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Three's (Hutchison 3G UK Ltd) Response to Ofcom's Call for Inputs on Approved Alternative Dispute Resolution Schemes.

Dear Liz,

This is Three's response to Ofcom's Call for Inputs on its review of approved alternative dispute resolution (ADR) schemes.

Mobile is now a crucial part of everyday life; it is important that if things do go wrong, consumers have means to appropriate and timely redress. Three has worked hard to ensure that we are responsive to our customers, with the aim of finding fair and reasonable resolution to a customer's complaint. We are proud that Ofcom has found Three to be the joint least complained about Mobile Network Operator for the past 9 quarters, and our customer Net Promoter Score is at an industry leading +19.

However, Three recognises that some issues are more complex or difficult to resolve. In these situations, the ADR process remains an important backstop for consumers with a complaint about their provider.

Three enjoys a productive working relationship with its ADR provider, Ombudsman Services: Communications (OS:C). As a result of feedback from OS:C, Three has streamlined its internal complaint handling processes to ensure that complaints which progress to ADR for determination are those that truly require the intervention of a third party arbiter. As a result, only around 2.5% of all telecommunications complaints received by the OS:C for adjudication are from Three customers.

However, there are a number of key areas in which Ofcom will need to act to ensure that ADR providers deliver on their approval criteria. Three set out its views on these in the response below, focussing on the need for greater transparency and accountability around cost and an approach that incentivises the best outcomes for customers. In order to address this, it is vital that Ofcom considers alternative options for approval - beyond the three options set out in its consultation.

Cost Transparency.

Three welcomes that Ofcom's Call for Evidence sets out that ADR processes should be "clear to consumers and to CPs", as well as transparent in their approach. In this regard, Three urges Ofcom to be clear in its undertaking in paragraph 10 that ADR fee structures are not only 'efficient', but transparent as well.

Under the current regime, where operators independently reach fee structure arrangements with their ADR provider, it is not clear whether CPs are being charged the same fees for what might be similar cases. This makes it challenging for CPs to identify value for money when finding the right ADR provider for them. It also makes it possible that otherwise identical cases are costed in different ways.

It is Three's view that fee structures should be made transparent to all CPs, in the interest of fairness and consistency across the industry. We would also welcome transparency for CPs around how the general valuation of the case fee is arrived at. Ofcom should make cost transparency a prerequisite for an ADR scheme's approval.

We would note that ADR regulations already require schemes to publish an annual activity report, covering the number and types of complaints received. We would ask that Ofcom extend these requirements to include an indicative Budget, showing where ADR providers will use their insight on complaints to best target resource.

Incentivising the Best Outcomes.

Three also welcome's Ofcom's proposals in paragraph 14 around how information on complaints volumes might be used to drive better outcomes for consumers. While we welcome Ofcom's ambition in this regard, the specific suggestion (increasing ADR case fees for cases beyond case totals originally forecast) would not be the best way of achieving this goal.

A decrease in ADR case fees for handling and resolving cases quickly would be a better incentive for CPs. Critically this would also reflect the reduced cost of handling a complaint more quickly for the ADR provider, reducing both complaints volume and hours spent handling a complaint.

This would also address the concerns Ofcom raise in paragraph 12, that ADR providers have limited capacity to meet spikes in demand, and in paragraph 3, that increased case hours require ADR providers to employ and train new staff. Most importantly, such an arrangement would benefit consumers with proper incentive for their CP and ADR provider to resolve complaints quickly, rather than working to a six or eight week KPI alone.

To this extent, we welcome the performance KPIs set out in paragraphs 11-17. However we would also ask for clarity from Ofcom around its comments in paragraph 22, noting the difference between the statutory requirement that cases should be completed within 90 days of the submission of the case file by both parties, whereas Ofcom's KPIs for ADR performance begin when the customer first makes the complaint.

While we understand Ofcom's desire for standardisation in this regard, this should not lead to a slower response from ADR providers for consumers and CPs as a result.

Alternative Approaches.

It is Three's view that the challenges set out above are partially the result of the lack of genuine choice in ADR provider for CPs. The current arrangement, in which only two approved ADR providers, CISAS and OS are able to operate, limits choice on value for money and quality of service for operators. The fact that all but one of the major CPs align with just one ADR provider highlights this lack of choice, and the lack of cost and performance transparency that results from this.

Ofcom's review is an opportunity for the regulator to address this, and to give a clearer direction as to what a more effective ADR regime might look like. Three was disappointed then that the only options under consideration were the status quo, changes to existing schemes or removing approval for one or both schemes. This self-imposed restriction limits Ofcom's scope to make ADR work better for both CPs and consumers.

In addition to the proposed changes to Ofcom's approval criteria above, consideration should also be given as to the potential benefits of widening the choice of ADR providers or consolidating the ADR process with one provider, with the more robust transparency and accountability requirements set out in our response above.

The former would help improve ADR providers' accountability and CP choice, encouraging greater transparency around costings and innovation in terms of handling cases quickly and effectively. The latter might also be an alternative that would promote level playing field for ADR cases, reducing costs and overheads and with adequate approval requirements might ensure cases are treated in a fairer and more equitable manner.

It is Three's view that either approach would be an improvement on the current duopoly. We therefore urge Ofcom to consider not only what changes might be made to its approval requirements for ADR providers, but to consider every possible option in terms of addressing deficiencies that result from the lack of choice of ADR providers that CPs have today.

Yours sincerely,



Simon Miller
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