its own will deliver equal benefits to all consumers. We express specific concerns regarding the level of competition, choice and quality of service received by vulnerable and rural consumers, who may not experience the benefits of competition in the same way other consumers do. These concerns are outlined below.

### A principled approach to consumer advocacy

As Scotland's leading consumer advocate, CAS embeds the consumer principles in all areas of our work. These principles are essential to achieving improved consumer outcomes. CAS recommends embedding these principles within the development of future measures, guidance, and regulations. When responding to this discussion paper, we will reflect upon these principles where necessary.

## Consumer Principles



### Achieving Ofcom's proposed outcomes

Section 3 sets out Ofcom's proposed outcomes in the mobile market, and CAS is pleased to see Ofcom's commitment to ensuring that outcomes in the mobile market work for consumers and businesses. CAS would offer the following comment in relation to Ofcom's proposed outcomes for the mobile market:

a) Investment in new technologies and strong, secure networks to meet the future needs of customers and the country.

CAS welcomes further investment in new technologies and network infrastructure to ensure that the mobile market meets the future needs of consumers across the UK. As outlined above, we believe that consumers are increasingly reliant on mobile internet connections. It is important that our mobile networks are fit for purpose and investment in new technologies, such as 5G availability, will help to future-proof these services. As the UK moves to an increasingly digital and online society, it is essential that the channels to access these services meet the needs and expectations of consumers.

b) Widespread availability of reliable mobile services to keep people and businesses connected wherever they live, work and travel.

As already stated, it is essential that consumers and businesses have access to a mobile connection that is reliable and efficient. This is particularly the case for consumers who rely on their mobile as their primary device when accessing the internet and for consumers who live in rural areas, where "not-spots" are still prevalent. CAS welcomes the various initiatives to improve the availability and reliability of mobile networks in rural areas, with initiatives such as the Shared Rural Network and the 4G infill programme. However, we highlight below a range of concerns regarding the level of competition, and delivery of associated benefits for rural consumers.

c) Quality, value for money and choice for customers to meet a variety of needs.

With the increased costs of living consumers will be continuing to seek maximum value for money from the services and utilities that they purchase. CAS are pleased that Ofcom recognises the financial difficulties some consumers will face. We believe all consumers need to have an adequate choice of affordable mobile connections. While we are supportive of the increased provision of social tariffs in the fixed broadband market, CAS are concerned that consumers have little choice of similarly priced/affordable offerings within the mobile market. We note below that some consumers, and especially those who may be vulnerable, appear to be considerably less satisfied with the quality of service they receive. CAS are also aware that consumers in some rural areas are being served by a limited number of mobile providers. We would welcome increased competition in these areas to assist in delivering positive outcomes for all consumers.

d) Customers who are empowered to shop around with confidence, and can make well informed decisions, and switch easily.

CAS strongly supports this outcome and we have been pleased to see recent reforms to switching and end-of-contract notification arrangements. We recognise that consumer confidence in the mobile market is essential to secure future investment and development. CAS believes that consumers should receive information that is accessible and easily understandable to ensure that they can act with confidence in the mobile market. CAS looks forward to working with Ofcom to ensure that our advice provision remains up to date, so that we can support customers to make appropriate choices in the mobile market.

e) Support for customers who may be vulnerable, including those in financial difficulty

We are pleased to see Ofcom recognise the need to support consumers who may be vulnerable, and we welcome the inclusion of financial vulnerability as a relevant factor. In

the year ahead, CAS anticipates that many consumers will be faced with difficult decisions as a result of the increasing cost of living. We expect this to have an impact on how consumers interact with the mobile market. We will continue to engage with Ofcom on related work, such as the refresh of the Treating Vulnerable Customers Fairly guidance<sup>3</sup>.

## **Question 1: Do you agree that the key potential market developments over the next five to ten years are those set out in Section 5? Are there any other key developments we should consider?**

CAS broadly agrees with Ofcom's analysis that the key potential market developments over the next five to ten years are those set out in Section 5. In this section, we highlight the need for network capacity to be expanded to meet the predicted increase in data usage across the whole of the UK. We believe that the internet will play an increasingly larger role in the delivery of public services and the ability of consumers to access new products and services. Consumers will require high quality, reliable mobile services to access these. We also highlight our ongoing concerns regarding affordability.

### Network Investment to support increased data usage

We agree with Ofcom's assessment that data use will continue to rise and note that the total monthly data used on mobile networks could increase by a multiple of 20 by 2030. Meeting this demand will require a significant expansion in network capacity.

CAS further notes that the Mobile Network Operators (MNOs) are all planning to continue to invest significantly in developing their networks, driven by competition amongst them. As a result, Ofcom considers they should deliver the Government's ambition to see the majority of the population covered by 5G by 2027. We hope that the greater clarity in relation to Ofcom's regulatory position will deliver increased investment in network services by MNO and other stakeholders. However, we note with concern that Ofcom predict there may be some geographical variation in services, with those in low-demand areas potentially not experiencing the same high levels of speed and responsiveness as in high demand areas.

CAS believes that Ofcom may be understating the demand and need for high quality and speed of mobile connections in rural areas, where overall populations may be smaller than urban areas. In this regard, we would highlight that Scotland has a greater proportion of areas that are classed as being remote rural than other areas of the UK. The needs of consumers (including businesses) in these areas are equal; if the use of monthly data is to increase by up to a multiple of 20 then it is essential that all consumers across the UK have access to mobile infrastructure that can meet their demands and deliver a quality service. If the observed outcome in the next 5-10 years is that consumers living in rural areas have significant differences in relation to both speed and responsiveness when compared to urban consumers, CAS would consider that the Shared Rural Network and mobile network competition as a whole has failed to deliver a meaningful outcome for consumers.

CAS would urge Ofcom to consider the need for high quality mobile services throughout the whole of the UK and to ensure that the needs of consumers, both urban and rural, are

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<sup>3</sup> [Treating vulnerable customers fairly: A guide for phone, broadband and pay-TV providers \(ofcom.org.uk\)](https://www.ofcom.gov.uk/consult/condocs/tvc/tvc16/tvc16.pdf)

weighted equally. CAS would hope that mobile data providers will benefit from increased clarity of Ofcom's regulatory approach, thus resulting in further investment from competing providers in Scottish rural communities. However, we believe further intervention may be needed if this investment is not delivered by market forces alone.

### Access to Services

We note Ofcom's view that consumers will increasingly prioritise higher quality mobile services. We believe that as mobile technology evolves, we will also see increased usage of technological innovations such as wearable tech, and IoT that will require mobile data to function.

Throughout the COVID-19 pandemic we have seen increased use of video calling applications, with medical appointments with GPs being conducted through video sharing platforms such as Near Me, Zoom or Microsoft Teams and Court Hearings being conducted online using WebEx. Other public services also rely on consumers being able to upload data, such as Universal Credit Journals and other governmental services. We expect the usage of Cloud technology to increase throughout the public sector, allowing users of services to upload files efficiently on the go. CAS believes that it is important that public services using systems such as these are configured in ways that allow access on a variety of devices, including smartphones. All of these services will require stable and reliable data to deliver acceptable levels of performance for consumers. In CAS's view, it would be unacceptable if consumers were unable to access these services due to connectivity or affordability constraints.

### Affordability Issues

Many consumers have faced significant difficulties in the last year, including financial hardship and debt. We note Ofcom's finding that 6% of users face affordability issues and that around 3% of mobile customers were in arrears between January 2020 to January 2021. We further note that the most financially vulnerable households are more likely to likely to have had an affordability issue in the last month, including those in receipt of benefits, those with household incomes below £26,000, and those with physical vulnerabilities. Those who are unemployed and seeking work, or on incomes below £11,500, are more than twice as likely to be in this situation than the overall population<sup>4</sup>.

The cost of living crisis is squeezing household budgets to breaking point. Consumers are being faced with soaring prices and flat or falling incomes, increasing the risk of people falling into poverty, debt and destitution. It's important to understand that people were already really struggling before the energy crisis. The pandemic left 1.8 million people in Scotland financially worse off, and even before the most recent increase in the energy price cap 1 in 3 people found bills unaffordable. This creates impossible spending choices for people, with previous research from CAS suggesting almost 500,000 people in Scotland had cut back on food shopping to deal with unaffordable bills.

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<sup>4</sup> [Discussion paper: Ofcom's future approach to mobile markets](#)

CAS continues to have grave concerns regarding affordability of services, including mobile services. Polling by YouGov for CAS<sup>5</sup> found that over 1.4 million people in Scotland ran out of money before pay day in the last year. We found that more than 1 in 4 (26 per cent) of those who ran out of money before pay day last year could not afford internet access as a result, with 28 per cent being unable to afford mobile phone use for similar reasons. This is consistent with Ofcom's consumer research which found around one in five households have at least one affordability issue in relation to their use of communication services. We are concerned to note recent price rises for low use customers, along with increased prices for PAYG customers and for pay monthly customers, which may make these pressures worse<sup>6</sup>.

We welcome Ofcom's recognition that those who are on lower incomes or more financially vulnerable engage with mobile markets differently, with households on the lowest incomes being around twice as likely as the overall population to rely on their mobile as their only source of internet access. CAS is concerned that some consumers face more limited choice than others, both in terms of the availability of providers in their area and in terms of the affordability of services.

CAS would encourage Ofcom to maintain their focus on affordability, and to continue to monitor data and publish reports that capture how the increased costs of living have affected the telecommunication markets, including the mobile market. This would assist in evaluating the effectiveness of the implementation of the new end-of-contract notifications and text-to-switch processes. However, these developments will only be effective in achieving positive consumer outcomes if they are supported by other measures.

While these developments may empower consumers to switch with confidence, it is essential that consumers receive clear messaging about how to access affordable mobile services. While CAS welcomes mobile providers offering packages that compete effectively with the social tariffs offered in the fixed broadband market, we are concerned by the lack of provision of a social/targeted tariff in the mobile market. This is particularly the case when there is a significant proportion of consumers who are reliant on their mobile phone to access essential online services. As set out below, we consider that there may be a case for further intervention if competition alone does not deliver better outcomes for vulnerable consumers.

## **Do you agree that competition among MNOs is likely to continue to play a key role in the delivery of good outcomes, as outlined in Section 6?**

As stated earlier, we agree with Ofcom's analysis that competition among MNOs has generally delivered positive outcomes for consumers, although we highlight specific concerns about ongoing quality of service and about vulnerable and rural consumers' experiences of competition below.

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<sup>5</sup> Figures from YouGov Plc. Total sample size was 1032 adults. Fieldwork was undertaken between 20th - 25th May 2021. The survey was carried out online. The figures have been weighted and are representative of all Scotland adults (aged 18+).

<sup>6</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0013/222331/Pricing-trends-for-communications-services-in-the-UK.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0013/222331/Pricing-trends-for-communications-services-in-the-UK.pdf)

We note Ofcom's analysis that consumers have been getting more data for less money. We welcome the increase in engagement amongst mobile customers and are pleased to see higher volumes of consumers switching between providers. CAS agrees that this plays an important role in making competition work effectively. However, we note Ofcom's view that providers may seek to encourage greater take-up of bundles to increase revenue and retention. We believe that there is a risk that customers with bundled services may find it inconvenient and more expensive to switch providers and/or buy services separately. While bundling may offer financial benefits to consumers, we would not wish to see this practice undermine the positive outcomes and greater consumer choice created by earlier reforms.

We further agree with Ofcom's analysis that consumer's quality of experience will become more important over time. We therefore welcome Ofcom's commitment to develop better information on quality to allow consumers to make more informed decisions. CAS believes that this is essential for consumers to act with confidence and have financial trust in the products and services that they are purchasing. With the increased costs of living it is likely that consumers will take greater care in ensuring that their choice of service provider is matched to their needs and budget.

We agree with Ofcom that it can be difficult to determine the exact needs of consumers in relation to the quality of mobile download speeds. We welcome Ofcom's commitment to developing a richer understanding of the extent to which quality of experience outcomes meet consumer needs. CAS would also note that there is a need to address quality of services issues across the industry to ensure that continuous improvement takes place. We would point to the evidence in Ofcom's quality of service reports, which we believe shows that companies towards the bottom of the league table are failing to improve on their performance on key metrics such as the time taken to answer calls and complaints resolution<sup>7</sup>.

We note with concern Ofcom's finding that customers who are the most financially vulnerable experience poorer outcomes than customers overall<sup>8</sup>. Ofcom's consumer research finds that, in comparison to customers overall, the most financially vulnerable customers are:

- less likely to be satisfied with their overall mobile service (86% vs 90%)
- more likely to have had a reason to complain with their mobile service (16% vs 10%)
- less likely to be satisfied when having made a complaint (52% vs 57%)

Further, Ofcom found some evidence that other potentially vulnerable groups of users have different engagement with the mobile markets or different outcomes in some areas. For example, people with limiting conditions are much less likely to own a smartphone (59% compared to 84%).

We believe that rural consumers also continue to experience a greater risk of consumer detriment than their urban counterparts. For rural consumers in Scotland, there is a risk that they will lack adequate choice when seeking internet providers, whether mobile or fixed broadband. CAS note that MNOs reported geographic coverage stands at 92-94% in

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<sup>7</sup> <https://www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/quality-of-service#mobiletable>

<sup>8</sup> <https://www.ofcom.org.uk/consultations-and-statements/category-3/ofcoms-future-approach-to-mobile-markets>

England; 87-92% in Northern Ireland; 57-73% in Scotland; and 72-84% in Wales. This illustrates that Scottish consumers are experiencing a connectivity deficit.

While many Scottish consumers have benefited from programmes such as the Shared Rural Network or the 4G infill plans, we note that the work of the Shared Rural Network in tackling “not-spots” will not be completed until 2027. CAS are concerned that consumers living in rural areas may be receiving relatively poorer outcomes than consumers in other areas of the UK until this time. Specifically, they may receive a) a relatively poor connection to the internet via mobile and/or b) less choice in their selection of mobile provider until the work is completed.

CAS would urge Ofcom to be mindful of the needs of rural consumers and those who are vulnerable. We are not persuaded that competition alone will deliver benefits for all groups. We believe that if outcomes do not significantly improve for these groups, there may be a need for further regulatory intervention to ensure:

- a) an appropriate choice of mobile providers for rural consumers
- b) a choice of affordable mobile tariffs for all consumers
- c) adequate quality of service for all consumers.

**Question 3: Do you consider that there are likely to be significant wider external benefits (externalities) from a quicker or more widespread rollout of high-quality networks than that which the market is likely to deliver, as discussed in Section 6? If so, please provide clear examples to help explain your answer.**

As set out above, we believe that there is a risk that market forces alone will fail to deliver the same benefits in a timely way for rural and vulnerable consumers, unless there is further regulatory intervention.

**Question 4: Do you agree with our views on how competition across the value chain may evolve over the next ten years, and the potential implications for the delivery of good outcomes, as outlined in Section 6?**

We believe that effective competition can drive innovation and investment while delivering positive outcomes for consumers. We agree with Ofcom’s analysis that competition across the value chain has a significant degree of uncertainty with regards to its development. We therefore welcome Ofcom’s commitments to monitor developments across the value chain along with its plan to conduct further monitoring on retail prices and the position of big tech.

**Question 5: As set out in Section 6, do you agree that quality of experience will become more important in the future? Do you agree that developing better information on quality of experience for customers will help further the delivery of good outcomes?**



As stated previously, CAS believes that quality of experience will become more important for consumers in the future. Consumers benefit greatly when they receive information that empowers them to make informed choices about the goods and services that they are purchasing.

As technology such as 5G becomes more widely available to consumers, it is essential that consumers understand their data needs to ensure that they make informed purchasing decisions. Clarity around the definition of a good mobile service is welcome. CAS believes that vulnerable consumers could benefit from better information relating to the minimum level of data required to complete essential service tasks, such as Universal Credit journals or online banking. We believe monitoring must be undertaken to ensure all customers, including rural and vulnerable consumers, receive a good quality experience.

**Question 6: Do you think there is more that could be done to reduce barriers to customers receiving good indoor coverage (see Section 6)? If so, please outline what steps could be taken and what impact those steps would be likely to have.**

CAS will not be responding to this question; however, we are supportive of any measures taken to reduce barriers to customers receiving good indoor coverage. CAS welcomes Ofcom's analysis that in some cases relying on Wi-Fi to fill in gaps of indoor coverage may not be sufficient.

**Question 7: Do you agree that clarifying our future regulatory approach will help encourage investment, as outlined in Section 7?**

CAS will not be responding to this question.

**Question 8: Are there any other potential barriers to the delivery of good outcomes over the next five to ten years that we have not considered? If so, please outline what these are likely to be, with supporting examples/evidence where possible, and any suggestions for how they might be reduced.**

CAS will not be responding to this question.