

About The Consumer Council

The General Consumer Council for Northern Ireland (The Consumer Council) is a statutory body whose aims are to promote and safeguard the interests of all consumers in Northern Ireland.

Since 1985, the Consumer Council has been championing the cause of consumers in Northern Ireland. Our job has been to give consumers a voice – and to make sure that voice is heard by decision-makers.

The Consumer Council campaigns on behalf of consumers for the best possible standards of service and protection, carries out research, publishes reports, seeks to influence both the public and private sectors, and campaigns for a fair deal. In addition to specific duties in relation to electricity, natural gas, coal, public transport and food, we investigate and speak out on the important consumer issues of the day.

The Consumer Council comprises a Chairman, Deputy Chairman and twelve members appointed following ministerial approval. Currently, the Chief Executive leads a team of 43 full time and 2 part time members of staff plus two students on placement. The Department of Enterprise, Trade and Investment fund us.

Executive summary

- The Consumer Council agrees with Ofcom's approach to the charges for late payment, payment failure, restoring service and early termination as well as the initial minimum and subsequent minimum contract period terms.
- We strongly disagree with the approach Ofcom has taken with non-direct debit charges and itemised / paper billing charges. We believe it is reasonable to expect the charge for collecting consumers' payment and providing a breakdown of costs to be included in the total cost. We believe Ofcom should prohibit these additional charges.
- Ofcom has not provided enough information to justify their approach to cease charges and this charge should be looked at in more detail.

Introduction

1. The Consumer Council welcomes the opportunity to contribute our view on the non-direct debit charge and other contract terms.
2. The Consumer Council upholds the rights of the consumer but this is balanced with a clear ethos of responsibility. We strongly encourage consumers to make their payments on time and to keep to the terms and conditions of the contract. We trust that you will recognise that we have taken a reasonable, responsible and sustainable view of the long term in relation to these and other charges and the behaviour of consumers.

Charges for paying by methods other than direct debit

3. The Consumer Council disagrees with Ofcom's approach to charges for paying by methods other than direct debit (non-direct debit charges). It is our view that these charges are unfair and punitive. Consumers should have a choice of ways to pay for goods and services and not be punished for choosing one way over another.
4. We are concerned that consumers are being hit by double charges: we believe that the cost of collecting payment is already built in and then those that don't pay by direct debit are hit with an additional charge. Ofcom has not provided evidence that this does not happen.
5. Direct debits have advantages for both consumers and companies. We encourage consumers to use direct debits wherever possible and we believe that companies should have the freedom to give discounts to incentivise customers to pay in a preferred way.
6. However, Northern Ireland is a distinct marketplace with historical and cultural reasons why consumers here are less likely to have a bank account or choose to pay by direct debit. Consumers here are proportionally less likely to have a bank account than consumers in the rest of the UK. There are lower levels of financial capability in Northern Ireland than in the rest of the UK¹. Those that do have a bank account have paid more for their account² and have been subjected to significant fees if they don't have enough money in their account to pay for a direct debit.
7. Our financial inclusion work aims to encourage as many as possible to take up bank accounts and to access the benefits of financial inclusion, including discounts for direct debits. We will continue to lobby the

¹ *Managing Money – How Does Northern Ireland Add Up?*, The Consumer Council, September 2007

² Northern Ireland Banking Inquiry, Final Report, Competition Commission, May 2007

financial sector to make their financial products accessible and meet the needs of those on lower incomes.

8. Public reaction to the charge introduced by BT illustrates that customers prefer discounts over additional charges. The consumer expects that a company calculates its total costs including the cost of collecting payment from customers. Payment is not optional for the customer and therefore the cost of payment should be included in the upfront price with the option of saving money given as a discount.
9. We are concerned that when consumers compare prices between suppliers any additional charge for certain payment methods may not be taken into account. This would give a company an unfair competitive advantage.
10. Ofcom should not have allowed this charge to be introduced. Additional charges are not appropriate in some markets, that is; markets where there are significant barriers to switching or where all alternative providers also make additional charges for using certain types of payments. Regulators should not allow such suppliers to make additional charges for payment by certain methods, nor should they allow providers to limit payment options. Both of these actions have serious implications for the financially excluded who either do not have or can not afford the option of paying by direct debit.
11. It is vital that Ofcom thoroughly examine the suppliers' costs and provide full and transparent evidence that they have minimised all controllable costs.
12. We would like evidence that Ofcom has assessed whether the savings suppliers have made from consumers who have already moved to direct debits has lowered overall costs to the consumer.

Late payment charge, payment failure charge, charge to restore service

13. The Consumer Council agrees that charges for late payment, payment failure and for restoring service should be both transparent and subject to the fairness test.

Initial minimum contract periods and early termination charges

14. We agree that the initial minimum contract period and early termination charges should be transparent and that the early termination charge should be subject to the fairness test.
15. We agree with Ofcom's judgement that early termination charges should never be more than the remaining payments under the contract and that

they should be reduced below remaining payments where the supplier can save or mitigate their costs.

Subsequent minimum contract period and minimum notice period

16. We agree with Ofcom's approach that these contract terms should be transparent and fair.

Itemised / paper billing charge

17. The Consumer Council disagrees with Ofcom's approach to this charge. It is our view that consumers expect to receive a paper bill and that this cost should be calculated into the overall package. We also believe it is reasonable for consumers to expect an itemised bill as part of the package so that they can check whether their bill has been calculated correctly.
18. We are content for suppliers to offer a discount if the consumer chooses to receive an online bill or a summary but we do not agree that consumers should be charged an additional sum.

Cease charges

19. Ofcom has not provided enough information to justify the cost of cease charges. We feel this charge should be looked again.