



Review of Unexpectedly High Bills

Findings and Next Steps

Statement

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Section 1

Summary

1.1 Ofcom has carried out an extensive review of unexpectedly high bills in the communications market.¹ This Statement sets out the evidence we have gathered, outlines our concerns, and explains the steps that we intend to take to tackle these concerns.

Summary of our review

1.2 In carrying out our review, we have:

- a) gathered and analysed information provided by consumers and other stakeholders through a Call for Inputs;
- b) carried out market research with consumers;
- c) reviewed complaints received by Ofcom's Consumer Contact Team ("Ofcom complaints") between 1 May and 31 December 2011; and
- d) gathered detailed information from communications providers about the steps that they take to protect their customers from unexpectedly high bills.

1.3 Having analysed the evidence gathered from these sources, we have identified a number of areas of concern. Our main findings are that:

- 1.3.1 Unexpectedly high bills are experienced more often by mobile contract customers than by broadband, fixed-line or mobile pre-pay customers.
- 1.3.2 Consumers are more likely to complain about unexpectedly high mobile bills than about bills relating to other communications services.
- 1.3.3 Unexpectedly high mobile bills are most commonly caused by consumers downloading data, primarily while roaming outside the EU, but also when using their phones in the UK.
- 1.3.4 Making voice calls from a mobile is less likely than downloading data to lead to unexpectedly high bills. However, consumers do experience some consumer harm as a result of using voice services in the UK, either as a result of exceeding their inclusive allowances or calling numbers not covered by these allowances. We also found some evidence of consumer harm caused by voice roaming outside the EU.
- 1.3.5 Consumers can suffer unexpectedly high bills when their phones are lost or stolen. Although the number of consumers affected is low, the level of financial harm in individual cases can be substantial.

¹ This review was announced through the publication of a Call for Inputs which was published in May 2011: <http://stakeholders.ofcom.org.uk/consultations/unexpectedly-high-bills/>

- 1.3.6 Consumers have a low level of awareness of the possibility of unexpectedly high bills, and of how they could better protect themselves, particularly in relation to data services.
- 1.3.7 Consumers can find it difficult to obtain information about data charges (for both domestic use and roaming).² Combined with a low level of consumer awareness about how data services work, this can mean that consumers sign up for tariffs or bundles that are not appropriate for their needs.
- 1.4 Ofcom recognises that there are a number of rules already in place (or under consideration) which can help limit the likelihood that consumers will receive unexpectedly high bills:
 - 1.4.1 Communications providers are required to give consumers clear and transparent information about tariffs and key charges in relation to services that they have purchased or are considering purchasing.
 - 1.4.2 There are rules set by the European Union (“EU”) in the Roaming Regulation (“the EU Roaming Regulation”)³ which have been designed to ensure that consumers do not end up facing unexpectedly high bills while roaming within the EU.
 - 1.4.3 The European Commission has proposed extending the application of the existing EU Roaming Regulation from 2012 to 2022 and broadening the scope of the protection which it provides. Legislative negotiations are currently under way at EU level. As part of these negotiations, Ofcom has been supporting calls by the Body of European Regulators for Electronic Communications (“BEREC”)⁴ for the EU Roaming Regulation to provide protection in relation to data services for EU consumers who roam outside, as well as inside, the EU. As Chair of the BEREC Expert Working Group on international roaming, Ofcom has played a central role in developing this proposal and will continue to champion it.
 - 1.4.4 If adopted, the extended EU Roaming Regulation will come into force in June 2012 and there may then be a period to allow for the new measures to be implemented.

²When consumers travel to a foreign country, their mobile phones can still work. Using a mobile phone abroad is known as roaming. Consumers can make and receive mobile phone calls, write text messages (SMS) or surf the internet. Consumers’ calls, SMS and other data services are provided by a foreign network in that country. The foreign network operator charges the home operator for providing this service, and the home operator charges the consumers.

³http://ec.europa.eu/information_society/activities/roaming/regulation/archives/current_rules/index_en.htm Amongst other requirements, the EU Roaming Regulation requires mobile service providers (“MSPs”) to automatically set a data-roaming limit at €50 per month, excluding VAT, and MSPs may offer consumers the option of another limit – higher or lower. Consumers can also choose to remove the limit. By MSPs we mean mobile network operators and mobile virtual network operators.

⁴BEREC is the successor of the European Regulators Group (ERG).<http://erg.eu.int/>. BEREC is made up of national regulatory authorities in the EU. It aims to ensure a consistent application of the EU regulatory framework for electronic communications by national regulators and provides advice on regulation to the European Commission, Council and Parliament.

- 1.4.5 We expect to know by April 2012 whether or not Member States will adopt the proposal to extend the EU Roaming Regulation to introduce new measures to protect UK (and other EU) consumers roaming outside the EU. If they do not, and Mobile Service Providers (“MSPs”)⁵ do not adopt such measures voluntarily, Ofcom has committed to exploring how to introduce similar measures to protect UK consumers travelling outside the EU.
- 1.5 We are also concerned that there are a number of market developments which may lead to more consumers experiencing unexpectedly high mobile bills in the future:
- 1.5.1 Smartphones continue to grow in popularity. They constituted nearly half of mobile phone sales (48%) in the UK in Q1 2011, up from 28% in Q1 2010. By the end of 2011, 45% of adults with a mobile in the UK had a smartphone.⁶
- 1.5.2 With increasing smartphone take-up, there has been a large increase in the use of mobile data, with a 67% increase in mobile data volumes in 2010. This suggests that the risk of unexpectedly high bills for downloading data via mobile phones might increase.⁷
- 1.5.3 The growth in smartphone sales is also fuelling a significant shift from pre-pay to post-pay usage. By the end of 2010, 49% of consumers were on post-pay monthly contracts, compared with 41% at the end of 2009.⁸ When consumers buy a smartphone on a contract basis they do not have the control over regular expenditure which pre-pay provides. This shift to post-pay suggests that a higher proportion of consumers might be at risk of unexpectedly high bills.
- 1.5.4 An increasing proportion of consumers rely solely on their mobile phones to make and receive calls (as opposed to using a landline). At the same time, we are also seeing a fall in the average number of inclusive minutes which UK consumers receive with pay-monthly contracts. Data from billmonitor shows that the average number of inclusive minutes fell from 550 minutes in March 2010 to 487 in June 2011.⁹ This means that consumers might face an increased risk of exceeding their inclusive allowances on their mobile phone and incurring an unexpectedly high bill.
- 1.6 We expect that, to some extent, consumers will be able to adapt their behaviour to reduce the risk of unexpectedly high mobile bills. But there are two main barriers to any significant or rapid change in behaviour. First, many services generating unexpectedly high bills, such as data roaming, are used infrequently. Secondly, even once a consumer is aware of a potential risk from using a service, their ability to mitigate this risk can be limited.

⁵ By MSPs we mean mobile network operators and mobile virtual network operators.
^{6, 7, 8, & 9} Please see <http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr11/>. The relevant pages are 259 to 267.

- 1.7 It is likely to be particularly difficult for consumers to prevent unexpectedly high bills arising in respect of data services (without becoming so risk-averse that they do not benefit fully from the services and applications that are available). Usage alerts could help consumers to 'learn' to estimate data usage, but they are still likely to find it difficult to estimate the cost of data usage once they have used up their inclusive allowances, or if they use data services not included within their allowances.
- 1.8 There are three reasons for this, which we identified from what consumers told us in their complaints to us and in their responses to the Call for Inputs.
- a) First, there is no clear relationship between time spent using the service and the cost incurred; it is harder to estimate the cost of downloading a video, which is charged per megabyte ("MB"), than it is to estimate the cost of making a phone call, which is charged per minute.
 - b) Secondly, smartphones are complex devices and the evidence we have gathered suggests that some consumers do not understand fully how they work. For example, consumers can inadvertently download emails or software upgrades, or can download data via a mobile network when they think they are doing so via a Wi-Fi connection.
 - c) Thirdly, charges for downloading data tend to be much higher once consumers exceed their allowances.

Summary of our findings

- 1.9 Ofcom has carried out an extensive evaluation of the issue of unexpectedly high bills. Our assessment indicates that some consumers are facing substantial levels of harm as a result of unexpectedly high mobile bills.
- 1.10 It is our view that a combination of action by industry, Ofcom and consumers is necessary to reduce this harm. We therefore intend to take a number of steps that are targeted at the issues which are causing the most harm to consumers.
- 1.11 We note that consumers can mitigate some of the harm themselves, by, for example:
- a) 'locking' their handsets and SIMs (where possible) so that if their mobile phone is lost or stolen they face a lower risk of an unexpectedly high bill; and
 - b) shopping around for a MSP that offers them tools to measure and monitor their usage (subject to the consumer understanding the potential financial consequences of switching from their existing provider during any remaining contract period).
- 1.12 Ofcom, industry and bodies which provide consumer advice can help to raise awareness of these protection measures. But in our view, action by consumers alone will be insufficient to prevent unexpectedly high bills and the resultant consumer harm.
- 1.13 So, while we are not proposing to consult on whether any additional regulation is appropriate, in the light of our concerns at this stage, we do intend to take the following actions, which are targeted at the issues that are causing most harm to consumers. In summary:

- 1.13.1 We will continue to push for the proposed extended EU Roaming Regulation, to address the harm caused by data roaming outside the EU, which our review shows is most likely to cause unexpectedly high bills. If this does not happen, we will consider whether UK-specific measures are required.
- 1.13.2 We will also push for increased availability and use of financial caps and alerts to address other causes of unexpectedly high bills, such as consumers exceeding their inclusive allowances, using services not included in their allowances, or losing their mobile phones. We have already called on MSPs to do more to develop and promote 'opt-in' systems so that consumers can choose to set limits on their expenditure. However, the risk to consumers of irregular and unexpectedly high bills means that it might be more appropriate to move to an 'opt-out' system of financial caps and alerts, whereby all accounts have a monthly limit on maximum spend unless the consumer opts out of that limit. We will continue to explore this option with industry.

Next steps

Data roaming outside the EU

- 1.14 We will use the evidence we have gathered to support BEREC's proposal to extend the scope of the EU Roaming Regulation, which requires a €50 default data-roaming limit for roaming inside the EU and alerts when consumers reach 80 and 100% of their limit, to cover data roaming outside the EU.
- 1.15 We have written to MSPs which do not offer data-roaming limits and alerts, to urge them to introduce these measures as soon as possible; i.e. in advance of any action by the EU.
- 1.16 If the EU decides (in April 2012) not to extend the EU Roaming Regulation to cover data roaming outside the EU, and if all operators have not agreed to introduce data-roaming limits and alerts, we will consider consulting on potential options to protect UK consumers.

Lost and stolen phones

- 1.17 We recognise that there are steps that consumers can take to protect themselves against the risk of unexpectedly high bills if they suffer the loss of a phone. In particular, consumers can 'lock' their handsets and notify their providers as soon as they think their phone might have been lost or stolen. MSPs can help here by raising awareness among their customers of the risks if phones are lost or stolen and what can be done to mitigate these risks. Nevertheless, unexpectedly high bills can be generated in a short space of time prior to a phone being reported as missing.
- 1.18 We will investigate this issue further; in particular, working with the MSPs to examine how feasible it would be to ensure that consumers face a maximum liability, rather than an uncapped amount, in the event that a phone is lost or stolen.

Domestic measures

- 1.19 We recognise that consumers can face unexpectedly high bills as a result of using their mobile phones in the UK, through, for example, exceeding their inclusive allowances, using out-of-allowance services, or through unauthorised usage in the event that the phone is lost or stolen. Despite UK consumers being protected by the EU Roaming Regulation when using services within the EU, there is a lack of equivalent protection within the UK.
- 1.20 We have therefore written to the MSPs saying that we want them to do more to develop and promote 'opt-in' measures, such as tariffs that enable consumers to set their own financial caps and/or receive alerts.
- 1.21 We are carrying out further consumer research to understand in more depth the extent, and causes, of unexpectedly high mobile bills. In the light of the research findings and the responses from the MSPs to our call to make 'opt-in' measures more widely available, we will review, in summer 2012, whether we need to explore the option of requiring financial caps and alerts that consumers would need to opt out of. We note that an 'opt-out' financial cap could also help to prevent harm caused when phones are lost or stolen.

Mobile tariff transparency and data mis-selling

- 1.22 We have also written to the MSPs to remind them of their tariff transparency obligations¹⁰ and to inform them that we will review the information on their websites and continue to monitor the level of complaints that we receive about mobile data mis-selling. We will consider in summer 2012 whether we need to take further action, including whether it would be appropriate to launch an investigation into any issues that we uncover.

Increasing consumer awareness

- 1.23 We have consolidated the information on Ofcom's website that is designed to help consumers minimise the risk of unexpectedly high bills. We have also added some guidance on how consumers can reduce the risk of receiving unexpectedly high bills as a result of data usage. We now have a single consumer guide that we hope will help consumers to avoid receiving unexpectedly high bills.¹¹

¹⁰ See Section 2 from paragraph 2.9 for further information about requirements on communications providers to publish and provide consumers with information about tariffs.

¹¹ The guide is on our website: <http://consumers.ofcom.org.uk/2012/03/billing-problems/>

Section 2

Introduction

- 2.1 Ofcom is the regulator for the UK's communications sector. It is our principal duty, in carrying out our functions, to further the interests of citizens in relation to communications matters, and further the interests of consumers in relevant markets, where appropriate by promoting competition.¹²
- 2.2 Consumers can choose from a wide variety of services priced at different levels, some of which are used infrequently. Communications services also feature usage-based charging. As a result, consumers can find themselves facing bills that far exceed what they are used to, or expect. This is sometimes referred to as 'bill shock'.

Review of unexpectedly high bills in the UK

- 2.3 In May 2011, Ofcom launched a review of unexpectedly high bills. This was in response to concerns about bill shock expressed directly by consumers in complaints to Ofcom, as well as by MPs and in the media.
- 2.4 In order to better understand the issue of unexpectedly high bills, Ofcom published a Call for Inputs, inviting consumers and interested stakeholders to share their experiences.¹³ During May and June 2011, Ofcom received a total of 354 responses to the Call for Inputs. Of these responses, six were from consumer organisations, two were from communications providers, including the Mobile Broadband Group¹⁴, and the remaining 346 responses were from consumers.¹⁵
- 2.5 In parallel, Ofcom indicated that it would liaise with communications providers¹⁶ about the steps that they take to protect their customers against unexpectedly high bills.
- 2.6 In the mobile sector, we engaged with Everything Everywhere, O2, Three, Virgin Mobile and Vodafone. In the fixed-line and broadband sectors, we engaged with BT, Sky, TalkTalk and Virgin. Ofcom engaged with the communications providers by holding meetings and gathering information.
- 2.7 We have also taken into account the consumer research that we conducted to look at the incidence levels and causes of unexpectedly high bills.
- 2.8 We set out the evidence we have gathered and analysed in detail in Section 3.

¹² Section 3(1) of the Communications Act 2003.

¹³ <http://stakeholders.ofcom.org.uk/consultations/unexpectedly-high-bills/>

¹⁴ www.mobilebroadbandgroup.com. The role of the MBG, whose members include the network operators in the UK, is to work with consumers, Government and regulators.

¹⁵ Some of the responses to the Call for Inputs, where we had permission to do so, are published at the following link: <http://stakeholders.ofcom.org.uk/consultations/unexpectedly-high-bills/?showResponses=true&pageNum=1#responses>

¹⁶ By Communication Providers, we mean MSPs, landline phone operators and Internet Service Providers ("ISPs").

Existing rules and regulations

- 2.9 In the UK, there are rules in place to ensure that consumers have access to information applicable to communications services that they are considering purchasing or have already purchased. These rules require communications providers to supply consumers with particular information either at the point of sale or post-sale. Some of these rules also require communications providers to make specific information available at all times.
- 2.10 Section 45 of the Communications Act 2003 (“the Act”) gives Ofcom the power to set such rules, which are called General Conditions, and they are binding on those communications providers they apply to.
- 2.11 On 22 July 2003, the Director General of Telecommunications issued a notification under section 48(1) of the Act setting, pursuant to section 45 of the Act, the General Conditions of Entitlement (2002). The General Conditions¹⁷ took effect from 25 July 2003 and have from time to time been amended.
- 2.12 General Condition 9 requires communications providers to offer contracts to consumers with minimum terms. Any contract concluded between a communications provider and a consumer must specify the minimum terms in a clear, comprehensive and accessible form, including details of prices and tariffs.
- 2.13 General Condition 10 requires communications providers to meet minimum criteria, such as ensuring publication of standard tariffs, including details of standard discounts, and special and targeted tariff schemes. Such information should be made available to consumers upon request, and published on communications providers’ websites.
- 2.14 Certain number ranges can be more costly for consumers to call, compared with geographic numbers (that start with 01, 02 or 03). If consumers are unaware of the extra cost of calling particular numbers (such as international numbers and those that start with 08 or 09), from their mobile phone or landline, this can potentially lead to unexpectedly high bills.¹⁸ General Condition 14 requires communications providers to produce and comply with Codes of Practice for Premium Rate Services (“PRS”), NTS calls¹⁹, calls to 0870 numbers, and calls to Personal Numbers.²⁰ These Codes of Practice must be easy to understand, and copies should be provided upon request and free of charge to consumers. Amongst other requirements, the Codes of Practice specify that:

¹⁷ See <http://stakeholders.ofcom.org.uk/binaries/telecoms/ga/general-conditions.pdf> this provides a link to the Consolidated Version of the General Conditions as at 13 September 2011.

¹⁸ In terms of the transparency of prices of other number ranges which are not usually included within consumers’ bundles (such as 08, 09 and 118 numbers), Ofcom’s strategic review of non-geographic numbers is considering various measures to improve consumer price awareness of these numbers, including options to simplify the numbering ranges and more standardised charges. We will shortly be issuing a consultation setting out our specific regulatory proposals for these number ranges.

¹⁹ NTS refers to Number Translation Services. These are numbers operating on the 08 number range, including calls to 0500 freephone numbers, but excluding calls to 0844 04 for Surfetime internet access services, calls to 0808 99 numbers for flat rate internet access call origination and calls to 0870 numbers.

²⁰ Personal Numbers are those beginning with 070.

- a) In relation to PRS Calls, originating communications providers (“OCPs”)²¹ must provide consumers with information about how much it will cost to call any PRS number range on that network.
 - b) Not all consumers wish to have access to PRS numbers; for example, where young children might be able to access adult services. Therefore, consumers must be provided with information on how to bar access to PRS number(s) on their telephone.
 - c) In the case of mobiles, consumers must be provided with information on how they can unsubscribe from premium-rate SMS, multimedia messaging services (“MMS”), and/ or wireless access protocol (“WAP”) services.
 - d) In relation to 0870 numbers, OCPs must publish usage charges on their websites and in published price lists. This published information must be given the same prominence in terms of location and format as is given to other charges, such as calls to geographic numbers.
- 2.15 General Condition 23 (“GC23”) states that when a MSP is selling or marketing a mobile telephony service, it must not engage in dishonest, misleading or deceptive conduct. In addition, the MSP must use reasonable endeavours to ensure that before entering into or amending a contract, through an upgrade for instance, the consumer is provided with a description of the key charges. In addition, once a consumer has agreed to enter into a contract over the telephone for mobile telephony services, the MSP must use reasonable endeavours to ensure that the information about the contract, including key charges, is sent to the consumer in paper or another durable form.
- 2.16 Similar to the obligations on MSPs, there are rules in place that require communications providers, when selling or marketing fixed-line telecommunications services, not to engage in dishonest, misleading or deceptive conduct. As well as imposing a general prohibition on mis-selling, General Condition 24 requires the gaining communications provider²² to take reasonable steps to ensure that before entering into a contract, the consumer is provided with a description of the key charges.
- 2.17 Ofcom can also enforce consumer protection laws, such as the Consumer Protection from Unfair Trading Regulations 2008 (“CPRs”).²³ The CPRs prohibit traders (in all sectors) from engaging in unfair practices against consumers, including misleading practices.²⁴

²¹ OCP means any communications provider that provides call origination services to Domestic or Small Business Customers but excluding payphone service providers. ‘Domestic or small business customer’s means those who themselves are not communications providers, nor have more than ten employees.

²² ‘Gaining communications provider’ means the communications provider to whom the consumer is transferring.

²³ <http://www.legislation.gov.uk/ukxi/2008/1277/contents/made>

²⁴ <http://www.bis.gov.uk/policies/consumer-issues/buying-and-selling/consumer-protection-regulations>

- 2.18 The General Conditions and the CPRs, as set out above, help protect consumers from experiencing unexpectedly high bills by ensuring that they have relevant information available to them before deciding whether or not to purchase or use a particular service. If communications providers fail to follow the rules, Ofcom has the power to investigate individual companies, and if necessary, take further action. Details of investigations and their outcomes are published on Ofcom's website.²⁵

Roaming in the European Union ("EU")

- 2.19 In 2007 the European Union ("EU") introduced the EU Roaming Regulation to help ensure that consumers do not end up facing unexpectedly high bills while roaming. The EU Roaming Regulation is applicable to UK consumers using mobile telephony services while roaming in the EU.
- 2.20 The EU Roaming Regulation originally required MSPs to send consumers information by text message on the price of phone calls when they first entered another EU country.^{26&27}
- 2.21 In 2009, the EU Roaming Regulation was extended to require communications providers to also send consumers information on the price of SMS and data services like MMS, mobile broadband from laptops, mobile Internet from mobile phones and mobile e-mail from personal digital assistants ("PDAs").²⁸ The EU Roaming Regulation also compelled all MSPs to offer a standard 'Eurotariff', which has resulted in an average reduction in retail prices of more than 50% for most users.
- 2.22 In July 2010, the EU Roaming Regulation was extended further to prevent consumers running up large mobile phone bills when downloading data while travelling in any EU country. The data-roaming limit is automatically set at €50 per month, excluding VAT, and MSPs may offer consumers the option of another limit – higher or lower. Consumers can also choose to remove the limit.
- 2.23 In addition, MSPs have to send users a warning when they reach 80% of their data-roaming bill limit (while roaming within the EU). Once the user reaches the limit, the operator has to suspend the mobile internet connection, unless the consumer has indicated that they want to continue data-roaming that particular month.²⁹

²⁵ <http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/?a=0>

²⁶ <http://consumers.ofcom.org.uk/tell-us/telecoms/charges/roaming/cost-of-using-your-mobile-abroad-international-roaming/>

²⁷ As well as the Eurotariff, MSPs must offer all consumers an SMS tariff (the "Euro-SMS") for roaming within the EU, which may be priced up to the maximum cap.

²⁸ For further information see <http://consumers.ofcom.org.uk/tell-us/telecoms/charges/roaming/cost-of-using-your-mobile-abroad-international-roaming/>

²⁹ http://ec.europa.eu/information_society/activities/roaming/tariffs/index_en.htm

International markets

- 2.24 As well as steps taken by the EU to tackle unexpectedly high bills, other countries across the globe have also taken action or considered options to help protect their consumers from harm arising as a result of unexpectedly high bills. Consumer protection mechanisms have not always been introduced as a result of formal rules, as is the case in the US and Australia. Please refer to Annex 1 for further information about developments in international communications markets.
- 2.25 The number of responses to the Call for Inputs, complaints made to Ofcom, and the results of our consumer research show that some consumers are facing unacceptable levels of harm as a result of unexpectedly high bills. As shown in this section, there are already a number of rules which help to minimise the risk of unexpectedly high bills in the UK. In addition, the EU Roaming Regulation is in place to protect UK consumers when they are roaming in the EU. It is also evident that the issue of unexpectedly high bills is not unique to the UK, as measures to address the issue have been taken elsewhere in the world.
- 2.26 In the next section we set out in detail the evidence that we have gathered and analysed. In Section 4 we discuss market developments that are relevant to the issue of unexpectedly high bills and in Section 5 we consider consumer awareness of how unexpectedly bills arise and what consumers can do to protect themselves. In Section 6 we set out the areas of concern that we have identified, along with a discussion of the steps that we intend to take to tackle these concerns.

Section 3

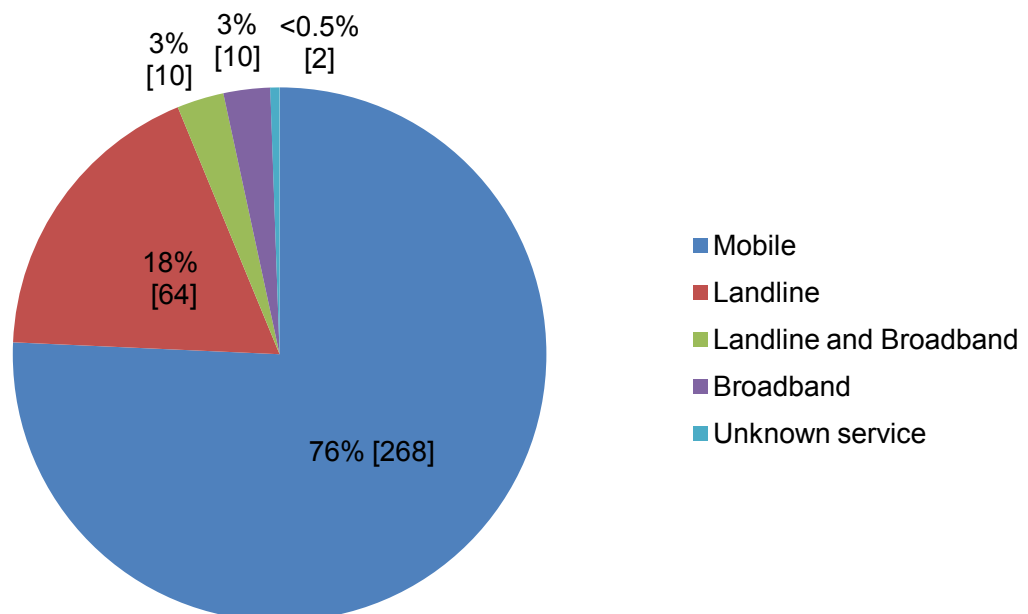
Evidence

- 3.1 As part of its review into unexpectedly high bills, Ofcom has:
- gathered and analysed information collected from consumers and other stakeholders in response to the Call for Inputs;
 - carried out market research with consumers;
 - reviewed complaints gathered by Ofcom’s Consumer Contact Team (“Ofcom Complaints”) received between 1 May and 21 December 2011; and
 - gathered detailed information from communications providers about the steps that they already take to protect their customers from unexpectedly high bills.
- 3.2 This section set outs the findings from each of these sources in greater detail. Collectively we refer to the findings from each of these sources as the ‘evidence’.

Call for Inputs

- 3.3 Ofcom received a total of 354 responses to the Call for Inputs, which was carried out during May and June 2011. Of these responses, 76% were about mobile bills, 18% about landline bills, 3% in relation to landline and broadband bundles, 3% about broadband bills and approximately 0.5% where the service was unknown. The breakdown of the responses is set out in Figure 1 below.

Figure 1: Breakdown of responses to Call for Inputs by sector as a percentage of the total number of responses



- 3.4 In assessing the responses to the Call for Inputs we have taken account of the fact that they constitute a self-selected sample that might not, therefore, represent typical experiences in the market. In general, we would expect responses to reflect more negative experiences. Nevertheless, the responses represent real consumer experiences and can provide insight into the source of unexpectedly high bills, especially when considered alongside the consumer research findings that are set out in this section from paragraph 3.28 to 3.36.
- 3.5 In particular, the information from the responses to the Call for Inputs can tell us about the specific services that are most likely to generate unexpectedly high bills and about the relative incidence of such bills in relation to different communications services.

Mobile

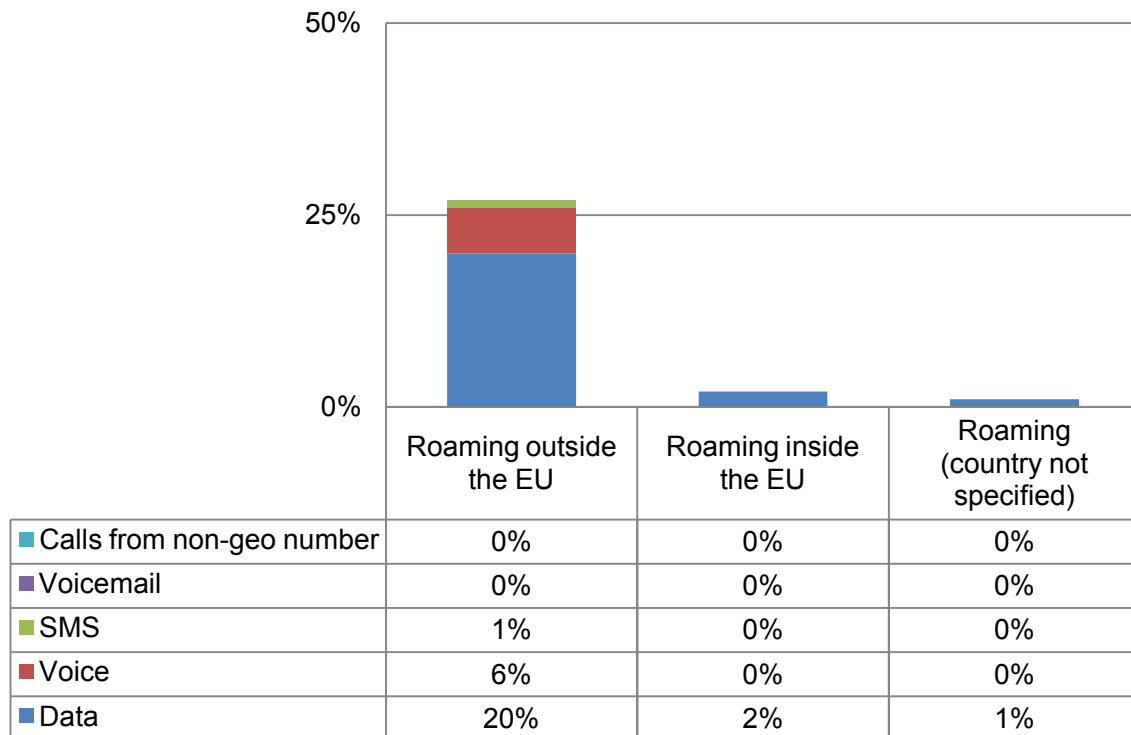
- 3.6 Out of 268 responses to the Call for Inputs in relation to mobile bills, we have identified the most common causes of unexpectedly high bills as:
- a) roaming (both inside and outside the EU, and in relation to data and voice services);
 - b) domestic users exceeding their inclusive allowances or using out-of-allowance services; and
 - c) lost and stolen mobile phones.

These three causal factors are discussed in greater detail below.

Roaming

- 3.7 Thirty one per cent of the Call for Inputs responses were in relation to roaming (both within the EU and outside the EU). These responses were then further broken down in relation to where the consumer was roaming (inside or outside the EU) and the service that had led to the unexpectedly high bill, such as using data or voice services, as demonstrated in Figure 2 below.

Figure 2: Breakdown of all roaming responses to Call for Inputs, by service, as a percentage of the total number of responses



- 3.8 The vast majority of the roaming responses were where consumers had received an unexpectedly high bill while using data roaming services outside the EU.
- 3.9 The findings from the Call for Inputs suggest that data roaming outside the EU is the most likely cause of an unexpectedly high bill (nearly 20% of the total number of responses).³⁰ In comparison, data roaming within the EU was responsible for unexpectedly high bills in only 2% of the total number of responses.³¹
- 3.10 There were very few responses where consumers had received an unexpectedly high bill as a result of using SMS services whilst roaming (either inside the EU or outside the EU). But using voice services while roaming outside the EU had led to an unexpectedly high bill in 6% of the total number of responses.³²

³⁰ 88 of the Call for Inputs responses were about roaming outside the EU (nearly 25% of the total number of responses) and 70 of these were in relation to data roaming outside the EU.

³¹ 11 of the Call for Inputs responses were about roaming inside the EU (nearly 3% of the total number of responses) and 7 of these were in relation to data roaming inside the EU.

³² 22 of the Call for Inputs responses were about using voice services outside the EU.

- 3.11 The median (i.e. the amount paid by the ‘middle’ consumer)³³ of the unexpectedly high bills reported by the Call for Inputs respondents, who had experienced a high bill after downloading data while roaming outside the EU, was £712. In contrast, for those data roaming inside the EU, the median of the unexpectedly high bills reported was £536.³⁴
- 3.12 For those consumers who experienced an unexpectedly high bill after using voice services while roaming outside the EU, we found that the median of the unexpectedly high bills reported was £239. In contrast, only one of the responses to the Call for Inputs was about voice and SMS roaming inside the EU, and the bill in question was for £50.
- 3.13 The lower level of complaints and financial harm in relation to roaming inside the EU, compared with data and voice roaming outside the EU, suggests that the EU Roaming Regulation (introduction of the Eurotariff and the default data-roaming limit and alerts) has been successful in addressing consumer harm caused by roaming inside the EU. This is particularly true given that travel within the EU is likely to account for the majority of total foreign travel made by UK consumers.³⁵

Exceeding inclusive allowances or using out-of-allowance services

- 3.14 Twenty four per cent³⁶ of the Call for Inputs responses were where consumers, while in the UK, had either exceeded their inclusive voice, data or SMS allowance, or used voice, data or SMS services that were not included in their inclusive allowance.³⁷ Please refer to Figures A2.1 and A2.2 in Annex 2 for a full breakdown of responses to the Call for Inputs by service.
- 3.15 The median of the unexpectedly high bills reported by those respondents who had experienced a high bill after exceeding their inclusive data allowances, or where data was not part of their inclusive allowances, was £322. In contrast, for those who exceeded their voice or SMS allowances, or used voice or SMS services not included in their allowances, the median of the unexpectedly high bills reported was £122.

³³ We asked respondents to the Call for Inputs to tell us the total amount of the unexpectedly high bills which they had suffered. Therefore, the median figures reported include the monthly tariff plus any amount by which consumers would expect to exceed this. The median can only be calculated where consumers have provided us with information about the size of their unexpectedly high bill. Where this information is unavailable, the responses have not been used to calculate the median. We have also taken into consideration that those likely to complain and respond to the Call for Inputs may be consumers who have experienced higher unexpectedly high bills, which is likely to be reflected in the median amounts reported.

³⁴ Of the 11 responses to the Call for Inputs where roaming inside the EU had led to an unexpectedly high bill, 7 were in relation to data charges. Although there is a €50 data-roaming limit, we do not have enough information to know whether these consumers had opted out of the default limit and alerts, or whether the data-roaming limit had not been correctly applied.

³⁵ Source: Ofcom. UK roaming subscribers consume approximately two and half times more data in the EU than when roaming in the rest of the world. The total amount of data consumed in the first six months of 2011 by UK roaming subscribers was 50,149,444MB (roaming in the EU) and 19,060,905MB (in the rest of the world).

³⁶ 86 of the Call for Input responses were about consumers exceeding their inclusive data, SMS or voice allowances, or using data, SMS or voice services not included in their allowances. Note that this only includes those responses specifically about voice, SMS or data allowances. It does not include MMS, PR SMS or international SMS, as included in Figure A2.2 in Annex 2.

³⁷ In 12% (44) of the Call for Inputs responses, exceeding the inclusive voice allowances or using out-of-allowance voice services led to an unexpectedly high bill, whereas for data this was 8% (29), and for SMS 4% (13).

Lost and stolen mobile phones

- 3.16 Consumers can also receive unexpectedly high bills for voice services if they lose their mobile phone or if it is stolen. While only 4% of the Call for Inputs responses were about this issue,³⁸ the median of the unexpectedly high bills reported by respondents who had experienced a lost or stolen mobile phone was £960.

Amounts of reported unexpectedly high bills

- 3.17 We asked all respondents to tell us the total amount of the unexpectedly high bills which they had suffered. The median of the unexpectedly high monthly mobile bills was £240.³⁹
- 3.18 Figure A2.3 in Annex 2 sets out the distribution of the amount by which the monthly mobile bills reported by respondents were unexpected (the amount of 'bill shock'). This shows that the majority of Call for Inputs respondents received a 'bill shock' of £1-150. Fewer respondents experienced extremely high levels of 'bill shock', although there is a spike where respondents experienced 'bill shock' of between £1001 and £2000.

³⁸ 14 of the Call for Inputs responses were about lost and stolen phones.

³⁹ This median includes consumers who had received an unexpectedly high bill as a result of unauthorised usage of a lost or stolen mobile phone. If we exclude the 14 consumers who received an unexpectedly high bill as the result of a lost or stolen mobile phone, the median of the unexpectedly high monthly mobile bills was £217. Where respondents provided us with enough information about their usual monthly bills (or told us that the bill exceeded their expectation by a certain amount), we also estimated the amount by which the bills were higher than expected (the amount of 'bill shock'). The estimated 'bill shock' figures should be treated with caution as we have excluded from the calculation those responses where respondents did not provide enough information for us to calculate the figure. We found that the median amount by which mobile bills were higher than expected was £160. The average was £480 and the bills ranged from 23p to £21854. If we exclude lost and stolen phones, the median amount by which mobile bills were higher than expected was £137. The average was £314 and the bills ranged from 23p to £3677. Please note that the reported average figures are higher than the median figures, as rare occurrences of extremely large bills are also taken into account, which can skew the average figures.

3.19 Below is a table summarising the median, average, and range of the amount of the unexpectedly high bills by issue, as reported by the Call for Inputs respondents:

	Mobile	Roaming (inside the EU)	Roaming (outside the EU)	Exceeding inclusive allowance/ out-of-allowance services	Lost and stolen phones
All services	Median:£243 Avg:£723 Range: £3 - £25k	-	-	-	Median:£960 Avg:£2613 Range:£9 - £21884
Data	-	Median:£536 Avg:£545 Range:£190 - £890	Median:£712 Avg:£1178 Range:£100-25k	Median:£322 Avg:£1006 Range:£25-£9318	-
Voice	-	-	Median:£239 Avg:£386 Range:£96-£900	-	-
SMS	-	-	Only 1 response:£243.	-	-
Voice and SMS	-	Only 1 response:£50	Only 1 response:£117.	Median:£122 Avg:£184 Range:£14 - £1000	-

Landline

3.20 Of the 64 responses to the Call for Inputs in relation to landline services, we identified a number of causes of unexpectedly high bills. However, the low response rate in relation to landline bills makes it difficult to draw robust conclusions.

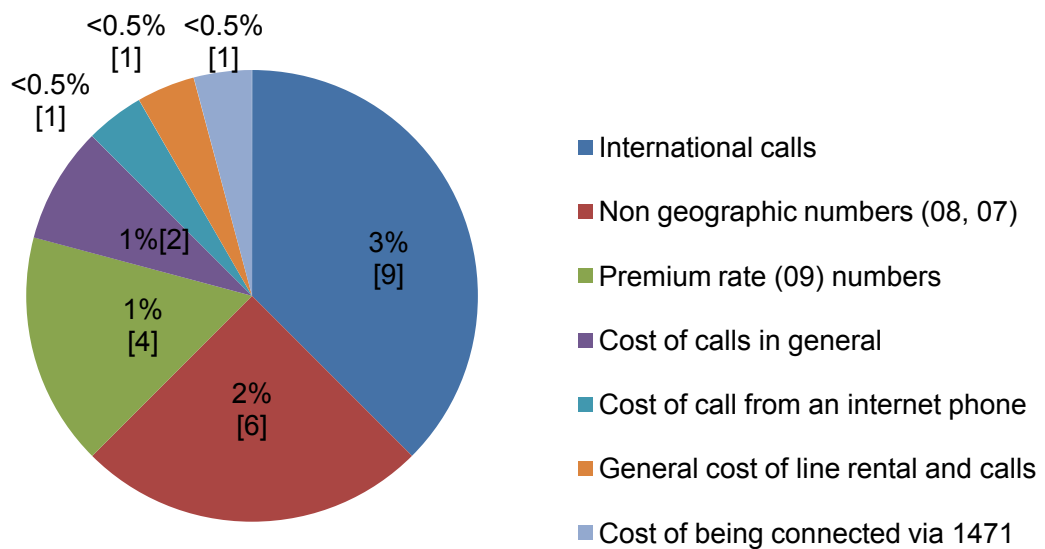
3.21 We asked respondents to tell us the total amount of the unexpectedly high bills that they had suffered. The median of the unexpectedly high monthly fixed-line bills was £70.⁴⁰ This is significantly lower than the financial harm reported by the mobile respondents who had experienced unexpectedly high bills (£240).⁴¹

⁴⁰ The average amount was £175 and the range of the amount of unexpectedly high fixed-line bills was from 30p to £3362.

⁴¹ Or £217 if we exclude the 14 respondents who received an unexpectedly high mobile phone bill as a result of a lost or stolen mobile phone.

- 3.22 Where respondents provided us with enough information about their usual monthly bills, we also estimated the amount by which the landline bills were higher than expected. We found that the median amount by which bills were higher than expected was £35 for fixed-line bills.⁴² Again, this is significantly lower, compared to the mobile respondents (£160).⁴³
- 3.23 The most common cause of unexpectedly high bills in relation to fixed-line bills was calls to particular number ranges. Seven per cent of the Call for Inputs responses were from consumers who had experienced an unexpectedly high bill after the consumer dialled a particular number range, such as a non-geographic number, as demonstrated in Figure 3 below.

Figure 3: Breakdown of landline responses to Call for Inputs about the cost of calls to particular number ranges as a percentage of the total number of responses



Broadband

- 3.24 The lowest number of responses to the Call for Inputs was in relation to broadband. Three per cent of the responses were where consumers had received an unexpectedly high bill in relation to their broadband service. As with landline responses, the low response rate in relation to unexpectedly high broadband bills makes it difficult to draw robust conclusions.
- 3.25 The majority of the responses in relation to unexpectedly high broadband bills were due to consumers exceeding their inclusive data allowance.

⁴² The average amount was £158 and the range of the amount of unexpectedly high fixed-line bills was from £3.80 to £3322. These figures should be treated with caution as only a small number of consumers responding about their landline unexpectedly high bills provided us with enough information for us to be able to calculate the amount by which the bill were higher than expected.

⁴³ Or £137 if we exclude the 14 respondents who received an unexpectedly high mobile phone bill as a result of a lost or stolen mobile phone.

- 3.26 The lower number of responses about unexpectedly high broadband bills could be due to several reasons:
- a) There are fewer (and less complicated) tariffs in the broadband sector compared with mobile and fixed landline services.
 - b) There are fewer ways in which consumers could receive an unexpectedly high broadband bill. For example, compared with using a phone, broadband is typically provided to a fixed location and there are only a small number of services which incur charges.
 - c) The smaller number of responses might reflect the way in which ISPs handle excessive data use.
 - d) The amount of unexpectedly high broadband bills is likely to be lower than for other services, meaning that consumers might be less likely to raise the issue with us.

Stakeholder responses

- 3.27 As well as analysing information gathered from consumers, we have considered responses to the Call to Inputs from other stakeholders. Below is a summary of stakeholder responses we have received.⁴⁴

BT

- a) BT expressed concern about the impact of unexpectedly high bills on consumers, and said that it would find it useful to understand where further support and action is required.
- b) BT carries out a number of checks to ensure that instances of unexpectedly high bills are rare, such as checking bill value increases that are considerably above average and proactively monitoring unusual call traffic.
- c) BT manages customer expectations in several ways, including providing clear explanations on pricing at point of sale and on its website, providing a 'bill-messaging' service, and referring customers to the 'user-friendly' BT Tariff Guide.
- d) BT offers a range of other products and services, such as flexible calling plans and call barring.
- e) It aims to deal sympathetically with consumers with payment difficulties.
- f) It is confident that there are sufficient rules in place to limit instances of bill shock, provided all communications providers adhere. BT considers that further regulation is likely to increase compliance costs to those operators which are already complying. The focus should therefore be on ensuring that all providers are complying with the current rules.

⁴⁴ The responses in full are published at <http://stakeholders.ofcom.org.uk/consultations/unexpectedly-high-bills/?showResponses=true&pageNum=1#responses>

Citizens Advice Bureau (CAB) (Pentonville Road)

- a) In 2010/11 this CAB received a large number of enquiries regarding the cost of bills generally; nearly 2500 about landline phones, over 1100 about mobile phones and 675 about internet and broadband.
- b) The CAB enquiries show that the three main causes of unexpectedly high bills are: exceeding monthly allowances, unclear costs and theft/fraud.
- c) This response provides suggestions for improving the customer experience in each of these areas, such as ensuring that every customer receives standardised information regarding monthly allowances at point of sale, ensuring that customers using their phone abroad receive a free text message informing them of roaming charges, and introducing a system whereby the customer is alerted by the service provider of unusual activity on the account.
- d) The CAB also suggests that Ofcom undertakes a public awareness campaign to highlight these issues.

Citizens Advice Scotland (CAS)

- a) CAS welcomes Ofcom's research into the consumer experience of unexpectedly high bills.
- b) Evidence from Citizens Advice Bureaux across Scotland supports Ofcom's concern that these bills can cause significant harm for those who experience them.
- c) The response outlines CAS's findings on the reasons for receiving an unexpectedly high bill and provides evidence on the impact of 'bill shock'.
- d) CAS raises concerns about providers not following the regulations that are already in place.
- e) A particular concern of CAS is that bill shock is twice as common among young people than among other age groups.

Citizen's Advice Bureau (Tower Hamlets)

- a) Encountered a large number of consumers who had been subject to unexpectedly high bills, and welcomes Ofcom's decision to undertake a Call for Inputs.
- b) Its response focuses on unexpectedly high bills caused by mobile phone theft.
- c) It suggests that MSPs place unlimited liability on consumers for charges incurred as a result of theft, without any corresponding obligations to provide security measures to protect consumers.
- d) It considers that networks are profiting from unauthorised charges, giving little incentive to protect consumers, and that networks are not offering adequate levels of protection in comparison to other credit-providing industries.

- e) It suggests that solutions exist that will not compromise or complicate the service offered by MSPs, but enhance it with greater protection both for operators and customers.

IDRS Limited⁴⁵

- a) This response makes three main recommendations to tackle the issue of unexpectedly high bills: raising consumer awareness and skills about using mobile phones; greater consumer protection for consumers who have had phones stolen or lost; and more transparent charging.
- b) It says that many cases of bill shock are due to data charges arising from the use of smartphones, and that near-limit text message alerts are often sent too late to affect data charges.
- c) It considers that unsuitable data travel bundles are often sold to customers.

Mobile Broadband Group (“MBG”)

- a) Although MBG welcomes Ofcom’s review of ‘bill shock’, it stresses the importance of not conflating the notion of ‘unexpectedly high bills’ with ‘bill shock’. The use of the latter term would reasonably be expected to entail some financial distress. ‘Unexpectedly high bills’ may have a range of causes and impacts.
- b) It raises concerns about how we obtain insights into the issue of ‘unexpectedly high bills’, and feels that this would have been better done from a representative sample, rather than a self-selected sample of consumers.
- c) MBG argues that it would have been interesting to compare the experiences of those who have experienced unexpectedly high bills and those who have not.
- d) It makes reference to those mobile customers in the Ofcom sample who have experienced unexpectedly large bills, and the fact that the proportion in the 55+ age bracket is six times smaller than the proportion in the 16-34 age bracket. This raises a number of questions for MBG, such as: “Are older consumers more cautious?”

uSwitch

- a) uSwitch welcomes Ofcom’s investigation and believes that there is still much more that can be done to protect consumers from unexpected costs.
- b) It makes a number of suggestions to extend the protection available to consumers, such as: itemised billing provided at no extra cost; near-limit text alerts; changes to the current system of mobile number porting from a donor-led to a recipient-led service; increasing consumer awareness of the true cost of mobile roaming; reducing the cost of calls from landlines to mobile phones and increasing awareness; and imposing restrictions on the use of premium-rate 08 numbers.

⁴⁵ IDRS Limited runs CISAS, one of the two alternative dispute resolution schemes in the communications sector.

- c) A uSwitch survey of 2335 UK adults highlighted the issue of unexpectedly high bills, with consumers being unaware of the costs attached to using a mobile phone overseas. Forty-two % of consumers 'have no idea of the costs incurred when travelling'.

Which?

- a) This response suggests that bill shock is most prevalent in the mobile sector.
- b) Which? argues that the introduction of smartphones has increased the potential for, and the degree of, bill shock.
- c) Which? points out that despite there being protection for consumers in downloading data in the EU, with the introduction of the €50 default data-roaming limit, this limit does not apply to calls and texts, which are typically much more expensive than they are in the UK.
- d) Which? considers that greater consumer awareness about data roaming charges while travelling is needed in the UK.
- e) Which? research indicates that unexpectedly high charges for mobile data are incurred most commonly by consumers exceeding their monthly usage limits within the UK and when using data roaming outside the EU.
- f) This research also shows that there is low consumer awareness of fair-usage policies (FUPs) in relation to fixed broadband.
- g) Which? considers that financial caps and alerts should be adopted by providers, similar to the mechanisms that the credit card industry uses to protect consumers.
- h) Which? argues that consumers should be protected from high data charges in UK as well as in the EU.
- i) Which? argues for the need for greater transparency in the marketing of contracts and tariffs across the mobile sector, but appreciates that consumers need to take responsibility for their own mobile use.

Consumer research

3.28 Ofcom commissioned an omnibus consumer research survey in November 2010.⁴⁶ Approximately 2000 respondents were asked whether they had received an unexpectedly high bill for their mobile phone, landline phone, fixed-line broadband and/or mobile broadband services in the past 12 months.

3.29 The main findings were that:

- a) mobile consumers were most likely to report having received an unexpectedly high bill (6%), compared to landline (5%), fixed-line broadband (3%) and mobile broadband (less than 1% of consumers);

⁴⁶ Research was among 2000 GB adults aged 16+.

http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/unexpectedly_high_bills.pdf

- b) using out-of-bundle services was most likely to lead to an unexpectedly high bill for mobile consumers; and
- c) calls to 0845/0870 numbers were most likely to lead to an unexpectedly high bill for landline consumers.

3.30 The survey asked those consumers who had received an unexpectedly high mobile bill in the past 12 months to indicate how much higher the bill was than expected. The results were as follows:

- £1-10 more than expected (7%);
- £11-20 (21%);
- £21-30 (17%);
- £31-50 (19%);
- £51-99 (18%); and
- £100 or more (18%).

3.31 Similarly, consumers who had received an unexpectedly high landline bill in the last 12 months provided information about how much more the bill was than expected:

- £1-10 more than expected (11%);
- £11-20 (25%);
- £21-30 (21%);
- £31-50 (15%);
- £51-99 (11%); and
- £100 or more (9%).

3.32 The median amount by which the bill was higher than expected (i.e. the amount paid by the 'middle' consumer among those who experienced bill shock) was between £31 and £50 for mobile phone services, and between £21 and £30 for landlines.⁴⁷

⁴⁷ We cannot calculate a mean average from the data, but it is likely to be a lot higher than the median, as calculating the mean average would need to take into account rare occurrences of extremely large bills, which would skew the results.

- 3.33 Ofcom also conducts the Consumer Concerns tracker research twice a year. The most recent results, from September 2011, show that the incidence of unexpectedly high bills (in the past six months) was higher for mobile contract customers (5%) than for landline (3%) and mobile pre-pay (1%).⁴⁸ The equivalent figure for broadband was 1%. This means that 1.4 million mobile contract customers in the UK could have experienced an unexpectedly high bill in the past six months.⁴⁹ These findings are consistent, therefore, with the responses gathered through the Call for Inputs, which suggest that mobile contract customers are more likely to complain about unexpectedly high bills.
- 3.34 In November 2011, Ofcom published its latest set of data on customer satisfaction levels.⁵⁰ Customers were interviewed in September 2011 and asked to rate their customer service experience if they had contacted their provider in the previous three months. (This follows similar surveys carried out in February 2011 and October 2009.)⁵¹
- 3.35 Customers were asked to identify the main reason for contacting their service provider. The percentage of those consumers who contacted their provider due to billing issues and because their bill was higher than expected was (broken down by sector):
- Mobile (5%);
 - Landline (5%);
 - Broadband (4%); and
 - Pay TV (4%).⁵²
- 3.36 Comparing the 2011 data with those from 2009, the research found that in the mobile sector, contact with providers about bills being higher than expected increased from 3% to 5%.⁵³

Consumer complaints

- 3.37 As well as analysing the responses to the Call for Inputs and conducting consumer research, Ofcom has analysed the complaints it received between 1 May and 31 December 2011, to identify the common causes of unexpectedly high bills, and to further enhance our understanding of the consumer experience.

⁴⁸ http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-11/6_protection.pdf

⁴⁹ This figure is calculated taking into consideration the total number of mobile contract consumers in the UK, as of June 2011. Extrapolating the findings in the same way to other services means that 1.2m fixed landline consumers, and 561,000 fixed broadband consumers could have experienced an unexpectedly high bill in the past six months.

⁵⁰ Customer Satisfaction Report November 2011:

http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/customer-service.pdf?utm_source=updates&utm_medium=email&utm_campaign=customer-satisfaction

⁵¹ The survey measures incidences/contacts with providers. There were between 1300 and 2000 'customer service events', where consumers had made contact with customer service teams.

⁵² In all sectors (mobile, landline, broadband and pay TV), 'bills higher than expected' was not the top reason for consumers contacting their providers. However, for those consumers who contacted their provider specifically about billing issues, 'bill higher than expected' was the top reason in all sectors, except for landline, where 'payment issues' was the top billing reason.

⁵³ See page 52 of the [Customer Service Satisfaction report](#)

- 3.38 As with the responses to the Call for Inputs, we interpret the results in the light of the fact that the sample of consumers who complained is self-selected.
- 3.39 We received nearly 2000 complaints (logged against various billing categories) in the 8-month period that we analysed. Of these complaints, we identified 811 where the consumer experienced an unexpectedly high bill.
- 3.40 Please see Figure A2.4 in Annex 2 for a breakdown of the Ofcom complaints by category. The main findings corroborate the findings from the Call for Inputs and the consumer research:
- a) Mobile services are more likely to lead to a complaint about unexpectedly high bills, compared with landline and broadband services.
 - b) Data roaming outside the EU, while using mobile services, appears to have been the most common subject of the Ofcom complaints about unexpectedly high bills in the period studied.
 - c) This was closely followed by domestic users receiving an unexpectedly high bill after exceeding their inclusive data allowances.
 - d) The broadband users who complained had experienced an unexpectedly high bill after exceeding their inclusive data allowances, although the number of consumers affected was low.
 - e) Landline users were the least likely to complain about an unexpectedly high bill. The few complaints received were in relation to reverse call charges, and the cost of calls to international destinations.⁵⁴

Summary of evidence

- 3.41 The table below summarises the evidence that we have gathered and shows how it relates to the various causes of unexpectedly high bills.

⁵⁴ This does not necessarily suggest that landline users do not receive unexpectedly high bills. However, it may be that landline users are more likely to have their complaints resolved, or that the size of the unexpected high bill is not considered large enough to prompt a call to Ofcom.

Mobile roaming outside the EU

Issue/ service	Summary of evidence
Data	<p>Call for Inputs: 70/354 (20%) of the responses relate to charges for data incurred when roaming outside the EU.</p> <p>Ofcom complaints: 378/811 (47%) of Ofcom complaints received between May and December 2011 relate to charges for data incurred when roaming outside the EU.</p> <p>Ofcom research⁵⁵: The survey did not distinguish between unexpectedly high bills caused by EU versus non-EU roaming, or data versus voice roaming, but 6% of the 94 mobile respondents experienced an unexpectedly high bill after using their mobile phone abroad.</p>
Voice⁵⁶	<p>Call for Inputs: 22/354 (6%) of the responses relate to charges for voice incurred when roaming outside the EU.</p> <p>Ofcom complaints: 9/811 (1%) of Ofcom complaints received between May and December 2011 relate to charges for voice incurred when roaming outside the EU.</p> <p>Ofcom research: The survey did not distinguish between unexpectedly high bills caused by EU versus non-EU roaming, or data versus voice roaming, but 6% of the 94 mobile respondents experienced an unexpectedly high bill after using their mobile phone abroad.</p>

Mobile roaming inside the EU

Issue/ service	Summary of evidence
Data	<p>Call for Inputs: 7/354 (2%) of the responses relate to charges for data incurred when roaming inside the EU.</p> <p>Ofcom complaints: 80/811 (10%) of Ofcom complaints received between May and December 2011 relate to charges for data incurred when roaming inside the EU.</p> <p>Ofcom research: The survey did not distinguish between unexpectedly high bills caused by EU versus non-EU roaming, or data versus voice roaming, but 6% of the 94 mobile respondents experienced an unexpectedly high bill after using their mobile phone abroad.</p>
Voice	<p>Call for Inputs: 1/354 (<0.5%) of the responses relate to charges for voice incurred when roaming inside the EU.</p> <p>Ofcom complaints: 1/811 (<0.5%) of Ofcom complaints received between May and December 2011 relate to charges for voice incurred when roaming inside the EU.</p> <p>Ofcom research: The survey did not distinguish between unexpectedly high bills caused by EU versus non-EU roaming, or data versus voice roaming, but 6% of the 94 mobile respondents experienced an unexpectedly high bill after using their mobile phone abroad.</p>

⁵⁵ Due to the low numbers of respondents who had experienced an unexpectedly high bill in relation to their mobile and landline services, these numbers should be seen as indicative and cannot be wholly relied upon.

⁵⁶ The evidence indicated that the level of harm caused by voice charges while roaming outside the EU was considerably lower than for data. We consider that this might be due to the fact that for many consumers, using a smartphone and monitoring data usage is a relatively new experience. Consumers are also more likely to be aware of the risk of high roaming voice charges compared with data charges.

Mobile charges for use in the UK for exceeding inclusive allowances or using out-of- allowance services

Issue/ service	Summary of evidence
Data	<p>Call for Inputs: 29/354 (8%) of the responses relate to charges for data incurred once consumers exceeded their inclusive data allowances, or usage was not included in their allowances.</p> <p>Ofcom complaints: 210/811 (26%) of Ofcom complaints received between May and December 2011 relate to charges for data incurred once consumers exceeded their inclusive data allowances, or usage was not included in their allowances.</p> <p>Ofcom research: The survey did not distinguish between unexpectedly high bills caused by domestic data versus voice usage, but 15% of the 94 mobile respondents experienced an unexpectedly high bill after exceeding their inclusive bundle.</p>
Voice	<p>Call for Inputs: 44/354 (12%) of the responses relate to charges for voice services incurred following consumers exceeded their inclusive voice allowances, or usage was not included in their allowances.</p> <p>Ofcom complaints: Of the 419 Ofcom complaints received between May and December 2011, we did not identify any complaints received where consumers had exceeded their inclusive voice allowances, or where usage was not included in their allowances.</p> <p>Ofcom research: The survey did not distinguish between unexpectedly high bills caused by data versus voice usage but 15% of the 94 respondents experienced an unexpectedly high bill after exceeding their inclusive bundle, 15% for making an international call, 16% for calling an 0845/0870 number, and 19% experienced an unexpectedly high bill as calls and SMS were not included in their bundle.</p>

Lost or stolen mobile phones

Summary of evidence
<p>Call for Inputs: 14/354 (4%) of the responses related to unexpectedly high bills received as a result of lost or stolen mobile phones.</p> <p>Ofcom complaints: 71/811 (9%) of the Ofcom complaints received between May and December 2011 related to unexpectedly high bills received as a result of lost or stolen mobile phones.</p> <p>Ofcom research: 1% of the 94 mobile respondents experienced an unexpectedly high bill after their phone was lost or stolen.</p>

Landline - cost of calls to particular number ranges

Summary of evidence
<p>Call for Inputs: 24/354 (7%) of the responses relate to cost of calls to particular numbers from landlines.</p> <p>Ofcom complaints: 5/811 (<0.5%) of the Ofcom complaints analysed between May and December 2011 relate to cost of calls to particular numbers from landlines.</p> <p>Ofcom research: 14% of the 80 landline respondents experienced an unexpectedly high bill due to calls to 0845/0870 numbers and 9% due to making international calls.</p>

Fixed broadband – exceeding inclusive data allowances

Summary of evidence

Call for Inputs: 7/354 (2%) of the responses relate to consumers exceeding their inclusive broadband data allowances.

Ofcom complaints: 44/811 (5%) of the Ofcom complaints analysed between May and December 2011 relate to consumers exceeding their inclusive broadband data allowances.

Ofcom research: Due to the small sample size (small number of consumers who received an unexpectedly high broadband bill), data at this level is not available.

Communications providers

- 3.42 As well as reviewing the responses to the Call for Inputs, reviewing the Ofcom complaints and carrying out consumer research, Ofcom has engaged with communications providers to understand the steps they already take to protect consumers from receiving unexpectedly high bills.
- 3.43 Below is a summary of communications providers' responses to the issues we raised. Although the majority of the harm arising from unexpectedly high bills appears to be in the mobile sector, we also set out below information gathered from landline providers and ISPs.

Mobile

Roaming (inside the EU and outside the EU)

- 3.44 With the introduction of the EU Roaming Regulation in 2009, which extended the scope of the EU Roaming Regulation (which was introduced in 2007), all MSPs have had to adapt their systems in order to set the default €50 data-roaming limit and send near-limit alerts to consumers roaming inside the EU.
- 3.45 The MSPs that we engaged with⁵⁷ told us that adapting their systems to ensure compliance with the EU Roaming Regulation has resulted in some costs to them.
- 3.46 Some of the MSPs said that there would be an added expense if they were required to further adapt their systems, so that they could offer a similar data-roaming limit, and offer alerts, to consumer roaming outside the EU.

Internal credit limits and allowing domestic consumers to set their own financial caps

- 3.47 Some of the MSPs that we engaged with told us that they set credit limits for consumers after having carried out a credit check.
- 3.48 Some of the MSPs said that credit limits are set to manage the risk of bad debt to the company, by trying to ensure that consumers do not run up debt which they cannot pay. Some operators advise consumers (usually in the terms and conditions) that credit limits should not be used as tools to monitor expenditure.

⁵⁷ We engaged with Everything Everywhere, O2, Three, Virgin and Vodafone.

- 3.49 We asked the MSPs whether they shared internal credit limits with consumers. Only two of the MSPs told us that they did, with the majority of the MSPs saying did not do so. The two MSPs that share internal credit limits with consumers also offer them the opportunity to lower the limit, so that it is set at a level the consumer would be comfortable with rather than being based solely on the consumer's credit rating i.e. affordability, rather than preference.
- 3.50 Some MSPs allow consumers to set their own financial cap (as a separate facility to the internal credit limit). However, the MSPs told us that this is currently only available for specific tariffs rather than across the board. In addition, consumers may have to opt in to take advantage of these financial caps, depending on the operator. Some of the MSPs told us that adapting their systems to be able to offer financial caps would be likely to involve costs to them as a result of increased resource requirements, and the need to ensure that other systems were updated so that consumers could not incur charges beyond the financial cap. The MSPs told us that it is difficult for them to accurately monitor individuals' expenditure to ensure that it does not exceed a certain amount, as there may be, for example, system delays in processing call data. This can happen when consumers are roaming or have made international calls, owing to delays in receiving information from foreign networks. System outages may also cause delays.
- 3.51 According to some of the operators, these delays make it difficult for them to ensure that consumers cannot run up bills that exceed their credit limit (whether self-determined or set internally by the business).

Sending domestic consumers near-limit alerts

- 3.52 Some UK MSPs already send their customers domestic usage alerts (see comparison table in Annex 3). These alerts can depend on which tariff the consumer has chosen, or can apply to particular services, such as data-only tariffs. Depending on the MSP, consumers may have to opt in or opt out of these alerts.
- 3.53 Some MSPs said that they did not offer domestic usage alerts on some, or all, tariffs because of the cost to the business of adapting their systems to offer this facility.
- 3.54 All the MSPs that we talked to told us that they offer consumers a range of tools allowing the consumer to monitor how much they have spent, or how much of their inclusive allowance remains, such as individual online account checking facilities, applications that can be used on smartphones, and text options – for example, where consumers can text a specific number and be sent their balance. This information is set out in the table in Annex 3.

Unusual individual expenditure

- 3.55 We asked the MSPs whether they proactively contact consumers to discuss tariffs and bills if they notice that consumers are spending more than their monthly allowances. The responses varied, but the majority of the MSPs told us that consumers are not contacted if an internal credit limit has been reached.
- 3.56 We also asked the MSPs to tell us whether their systems can tell them if a consumer has spent a certain amount, such as x amount more than their monthly allowance. However, most of the MSPs told us that their systems could not do this.

- 3.57 The MSPs told us that there might be some limitations in their systems which would not allow them to monitor individual unusual expenditure. They also noted that the definition of ‘unusual’ would vary from consumer to consumer, making it more difficult, and a resource-intensive exercise, for them to monitor individual unusual expenditure.
- 3.58 Finally, one of the MSPs suggested that not all consumers would wish to be notified about unusual expenditure, saying that they might find it intrusive.

Monitoring potentially fraudulent activity and lost or stolen mobile phones

- 3.59 The MSPs told us about the type of monitoring that they conduct, including monitoring potentially fraudulent activity. All MSPs use fraud management systems to monitor unusual or potentially fraudulent activity in some manner. However, unusual individual use, such as when a phone has been lost or stolen, is unlikely to be picked up. This is due to the way these systems are configured; i.e. the rules that are programmed into the systems pick up particular call patterns and volumes rather than looking at individual consumer expenditure or call patterns. The fraud teams do not monitor individual expenditure in relation to internal credit limits or ensure that consumers do not spend beyond the limit. Instead, they look at more widespread fraudulent activity.
- 3.60 We asked the MSPs about liability for charges for unauthorised usage where a mobile phone has been lost or stolen. The operators told us that consumers are liable for all charges until the phone is reported as lost or stolen, and that this is usually set out in the terms and conditions of the contract.
- 3.61 Once a mobile phone has been reported as lost or stolen, an MSP will take steps to ensure that the handset and SIM card are disabled on its, and all other UK networks.
- 3.62 The MSPs said that mobile phone security measures are available that allow consumers to lock their handsets and make it difficult for their phone to be used to make unauthorised calls. In this way, consumers can limit the likelihood of receiving unexpectedly high bills if their phones are lost or stolen.

Landline

Providing consumers with information about tariffs and bill management

- 3.63 The four landline providers⁵⁸ told us that they answer consumers’ questions about tariffs at the point of sale, and ensure that tariff information is also available for consumers to view online.
- 3.64 We asked the providers about what procedures they have in place, and what information is provided to consumers, to help them manage their bills. The responses varied, but options for consumers include information booklets, facilities to view usage online, the ability to receive information over the phone, and call alerts.

⁵⁸ We engaged with BT, Sky, TalkTalk, and Virgin.

- 3.65 The four landline providers also told us that they have facilities in place to ensure that paperless billing consumers can monitor their usage. Three of the four providers that we contacted have online facilities and one provider has a freephone option for consumers to call to check their usage.

Financial caps

- 3.66 Three of the four landline providers told us about financial caps that are available for consumers. The caps are set for new and existing consumers, and depending on the provider, consumers may be able to set bespoke caps.
- 3.67 Reaching the financial cap can trigger an interim bill or call barring, depending on the provider. One landline provider also sends email alerts; this is dependent upon the consumer first registering online to receive such alerts.
- 3.68 As well as financial caps, three of the landline providers told us that a call barring facility is also available to consumers as a way to manage unexpectedly high bills.

Monitoring potentially fraudulent activity

- 3.69 The four landline providers told us that they do monitor for potential fraudulent activity. Call traffic is monitored by fraud management teams, who look out for particular patterns, such as high value calls and a high volume of calls in a short period of time.
- 3.70 Although the landline providers told us that they monitored potentially fraudulent activity, only one told us that this monitoring could result in suspension of call services.

Unusual individual expenditure

- 3.71 As well as monitoring potentially fraudulent activity, we asked the landline providers whether they monitored unusual individual expenditure. Only one of the landline providers told us that they monitored individuals' call usage and would place a call bar if consumers breached their set limits. The other providers told us that they did not monitor individual usage, and did not contact consumers who spend more than their monthly allowance.

Broadband

Providing consumers with information about tariffs and bill management

- 3.72 The four ISPs that we engaged⁵⁹ with told us that they answered consumers' questions about tariffs at the point of sale, and ensured that tariff information was also available for consumers to view online.
- 3.73 They also told us that consumers can check their usage online.

Data limit caps and alerts

- 3.74 The four ISPs told us they have only a small number of broadband tariffs. Usually, one is an unlimited package and the other tariffs have a data limit.

⁵⁹ We engaged with BT, Sky, TalkTalk, and Virgin.

- 3.75 Three of the four ISPs take steps to ensure that they let consumers know when they are close to, or have reached, their data download limit.
- 3.76 The three ISPs who contact consumers when they are nearing, or have breached, the data limit approach consumers in different ways. One ISP sends two email alerts when consumers are nearing their data usage limit. Another sends consumers warning letters when they exceed their limit, and if consumers exceed the limit three times they are automatically upgraded to a tariff with a higher or unlimited data limit. The third ISP first contacts consumers when they exceed the limit, and then again when consumers reach 70% of the limit. If consumers exceed the limit twice in six months, they are upgraded to the unlimited package. Consumers can revert to their former package in any subsequent month, providing that they have reduced their usage to below the data limit.
- 3.77 One ISP told us about set financial caps, but these are set for landline and broadband bundle consumers only. This ISP told us that usage alerts, in relation to the financial cap, are technically feasible, but not a priority for the business.

Summary of findings

- 3.78 It appears that communications providers already do certain things to protect consumers from 'bill shock', and they can also do a number of things to protect themselves. However, there are still gaps in the levels of protection needed to prevent, or reduce, instances of unexpectedly high bills.
- 3.79 While there is protection in place for consumers using data services when roaming inside the EU, in the form of a data-roaming limit and near-limit alerts, no equivalent mechanism is currently required to protect consumers while they are data-roaming outside the EU, or using their phone to access data services in the UK.
- 3.80 As the table in Annex 3 demonstrates, consumers can check their mobile balance using a range of tools, and some MSPs offer tariffs where consumers can set their own financial caps and receive associated alerts. But these tools are not uniformly available across providers, services, or tariffs, so consumers might not be aware of them or be able to use them.
- 3.81 In the case of lost and stolen mobile phones, there is scope for bills to escalate at a rapid rate, before the consumer has had a chance to notice that their phone is missing and report it to their MSP as lost or stolen. Although MSPs take steps to ensure that consumers do not incur charges once they report their phone as missing, there appears to be little protection in place for consumers prior to doing so, other than consumers protecting themselves by locking their handsets. As a result, a small number of consumers can find themselves facing substantial bills that have been generated in a short space of time.

Section 4

Market developments

- 4.1 This section sets out emerging trends in the UK market that we have taken into account in considering how best to tackle unexpectedly high mobile bills.
- 4.2 We have looked at developments in the domestic market that have an impact on the UK communications market.
- 4.3 Ofcom considers that a number of factors are increasing the risk of unexpectedly high mobile bills, particularly in relation to data, in terms of numbers of consumers affected. The following data are taken from Ofcom's report: *The Communications Market 2011* (August 2011).⁶⁰
- 4.4 The use of smartphones continues to grow. Smartphones constituted nearly half of mobile phone sales (48%) in the UK in Q1 2011, up from 28% in Q1 2010. By the end of 2011, 45% of adults with a mobile in the UK had a smartphone. This means that access to data services is increasing.
- 4.5 With increasing smartphone take-up, there has been a large increase in the use of mobile data, with a 67% increase in mobile data volumes in 2010. Cisco forecasts that total mobile data use will increase 21-fold by 2015 in the UK.⁶¹ This suggests that unexpectedly high bills in connection with downloading data via mobile phones may increase.
- 4.6 The growth in smartphone sales is also fuelling a significant shift from pre-pay to post-pay usage. By the end of 2010, 49% of consumers were on post-pay monthly contracts, compared with 41% at the end of 2009. When consumers buy a smartphone on a contract basis they can spread the cost over the life of the contract, but the downside is that they do not have the control over regular expenditure which pre-pay provides. Consumers using post-pay services for the first time may find it more difficult to monitor and control their usage (in comparison to a pre-pay contract) and may therefore be more susceptible to unexpectedly high bills. So, this shift to post-pay may mean that a higher proportion of consumers are at risk of unexpectedly high bills.
- 4.7 An increasing proportion of consumers rely solely on their mobile phones to make and receive calls (as opposed to using a landline). We are also seeing a fall in the average number of inclusive minutes that UK consumers receive with pay-monthly contracts. Data from billmonitor⁶² shows that the average number of inclusive minutes fell from 550 minutes in March 2010 to 487 in June 2011. This means that consumers may face an increased risk of exceeding their inclusive allowances on their mobile phone and incurring an unexpectedly high bill.

⁶⁰ See <http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr11/>. The relevant pages are 259 to 267.

⁶¹ See page 233 and 234 of the International Communications Markets Review Report 2011: <http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr11/icmr/ICMR2011.pdf>

⁶² <http://www.billmonitor.com/>

- 4.8 There is a risk that, due to the trends noted above, the problem of unexpectedly high mobile bills will increase in the absence of action by industry, consumers, or Ofcom.
- 4.9 Fewer UK consumers use their phones to download data abroad than within the UK. The evidence, gathered as part of Ofcom's review, indicates that despite the low proportion of consumers roaming abroad, the risk of receiving an unexpectedly high bill as a result of data roaming (particularly outside the EU) is very high in comparison to the risk in relation to domestic data use. This is likely to deter consumers from using their phones to download data abroad, which in itself could constitute a form of consumer detriment.
- 4.10 We have also taken into account consumer satisfaction with the quality of service provided by mobile providers in the UK. The 2011 *Customer Satisfaction Report*,⁶³ which looks at customer service offered to owners of broadband, mobile, landline and pay TV providers found that:
- a) Among those with billing issues across the different communications services, mobile customers were more likely than average to have had their problem completely resolved.
 - b) Compared to landline and fixed broadband customers, mobile customers (and pay-TV customers) were more likely than average to be satisfied with the customer service received.
 - c) There were no significant changes in satisfaction levels by sector from February to September 2011. However, compared with the data from 2009, dissatisfaction in the mobile (as well as pay-TV) sector increased from 9% to 13% (and to 12% for pay TV).
- 4.11 The *Customer Satisfaction Report* shows us that customers' views on quality of service are influenced by a range of factors, of which unexpectedly high bills is only one. Mobile consumers are largely satisfied with the level of customer service that they receive and we have taken this into account in considering how best to deal with the issue of unexpectedly high bills.
- 4.12 In this section we have discussed trends in the UK mobile market. However, we also need to consider this information alongside how consumers are likely to behave in order to avoid unexpectedly high bills. We consider this in the next section.

⁶³ See http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/customer-service.pdf?utm_source=updates&utm_medium=email&utm_campaign=customer-satisfaction

Section 5

Consumer behaviour

- 5.1 As set out in the previous section, we have taken into account market developments that are likely to impact on the issue of unexpectedly high mobile bills. Similarly, we have examined the extent to which consumers are likely to be able to adapt their behaviour in order to avoid unexpectedly high bills. Our view is that there are two main barriers to any significant or rapid change in behaviour. First, many services generating unexpectedly high mobile bills, such as data roaming, are used infrequently. Secondly, even once a consumer is aware of a potential risk from using a service, their ability to mitigate the risk of an unexpectedly high bill may be limited.
- 5.2 Ofcom considers that despite the availability of tools (and some tariffs) to help tackle unexpectedly high bills, as outlined in Annex 3, the evidence set out in Section 3 shows that consumers may still experience unexpectedly high bills. It is necessary, therefore, to explore the reasons for this, and consider whether consumers are able to overcome difficulties that they may experience, so that they can better control the size of their bills.
- 5.3 The data gathered through the Call for Inputs and the Ofcom complaints suggests that it is unlikely that consumers alone will be able to tackle the problem of unexpectedly high bills.⁶⁴ The evidence suggests that it is particularly difficult for consumers to control their expenditure on data services. Although they may learn how to control their expenditure on mobile data, as they gain experience and become more familiar with the service, this will be more difficult if they use services only infrequently, which can be the case with data roaming.
- 5.4 If a consumer is aware of the risk of unexpectedly high bills caused by data services, he or she can choose to reduce their usage, or not use data services at all, particularly when they are abroad. However, without tools such as usage alerts, the consumer may not be able to do this optimally. This creates a possibility that consumers will become risk-averse and so will not benefit fully from the services and applications that are available. Given that an increasing number of consumers rely on their mobile handsets to access the internet, and this is likely to increase as the number of consumers with smartphones rises (as set out in Section 4), this would not be a desirable result.
- 5.5 Ofcom also considers that consumers will continue to find it difficult to estimate the cost of data usage once they have used up their inclusive allowances, or if they use data services not included within their allowances (although usage alerts could assist consumers to 'learn' to estimate data usage). There are three reasons for this, which we identified from what consumers told us:
- a) There is no clear relationship between time spent using the service and the cost incurred; it is harder to estimate the cost of downloading a video, which is charged per MB, than it is to estimate the cost of making a phone call, which is charged per minute.

⁶⁴ Annex 4 contains some qualitative extracts from responses to the Call for Inputs indicating some of the difficulties consumer experience with data.

- b) Smartphones are complex devices and the evidence we have gathered suggests that some consumers do not understand fully how they work. For example, consumers can inadvertently download emails or software upgrades, or can download data via a mobile network when they think they are doing so via a Wi-Fi connection.
- c) Charges for downloading data tend to be much higher once consumers exceed their inclusive allowances or ‘bundles’. For example, Orange offers a global roaming bundle (outside the EU) which gives the consumer 10MB for £15.32. However, once the consumer exceeds this limit, the cost increases to £8/MB.
- 5.6 Recent research in the US has explored the difficulties that consumers have when faced with complex, usage-based tariffs and the potential for bill shock that this creates.⁶⁵ Grubb and Osborne (2011) obtained detailed information about mobile phone tariff choices and the calling patterns of students at a major US university. The data cover the period 2002 to 2004 when, the authors argue, mobile phones were relatively unfamiliar products for consumers. Tariffs typically included bundled minutes and relatively expensive charges for calls made beyond these monthly limits. This allowed the researchers to investigate how accurately consumers predict, monitor and control their usage.
- 5.7 The authors found that consumers in their sample were biased in several ways. First, consumers typically underestimated their average usage and were, in addition, overconfident about this estimate, causing them to choose plans with too few bundled minutes and steep charges for over-usage. Second, they did not allow sufficiently for monthly volatility in their usage; i.e. they tended to believe their calling patterns would remain relatively unchanged from month to month.⁶⁶ Consumers were also slow to change their plans over time, once they had feedback about their mistakes.
- 5.8 As well as choosing less suitable tariffs, consumers were also found to make calls without regard to the number of remaining minutes left. They did not, for example, follow a period of intense usage by reining in the number of calls they made. Consequently, on average, they exceeded their allowances 16% of the time and paid an extra \$49 a year. The authors estimate that, given consumer biases, usage alerts would save consumers \$39 a year. However, they also found that firms could change tariffs to diffuse this effect.
- 5.9 The research illustrates that consumers face difficulties when choosing between complex tariffs and when making decisions on how to use the allowances provided by their tariffs. In particular, the research is useful because it relates to a new product that consumers were unfamiliar with at the time. It therefore has implications for data services, which are relatively new and becoming readily available via smartphones.

⁶⁵ Grubb and Osborne (2011) “Cellular service demand: biased beliefs, learning and bill shock” <http://www.ftc.gov/be/workshops/microeconomics/2011/docs/osborne.pdf>

⁶⁶ The authors refer to this as *projection bias* since it arises from a tendency to predict future needs simply by ‘projecting’ current needs forward in time without allowing sufficiently for the possibility of change.

5.10 Finally, although some MSPs already offer financial caps and alerts in relation to data services (for domestic usage and when roaming outside the EU – see comparison table in Annex 3), the approach varies from provider to provider. This could make matters more confusing, as well as raise false expectations for consumers, especially for those consumers who switch from a provider which offers caps and alerts, to one that does not.

5.11 We consider that it would be helpful for MSPs to provide consumers with clear information about:

- a) their rights (such as when roaming);
- b) how to use their mobile handsets and use tools to monitor and control usage (when at home or abroad);
- c) how to approximate data usage; and
- d) how to better protect themselves from mobile phone theft or loss.

This could help to reduce the likelihood of consumers receiving unexpectedly high bills.

5.12 Ofcom can also contribute to the goal of helping consumers to understand more clearly how they can avoid unexpectedly high mobile bills. We have updated and consolidated the guidance on the Ofcom website.⁶⁷ We summarise below some of the steps that consumers can take to help protect themselves from receiving unexpectedly high bills.

⁶⁷ <http://consumers.ofcom.org.uk/2012/03/billing-problems/>

Choosing the correct mobile package

Consumers should ensure that they think about what services they are most likely to use, and choose the most appropriate package:

- Many of the mobile providers have online guides/interactive tools which will give you an idea of your potential data, as well as voice and SMS usage. You should also speak to your provider for more advice on the package which best suits your needs.
- Some services also charge a lot if you go over your monthly allowances, so check what these excess usage charges are.
- If you find yourself regularly using more than your inclusive allowances, speak to your provider about a more suitable tariff – don't assume they will contact you to discuss a better deal.
- You can also save on your data by using Wi-Fi hotspots to get online or use Wi-Fi to connect to your home broadband.
- You may wish to consider tariffs that come with a usage cap and alerts. These features can help you monitor your usage.
- Make sure you check if your allowance (data, voice or SMS) comes with a fair usage policy.

Protecting your phone

Thieves can quickly run up huge bills and you could be liable for these charges if you haven't reported your phone missing.

- Make use of your phone's security lock (PIN) code. This locks the handset after a few minutes of inactivity. The user manual supplied with your phone will explain how you can use the PIN code.
- Make a record of your phone's IMEI number, as well as the make and model number. The IMEI is a unique 15-digit serial number which you will need to get the phone blocked. You can get your IMEI number by keying `*#06#` into your handset or by looking behind your phone battery.
- Register your phone with Immobilise, which is a database containing the details of millions of mobile phones and other property.
- When you're not using your phone make sure you keep it out of sight in your pocket or handbag
- If your phone is lost or stolen contact your provider as soon as possible. It can then bar your SIM to stop calls being made on your account. Your provider can also stop anyone else from using your phone by blocking its IMEI.
- Remember, if you have mobile phone insurance, you may be obliged to let them know within a certain time frame too.

Using your phone abroad

Using your phone overseas can cost considerably more than it does at home, particularly if you're using it to get online. You can even run up a big bill without consciously using your phone.

- Many smartphones or tablet computer will have applications which automatically search for online updates whenever the device is on. So unless you turn off data roaming before you go abroad, these devices could be inadvertently downloading background data throughout your stay.
- If you are planning to travel outside Europe, it is especially important to check roaming prices before you go, as they can be higher.
- Some operators allow you to set a monthly limit on using the mobile internet outside Europe, to help avoid unexpected bills.
- Check prices for using data before you go. If you are a frequent traveller, shop around for those that offer the best roaming bundles.
- Check how much you will be charged per MB if you exceed the bundle – be wary as this can be a lot higher than the cost per MB when you purchase a bundle.
- Use local Wi-Fi hotspots in the countries you are visiting instead of mobile internet. If you're not sure how to do this, speak to your provider before you go.
- When outside Europe, you might be charged when someone else leaves a message on your voicemail (as well as when you pick the message up). Speak to your operator if you want to switch voicemail off before you leave.
- It is also possible to buy an international SIM card or dongle from a specialised provider, which may offer lower prices when travelling in a variety of different countries.
- You could consider buying a local pay-as-you-go SIM card or a local laptop dongle in the country that you visit, so that you pay local prices. This may be especially worthwhile for people who frequently visit the same country.

Section 6

Next steps

- 6.1 In this section we set out the areas of concern that we have identified and the steps that we now plan to take.
- 6.2 We also describe the current proposals to extend the existing EU Roaming Regulation and explain how they have affected our decisions.

Further EC Roaming Regulation proposals

- 6.3 The fact that there are fewer complaints about voice and data roaming inside the EU (as opposed to roaming outside the EU), as supported by the evidence set out in Section 3, suggests that the existing EU Roaming Regulation has been effective in reducing consumer harm caused by voice and data roaming, especially when we consider that a larger proportion of UK consumers travel (and use roaming services) within the EU, than outside the EU (see Section 3, footnote 35).
- 6.4 In June 2011, the European Commission proposed extending the scope of the EU Roaming Regulation at the same time as extending its duration. If the extended EU Roaming Regulation is agreed by the EU legislators, we would expect it to come into force in June 2012.
- 6.5 Specifically, the European Commission has proposed that the extended EU Roaming Regulation, entering into force in June 2012, should:
 - a) roll over until 2022 the existing €50 default data-roaming limit and alerts when consumers reach 80% and 100% of the limit (unless consumers opt out);
 - b) roll over the existing requirement to send SMS giving prices for services when crossing a border;
 - c) maintain price caps for roaming voice and SMS services until 2016, at gradually decreasing levels, with a 2015 Review of the level of competition in the market;
 - d) retain caps on wholesale prices between operators of all roaming services (voice, SMS and data) until 2022, with phased reductions between 2012 and 2014;
 - e) introduce a default retail roaming data tariff, subject to a price cap per MB;
 - f) introduce wholesale access to allow new providers to offer roaming services; and
 - g) introduce carrier select to allow consumers to take roaming services from a different provider to the provider of their domestic mobile services, which, if adopted, is expected to take up to two years to implement.
- 6.6 The European Council and Parliament have each been examining the Commission's proposal since it was published last July. They will now enter a "trialogue" process with the Commission with a view to reaching agreement on a final regulation text.

- 6.7 In response to these proposals, BEREC proposed that the scope of the EU Roaming Regulation should be extended further so that the €50 default data-roaming limit (and alerts when consumers reach 80% and 100% of their limit) should apply to outside as well as inside the EU.

Below is a table summarising the existing EU Roaming Regulation and the Commission's proposals (the table does not take account of any UK-specific regulations). As noted earlier, this timeframe for implementation is dependent upon the final text of the revised EU Roaming Regulation being decided by European legislators which, would come into force by the end of June 2012. A subsequent implementation period may be allowed for some of the provisions.

	Roaming inside the EU	Roaming outside the EU
Current EU Roaming Regulation and its requirements	<p>Communications providers to send consumers information by text message on the price of services (phone calls, SMS and data services) when they first enter another EU country.</p> <p>€50 (excluding VAT) default data-roaming limit, which customers can opt out of. Operators may choose to offer further limits for consumers to choose from</p> <p>Alerts to be sent to consumers when they reach 80% of their data-roaming bill limit (while roaming within the EU). Once the user reaches the limit, the operator must cut off the mobile internet connection, unless the consumer has indicated that they want to continue data roaming that particular month.</p> <p>Price caps on retail charges for voice and SMS services (unless opt-out) - 'Eurotariff' and 'Euro-SMS tariff'</p>	<p>There are currently no EU Roaming Regulations in place protecting UK consumers whilst roaming outside the EU.</p>
Proposals	<p>To take effect from June 2012:</p> <p>Roll over until 2022 of the existing €50 default data-roaming limit and alerts when reach 80 and 100% of limit (unless opt-out);</p> <p>Roll over until 2022 existing requirement to send SMS giving prices for services when cross a border;</p> <p>Maintain price caps for roaming voice and SMS services until 2016 at gradually decreasing levels, with a 2015 Review of the level of competition in the market;</p> <p>Retain caps on wholesale prices between operators of all roaming services (voice, SMS and data) until 2022, with phased reductions between 2012 and 2014;</p> <p>Introduce until 2016 default retail roaming data tariff subject to a price cap per MB;</p> <p>Introduce wholesale access to allow new providers to offer roaming services; and</p>	<p>BEREC proposal that any new EU Roaming Regulation should extend the €50 default data-roaming limit, and alerts when users reach 80 and 100% of limit (unless opt-out) to roaming outside the EU. The new EU Roaming Regulation is currently subject to legislative negotiations.</p>

	Introduce carrier select to allow consumers to take roaming services from a different provider to the provider of their domestic mobile services. If adopted, it is expected to take up to two years to implement.	
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Data roaming outside the EU

- 6.8 The evidence set out in Section 3 shows that data roaming outside the EU is most likely to lead to complaints about unexpectedly high bills. The scope for financial harm as a result of unexpectedly high bills caused by data roaming outside the EU is also potentially significant.
- 6.9 As set out above, there are proposals to extend the scope of the EU Roaming Regulation. These proposals are subject to legislative negotiations. The final text of an extended EU Roaming Regulation is expected to be announced in April and come into force in June 2012.
- 6.10 If the EU legislators agree with BEREC's proposal, the extended EU Roaming Regulation will require operators to extend the €50 default data-roaming limit and alerts when consumers reach 80 and 100% of their limit for roaming inside the EU, to apply to data roaming outside the EU.
- 6.11 From our discussions with the MSPs, we understand that because they would be able to use the same systems that they use already to provide data-roaming limits and alerts inside the EU, it would not be a significant cost for them to provide such limits and alerts for data roaming outside the EU. Indeed, some UK and other EU operators already offer this voluntarily.
- 6.12 Ofcom has written to the MSPs who do not already offer data-roaming limits and alerts to consumers roaming outside the EU, to urge them to introduce these measures as soon as possible, i.e. in advance of any action by the EU.
- 6.13 If the EU decides (in April 2012) not to extend the EU Roaming Regulation to cover data roaming outside the EU, and if all operators have not agreed to introduce data-roaming limits and alerts, Ofcom will consider whether further action to protect UK consumers roaming outside the EU is necessary, and consult on any such actions.

Voice roaming outside the EU

- 6.14 The evidence gathered indicates that voice roaming outside the EU is less likely to lead to complaints about unexpectedly high bills. We consider that the nature of voice calls may contribute to fewer complaints for the following reasons:
- a) voice calls are easier to 'measure' (because they are measured in minutes rather than MBs);
 - b) consumers may have expectations about the cost of voice calls from outside the EU, as opposed to the cost of downloading data, which is a relatively new service that many consumers are using for the first time when travelling abroad; and

- c) consumers are less likely to inadvertently use voice services as opposed to using data whilst roaming.
- 6.15 BEREK is not currently proposing that the scope of the EU Roaming Regulation should be extended to introduce a financial cap and usage alerts for voice roaming outside the EU.⁶⁸
- 6.16 BEREK and Ofcom are mindful that any such limits and usage alerts for voice roaming outside the EU would be much more technically difficult to introduce than similar measures for data roaming outside the EU. This is because data traffic is routed via the consumer's home network, making it possible to collect near real-time information about data usage. However, voice traffic associated with calls originated from the roaming user is not routed back to the home network, i.e. the consumers' MSP. This means that there may be significant delays in the home network obtaining information about voice calls made while the consumer was roaming, and the associated costs. As a result, consumers may end up exceeding set limits, and therefore alerts may not be sent in a timely fashion.
- 6.17 Real-time charging for voice traffic would require the use of CAMEL⁶⁹ mobile signalling, but this is not supported by all mobile networks. Introducing a comprehensive system of alerts would require its use by all networks outside the EU.
- 6.18 Moreover, Ofcom does not have jurisdiction to impose requirements on foreign MSPs, and the EU cannot do this outside the EU; for example, to require foreign MSPs to provide near real-time information on consumer usage or to implement CAMEL signalling, which would be required for alerts for voice and SMS services.
- 6.19 Given that the consumer harm caused by voice roaming inside the EU is significantly less than the harm caused by data roaming outside the EU, both in terms of numbers of consumers affected (less than 0.5% of the Call for Input responses) and the median amount of unexpectedly high bills (£50), we are not currently considering whether any action regarding voice roaming outside the EU is necessary.
- 6.20 However, Ofcom is involved with initiatives led by other international organisations (the OECD and ITU), to look at policy options for providing consumer information, data roaming alerts and possibly price regulation outside the EU, on the basis of bilateral or multilateral agreements between countries. Ofcom will continue to contribute to this work to seek to bring benefits to UK consumers.⁷⁰

⁶⁸ The current EU Roaming Regulation does not require financial caps or usage alerts for voice roaming either inside or outside the EU. But consumers roaming inside the EU are protected by retail price caps.

⁶⁹ Customised Applications for Mobile networks Enhanced Logic, or CAMEL, is a set of standards designed to work on either a GSM core network or UMTS network. They allow an operator to define services over and above standard GSM/UMTS services. Among other things, CAMEL allows access to the same value added services when a customer is roaming as those used when in the home country, and allows real-time monitoring and control of volume of usage and real time billing of the customer. Although CAMEL was initially thought of as a protocol to allow roaming to pre-pay customers, it is used increasingly for post-pay customers.

⁷⁰ For further information about OECD please refer to:

<http://www.oecd.org/dataoecd/57/62/48127892.pdf>, <http://www.oecd-ilibrary.org/docserver/download/fulltext/5kmh7b6zs5f5.pdf?expires=1328613741&id=id&accname=guest&checksum=8E2013DED177E204A2269DA6BDAA8870> and <http://www.oecd.org/dataoecd/41/40/44381810.pdf>

Exceeding domestic inclusive allowances for mobile data and voice

- 6.21 After data roaming outside the EU, the most significant cause of unexpectedly high bills is consumers exceeding their inclusive data allowances or using data services not covered by their allowances, while in the UK.
- 6.22 We wrote to the MSPs⁷¹ in December 2011 and asked them to provide us with information on the tariffs they have available where they offer consumers the ability to set their own financial caps and send near-limit alerts. This information has been set out in Annex 3 in a table comparing the different operators.
- 6.23 The information gathered from the MSPs demonstrates that the mobile market is starting to respond to the needs of consumers to some extent. However, the practice of offering financial caps and alerts varies. For example, the caps and alerts may only apply to some services, such as data bundles, and where such tools are offered, consumers may be required to opt in.
- 6.24 We received fewer responses to the Call for Inputs and fewer consumer complaints about unexpectedly high bills as a result of roaming within the EU, as opposed to roaming outside the EU (as set out in the evidence in Section 3). This suggests that the EU Roaming Regulation, in particular the €50 default data-roaming limit and alerts, has been successful in tackling unexpectedly high bills. Therefore, we accept that it could be argued that a similar domestic default limit and alerts, for all services, would also help tackle unexpectedly high bills experienced by mobile consumers in the UK. Considering such an approach would be appropriate only in response to strong evidence demonstrating that the issue is causing widespread concern and consumer harm. We consider that the evidence that we have gathered through the Call for Inputs and consumer research does not support the need to tackle unexpectedly high bills for all services (in the UK) in this way.
- 6.25 Although using data services in the UK can lead to unexpectedly high bills (where consumers exceed their inclusive data allowances or are not covered by their inclusive allowances), we have little evidence to suggest that voice and SMS services are also leading to unexpectedly high bills. In addition, in comparison to other areas of concern and consumer harm that we have identified, such as data roaming outside the EU, requiring a default limit and alerts for all services in the UK, might not be a proportionate response.

⁷¹ We wrote to Everything Everywhere (Orange and T-Mobile), O2, Three UK, Vodafone and Virgin.

6.26 Ofcom considers that:

- a) offering consumers the opportunity to set their own financial caps in relation to all services (data, voice and SMS);
- b) sending usage alerts; and
- c) raising consumer awareness,

would be likely to have a positive effect on unexpectedly high bills. This would also combat consumer harm that arises from unexpectedly high bills following mobile phone theft or loss.

6.27 Therefore, we have written to the MSPs saying that:

- a) we want them to do more to develop and promote 'opt in' measures, such as tariffs that enable consumers to set their own financial caps and/ or receive alerts;
- b) we will carry out further consumer research in the coming months to better understand the causes of unexpectedly high mobile bills. This will help Ofcom to decide whether further formal measures are required to tackle the issue of unexpectedly high bills; and
- c) we will review in summer 2012 whether we need to explore the option of possible new regulation requiring financial caps and alerts that consumers would need to 'opt out' of.

Lost and stolen phones

6.28 Although a large number of mobile phones go missing each month, the evidence we have gathered, as set out in Section 3, shows that the number of consumers experiencing unexpectedly high bills as a result of lost and stolen phones is low.

6.29 Nevertheless, where a consumer does receive an unexpectedly high bill after losing their mobile phone or it being stolen, the scope for significant consumer harm, in terms of financial costs and distress, is relatively high.

6.30 Ofcom is concerned that despite MSPs taking steps to protect consumers once the phone is reported as missing (as set out in Section 3), where there is a delay (albeit a short one) in reporting the phone, there is little protection for consumers (with the exception of handset locks), and consumers are then liable to pay for the unauthorised charges.

6.31 Mobile phone insurance providers and MSPs generally require consumers to report a phone as lost or stolen within 24 - 48 hours. Ofcom recognises that consumers can be delayed in reporting their phones as missing. This might happen if, for example, consumers are on holiday, do not have access to the internet/telephone to contact their provider, have not yet realised their phone is missing, or wrongly assume that their phone will turn up (and underestimate the high charges that can be incurred in a short time frame).

- 6.32 We have engaged with the MSPs to understand how consumers can better protect themselves, and also to understand how they monitor unusual usage and fraudulent activity, and how consumers can end up facing large bills in a short space of time.
- 6.33 As set out in Section 3, the MSPs do monitor potentially fraudulent activity. However, the set parameters of their systems means that often they are unable to pick up instances of unauthorised usage in relation to a lost or stolen phone, but the consumer has not yet reported the phone as missing. As a result, consumers can find themselves facing large unexpectedly high bills.
- 6.34 We recognise that MSPs might need to make changes to their systems, in order to be able to pick up unusual activity on consumers' phones, and ensure that they are not able to incur charges beyond a fixed amount (whether that be an internal credit limit or a cap set by the consumer). We also note that such changes would be likely to come at a cost to MSPs. However, these are the types of measures that would help limit the risk of unexpectedly high bills in the event a phone is lost or stolen.
- 6.35 Ofcom recognises that there are steps that consumers can take to better protect themselves, such as locking their handsets. We also urge MSPs to better advertise these facilities, and encourage consumers to make use of them.
- 6.36 Some consumers choose to use mobile phone insurance. Those that do should make sure that they understand whether their policy covers the cost of calls made if they lose their phone or it is stolen, or if it is used to incur charges they have not authorised, and contact their insurer if they are unsure.
- 6.37 Ofcom considers that the issue of unexpectedly high bills received as a result of lost and stolen phones is an area that requires further exploration. Therefore, we will continue to engage closely with the MSPs to better understand how feasible it is for them to ensure that, in the event a phone is lost or stolen, consumers face a maximum liability rather than an uncapped amount that could potentially run to thousands of pounds.

Mobile tariff transparency

- 6.38 The Call for Inputs was not designed to capture complaints about mobile tariff transparency. However, our analysis of the responses indicates that in 9% of the Call for Inputs responses, respondents might have been mis-sold their mobile service (this is based on an interpretation on the consumers' responses). The majority of these responses were in relation to data bundles (domestic and roaming – both inside and outside the EU).
- 6.39 MSPs offer a great number of tariffs, offering consumers choice and flexibility. However, Ofcom considers that it is important that consumers are able to find out easily how much it will cost them to use a service. In particular, consumers should be able to readily find out how much it would cost them if they were to exceed their inclusive data allowances or use data not included in their allowances.

- 6.40 Some of the respondents to the Call for Inputs and complainants to Ofcom told us that they found it difficult to obtain information about data charges (domestic and roaming – both inside and outside the EU), or that the information that they had been given by the MSPs was insufficient or incorrect. These experiences, combined with other difficulties consumers face in relation to data services (as set out in Section 5), may make it difficult for consumers to choose the correct tariff/bundle. Purchasing the wrong tariff makes it even more likely that the consumer will face an unexpectedly high bill.
- 6.41 To ensure that consumers are being provided with correct and clear information about mobile tariffs, Ofcom has written to the MSPs to:
- a) remind them of their tariff transparency obligations, under General Conditions 10 and 23, as set out in Section 2;
 - b) let them know that we will review the information that they provide on their websites; and
 - c) let them know that we will monitor complaints about mobile data mis-selling.
- 6.42 Following a review of the information and a period of monitoring, we will consider in summer 2012 whether we need to consider taking further action, including whether it is appropriate to launch an investigation into any issues we uncover. Any future investigations will be conducted following our enforcement guidelines and will be subject to administrative priority.⁷²

Consumer awareness

- 6.43 Ofcom acknowledges that there is low consumer awareness of the issue of unexpectedly high bills and that consumers may not always understand how unexpectedly bills could, or do, arise. The evidence gathered during our review shows that some consumers, who believed that they had taken all necessary steps to limit the likelihood of receiving an unexpectedly high bill, still ended up receiving one.
- 6.44 Ofcom considers that while consumers should take responsibility for monitoring their own usage carefully, and take steps to prevent unexpectedly high bills where they are able to do so, communications providers should also take steps to ensure consumers are provided with the tools and information that would enable them to better monitor their own usage and expenditure. This includes providing consumers with better quality information about how to estimate data usage, which would enhance their ability to purchase the tariffs and bundles best suited to their needs.

⁷² Ofcom is currently consulting on its draft guidelines for the handling of competition complaints and complaints concerning regulatory rules. The guidelines can be found here: <http://stakeholders.ofcom.org.uk/binaries/consultations/draft-enforcement-guidelines/summary/condoc.pdf>

- 6.45 In an industry in which technology is developing quickly, and tariffs and charges are complex, it is necessary for consumers to learn how to prevent unexpectedly high bills, as far as this is in their control. This includes ensuring that consumers understand:
- i) the services and the pricing of those services;
 - ii) how to use the devices;
 - iii) how to utilise the tools available to monitor and control usage; and
 - iv) the tools that are available to help prevent harm arising from lost or stolen mobile phones.
- 6.46 To help consumers better understand data roaming and avoid the likelihood of receiving an unexpectedly high bill, Ofcom has published guidance alongside this Statement, as set out in Section 5 and on our website.⁷³
- 6.47 However, Ofcom considers that to tackle fully the issue of unexpectedly high bills, consumer information on its own may not be enough. Communications providers could do more to help consumers, as we have set out in this section, under paragraph 6.26 and 6.27. This includes providing consumers with the opportunity to set their own financial caps and to send consumers alerts when consumers are nearing, or have reached, their limit.

Other sectors

- 6.48 Based on the evidence gathered through this review, our next steps focus on mobile communication services. However, should further consumer harm resulting from unexpectedly high bills arise in relation to broadband, fixed-line or pay-TV services, Ofcom will consider whether further action is appropriate.

⁷³ <http://consumers.ofcom.org.uk/2012/03/billing-problems/>

Timetable of next steps

6.49 The table below sets out the timetable for the next steps.

Month	Milestone
March 2012	Further research on mobile contract customers unexpectedly high bills to be carried out.
April 2012	Expected decision on revised EU Roaming Regulation, including whether the €50 data-roaming limit and alerts will be extended to cover those consumers roaming outside the EU.
June 2012	Extended EU Roaming Regulation expected to come into effect (if agreement takes place in April 2012), although there could then be a period for implementation.
Summer 2012	<p>Review compliance with tariff transparency obligations, and mobile data mis-selling complaints, and consider the case for further action.</p> <p>Consider whether to explore the option of possible new regulation requiring domestic financial caps and alerts that consumers would need to 'opt out' of.</p>

Annex 1

International markets

The US

- A1.1 On 13 October 2010, the US Federal Communications Commission (“FCC”) Consumer and Governmental Affairs Bureau published its White Paper on ‘Bill Shock’. In the paper, the FCC acknowledged that mobile devices have become more complex, consumers have to navigate more complex plans, choices, and bills, and that this complexity leads to confusion, and ultimately puts consumers at increasing risk of experiencing bill shock. The FCC defined bill shock as a “*sudden, unexpected increase in their mobile bill from one month to the next*”.⁷⁴
- A1.2 Having presented data on consumer complaints and evidence of financial harm, the FCC invited comments on its proposals.⁷⁵ In summary, the FCC proposed that mobile service providers in the US should:
- a) send voice and text alerts to notify consumers when they approach, and then when they reach, monthly plan limits for voice, data and text messages;
 - b) send alerts when consumers are about to incur international roaming charges that are not covered by their monthly plans; and
 - c) clearly disclose any tools mobile providers offer that let consumers set their own usage limits and monitor usage.
- A1.3 In October 2011, having come to an agreement with industry, the FCC withdrew its proposals. Instead, industry signed up voluntarily to the ‘Wireless Consumer Usage Notification Guidelines’, which set out the process whereby consumers will receive free alerts both before and after they reach monthly limits on voice, data and text, as well as a notification to inform them of international roaming charges when travelling abroad. Consumers will have the option to opt out of these alerts.⁷⁶

Australia

- A1.4 In April 2010, the Australian Communications and Media Authority (“ACMA”) announced the ‘Reconnecting the Customer’ public inquiry into customer service and complaints-handling issues in the telecommunications industry. Following a consultation, ACMA published its final inquiry report in September 2011.⁷⁷
- A1.5 The final report outlined that matters relating to unexpectedly high bills were one of two key complaint drivers. As a result, ACMA has formally invited the Australian industry to incorporate the following changes to its Telecommunications Consumer Protection (TCP) code by February 2012:
- a) clearer pricing information in advertisements allowing consumers to more easily compare services;

⁷⁴ See page 2 of the White Paper at <http://transition.fcc.gov/stage/Bill-Shock-White-Paper.pdf>

⁷⁵ http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-10-180A1.pdf

⁷⁶ <http://www.ctia.org/media/press/body.cfm/prid/2137>

⁷⁷ <http://engage.acma.gov.au/reconnecting/>

- b) improved and more consistent pre-sale information about plans;
- c) developing meaningful performance metrics which allow consumers to compare providers;
- d) tools for consumers to monitor usage and expenditure; and
- e) better complaints handling by providers.

A1.6 ACMA has also signalled that should industry fail to develop a code that addresses its concerns, the changes will be mandated through regulation.

Canada

A1.7 The Canadian Parliament is also looking at the issue of bill shock. It is considering a “Wireless Phone, Smart Phone and Data Service Transparency Act” aimed at curbing bill shock by introducing new rules for providers,⁷⁸ but the bill has yet to be adopted.

A1.8 There are many features of the proposed bill, but one of the proposals is in relation to usage alerts, whereby “A supplier must agree to notify a consumer when the consumer has reached 90% of the limit of any particular service under the agreement, as well as when the consumer is about to incur charges for attempting to use a service that is subject to geographical limits outside those limits”.⁷⁹

Singapore

A1.9 In March 2011, the Singaporean Government announced action that it would be taking action to protect consumers from bill shock caused by PRS and data roaming.⁸⁰

A1.10 In relation to PRS, operators are required to provide consumers with the option of a PRS barring service.

A1.11 In addition, since 1 July 2011 operators have to:

- a) obtain explicit consent from subscribers before providing any roaming services (including data roaming services) which previously were available by default;
- b) provide consumers with sufficient information to make an informed choice on these services;
- c) Allow consumers to set a maximum data roaming cap of \$100 in any monthly billing cycle. From the first quarter of 2012, operators have to also offer consumers a free data roaming service suspension option, so that unexpectedly high bills cannot be run up; and
- d) consumers who do not wish to use data roaming service while overseas can deactivate the service before they leave Singapore and reinstate it on their return. This service was implemented in the first quarter of 2012.

⁷⁸ http://www.ontla.on.ca/web/bills/bills_detail.do?locale=en&Intranet=&BillID=2431

⁷⁹ See footnote 78 above.

⁸⁰ <http://singaporebusiness.asia/ida-acts-on-roaming-phone-bill-shock-by-setting-100-monthly-limit/#axzz1jdoPocUV>

A1.12 In addition to action being taken by individual countries, there have been bilateral and multilateral initiatives to regulate roaming and help prevent unexpectedly high bills. The following information is taken from Ofcom's *International Communications Market Report 2011* (December 2011).⁸¹

In April 2011, the **Singaporean and Malaysian governments** announced a mutual agreement to bring down roaming prices between their two countries. Under the agreement, roaming charges for voice calls and SMS were reduced by 20% and 30% respectively, with the reduction set to rise to up to 30% (voice) and 50% (SMS) in May 2012.

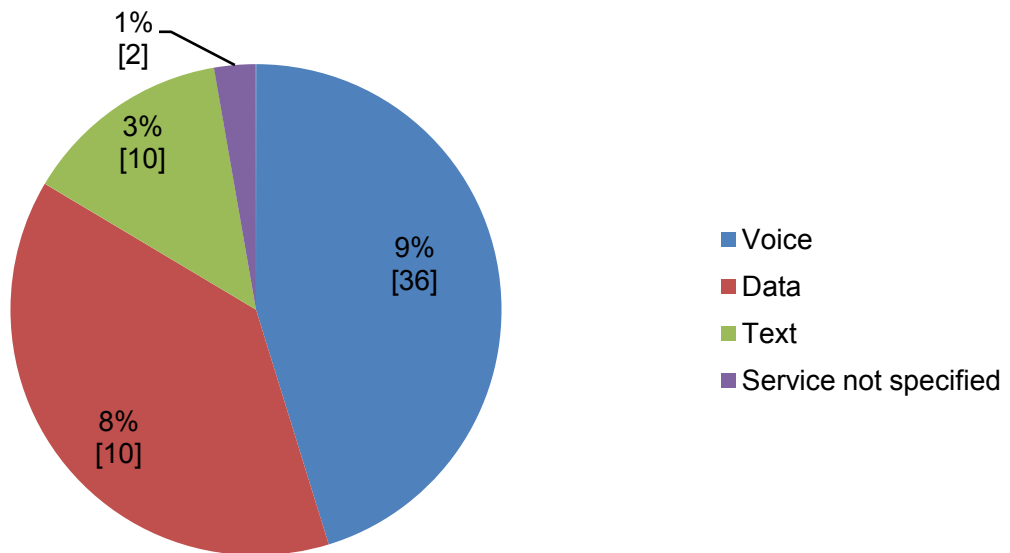
In May 2010, the **Australian and New Zealand governments** published a joint discussion paper on 'Trans-Tasman mobile roaming'. The preliminary conclusions of the paper were that in both New Zealand and Australia price transparency appeared inadequate and consumer awareness was low, while roaming prices seemed relatively high. Discussions are under way at governmental level on how best to reduce roaming charges between the two countries.

⁸¹ See page 34: <http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr11/icmr/ICMR2011.pdf>

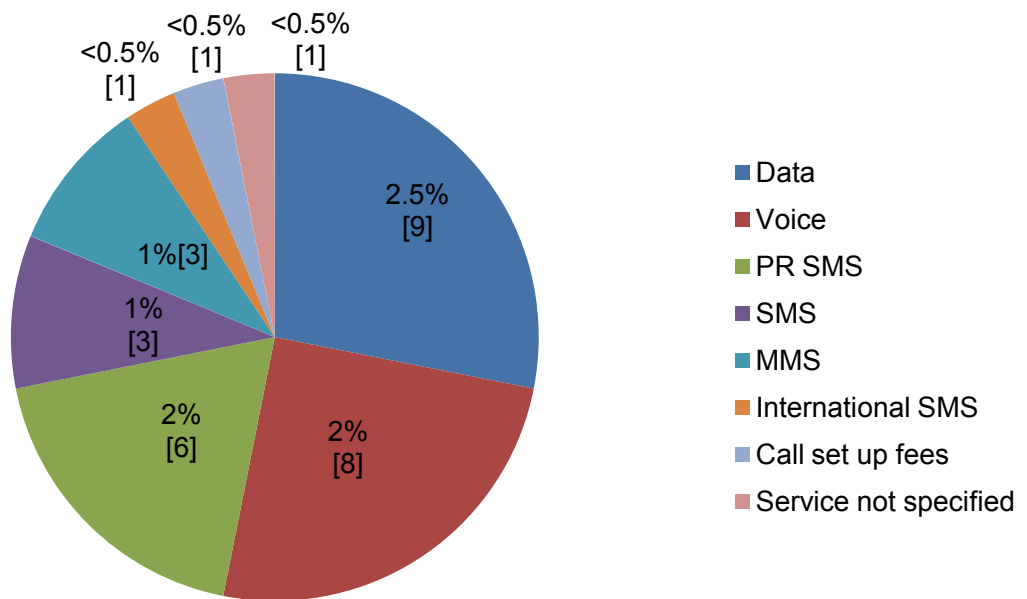
Annex 2

Evidence

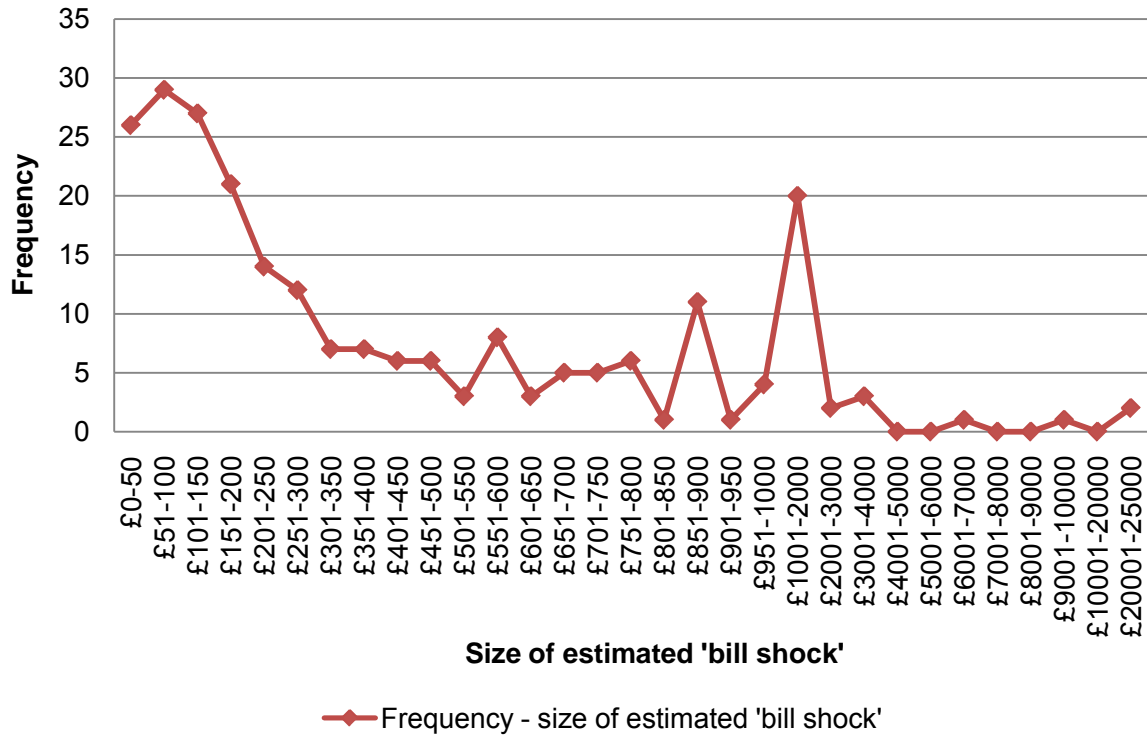
A2.1 Breakdown of responses to the Call for Inputs, where consumers received an unexpectedly high bill after exceeding their inclusive allowances as a percentage of the total number of responses.



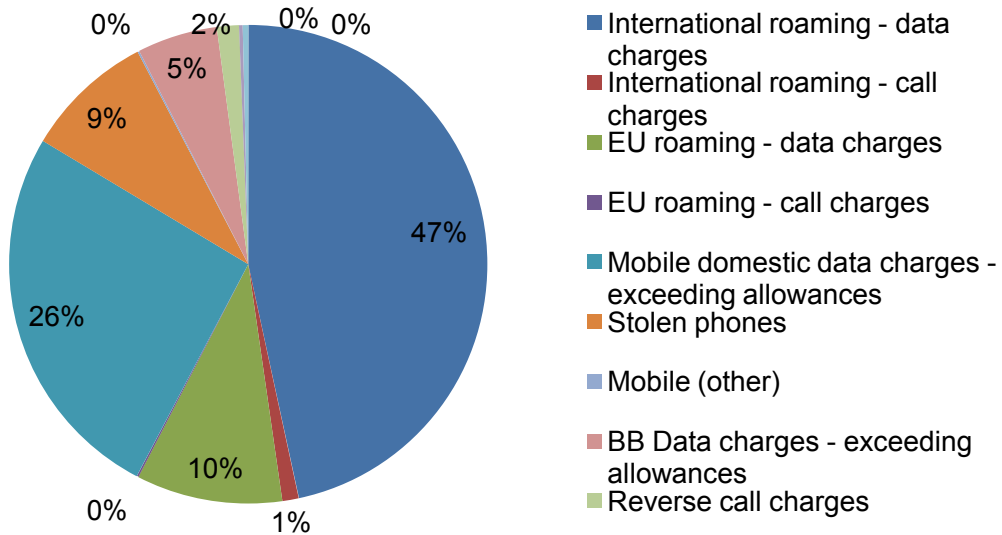
A2.2 Breakdown of the responses to the Call for Inputs, where consumers received an unexpectedly high bill for using out-of-allowance services, as a percentage of the total number of responses.



A2.3 Distribution of the amount of 'bill shock' reported by Call for Inputs respondents



A2.4 Breakdown of total number of Ofcom Complaints about unexpectedly high bills received between 1 May and 31 December 2011, by category:



Annex 3

Mobile service provider comparison table

The information is correct as at date of publication of the Statement.

MSP	Retail financial caps (offered with tariff)	Alerts when reaching retail financial caps	Roaming retail financial caps and alerts	Online bill checker	Smartphone applications	Recorded information number	SMS short code service
O2	Yes -Selected data tariffs only	Yes -Selected data tariffs only	Yes -Data tariffs only -Automatic opt in -EU and rest of world	<u>Yes</u>	<u>Yes</u>	4444 (PAYG)	21202 20201 (PAYG)
Vodafone	No	Yes -Data tariffs only -Automatic opt-in	Yes -Data tariffs only -Automatic opt in - EU and rest of world	<u>Yes</u>	<u>Yes</u>	44555 (information provided by SMS)	44555 (number to be dialled and information provided by SMS)
Three (H3G)	No - but consumers can opt-in to set their internal credit limit to zero.	Yes -Selected tariffs only -Data/voice/SMS - Automatic opt-in	Yes -Data tariffs only -Automatic opt in -EU only	<u>Yes</u>	<u>Yes</u>	333	Not available

MSP	Retail financial caps (offered with tariff)	Alerts when reaching retail financial caps	Roaming retail financial caps and alerts	Online bill checker	Smartphone applications	Recorded information number	SMS short code service
Everything Everywhere (Orange)	No	No	Yes -Data tariffs only -Automatic opt in -EU only	<u>Yes</u>	<u>Yes</u>	150 (Pay monthly) 450 (PAYG)	150 (Pay monthly) 450 (PAYG)
Everything Everywhere (T-Mobile)	Yes -Selected tariffs -Data/voice/SMS -Automatic opt in	Yes -Selected tariffs -Data/voice/SMS -Automatic opt in	Yes -Data tariffs only -Automatic opt in -EU only	<u>Yes</u>	<u>Yes</u>	150	150
Virgin Media	No	No	Yes -Data tariffs only -Automatic opt in -EU only	<u>Yes</u>	<u>Yes</u>	789	789789

- ‘**Online bill checker**’ offers consumers the opportunity to log on their account online, and check their balance, usage and (usually) bills.
- ‘**Recorded information number**’ offers consumers a number to call (not customer services) where they can find out about their balance, usage and/or remaining allowance.
- ‘**SMS short code service**’ is a number that consumers can text from their mobile in order to get details of their balance and/or usage.

Annex 4

Consumer experiences of using data

A4.1 Below are some extracts from the Call for Inputs from consumers who received an unexpectedly high mobile bill, in relation to data services. The extracts show us some of the difficulties consumers can have in using data.

“Whilst in the USA this past week, I had to switch the data roaming on when my colleagues [sic] wallet was stolen to pull up card cancellation numbers. I [sic] doing this the data roaming remained on for approx 48 hours, which I am now facing a bill for over £1300.”

“I was using my mobile abroad to check train times about once or twice a day and occasionally downloading emails but for a lot of the time the phone was connected to wifi as I was staying with friends. I never expected that the amount of usage was going to be so high considering that I wasn’t opening attachments or downloading/uploading pictures through the phone...I would not have used the phone outside the wifi environment if I had known how much data the phone was downloading each time as the charge per mb was high.”

“My latest bill...was £288.68 mainly for data roaming charges I was unaware I was using. My average bill is £25 and would therefore have thought that they would have been alarmed at the high usage on my phone and contacted me before I got to this amount...The reason for the extraordinary high bill being:

Firstly, I had purchased a phone card on holiday and was assured it would be alright to use with my mobile. This has proved to be incorrect...

Secondly, whenever I was in a restaurant or shopping mall with FREE WIFI, I was logging on to Facebook. This has also cost me a significant amount as I’ve still been charged for using the internet, partly due to ignorance on my part. As I’ve only had the phone a short time, I was unaware that you had to turn off the “Data Roaming” to prevent this from happening.”

“In December 2010 I received a bill of £960.73...I had been travelling in Australia the previous month and had signed up for...[a] data bundle (£50 for 50MB of data). [They] said that I used the 50MB of data I had pre-paid, plus an additional 96MB of data. The first 50MB of pre-paid cost £50; the second 96MB cost £769.71.”

“I have recently returned from holiday to south Africa and have been shocked to get a £360 mobile phone bill. I called my carrier...and they said that it was due to 44 mb of data usage whilst I was in South Africa. I can not [sic] understand how I could rack that up when I only ever checked facebook, email and looked up a doctors

phone number when my daughter was ill. Even if I did use that much data why was there no warning, query or advice given, especially as I am on a £10 a month contract.”

“It is extremely hard to assess how much data has been sent/received whilst roaming overseas. I was normally informed by text after I had exceeded the very small daily limit which would have cost £5 per day. Once exceeded costs could reach £20 per day.”

“I was not informed that a data roaming app was enabled on my phone if used abroad.”

“My mobile phone even though was switched on, was still downloading data even though I wasn’t actually accessing or requesting any data. Some times that the phone was accessing the internet was in the early hours of the morning when i [sic] was asleep but I had left the phone on overnight. Also it is supposed to connect to wifi at home and when I am at work which would obviate the need to use my allocated bundle allowance, but still in 2 days I had gone over my bundle amount by over 300 pounds.”

“It was a new phone which didn’t include any written information in the packaging regarding roaming abroad, therefore, I was totally unaware... The service was not intentionally used. With the experience I am now aware of what needs to be done before going abroad. ‘turn off the roaming facility’.”