
Review of measures to protect people in debt or at risk of disconnection

Call for inputs

[Debt and disconnection – Welsh overview](#)

CALL FOR INPUTS:

Publication Date: 22 July 2021

Closing Date for Responses: 30 September 2021

Contents

Section

1. Overview	3
2. Background	6
3. Levels of customer debt and rates of disconnection for non-payment	9
4. Provider practices regarding the treatment of financially vulnerable customers	20
5. Next steps	37

Annex

A1. Responding to this call for inputs	38
A2. Ofcom's consultation principles	40
A3. Consultation coversheet	41
A4. Consultation questions	42
A5. Methodology and further analysis	43

1. Overview

- 1.1 Making sure customers, especially people in vulnerable circumstances¹, are treated fairly is a priority for Ofcom. The importance of communications services such as phone, broadband and pay TV has been underlined by the coronavirus (Covid-19) pandemic. In addition, many people's finances have changed significantly over the last year, with some facing particular challenges. It is therefore particularly important that people in debt, or who are struggling to pay their communications bill, are treated fairly by their communications provider.²
- 1.2 We welcome the steps providers have taken to temporarily support their customers struggling to pay during the pandemic. Given the ongoing uncertainty about the longer-term economic outlook, and an expected increase in levels of household debt of all types³, we believe now is the right time to consider whether the protections for people in debt or struggling to pay remain appropriate, or whether there is a case for strengthening them. This document is the first step in this review and invites views on our initial observations.

What we have found

We have assessed levels of debt and disconnection for non-payment in the communications sector between January 2020 and January 2021:

- **A relatively small proportion of customers were in arrears:** On average, 2% of fixed broadband customers and 3% of mobile customers⁴ were in arrears, while the proportion of customers in arrears by two or more regular payments was lower still at 0.4% of fixed and 0.6% of mobile. These rates remained roughly stable over the period.
- **The proportion of customers disconnected for non-payment was relatively low:** Monthly disconnection rates for fixed broadband customers fell from c0.25% to c0.1% of customers between September 2020 and January 2021. Among mobile customers disconnections were more volatile, but fell slightly over this same period from c0.25% to c0.2%.
- **Total customer debt levels increased:** Total customer debt rose from £475m to £550m. Average customer debt was highest for customers taking mobile pay-monthly contracts (£140), with fixed customers (£120) and customers taking mobile SIM-only contracts (£70) owing less on average at the end of each month.

¹ In this document, we refer to people whose circumstances have led them to becoming vulnerable as 'vulnerable customers'. We recognise that organisations use a range of different terminology and some people might not like to be labelled as a vulnerable customer. However, the term is well-recognised among communications providers and allows us to discuss the topic openly and clearly, so we can seek improvements for customers in the communications sector.

² We have published a related report on the affordability of communications services: Ofcom, July 2021. [Affordability of communications services: Summary of findings](#).

³ According to the Office for Budget Responsibility's ("OBR") March 2021 forecast, household debt of all types is forecast to rise from £2.0 billion in 2020 to £2.4 billion in 2025. See the OBR, March 2021. [Economic and fiscal outlook – March 2021](#).

⁴ Most mobile providers gave us data relating to 'mobile contracts' rather than 'mobile customers' given that some customers may hold more than one contract. However, for simplicity we refer to mobile customers throughout this document.

While the overall proportion of customers in arrears was found to be relatively low, being in debt can have a significant impact on customers who experience it. We are therefore considering whether the protections for people in debt or struggling to pay remain appropriate or should be strengthened. To inform this, we have taken steps to improve our understanding of the practices providers use when engaging with people who are in debt or struggling to pay. We have found that **there is variation in provider practices across a range of areas.**

- Providers generally communicate in a timely way after a customer goes into arrears. However, there is variation in how providers contact customers regarding their debt and in how they allow customers in arrears to contact them.
- While providers generally only use disconnection as a last resort, there is considerable variation in the amount of time that providers allow a customer to remain in arrears before they are disconnected. We also observe differences in the approach that providers take to introducing service restrictions as a means of effecting payment, and in referring customers to external debt collection agencies.
- All major providers offer payment deferrals to customers struggling to pay, and most offer payment plans for people to repay their debt over an agreed period. However, some providers make it easier than others for their customers to find out about the options and support available to them.

Our next steps

We have considered whether there is a case for amending the rules or expectations we place on providers regarding debt and disconnection. Our initial view is that our General Conditions provide some important protections to customers, and we have not seen evidence of significant consumer harm that would cause us to amend them. However, the extent of variation in provider practices could cause some consumers to receive less support than others depending on which provider they are with, or the type of service that they take.

We therefore consider that there is a case for setting best practice recommendations to providers regarding further practical measures they could adopt to treat financially vulnerable customers fairly. This includes in relation to communicating with customers in debt or struggling to pay, working with debt advice organisations, measures providers take to effect payment and transparency about the support offered to customers who are struggling to pay.

This could be achieved by amending our guide on treating vulnerable customers fairly.⁵ This was published in July 2020, and we said we would keep it under review. We expect providers to consider this guide as they develop their relevant policies and procedures. We are keen to hear from stakeholders – such as providers, consumer groups and debt advice organisations – on our initial views and will take responses into account when considering next steps.

⁵ Ofcom, July 2020. [Treating vulnerable customers fairly: A guide for phone, broadband and pay-TV providers.](#)

Call for inputs: Review of measures to protect people in debt or at risk of disconnection

Should we decide to amend our *Treating vulnerable customers fairly* guide, we will publish a draft, updated version of the guide taking account of comments in response to this call for inputs and allowing a reasonable amount of time for any final comments on drafting of the guide before issuing a revised version. Should we decide there is a case to pursue amendments to our rules, we would consult appropriately and take responses into account before making any final decision.

2. Background

We already have rules in place to ensure customers in debt are treated fairly and to ensure the fair treatment of financially vulnerable customers

- 2.1 Ensuring that customers, especially people in vulnerable circumstances, are treated fairly is one of our strategic priorities. Our principal duty under section 3(1) of the Communications Act 2003 (“the Act”) is 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.
- 2.2 In performing our duties, we must have regard to a range of different issues. Of particular relevance to our work on debt and disconnection are the needs of persons with disabilities, of the elderly, and of those on low incomes.⁶ In this regard, we have powers to set General Conditions of Entitlement (the “General Conditions”) which specifically include conditions making provision to protect the interests of consumers.⁷
- 2.3 To fulfil our duties, we already have rules in place which require customers to be treated fairly when they have not paid their bills. The General Conditions place obligations on providers to ensure that any measures they take to effect payment or disconnect services are proportionate and not unduly discriminatory (GC C3.11). Providers must also publish details of the measures they may take to obtain payment or disconnection, where a customer has not paid all or part of a bill (GC C3.12).⁸
- 2.4 In addition, we have rules requiring the fair treatment of vulnerable customers. General Condition C5.2 requires providers to have policies and procedures in place to treat vulnerable customers fairly and appropriately. We have also published our *Treating vulnerable customers fairly* guide (“the guide”⁹) which suggests measures providers could adopt to ensure the fair treatment of vulnerable customers in a range of areas, including financially vulnerable people, such as people who are facing problem debt¹⁰ or who are struggling to pay.
- 2.5 The guide sets out that providers should recognise that customers who are in arrears are likely to be vulnerable and encourages providers to take extra measures to make sure customers in debt or customers struggling to meet their regular payments are treated

⁶ Section 3(4)(i) of the Act.

⁷ Section 51(1)(a) of the Act.

⁸ Providers must also have regard to their obligations to protect access to emergency organisations (General Conditions A3.2 and A3.4).

⁹ Ofcom, July 2020. [Treating vulnerable customers fairly: A guide for phone, broadband and pay-TV providers](#).

¹⁰ The CMA uses the term ‘problem debt’ to mean a debt, or accumulation of debts, including arrears, that impacts on the consumer adversely, either because they are unable or struggling to repay the debt itself and/or because it has or potentially will have adverse consequences for them in another market, whilst acknowledging that there may be different perspectives on what problem debt is. See CMA, October 2014. [Problem debt: A report commissioned by the Consumer Protection Partnership](#), page 4. We use this term in the same way.

fairly. This includes, where possible, not disconnecting customers as disconnection is a serious step that should only be used as a last resort. Given its focus on both customers in debt and those struggling to pay, the scope of the guide is wider than General Conditions C3.11 and C3.12, which are framed in reference to customers who have not paid all or part of a bill.

We asked providers to do more on a temporary basis to protect financially vulnerable consumers because of the economic impact of the pandemic

2.6 In response to the pandemic we wrote to providers in June 2020 (“our June 2020 letter”¹¹) asking them to put in place additional support for a limited period, in recognition of the impact of the pandemic on some people’s ability to pay their bills. We published our guide on treating vulnerable customers fairly in July 2020 and wrote to providers again in November 2020 (“our November 2020 letter”¹²) asking them to revisit their debt and disconnection practices against the guide and to offer additional support to customers who may be struggling to pay their bills. These measures included:

- That providers should be proactive at engaging as a matter of priority with consumers that are struggling to pay their bills.
- Where a customer is actively engaging with and seeking support, providers should not impose any service restrictions and should waive any late payment penalty charges or early termination charge, limit debt collection activity and remove the threat of disconnection.
- Providers should only commence debt collection activities after a sufficient period of time to allow consumers to get help and only disconnect consumers as a last resort and after a sufficient period of time. We suggested a sufficient period of time could, for example, be after a period of three months.

2.7 We continue to expect providers to act in accordance with the position set out in our November 2020 letter in order to support their customers who may be struggling to pay. However, as Covid-19 restrictions are eased, we recognise that it is appropriate to consider when this temporary support should end and what protections are appropriate for the longer term.

We are reviewing whether our rules and expectations on providers in relation to debt and disconnection should be strengthened

2.8 In December 2020 we published a summary of initial findings on the affordability of major communications services (“our December 2020 report”¹³). We found that practices regarding debt and disconnection can vary by provider. While we welcomed swift action taken by providers in response to the pandemic, there were some areas where we

¹¹ See our website [here](#).

¹² See our website [here](#).

¹³ Ofcom, December 2020. [Affordability of communications services: A summary of initial findings](#).

considered providers could do more to better support their customers. We therefore encouraged all providers to promote the full range of extra help, support and services they offer to customers. We also encouraged them to work more closely with consumer bodies and charities to increase awareness of the help, support and services that are available, such as organisations which provide debt advice.

- 2.9 In that report, we said that we would present a more detailed assessment of levels of debt and disconnection in the communications sector, alongside related provider practices, in our next report. We said we would use this information to inform our longer-term approach to monitoring and identify any areas where further measures are required to support customers. Finally, we said that we would consider whether the obligations on providers in this area remain appropriate.
- 2.10 There remains uncertainty around the UK economic outlook and the Office for Budget Responsibility has forecast an increase in levels of household debt of all types over the coming years.¹⁴ In addition, Citizens Advice has estimated that one in three households have lost income due to the pandemic, with 7.3 million people behind on their bills of all types.¹⁵ In light of this, we feel that now is the right time to consider whether the protections in respect of debt and disconnection for customers of communications services remain appropriate. In particular, we are considering whether the rules we place on providers, as well as the practical measures set out in our guide for ensuring the fair treatment of financially vulnerable customers, should be amended.¹⁶
- 2.11 In the remainder of this document we therefore (i) set out data on the extent of customer debt and rates of disconnection for non-payment, (ii) summarise our understanding of the practices that major communications providers use when engaging with customers who are in debt or are struggling to pay, and (iii) set out our initial views on the case for amending our existing protections.

¹⁴ According to the OBR's March 2021 forecast, household debt of all types is forecast to rise from £2.0 billion in 2020 to £2.4 billion in 2025. See the OBR, March 2021. [Economic and fiscal outlook – March 2021](#).

¹⁵ See Citizens Advice, [Debt at the close of 2020](#).

¹⁶ It is important to note that the telecommunications sector is different from other utilities, such as energy and water, in that providers are allowed to disconnect customers and impose service restrictions. In the water sector, legislation (Water Industry Act 1991) prohibits the disconnection of domestic customers or the restriction of supply if a customer owes their water company money. In the energy sector, suppliers are also prohibited by their licence from knowingly disconnecting premises occupied by those of pensionable age (who live alone or only with persons who are of pensionable age or under the age of 18) during winter (1 October – 31 March).

3. Levels of customer debt and rates of disconnection for non-payment

Key findings

We found that between January 2020 and January 2021:

- The proportion of customers in arrears remained relatively stable (around 2% of fixed and 3% of mobile customers¹⁷).
- The trend in proportion of customers in arrears by two or more regular payments was more pronounced, increasing for both fixed and mobile services at the start of the pandemic, before falling back to original levels towards the end of the period (0.4% of fixed and 0.6% of mobile customers in January 2021).
- The proportion of customers disconnected for non-payment decreased during the initial lockdown period but then returned to levels such as those recorded in the months before the pandemic of 0.1%-0.2% of fixed and mobile customers each month.
- Average customer debt of customers in arrears was highest for customers taking mobile pay-monthly contracts (£140), with fixed customers (£120) and customers taking mobile SIM-only contracts (£70) owing less on average at the end of each month.
- The average length of time customers spent in arrears before being disconnected increased during the initial lockdown period and has remained above pre-pandemic levels.
- Levels of forbearance for customers in arrears varied widely between providers in both mobile and fixed, with average disconnection timeframes being as short as under 50 days and as long as over 200 days.
- Total customer debt levels increased from £475m to £550m.
- Engagement with customers struggling to pay has remained similar, with customers on payment deferrals or plans falling by around 10%, reflecting the fall in customers in arrears.

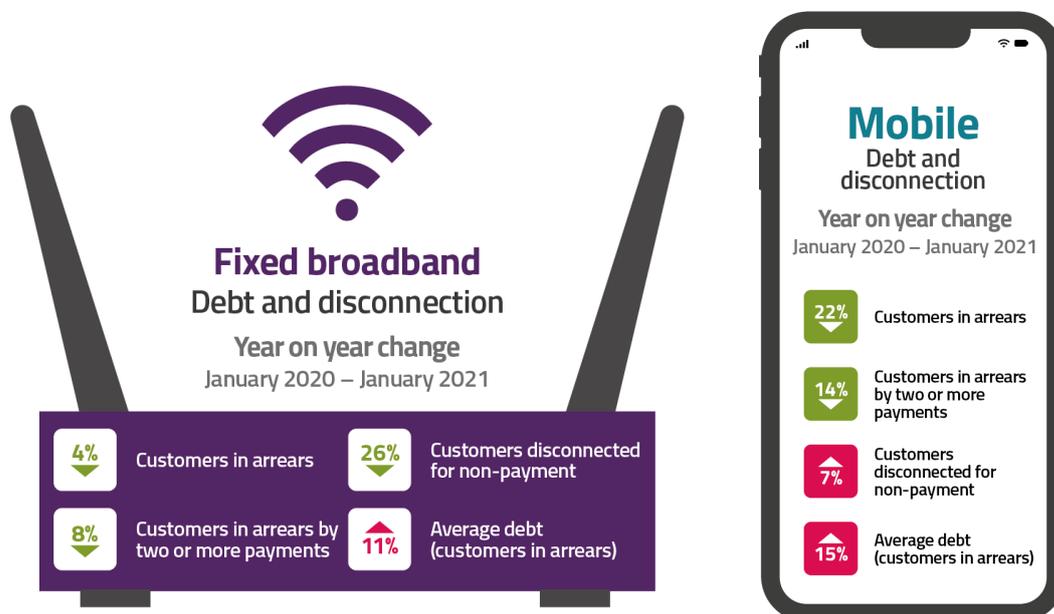
3.1 This section analyses a wide range of measures for debt and disconnection outcomes in the fixed¹⁸ and mobile¹⁹ sectors, using data collected from 13 providers under our formal information gathering powers. Annex 5 (Methodology and further analysis) provides information on our methodological approach to this dataset and specific definitions used in this section.

¹⁷ Most mobile providers gave us data relating to 'mobile contracts' rather than 'mobile customers' given that some customers may hold more than one contract. However, for simplicity we refer to mobile customers throughout this document.

¹⁸ This data covers product combinations inclusive of but not limited to stand-alone landline; stand-alone fixed broadband; landline and fixed broadband; fixed broadband and pay TV; and landline, fixed broadband and pay TV.

¹⁹ This data covers product combinations inclusive of pay-monthly and SIM-only pay-monthly.

3.2 Consistent with our December 2020 report²⁰, we begin by setting out data on the proportion of customers in arrears (by a single payment, and separately by two or more payments) and data on disconnection rates. We then present new data covering average debt levels, timescales of providers’ collections practices and sector-wide debt figures.²¹



Source: Ofcom analysis of provider data.

²⁰ Multiple providers have given new/amended data for January 2020 to September 2020. Please therefore note that this data is restated from our December 2020 report.

²¹ We also collected data on a number of additional metrics, including, for example, levels of bad debt. We present these findings in Annex 5 (Methodology and further analysis).

The proportion of total customers in arrears has remained relatively stable

Figure 1: Proportion of total customers in arrears, fixed and mobile



Source: Ofcom analysis of provider data.

- 3.3 Understanding the proportion of customers that are in arrears for their service offers some insight into the prevalence of affordability issues within the fixed and mobile sectors.
- 3.4 The data we collected indicates that around 1.5-2.5% of fixed and 2.25-3.5% of mobile customers were in arrears between January 2020 and January 2021, and that these proportions remained relatively stable over this period.
- 3.5 However, as we noted in our December 2020 report, there was some volatility in this measure during the initial lockdown period.²² Analysis of provider data shows that the proportion of customers in arrears decreased slightly in the period September 2020 to January 2021, from c1.8% to c1.6% for fixed and c2.8% to c2.2% for mobile.
- 3.6 We also observed differences between providers. For example, some fixed providers had up to four times the average proportion of customers in arrears, while some had under half the average proportion of customers in arrears.

²² The period between April 2020 and June 2020.

The proportion of total customers in arrears by two or more payments increased in both fixed and mobile services at the start of the pandemic, before falling towards the end of the period

Figure 2: Proportion of total customers in arrears by two or more regular payments, fixed and mobile



Source: Ofcom analysis of provider data.

- 3.7 The proportion of customers who are in arrears by two or more payments gives us an important measure of customers suffering longer-term debt problems and therefore at risk of loss of service through disconnection for non-payment.
- 3.8 The trend for those in arrears by two or more regular payments was more pronounced than the trend seen for those in arrears. In our December 2020 report we highlighted a sharp increase in these figures for mobile and fixed customers in the initial lockdown period. This may have been driven by reduced disconnections by some providers during the initial lockdown period, as well as some customers experiencing greater affordability problems during this period and therefore finding it more difficult to repay any debt.
- 3.9 Figure 2 above highlights the fall in this measure for fixed customers from September 2020 to January 2021 (from c0.5% to c0.4% of customers). In mobile, this measure fell in the period September 2020 to January 2021 from c0.9% to c0.6% of customers.
- 3.10 We again saw similar differences between providers in the proportion of customers in arrears by two or more regular payments, with some fixed providers having up to five times the average proportion of customers in arrears by two or more payments. In contrast, some providers had fewer than half of the average proportion of customers in arrears by two or more payments.

The proportion of customers disconnected for non-payment decreased during the initial lockdown period but has subsequently returned to pre-pandemic levels

Figure 3: Proportion of customers disconnected for non-payment, fixed and mobile



Source: Ofcom analysis of provider data.

3.11 Disconnection figures can give an indication of how many customers may be losing access to important communications services through not being able to afford them. We noted in our December 2020 report, and as shown in figure 3 above, the proportion of customers disconnected for non-payment was lowest between April and June 2020. However, around half of providers continued disconnections during the initial lockdown period at a similar rate to pre-pandemic levels.²³ We also noted that when lockdown restrictions were eased over the summer, we saw an increase in the proportion of customers being disconnected for non-payment.

3.12 We note that disconnections in fixed reduced in the period September 2020 to January 2021 (from c0.25% to c0.1% of customers), returning close to, although still slightly above, pre-pandemic levels. In mobile, disconnections were more volatile, but fell slightly over this same period from c0.25% to c0.2%.

3.13 Further analysis of provider data shows that when comparing pre-pandemic data with pandemic data (March 2020 to January 2021) the number of disconnections per month has remained at a similar level.

Disconnection timeframes have increased slightly over the last year

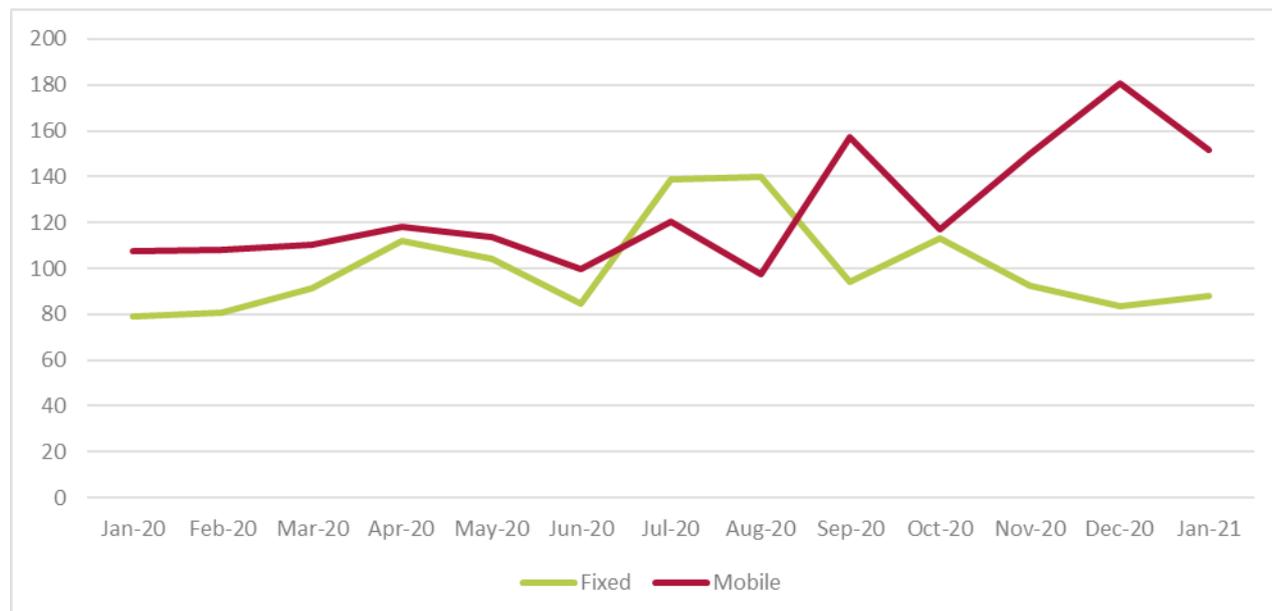
3.14 The length of time customers spent in arrears before being disconnected is important to measure, as this tells us how long customers are given by providers to repay debt before

²³ By pre-pandemic period we mean the period between January 2020 and February 2020.

they lose their service. In our June 2020 letter to providers, we asked them to demonstrate a heightened level of forbearance where a customer who is struggling to pay engages with them. Therefore, we expected that disconnection timeframes would increase, assuming that customer engagement levels did not decrease.

- 3.15 In both fixed and mobile we note that the average time spent in arrears for those disconnected for non-payment has increased between January 2020 and January 2021. This suggests that some providers have shown forbearance in dealing with customers who are struggling to pay.

Figure 4: Average length of time (days) spent in arrears, customers disconnected for non-payment

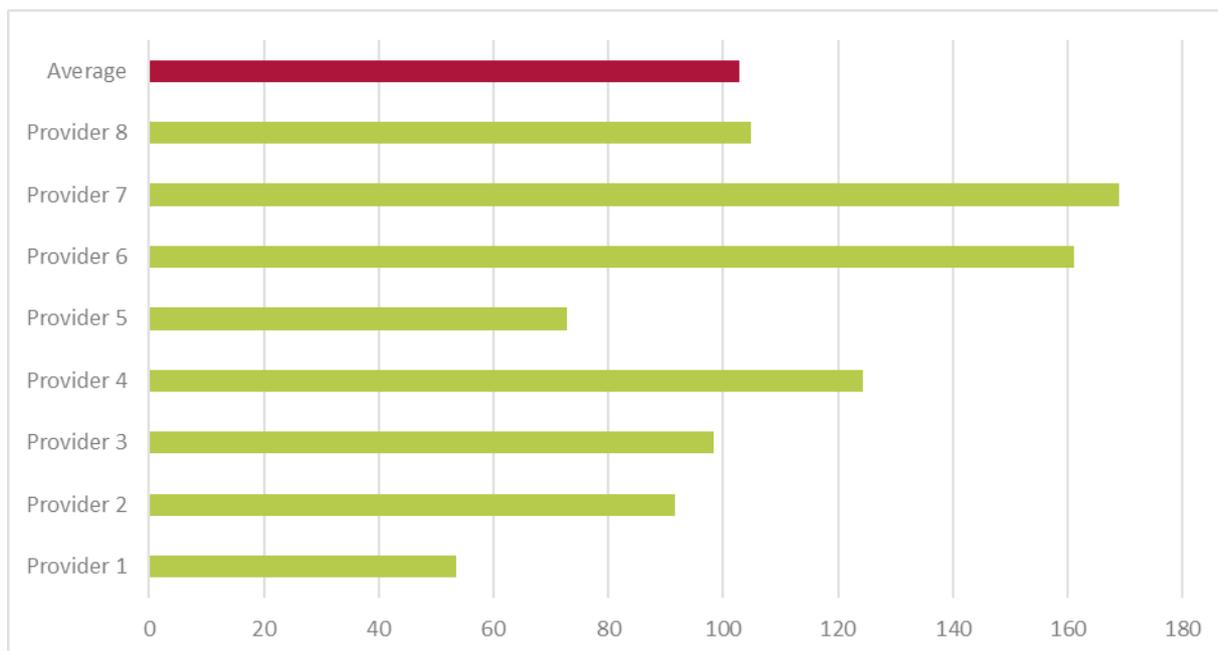


Source: Ofcom analysis of provider data.

Levels of forbearance vary widely between fixed and mobile providers

- 3.16 In looking at provider-level practices from January 2020 to January 2021, we see considerable variation in both sectors, with figure 5 showing one fixed provider disconnecting customers in arrears after around 50 days on average, while two others disconnect customers after over 150 days spent in arrears on average.

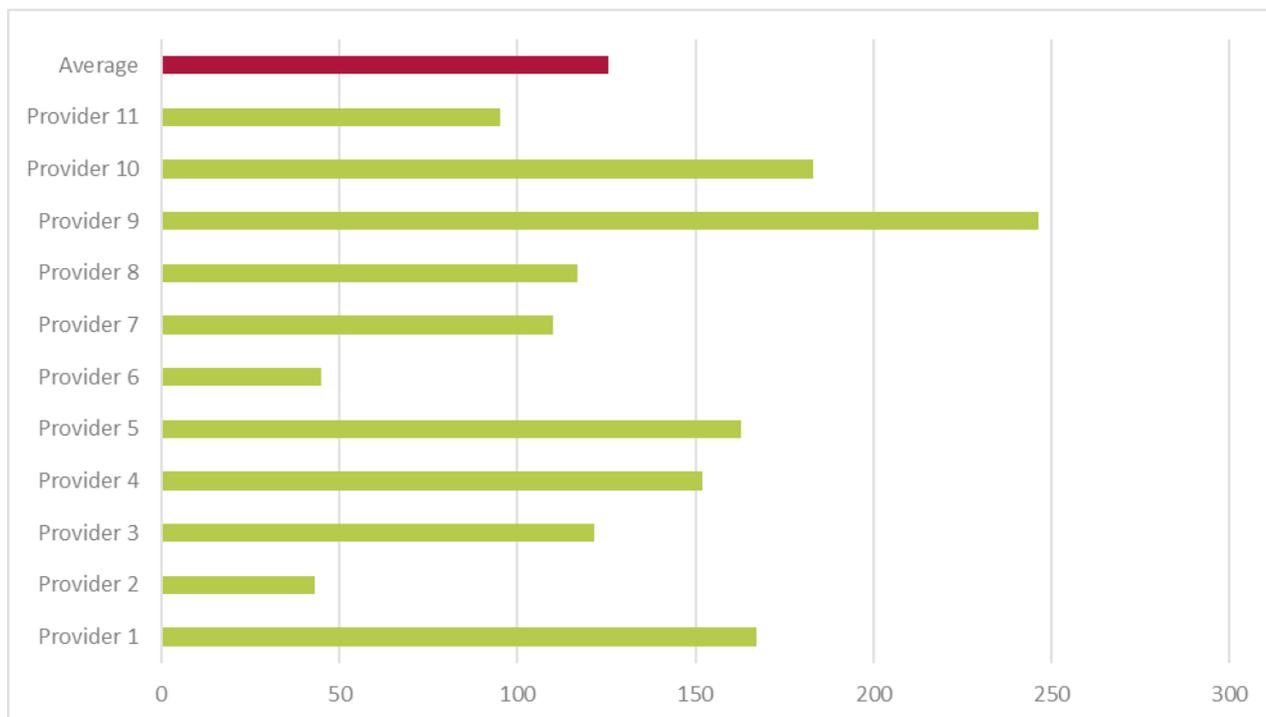
Figure 5: Average length of time (days) spent in arrears, customers disconnected for non-payment, fixed providers



Source: Ofcom analysis of provider data.

3.17 In mobile, figure 6 shows even more variation, with two mobile providers disconnecting those in arrears after an average of under 50 days. In contrast, one mobile provider disconnected customers in arrears after an average of over 240 days.

Figure 6: Average length of time (days) spent in arrears, customers disconnected for non-payment, mobile providers

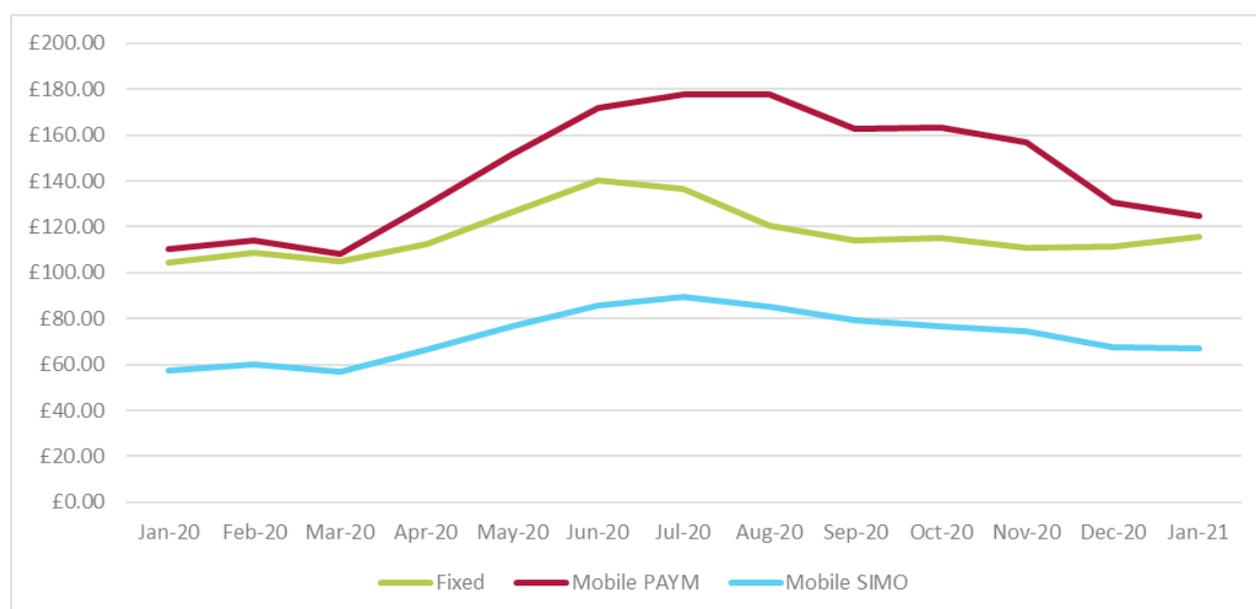


Source: Ofcom analysis of provider data.

Average customer debt is highest for customers taking pay-monthly contracts, but remains substantial in fixed and SIM-only contracts

- 3.18 We are interested in the average amount of debt customers in arrears have accrued, so we can compare it across different communications services, providers and packages. This provides insight into the areas where debt is most substantial.
- 3.19 As outlined in figure 7 below, average debt figures vary significantly within mobile, depending on whether the contract includes monthly handset costs (known as pay-monthly or PAYM) or only includes costs relating to device services (known as SIM-only or SIMO). These debt figures peaked between June and August 2020 for all three categories shown in figure 7 below, with fixed customers in arrears owing an average of over £100.

Figure 7: Average debt for customers in arrears, fixed and mobile

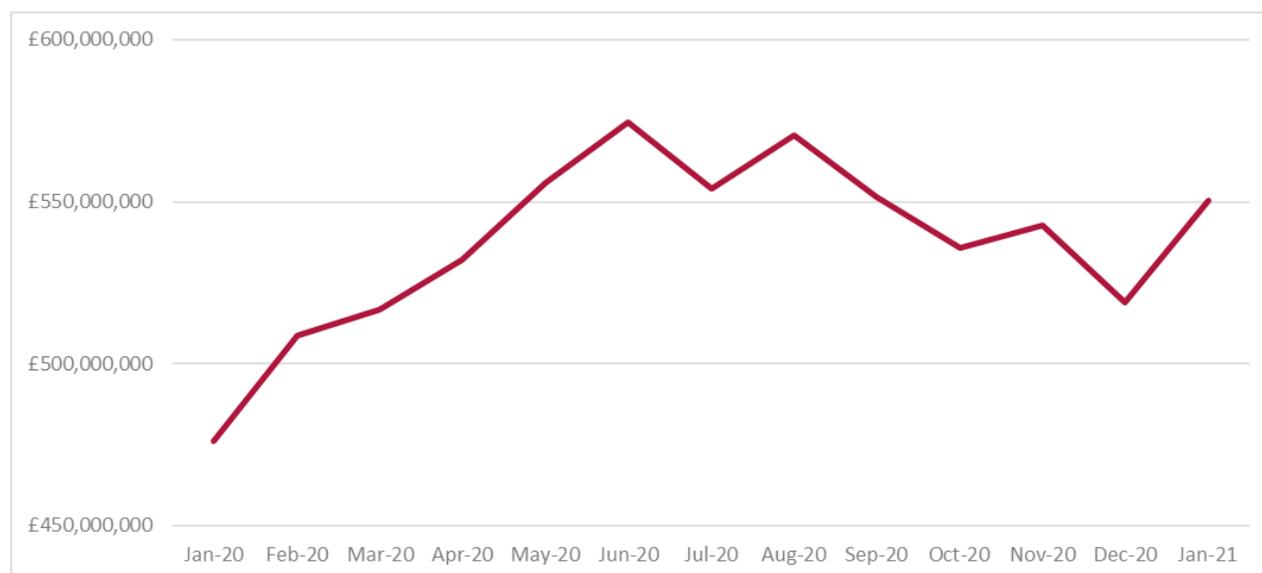


Source: Ofcom analysis of provider data.

Impact of provider forbearance on customer debt levels in the sector

- 3.20 Given that some providers have extended their disconnection timeframes over the last year, it is important to assess whether the increased levels of forbearance are significantly affecting the amount of customer debt that is accrued with communications providers.
- 3.21 As shown in figure 8 below, between January 2020 and June 2020, customer debt increased by over 20% from c.£475m to c.£575m. It subsequently fell from this point to December 2020 before rising slightly again to c.£550m in January 2021.

Figure 8: Total customer debt, fixed and mobile



Source: Ofcom analysis of provider data.

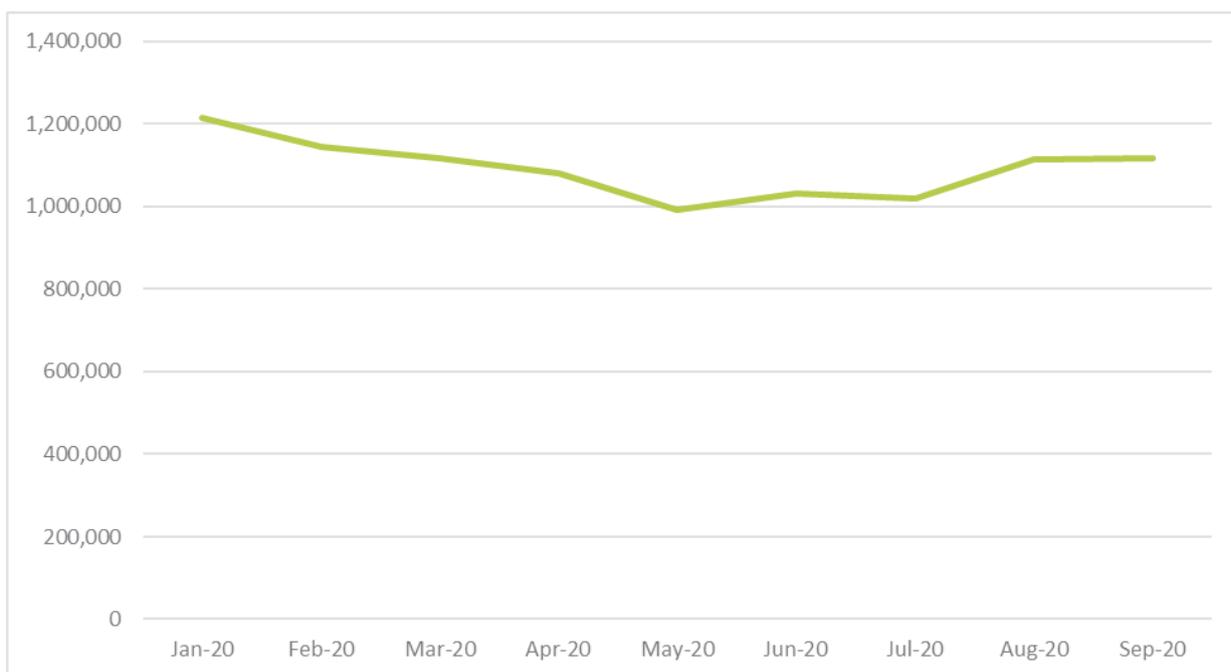
Engagement with customers struggling to pay has remained similar

3.22 In our guide on treating vulnerable customers fairly, we outline a range of measures that providers should consider when a customer goes into arrears, for example, considering offering payment plans/deferrals.²⁴ In our November 2020 letter to providers, we asked providers to go further in some areas, such as asking providers to be proactive at engaging with consumers that are struggling to pay.

²⁴ See paragraph 4.54 of the guide:

- “Use a range of communication channels when contacting a customer about their debt...”
- “Consider offering payment holidays or deferrals...”
- “Ask questions to understand the customer’s financial situation and ability to pay”
- “Discuss and agree a realistic and reasonable payment plan which is flexible and repayable over a period of time and based on their ability to pay...”
- “Help the customer understand the payment plan and any additional costs involved, and clearly explain any consequences of non-payment...”

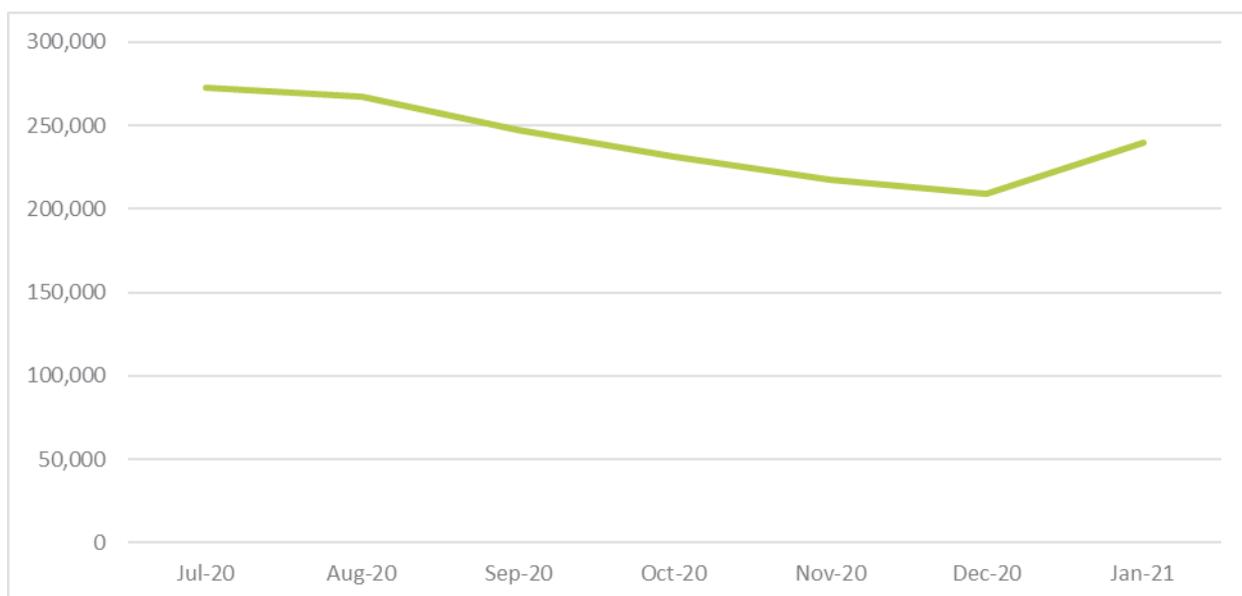
Figure 9: Number of customers providers proactively sought to contact



Source: Ofcom analysis of provider data.

3.23 Data on provider contacts with customers who were struggling to pay their bills in figure 9 above shows that while the proportion of customers in arrears rose slightly during the initial lockdown period, these contacts fell from c.1.2m customers in January 2020 to under 1m customers in May 2020, before climbing again to over 1.1m customers in September. This may reflect the reduction in many providers’ call centre capacity during the initial lockdown period.

Figure 10: Number of customers on a payment deferral or payment plan due to difficulties paying



Source: Ofcom analysis of provider data.

Call for inputs: Review of measures to protect people in debt or at risk of disconnection

- 3.24 Figure 10 above shows that when considering the period from July 2020 to January 2021, we see a gradual downward trend in those accessing payment deferrals or plans as seen in the proportion of customers in arrears. Those accessing these fell by around 10% from c.270,000 in July 2020 to c.240,000 in January 2021. Most of these deferrals or plans are offered by mobile providers, with most fixed providers utilising these on a relatively small scale in comparison.

4. Provider practices regarding the treatment of financially vulnerable customers

4.1 In this section, we set out our understanding of the practices that major communications providers use when engaging with customers who are in debt or struggling to pay. We identify some areas where there is variation in the approach taken by providers, which could lead to some customers being given less support than others depending on which provider they are with, or the services they take. We set out our initial views on how customers could be better supported. We invite views from stakeholders on these observations.

It is important that customers in debt or who are struggling to pay are treated fairly

4.2 While our quantitative analysis shows that the overall proportion of customers in arrears has remained relatively stable, and the number of people affected remains relatively low, being in debt can have a significant impact on the customers who experience it. For example, research has established that problem debt can have a significant impact on a customer's mental health, and in the worst cases has even led to suicide.²⁵ The majority of customers consider their broadband and mobile services to be important²⁶, and disconnection from these services can leave people isolated from friends and family, limit their ability to work from home, access education, support or advice services.

4.3 It is therefore important that customers in debt are treated fairly and that disconnection is only ever used as a last resort. In this section we summarise our understanding of the practices that major communications providers use when engaging with customers who are in debt or are struggling to pay. We also set out our initial views on whether it is appropriate to amend our rules or good practice recommendations to ensure customers in debt or struggling to pay are treated fairly.

4.4 The analysis is based on qualitative evidence gathered from 14 fixed and/or mobile providers. We requested evidence from these specific providers as they hold the largest market shares in fixed and mobile services or own network in places that other providers do not serve. Fixed and mobile providers we collected evidence from collectively account for over 90% of fixed broadband and mobile customers in the UK respectively.

4.5 To inform our analysis we asked about:

- the steps they take to engage with customers who have, or may have, difficulty paying their bills;

²⁵ 13% of people in problem debt have thought about suicide in the last year, and 3% have attempted suicide. See the Money and Mental Health Policy Institute, September 2018. [*A silent killer: Breaking the link between financial difficulty and suicide*](#), page 5.

²⁶ Our [*Covid-19 Affordability Tracker*](#) found that 95% of fixed broadband and 78% of mobile users said that using these services to access the internet was either very or fairly important to their household at the moment. In addition, 91% of households with mobile also said that making phone calls with this service was important to them.

- the extent to which providers work with organisations or charities offering free debt advice;
 - the practical support they offer to customers who are struggling to pay their bill; and
 - providers' debt management processes.
- 4.6 Our observations are based on this information obtained from 14 providers unless we state otherwise. We also draw on evidence from desk research of providers' websites, our own research, and specific evidence or research published by other organisations.
- 4.7 We present our findings in relation to the following specific areas:
- provider identification, engagement and communication with customers in debt or struggling to pay;
 - provider links to free debt advice organisations or charities;
 - measures taken by providers to effect payment; and
 - measures to support customers who are in debt or struggling to pay.

Provider identification, engagement and communication with customers in debt or struggling to pay

- 4.8 General Condition C5.2 requires providers to have policies and procedures in place to treat vulnerable customers fairly and appropriately. General Condition C5.3 states that such policies and procedures must include how information about the needs of vulnerable customers will be recorded and the different channels by which these consumers will be able to make contact with, and receive information from, their provider.
- 4.9 Our guide sets out some recommendations for how providers communicate with customers in debt or struggling to pay. In addition, our November 2020 letter asks providers to go beyond the measures in the guide by being proactive at engaging as a matter of priority with customers that are struggling to pay their bills. The suggestions in our guide are set out below.

The guide sets out several steps providers should consider taking when contacting a customer about their debt

4.12 "We expect providers to offer a range of communication channels to customers, which reflect the needs of their customers. These channels should be clearly displayed and easy to find. These should include, where appropriate, telephone, post, email, webchat, and video and text relay. [...]"

4.13 "Having a wide range of communication channels is important as different customers will have different preferences or needs, sometimes due to their personal circumstances or characteristics. [...]"

4.54 "[...] [Providers should] use a range of communication channels when contacting a customer about their debt (including their preferred method of communication) before taking any follow-up action, including enforcement or debt recovery. [...]"

4.10 With this in mind, we have sought to understand provider practices in this area including the extent to which they reflect the recommendations in our guide. In light of this, we have considered whether our current expectations on providers remain appropriate.

4.11 In the following paragraphs we set out our findings and initial observations in this area. We welcome views from stakeholders on both.

Evidence about current provider practices in this area

4.12 We observe that some providers try to identify customers that are financially vulnerable before they go into debt, using a variety of methods. These include risk profiling of the extent to which a customer is unlikely to be able to meet their bill payments based on internal data (for example previous usage) and/or external data (for example credit bureau data) and training staff to listen out for indicators of financial vulnerability when communicating with customers.

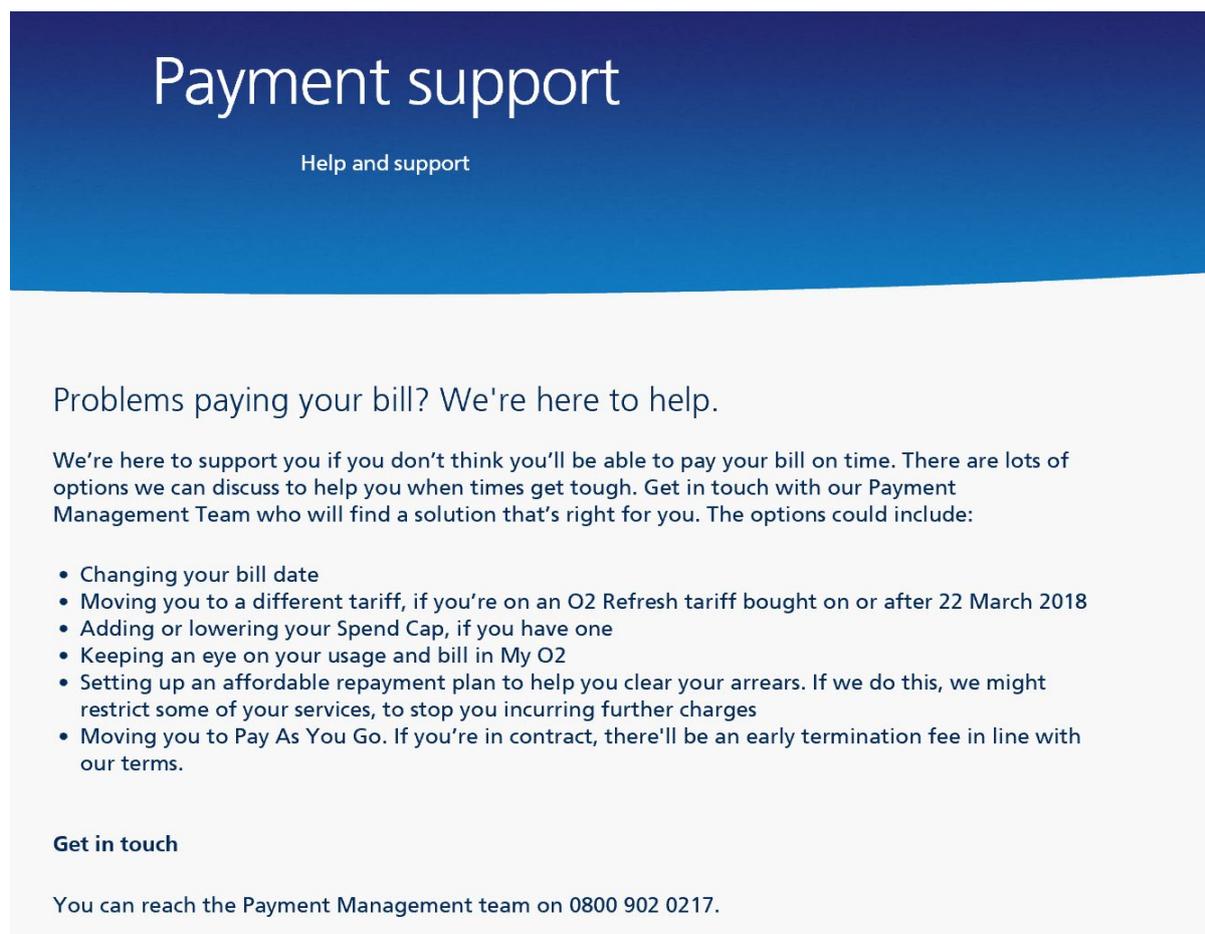
4.13 All providers as a matter of course contact customers that have missed a payment soon after this has happened. The first message is usually sent on the day after the bill due date, and most providers make further attempts to contact customers who do not respond at certain pre-determined intervals.

4.14 Some providers told us that they adjust their communications approach to customers who they have identified as vulnerable, for example by making additional attempts to contact them.

4.15 Providers generally indicated that they use language that is easy to comprehend when contacting customers in debt. However, while some providers told us they encourage customers in debt to get in touch to discuss the options or help available to them, we observe a clear focus in direct communications to customers on the need to pay their outstanding debt and the consequences of non-payment, such as the suspension of services or the prospect of additional fees being charged. In contrast, desk research of provider's websites²⁷ shows that the information on over a third of providers' websites also sets out the help or options available, such as payment plans for debt or payment deferrals. Some also mention other measures to control spending such as caps or spending alerts. An example of this is shown in figure 11.

²⁷ Desk research on customer facing pages regarding arrears and payment difficulties (undertaken on 14 June 2021). We looked at websites for 14 providers. See also figure 14.

Figure 11: Example of support offered on a provider webpage²⁸



Payment support

Help and support

Problems paying your bill? We're here to help.

We're here to support you if you don't think you'll be able to pay your bill on time. There are lots of options we can discuss to help you when times get tough. Get in touch with our Payment Management Team who will find a solution that's right for you. The options could include:

- Changing your bill date
- Moving you to a different tariff, if you're on an O2 Refresh tariff bought on or after 22 March 2018
- Adding or lowering your Spend Cap, if you have one
- Keeping an eye on your usage and bill in My O2
- Setting up an affordable repayment plan to help you clear your arrears. If we do this, we might restrict some of your services, to stop you incurring further charges
- Moving you to Pay As You Go. If you're in contract, there'll be an early termination fee in line with our terms.

Get in touch

You can reach the Payment Management team on 0800 902 0217.

- 4.16 Our qualitative research illustrates that customers who struggle to pay their communication bills are not always aware that their provider might be able to offer solutions.²⁹ In addition, a fifth of customers are not confident contacting their provider for information or advice on how to manage their payments, rising to 29% for those who have missed a payment.³⁰ Consequently, it is important that providers emphasise not only the consequences of defaulting on payments, but also the options available to help customers.
- 4.17 Some providers told us that they adjust their communications style to customers who have been identified as vulnerable, for example by adjusting the tone and pace of conversations, as well as the terminology used.
- 4.18 We understand that providers use various communication channels to reach customers in debt. Providers told us that they rotate between channels when trying to reach customers in debt using, for example, SMS, automated voice message, email and letter. Agent phone calls are less frequently used, and in the case of one provider they were reserved for customers who have been identified as vulnerable. Most providers³¹ allow customers who have difficulty paying their bills to use a range of communication channels to get in touch,

²⁸ <https://www.o2.co.uk/help/account-and-billing/payment-support> [accessed at 18 June 2021].

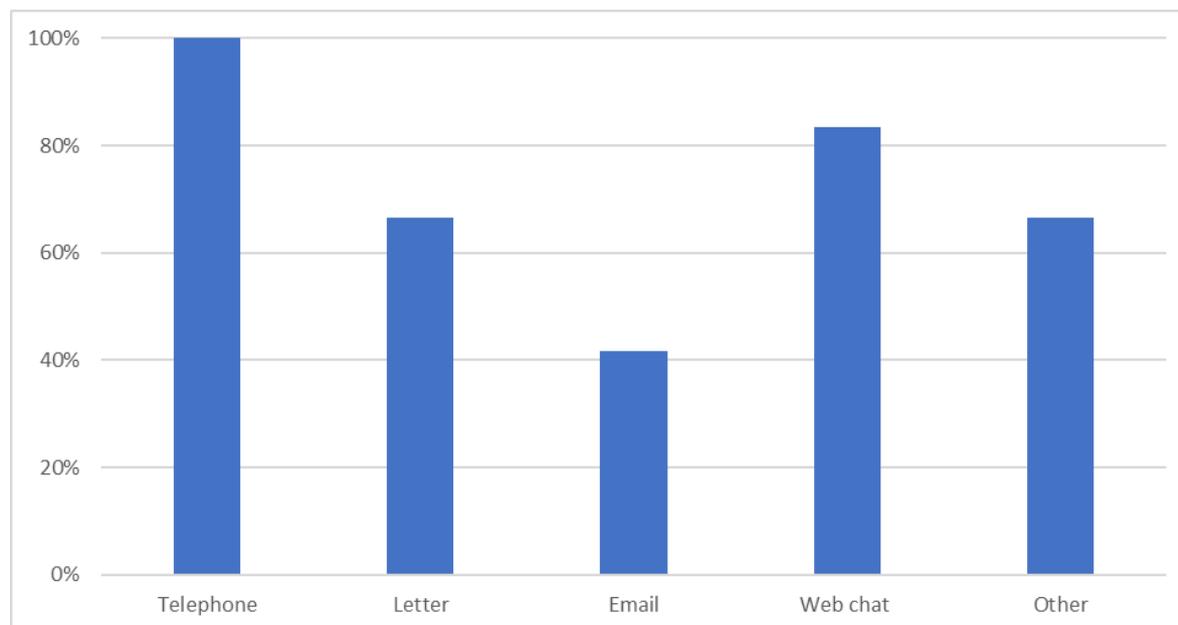
²⁹ This is illustrated by case study 12 in JIGSAW, June 2021. [Contacting communications providers: vulnerable customers' experience](#), page 48.

³⁰ Ofcom, December 2020. [Affordability of communications services: A summary of initial findings](#), page 28.

³¹ This finding is based on evidence collected through our formal information gathering powers from 12 providers.

although some only offer a few options and notably not all providers accept letters. Letters may be particularly important for customers³² who are not online or are less confident using other communication channels. Figure 12 shows information about the communications channels that providers allow customers who have difficulty paying their bills to use to contact them.

Figure 12: Proportion of providers who allow customers struggling to pay their bills to contact them, by specific communications channel



Source: Ofcom analysis of provider data, based on data collected through our formal information gathering powers from 12 providers. 'Other' communications channels may include channels such as social media, websites, provider apps, face to face contact and contact via a set-top box.

Our initial observations

- 4.19 Based on the evidence above, it appears that providers generally communicate in a timely way after a customer goes into arrears, and we recognise that they have commercial incentives to do so. While we acknowledge that it may be challenging for providers to identify some people who are potentially financially vulnerable, the guide already suggests steps providers can take to improve how they identify vulnerable customers so that they can give them the right help and support. We consider it important that providers continue to improve how they do this in practice.
- 4.20 With regard to the content of providers' communications with customers in arrears, our initial view is that providers may be more likely to elicit a response from customers in arrears if they emphasise the support available in direct communication to the customer, rather than simply focus on debt repayment or the consequences of non-payment. We consider that there may therefore be scope to amend our guide to recommend providers emphasise the support available when directly communicating with a customer in debt or

³² Different customers may have different circumstances and preferences, which may lead them to prefer communicating via specific communication channels, even if those are not used by the majority of customers.

struggling to pay. We may also approach providers to explore the possibility of working together to test the effectiveness of behaviorally informed communications in future, so that we can develop our understanding of how people respond to different messages.

- 4.21 We observe variation among providers in the extent to which they use multiple types of communications channels to get in touch with customers in arrears. In our view, it is likely that rotating between various communications methods may increase the chances of a provider successfully making contact with a customer in arrears. Similarly to the above, we consider it may be helpful to clarify our recommendation that providers use a range of channels to include rotating between communications methods too.
- 4.22 We also see variation in the range of communication channels that providers allow their customers to use to get in touch with them. As shown in figure 12, some providers do not allow their customers to use letters, email or webchat as a means of contacting them.³³ Research shows that 6 in 10 people have serious difficulties, which can be very personal in nature, with at least one communication channel, going up to three quarters for those who have experienced mental health problems.³⁴ It is therefore important that providers offer a range of communications channels, as suggested in our guide. We recommend providers adopt best practice in this area more systematically and will monitor this going forward.

Consultation question: Do you agree that we should amend the guide in the ways suggested? If not, are there any alternative options you think we should consider? Please provide evidence supporting your views, including any research you have conducted or have access to.

Strengthening links with organisations and charities that can provide free debt advice and support

- 4.23 Research indicates that many people in arrears, or managing problem debt, are likely to benefit from debt advice.³⁵ It is therefore important that people in these circumstances are aware of the organisations set up to provide such help for free and that those organisations do not face barriers in representing their clients directly to providers as trusted intermediaries.³⁶
- 4.24 We already set out in the guide our view that it is good practice for providers to signpost people to debt advice organisations, and work with consumer bodies or other organisations specialising in providing help and support to people managing debt. Relevant aspects of the guide which relate to this are set out below.

³³ See paragraph 4.5 of the guide, which says “we encourage providers to [...] have a range of methods for customers to inform or update them about any vulnerability they may be experiencing, or any specific accessibility or customer service needs they have. These could include online forms, a phone number or web chat function.”

³⁴ See the Money and Mental Health Policy Institute, July 2018. [Access essentials: Giving people with mental health problems equal access to vital services](#), pages 17-19.

³⁵ Research shows that debt advice has a positive impact on resolving an individual’s financial difficulties and on many other aspects of that person’s life. See Europe Economics, January 2018. [The Economic Impact of Debt Advice: A Report for the Money Advice Service](#), pages 1-5.

³⁶ For a list of free-to-customer debt advice suppliers funded by the Money and Pensions Service, see <https://maps.org.uk/wp-content/uploads/2020/10/Debt-Advice-Suppliers-A-Z.pdf>.

The guide recommends several ways in which providers could signpost and work with other organisations that support vulnerable customers

4.42 “We [...] encourage providers to promote third-party [debt advice] organisations and services in their conversations with customers or send links to useful information. This will enable customers to consider these services and get in touch with the relevant organisation when they are ready to do so.”

4.43 “Providers should have clear procedures for signposting third-party organisations and train staff to know about the different organisations and when and how to refer customers.”

Footnote with 4.44 “Providers may also want to consider offering such organisations a direct way to contact them on the customer’s behalf rather than via general customer service contact channels.”

4.46 “[...] We encourage providers to be sensible when communicating with these [...] organisations when required so they can deal with queries or issues on behalf of customers [...].”

4.55 “To benefit customers who are struggling to pay their bills, providers could work with consumer bodies or other organisations specialising in financial support. [...].”

- 4.25 We have looked at provider practices in this area with a view to considering the extent to which providers have reflected our recommendations in the guide in their processes. We have also considered whether our current expectations on providers remain appropriate.
- 4.26 In the following paragraphs we set out our findings and initial observations in this area. We welcome views from stakeholders on both.

Evidence about current provider practices in this area

- 4.27 We observe that most providers signpost to debt advice organisations on their websites, such as StepChange, the Money Advice Service, the Money Advice Trust, Citizens Advice, the Money and Mental Health Policy Institute, National Debtline and PayPlan.³⁷ The Money and Pensions Service estimates that 5.3 million adults in the UK need debt advice, whilst only 1.7 million (32%) of those who need it have accessed it.³⁸ Signposting can help close this gap. Some providers have told us that they signpost to debt advice organisations in arrears related communications, either through their customer service agents and/or in payment reminders. However, our qualitative research indicates that there may be inconsistencies in the extent to which signposting happens in practice.³⁹
- 4.28 Some providers recognise that debt advice organisations might need to speak to them to represent clients and have a dedicated communications route to facilitate easy access for

³⁷ This finding is based on desk research (undertaken during April 2021) on websites of 14 providers.

³⁸ The Money and Pensions Service, 2020. *The UK Strategy for Financial Wellbeing 2020-2030*, pages 11 and 27. Available here: <https://moneyandpensionsservice.org.uk/uk-strategy-for-financial-wellbeing/>.

³⁹ This is illustrated by case studies 10 and 13 in JIGSAW, June 2021. [*Contacting communications providers: vulnerable customers' experience*](#), pages 45 and 49.

free debt advice organisations to their collections team. However, the extent to which this happens in practice appears to be inconsistent, with customer organisations reporting mixed experiences.⁴⁰

Our initial observations

- 4.29 Our initial view is that customers in debt may be more likely to benefit from free debt advice services if providers were to:
- signpost and promote debt advice organisations in all payment/collection related communications; and
 - have a dedicated direct contact channel to allow free debt advice organisations representing customers easy access to providers.
- 4.30 The guide already encourages providers to promote third-party organisations and services in their conversations with customers or send links to useful information. However, our initial view is that it may be beneficial to recommend in our guide that providers should routinely include clear and prominent information about sources of free debt advice in their payment and collection related communications to customers in arrears.
- 4.31 The guide currently recommends that providers consider offering consumer organisations a direct way to contact them on the customer's behalf rather than via general customer service contact channels. We are minded to increase the prominence of this recommendation in the guide.

Consultation question: Do you agree that we should amend the guide in the ways suggested? If not, are there any alternative options you think we should consider? Please provide evidence supporting your views, including any research you have conducted or have access to.

Measures taken by providers to effect payment

- 4.32 We oblige providers to be proportionate and non-discriminatory in any measures they take to effect payment or disconnection and to publish details of these measures on their website. Any service restrictions must be confined to the service concerned as far as technically possible. The relevant General Conditions which cover this are set out below.

Debt collection and disconnection

C3.11 Where a Subscriber has not paid a Regulated Provider all or part of a Bill for Publicly Available Telephone Services and/or Publicly Available Internet Access Services provided by the Regulated Provider, the Regulated Provider shall ensure that any measures it takes to effect payment or disconnection:

- (a) are proportionate and not unduly discriminatory;
- (b) include giving due warning to the Subscriber beforehand of any consequent service interruption or disconnection; and

⁴⁰ Ofcom, June 2021. [Contacting phone, broadband and pay-TV companies: vulnerable customers' experiences](#), page 2.

(c) except in cases of fraud, persistent late payment or non-payment, confine any service interruption to the service concerned, as far as technically feasible.

C3.12 Regulated Providers shall publish details of the measures they may take to effect payment or disconnection in accordance with Condition C3.11 by:

(a) sending a copy of such information or any appropriate parts of it to any Subscriber who reasonably requests such a copy, free of charge; and

(b) placing a copy of such information in plain English, in an easily accessible and reasonably prominent manner on their website or, where there is no such website, in such manner and form as directed by Ofcom.

4.33 We additionally set out further recommendations and examples of good practice about measures to effect payment in our guide. The key points are set out below.

The guide sets out some practical measures providers could adopt to act fairly when a customer is in problem debt

4.52 “We expect providers to recognise that customers who are in arrears are likely to be vulnerable. We therefore encourage providers to take extra measures to make sure customers in debt or customers struggling to meet their regular payments are treated fairly.”

4.53 “Providers should be aware of the requirements of the Government’s *breathing space scheme* [which]... will allow eligible customers 60 days’ respite from creditor action.”

4.54 “Providers should, wherever possible, prevent customers from being disconnected. Disconnection is a serious step that should only be used as a last resort and we suggest several steps to be taken before it is considered. [...]”

4.54 “[...] [Providers should] allow a customer some time to get help, support and advice on how to manage their debts (without the threat of enforcement action or disconnection during the same period). [...]”

4.54 “[...] [Providers should] consider [...] freezing additional fees and charges where a customer is experiencing problem debt, particularly while the customer is seeking debt help and advice. [...]”

4.54 [...] “Providers could consider waiving early termination charges if a customer does switch tariff due to their debt. [...]”

4.34 Our November 2020 letter asks providers to go beyond the formal obligations and expectations set out above on a temporary basis in the following ways in relation to effecting payment:

- Where a customer is actively engaging and seeking support, providers should not impose any service restrictions and should waive any late payment penalty charges or early termination charge, limit debt collection activity and remove the threat of disconnection.

- Providers should only commence debt collection activities after a sufficient period of time to allow customers to get help and only disconnect customers as a last resort and after a sufficient period of time. We suggested a sufficient period of time could, for example, be after a period of three months.

4.35 We have looked at provider practices in this area and have considered to what extent provider practices already reflect the recommendations in our guide and November 2020 letter. We have also considered what protections might be appropriate for the longer term. In the following paragraphs we set out our findings and our initial views on this area. We invite views from stakeholders on both.

Evidence about current provider practices in this area

- 4.36 All providers from whom we obtained information confirmed that they go through several steps before disconnecting a customer, with the intention of trying to get the customer to engage to pay their bill in the first instance. As shown in figures 5 and 6, the length of time between a customer missing a bill payment and being disconnected varies by provider. There is also variation within providers, including by product and by customer, with some providers taking a different approach to different customers depending on risk profiling, tenure and the presence of a vulnerability flag on the customer's account.
- 4.37 Some providers move relatively quickly to disconnection, while others show greater forbearance. In addition, some providers show little flexibility in their approach, with a fixed point at which disconnection occurs, while for others there is a considerable range between the minimum and maximum amount of time until the customer is disconnected after missing a bill payment.
- 4.38 All providers told us that they use service restrictions to effect payment. Some providers told us they differentiate the timing of introducing restrictions according to the product, the customer's risk profile and/or tenure. We understand that telephony providers take a phased approach to service restrictions, starting with the restriction of outbound calls initially before restricting inbound calls at a later stage if necessary. However, fixed broadband providers appear to suspend a customer's broadband service entirely at the point at which they decide that service restrictions are necessary.
- 4.39 Some providers indicated that, in addition to imposing service restrictions, they issue extra charges such as late payment charges, administrative fees and/or call barring charges when a service restriction is imposed. Three providers said they do not apply early termination charges at all when a customer in debt seeks to downgrade to a cheaper product while they are within their minimum commitment period. Three other providers said they do this in limited circumstances for customers in debt, for example only for their fixed products or when they consider a customer to be vulnerable.⁴¹
- 4.40 Thirteen out of 14 providers told us they work with external debt collection agencies, either because they outsource their collections activity to these agencies and/or because they sell customer debt to them. Twelve of these providers told us that they have

⁴¹ Some providers have contracts that do not involve early termination charges and therefore this issue is not relevant to those contracts.

processes in place to ensure that the collections practices used by those agencies are fair, and five also told us that the debt collection agencies they use are regulated by the Financial Conduct Authority.

4.41 We asked providers whether they take a different approach to effecting payment when dealing with customers recorded as vulnerable compared to others. In response, some providers reported having different collection processes for customers they have recorded as vulnerable, meaning penalty charges, service restrictions and disconnections are applied at a later stage than for other customers, or in some cases not at all. Particular examples included:

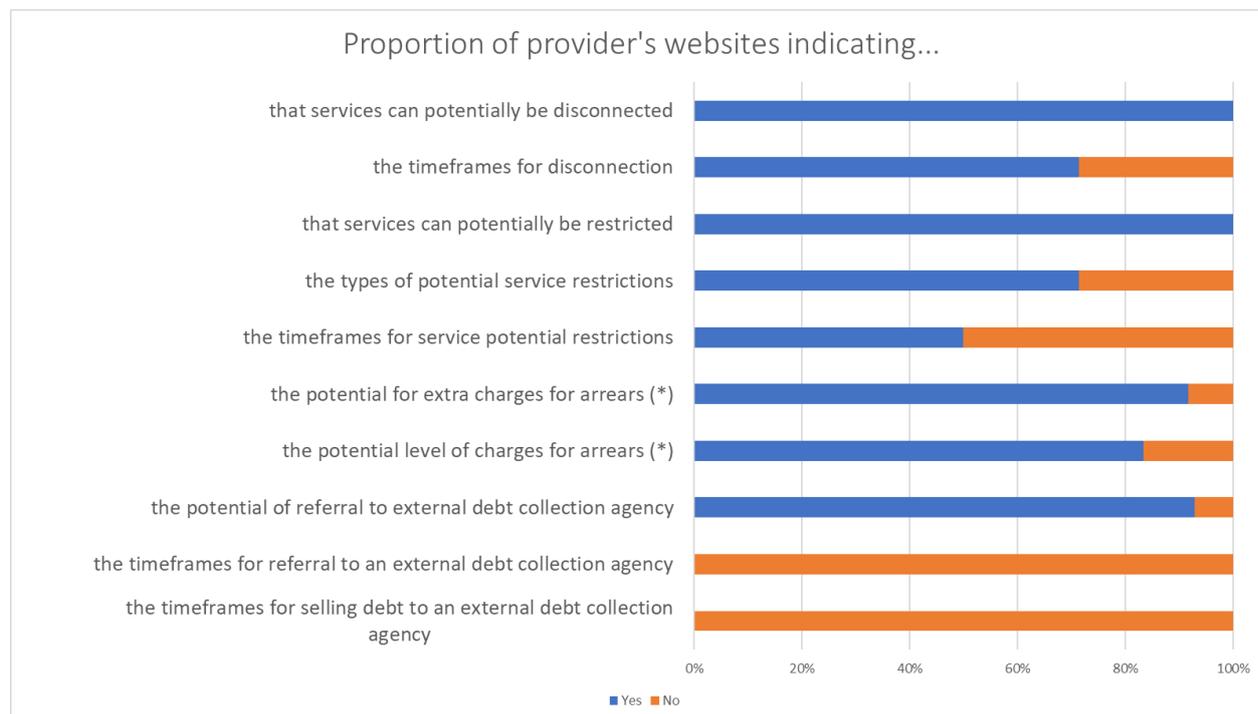
- One provider reported waiving late payment fees when, in their view, this would reduce the risk of a deterioration in the customer's wellbeing.
- One provider told us that late payment fees are never applied for customers with accessibility needs.
- One provider said that they manually review the accounts of vulnerable customers rather than going through the normal automated collections process.
- One provider said that when imposing service restrictions on outbound calls, they ensure customers remain able to access some helpline numbers, such as Childline.
- Two providers said that vulnerable customers are never referred to external debt collection agencies and one said that the external debt collection agency they use stops any debt recovery activity when a customer is identified as vulnerable.

4.42 As described above, while GC3.11 requires providers to ensure that any measures to effect payment are proportionate, GC3.12 requires providers to publish details of the measures they take to ensure transparency. We have undertaken desk research of providers' websites⁴² to understand what level of information is available about steps that providers take to effect payment. This desk research indicates a range of practices taken by providers, including varying degrees of detail about the relevant practices and a range of approaches to where on the provider's website the information is located and how easily it can be found.⁴³ Figure 13 below sets out the findings from our desk research in detail.

⁴² Desk research undertaken between 23 March and 8 April 2021. We looked at websites for 14 providers.

⁴³ This exercise in no way constitutes an assessment of compliance by providers with General Condition 3.12 and our findings should not be interpreted as such.

Figure 13: Proportion of providers’ websites which give specific information regarding disconnections, restrictions, extra charges and debt collection agencies



Source: Desk research of relevant pages on providers’ websites (undertaken between 23 March and 8 April 2021). Findings marked with (*) have a base of 12 providers, all others have a base of 14 providers.

Our initial observations

- 4.43 Our initial view is that while we observe variation among providers in the way in which they go about seeking to effect payment, our existing rules and the guide afford customers some important protections.
- 4.44 In particular, we note that providers generally use disconnection as a last resort, and only after a series of steps have been taken to effect payment. However, there are some areas where we observe that variation in provider practices could cause some customers to receive less support than others depending on which provider they are with, or the type of service that they take. For example, we observe considerable variation in the number of days that providers allow a customer to remain in arrears before they are disconnected, with many providers moving more quickly to disconnection than the three months set out as an example in our November 2020 letter.
- 4.45 We also observe variation in the approach that providers take to introducing service restrictions, with some applying restrictions gradually and others suspending a customer’s service entirely as a means of effecting payment. This is particularly the case for fixed broadband customers where providers tend to implement service suspensions rather than gradual restrictions (such as introducing data caps, for example). There is also variation among providers in the approach taken to applying late payment fees, administrative charges, call barring charges and, where relevant, early termination charges, with some choosing to waive these and others applying them more routinely.

- 4.46 We have considered whether customers could benefit from more consistency in the way in which providers approach disconnection, apply service restrictions and/or administrative or penalty charges for late payment. We are mindful of the importance of maintaining a balance between allowing providers discretion to pursue debt from a customer who owes them money, subject to observing their legal and regulatory obligations⁴⁴, while ensuring that customers are adequately protected.
- 4.47 The guide already recommends that providers should consider freezing additional fees and charges where a customer is experiencing problem debt, particularly while the customer is seeking debt help and advice. We recommend providers do this more consistently and we will monitor this going forward.
- 4.48 Disconnections, service restrictions or referral to external debt collection agencies may potentially have a bigger impact on people in vulnerable circumstances than they do for other customers. For example, people in problem debt might need time to seek third party assistance when trying to manage their debt and will often need their communications service to do this.⁴⁵ People in vulnerable circumstances may also be particularly reliant on their communications services to access support services or because they are less able to leave their home. For these reasons, our guide already recognises that disconnection is a very serious step that should, wherever possible, be prevented and only be used as a last resort. Referral to external debt collection agencies may also be a particularly stressful experience for some people, for example for customers with mental health problems.
- 4.49 Our initial view is therefore that it would be beneficial if providers were to:
- avoid disconnecting a customer before a minimum of three months after missing a bill payment;
 - use a phased approach to the introduction of any service restrictions to effect payment, rather than introducing a complete suspension of services with no prior partial restriction;
 - avoid introducing service restrictions as a means of effecting payment for vulnerable people who are particularly reliant on their communications services due to their circumstances, unless all other options have been exhausted and there is no alternative;⁴⁶
 - protect, where possible, access to free helplines dedicated to, for example protecting children and domestic abuse victims, even during service restrictions; and
 - seek to understand a customer's individual circumstances before putting them in a position where they are pursued by a debt collection agency to repay a debt.

⁴⁴ In addition to our rules, providers must observe other requirements relating to customers in arrears and collection activities, for example the [Debt Respite Scheme \(Breathing Space\)](#), a government scheme available in England and Wales; and the [Moratorium on Diligence](#) that is available in Scotland. Mobile phone providers that offer handsets via regulated consumer credit or consumer hire agreements also have to be authorised by the Financial Conduct Authority ("FCA") and adhere to its rules and guidance and the Consumer Credit Act 1974 (CCA). <https://www.fca.org.uk/firms/consumer-credit>.

⁴⁵ For example, the Money and Pensions Service is increasing capacity to deliver money advice and debt advice digitally. See [here](#).

⁴⁶ We recognise that identifying customers who are in vulnerable circumstances that make them particularly reliant on communication services can be challenging for providers, and that providers may therefore decide that it is practical to implement this for all of their customers.

- 4.50 We could therefore amend our guide to recommend that providers do each of the above.
- 4.51 Our initial view is that we have not seen evidence of significant consumer harm that would warrant amending our General Conditions or introducing new ones (for example, to limit the use of disconnections or service restrictions to particular circumstances). However, we welcome views from stakeholders, supported by evidence, on this issue. In any case, we intend to continue to monitor the extent of service restrictions and disconnections so that we continue to have a full understanding of the extent to which these occur.
- 4.52 In relation to the publication of measures providers take to effect payment, we note a wide range of provider practices. We are interested in views from stakeholders on whether we should seek to revise our rules in General Condition C3.12 to ensure providers take a more consistent approach to publishing such information, both in terms of the level of detail they provide about the measures they take as well as the places on which this information should be made available, which could include on apps providers develop for interacting with their customers, as well as on their websites.

Consultation question: Do you agree that there should be more consistency in the way in which providers seek to effect payment from customers in debt? If so, how do you believe this could be achieved most effectively? Please provide evidence supporting your views, including any research you have conducted or have access to.

Measures designed by providers to support customers who are in debt or struggling to pay

- 4.53 General Condition C5.2 states that providers must establish, publish and comply with clear and effective policies and procedures for the fair and appropriate treatment of customers whose circumstances may make them vulnerable. Our guide sets out measures that providers could adopt to help ensure they treat financially vulnerable customers fairly. The key points are set out below.

The guide sets out how providers can support customers in debt or struggling to pay

4.37 “We encourage providers to have in place specialist staff who have had training on helping vulnerable customers. This could be in a separate team, or a selection of employees who receive further training on particular customer issues, for example handling [...] problem debt [...].”

4.54 “[...] [Providers should] consider offering payment holidays or deferrals [...] where a customer is experiencing problem debt, particularly while the customer is seeking debt help and advice. [...]”

4.54 “[...] [Providers should] discuss and agree a realistic and reasonable payment plan which is flexible and repayable over a period of time and based on their ability to pay (including considering any advice or proposals from a debt adviser). [...]”

4.54 “[...] [Providers should] offer tariff advice, whether that is switching to a cheaper tariff or social tariff. [...]”

4.56 “Ultimately, providers might need to be flexible in their policies and procedures when dealing with customers facing problem debt as their circumstances and needs might be more complex.”

4.54 In light of this, we have looked at provider practices in this area with a view to considering whether our current expectations on providers remain appropriate or whether there is a case for strengthening them. In particular, we have considered to what extent provider practices already reflect the suggestions in our guide. In the following paragraphs we set out our findings as well as our initial view on next steps. We invite views from stakeholders on both.

Evidence about current provider practices in this area

4.55 Most providers have specialist teams in place which are dedicated to supporting vulnerable customers. However, it is not clear whether staff in these specialist teams are systematically trained to deal with customers in problem debt, nor that customers in debt are always referred to them. Of the providers we sought information from, only two told us that customers facing financial difficulty are always referred to a specialist trained on both vulnerability and debt solutions.

4.56 All providers from whom we sought information appear to offer payment deferrals which allow customers extra time to pay where they experience financial difficulty. These tend to be focused on alleviating short-term payment difficulties, and temporarily prevent a customer from going into the collection process. This ensures that a customer continues to receive their service as normal, despite not being able to pay, subject to them agreeing a date with their provider at which payments should resume.

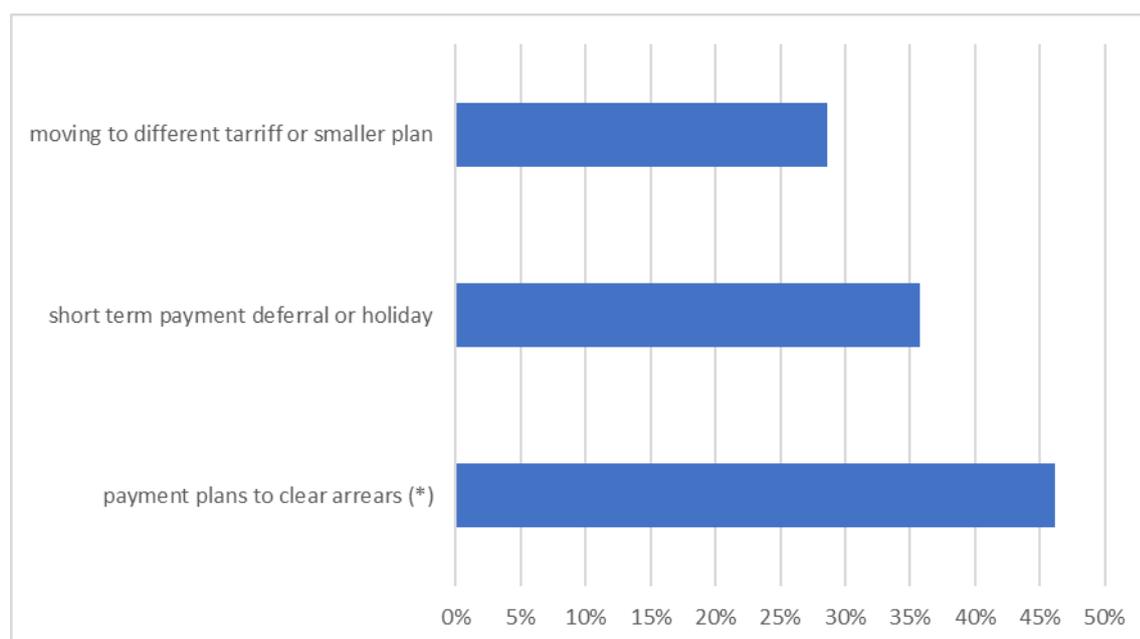
4.57 Payment deferrals may vary in length within certain limits set by the provider. Four providers told us that they allow payment deferrals up to a maximum of 30 days, while two providers said their maximum is 60 days.⁴⁷

4.58 All providers but one told us they offer payment plans to customers in arrears. Such plans allow customers who are in arrears, and who therefore may be subject to service restrictions, disconnections or penalty charges, to repay their debt over an agreed set of instalments during a specified period of time. One provider told us they lift service restrictions once a payment plan is in place. Another provider said that payment plans prevent a customer’s debt being sold on to an external collections agency. We observe that providers told us that they generally tailor payment plans to the customer’s specific circumstances.

⁴⁷ Mobile phone providers who provide handsets via regulated consumer credit or consumer hire agreements must adhere to the FCA’s rules and guidance and the Consumer Credit Act 1974 (CCA).

- 4.59 Payment plans can vary in length depending on the customer’s needs, within certain limits set by the provider. Six providers said they offer payments plans with a maximum length of six months, while another provider said it offers payment plans for up to 90 days.
- 4.60 Finally, it is unclear as to whether providers proactively offer tariff advice (for example, during telephone conversations) to customers who are in arrears, including in relation to downgrading to a cheaper or social tariff.
- 4.61 Through desk research⁴⁸, we found variation in the level of information given on providers’ webpages about the help available to customers struggling to pay. It appears to us that many of the support mechanisms providers told us they offer to customers are not set out on their relevant webpages. For example, as shown in figure 14, while almost all providers told us they offer payment plans, only 46% of those that do explain this on their relevant customer facing webpages. Similarly, all providers told us they offer payment deferrals, but only 36% explain this on their webpages, while less than 30% state on these webpages that it is possible for a customer to move to a different tariff or cheaper plan if they are struggling to pay.

Figure 14: Proportion of providers whose websites give information about payment deferrals, payment plans or the option of moving to different tariffs for customers with payment difficulties



Source: Desk research of providers’ webpages for customers in arrears or with payment difficulties (undertaken on 14 June 2021). The finding marked with (*) has a base of 13 providers, all others have a base of 14 providers.

Our initial observations

- 4.62 Our initial view is that most providers appear to have taken some steps to reflect the recommendations in our guide in relation to supporting customers who are struggling to

⁴⁸ Desk research of providers’ webpages for customers in arrears or with payment difficulties (undertaken on 14 June 2021). We looked at 14 providers’ websites.

pay or in problem debt. However, this varies by provider and by specific aspect of the guide, with some of our recommendations being adopted more widely than others. We recommend providers do this more consistently and will monitor this going forward.

- 4.63 We consider it may also be necessary to help make it easier for customers in debt to find out about the specific support their provider offers. This could be achieved by adding a recommendation to our guide that providers give information to customers about the support available to them, such as the potential to take payment deferrals or payment plans. This could be provided in outgoing debt communications, on their websites and when customers in debt contact their customer service teams.

Consultation question: Do you agree that we should amend the guide regarding the provision of information about measures to support customers? If not, are there any alternative options you think we should consider? Please provide evidence supporting your views, including any research you have conducted or have access to.

5. Next steps

- 5.1 This call for inputs summarises our initial views on what steps may be necessary and proportionate to ensure the protections for customers in debt or struggling to pay remain appropriate. We welcome views on the analysis and initial views presented in this document by **30 September 2021**. We will carefully consider the responses received in considering our next steps.
- 5.2 Should we decide to amend our *Treating vulnerable customers fairly* guide, we will publish a draft, updated version of the guide taking account of comments made by stakeholders in response to this call for inputs and allowing a reasonable period of time for any final comments on drafting of the guide. We would then issue a revised version of the guide.
- 5.3 Should we decide that there is a case to pursue amendments to our General Conditions, we would consult appropriately and take responses into account before making any final decision.

A1. Responding to this call for inputs

How to respond

- A1.1 Ofcom would like to receive views and comments on the issues raised in this document, by **5pm on Thursday 30 September 2021**.
- A1.2 You can [download a response form](#) from the Ofcom website. You can return this by email or post to the address provided in the response form.
- A1.3 If your response is a large file, or has supporting charts, tables or other data, please email it to debt.review@ofcom.org.uk, as an attachment in Microsoft Word format, together with the cover sheet. This email address is for this call for inputs only, and will not be valid after 5pm on Thursday 30 September 2021.
- A1.4 Responses may alternatively be posted to the address below, marked with the title of the call for inputs:

Call for inputs: Review of measures to protect people in debt or at risk of disconnection
Ofcom
Riverside House
2A Southwark Bridge Road
London SE1 9HA

- A1.5 We welcome responses in formats other than print, for example an audio recording or a British Sign Language video. To respond in BSL:
- Send us a recording of you signing your response. This should be no longer than 5 minutes. Suitable file formats are DVDs, wmv or QuickTime files. Or
 - Upload a video of you signing your response directly to YouTube (or another hosting site) and send us the link.
- A1.6 We will publish a transcript of any audio or video responses we receive (unless your response is confidential).
- A1.7 We do not need a paper copy of your response as well as an electronic version. We will acknowledge receipt if your response is submitted via the online web form, but not otherwise.
- A1.8 You do not have to answer all the questions in the call for inputs if you do not have a view; a short response on just one point is fine. We also welcome joint responses.
- A1.9 It would be helpful if your response could include direct answers to the questions asked in the call for inputs document. The questions are listed at Annex 4. It would also help if you could explain why you hold your views, and what you think the effect of Ofcom's proposals would be.
- A1.10 If you want to discuss the issues and questions raised in this call for inputs, please contact Leen Petre by email to Leen.Petre@ofcom.org.uk.

Confidentiality

- A1.11 Consultations are more effective if we publish the responses before the consultation period closes. In particular, this can help people and organisations with limited resources or familiarity with the issues to respond in a more informed way. So, in the interests of transparency and good regulatory practice, and because we believe it is important that everyone who is interested in an issue can see other respondents' views, we usually publish all responses on [the Ofcom website](#) as soon as we receive them.
- A1.12 If you think your response should be kept confidential, please specify which part(s) this applies to, and explain why. Please send any confidential sections as a separate annex. If you want your name, address, other contact details or job title to remain confidential, please provide them only in the cover sheet, so that we don't have to edit your response.
- A1.13 If someone asks us to keep part or all of a response confidential, we will treat this request seriously and try to respect it. But sometimes we will need to publish all responses, including those that are marked as confidential, in order to meet legal obligations.
- A1.14 Please also note that copyright and all other intellectual property in responses will be assumed to be licensed to Ofcom to use. Ofcom's intellectual property rights are explained further in our [Terms of Use](#).

Next steps

- A1.15 We will carefully consider the responses received to this call for inputs in considering our next steps. If you wish, you can [register to receive mail updates](#) alerting you to new Ofcom publications.

Ofcom's consultation processes

- A1.16 Ofcom aims to make responding to a consultation as easy as possible. For more information, please see our consultation principles in Annex 2.
- A1.17 If you have any comments or suggestions on how we manage our consultations, please email us at consult@ofcom.org.uk. We particularly welcome ideas on how Ofcom could more effectively seek the views of groups or individuals, such as small businesses and residential consumers, who are less likely to give their opinions through a formal consultation.
- A1.18 If you would like to discuss these issues, or Ofcom's consultation processes more generally, please contact the corporation secretary:

Corporation Secretary
Ofcom
Riverside House
2a Southwark Bridge Road
London SE1 9HA
Email: corporationsecretary@ofcom.org.uk

A2. Ofcom's consultation principles

Ofcom has seven principles that it follows for every public written consultation:

Before the consultation

- A2.1 Wherever possible, we will hold informal talks with people and organisations before announcing a big consultation, to find out whether we are thinking along the right lines. If we do not have enough time to do this, we will hold an open meeting to explain our proposals, shortly after announcing the consultation.

During the consultation

- A2.2 We will be clear about whom we are consulting, why, on what questions and for how long.
- A2.3 We will make the consultation document as short and simple as possible, with a summary of no more than two pages. We will try to make it as easy as possible for people to give us a written response. If the consultation is complicated, we may provide a short Plain English / Cymraeg Clir guide, to help smaller organisations or individuals who would not otherwise be able to spare the time to share their views.
- A2.4 We will consult for up to ten weeks, depending on the potential impact of our proposals.
- A2.5 A person within Ofcom will be in charge of making sure we follow our own guidelines and aim to reach the largest possible number of people and organisations who may be interested in the outcome of our decisions. Ofcom's Consultation Champion is the main person to contact if you have views on the way we run our consultations.
- A2.6 If we are not able to follow any of these seven principles, we will explain why.

After the consultation

- A2.7 We think it is important that everyone who is interested in an issue can see other people's views, so we usually publish all the responses on our website as soon as we receive them. After the consultation we will make our decisions and publish a statement explaining what we are going to do, and why, showing how respondents' views helped to shape these decisions.

A3. Consultation coversheet

BASIC DETAILS

Consultation title:

To (Ofcom contact):

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

CONFIDENTIALITY

Please tick below what part of your response you consider is confidential, giving your reasons why

Nothing

Name/contact details/job title

Whole response

Organisation

Part of the response

If there is no separate annex, which parts? _____

If you want part of your response, your name or your organisation not to be published, can Ofcom still publish a reference to the contents of your response (including, for any confidential parts, a general summary that does not disclose the specific information or enable you to be identified)?

DECLARATION

I confirm that the correspondence supplied with this cover sheet is a formal consultation response that Ofcom can publish. However, in supplying this response, I understand that Ofcom may need to publish all responses, including those which are marked as confidential, in order to meet legal obligations. If I have sent my response by email, Ofcom can disregard any standard e-mail text about not disclosing email contents and attachments.

Ofcom seeks to publish responses on receipt. If your response is non-confidential (in whole or in part), and you would prefer us to publish your response only once the consultation has ended, please tick here.

Name

Signed (if hard copy)

A4. Consultation questions

Question 1: Do you agree that we should amend the guide in the ways suggested? If not, are there any alternative options you think we should consider? Please provide evidence supporting your views, including any research you have conducted or have access to.

Question 2: Do you agree that we should amend the guide in the ways suggested? If not, are there any alternative options you think we should consider? Please provide evidence supporting your views, including any research you have conducted or have access to.

Question 3: Do you agree that there should be more consistency in the way in which providers seek to effect payment from customers in debt? If so, how do you believe this could be achieved most effectively? Please provide evidence supporting your views, including any research you have conducted or have access to.

Question 4: Do you agree that we should amend the guide regarding the provision of information about measures to support customers? If not, are there any alternative options you think we should consider? Please provide evidence supporting your views, including any research you have conducted or have access to.

A5. Methodology and further analysis

A5.1 In this annex we outline our methodology for the analysis of provider data we have carried out. We also set out further analysis of debt and disconnection within the fixed and mobile sectors and more in-depth views of measures presented within the main document.

Methodology

A5.2 We analysed a wide range of measures for debt and disconnections outcomes in the fixed⁴⁹ and mobile sectors⁵⁰, using data collected from providers using our formal information gathering powers.

A5.3 The analysis is based on data gathered from 13 fixed and/or mobile providers. We requested data from these specific providers as they hold the largest market shares in fixed and mobile services or own network in places that other providers do not serve. Fixed and mobile providers we collected data from collectively account for over 90% of fixed broadband and mobile customers in the UK respectively.

Measures used within this document

Specifically, we analysed monthly data for the period between January 2020 and January 2021 on the proportion of, or total number of, customers:⁵¹

- In arrears⁵²
- In arrears by two or more regular payments
- Disconnected for non-payment
- Referred to an external debt collection agency that handles the collections process, where the providers remain the creditor
- Struggling to pay who providers proactively sought to contact
- On an agreed payment deferral/plan due to difficulties paying

In addition, we analysed monthly data for the period between January 2020 and January 2021 on average⁵³ debt for customers:

- In arrears
- Disconnected for non-payment

⁴⁹ This data covers product combinations inclusive of but not limited to: stand-alone landline; stand-alone fixed broadband; landline and fixed broadband; fixed broadband and pay TV; and landline, fixed broadband and pay TV.

⁵⁰ This data covers product combinations inclusive of pay-monthly and SIM-only pay-monthly.

⁵¹ We asked providers to provide data pertaining to customers for fixed and contracts for mobile, given that mobile customers may hold multiple contracts on the same account. Some mobile providers were only able to provide data at a customer level, therefore their relative proportions are compared to their total number of customers. Within this document, we refer to customers for simplicity.

⁵² For key terms used in this document, please see the key terms list below.

⁵³ Where providers were asked to provide averages (for example average debt of those disconnected for non-payment in the month) we have weighted responses relative to the proportion of relevant customers each provider's response reported relative to the sector-wide total (for example the number of disconnected customers in that month per provider).

We also analysed monthly data for the period between January 2020 and January 2021 on the average length of time (days) that customers:

- Spent in arrears
- Spent in arrears by two or more regular payments
- Continue to receive their service before they are disconnected for non-payment
- Continue to receive their service before they are referred to an external debt collection agency that handles the collections process, where the provider remains the creditor

Finally, we analysed monthly data for the period between January 2020 and January 2021 on communications sector-level measures for consumer debt:

- Total customer debt
- Total customer bad debt

A5.4 We split our analysis by sub-sector (fixed/mobile) allowing us to compare practices and outcomes within the communications sector. We also asked providers for product-level breakdowns, to assess whether customers who take certain product combinations in fixed and mobile (such as broadband, landline and pay TV or SIM-only mobile) are more likely to experience affordability problems.

A5.5 Two providers who provided data for our December 2020 report were not able to provide data in time for this document due to operational challenges, therefore these providers have been excluded from the entire dataset to ensure comparability. Multiple providers have given new or amended data for January 2020 to September 2020;⁵⁴ therefore, this data is restated from our December 2020 report.

A5.6 One provider provided data relating only to customers who entered debt within the period of the request, rather than in the preceding period too. We take the approach of including this provider's data within comparisons of variation between providers only where it is believed to be closely comparable, however for consistency this provider's data is not included in any aggregated figures.

Key terms

- Initial lockdown period – the period between April 2020 and June 2020
- Pre-pandemic – the period between January 2020 and February 2020
- Disconnection timeframes – the length of time that providers allow customers to spend in arrears before disconnecting their service
- Forbearance – the action of refraining from exercising a legal right in enforcing the payment of a debt
- Dual-play – two services provided by a single communications provider, most commonly landline and broadband
- Triple-play – three services provided by a single communications provider, most commonly landline, broadband and pay TV

⁵⁴ The period analysed within our December 2020 report.

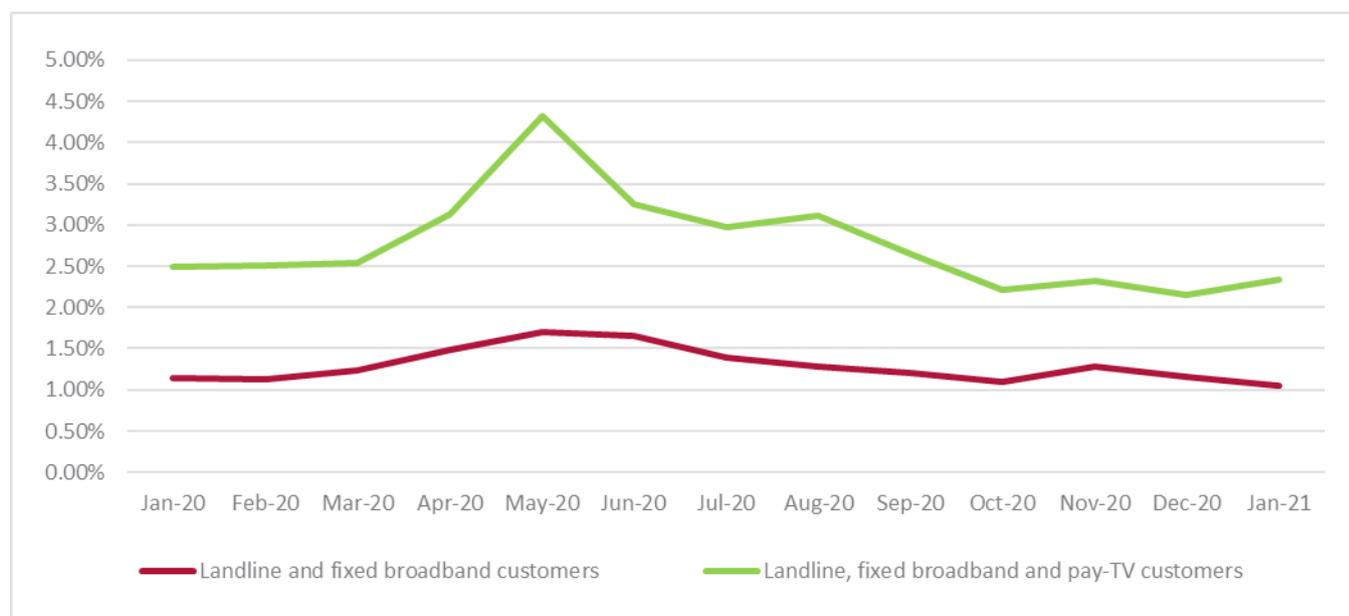
- Payment plan – arrangements for customers to repay their debt to their provider over an agreement period
- Payment deferral – arrangements allowing customers extra time to pay their provider where they experience financial difficulty
- Pay-monthly – mobile contracts under which the monthly cost to the customer includes the cost of the airtime and the provider provides the customer with a handset under the contract
- SIM-only pay-monthly – mobile contracts under which the monthly cost to the customer includes the cost of the airtime but the provider does not provide the customer with a handset under the contract
- Bad debt – debt that providers have not been able to recover from customers, and which they have accounted for as an expense
- In arrears – customers who missed a regular payment for their main service

Further analysis on debt and disconnection

A5.7 The main document provided data on key debt and disconnection measures, while this annex sets out supplementary analysis to provide a full account of provider practices and outcomes within the fixed and mobile sectors. We first present more detailed views of fixed product breakdowns for customers who are in arrears and disconnected. Subsequently we outline further measures, such as customers referred to external agencies and magnitude of bad debt in the fixed and mobile sectors.

The proportion of customers in arrears

Figure A1: Proportion of total customers in arrears, fixed breakdown

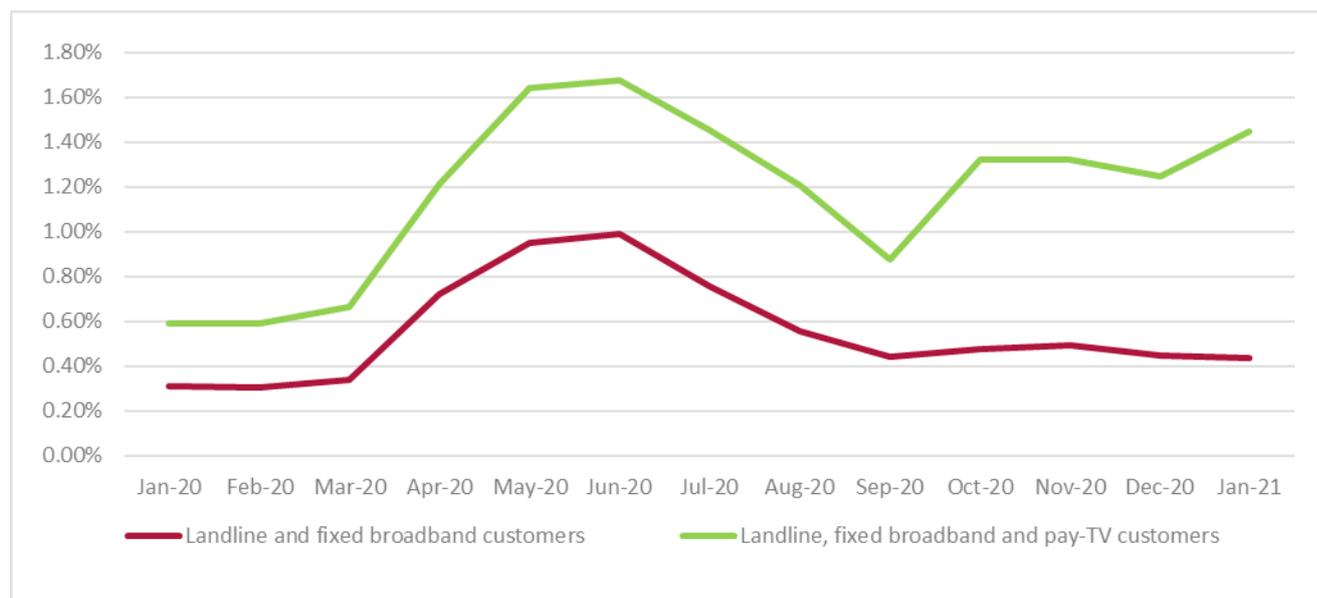


Source: Ofcom analysis of provider data.

A5.8 Looking at the product-level breakdown of customers on fixed contracts, the data suggests that approximately 1% of customers on dual-play⁵⁵ products and 2.5% of customers on triple-play⁵⁶ products were in arrears in January 2020 and January 2021.

A5.9 These proportions follow a similar trend as the overall for fixed customers throughout the period, with triple-play customers consistently more likely to be in arrears than dual-play customers and experiencing a larger increase during the initial lockdown period.

Figure A2: Proportion of total customers in arrears by two or more regular payments, fixed breakdown



Source: Ofcom analysis of provider data.

A5.10 A higher proportion of triple-play customers were in arrears by two or more regular payments than dual-play customers. This could be attributed to the higher prices of triple-play bundles.

A5.11 As with the overall trend for fixed customers, there was a sharp increase in the proportion of dual-play and triple-play customers in arrears for two or more regular payments between March and June 2020 (from c.0.3% to c.1% and c.0.7% to c.1.7% respectively), and a subsequent fall until September 2020.

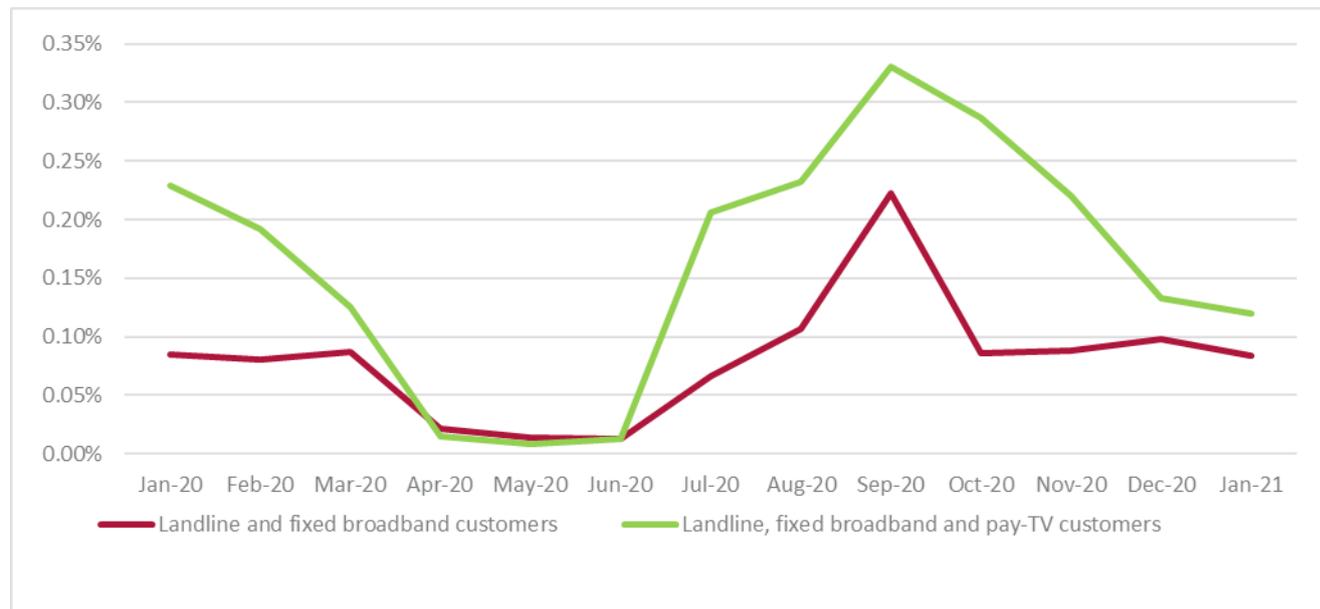
A5.12 While the proportion of dual-play customers in arrears by two or more regular payments remained relatively stable from September 2020 onwards, it increased among triple-play customers between September 2020 and January 2021 (from c.0.9% to c.1.4%).

⁵⁵ Landline and fixed broadband customers.

⁵⁶ Landline, fixed broadband and pay TV customers.

The proportion of customers disconnected for non-payment

Figure A3: Proportion of customers disconnected for non-payment, fixed breakdown

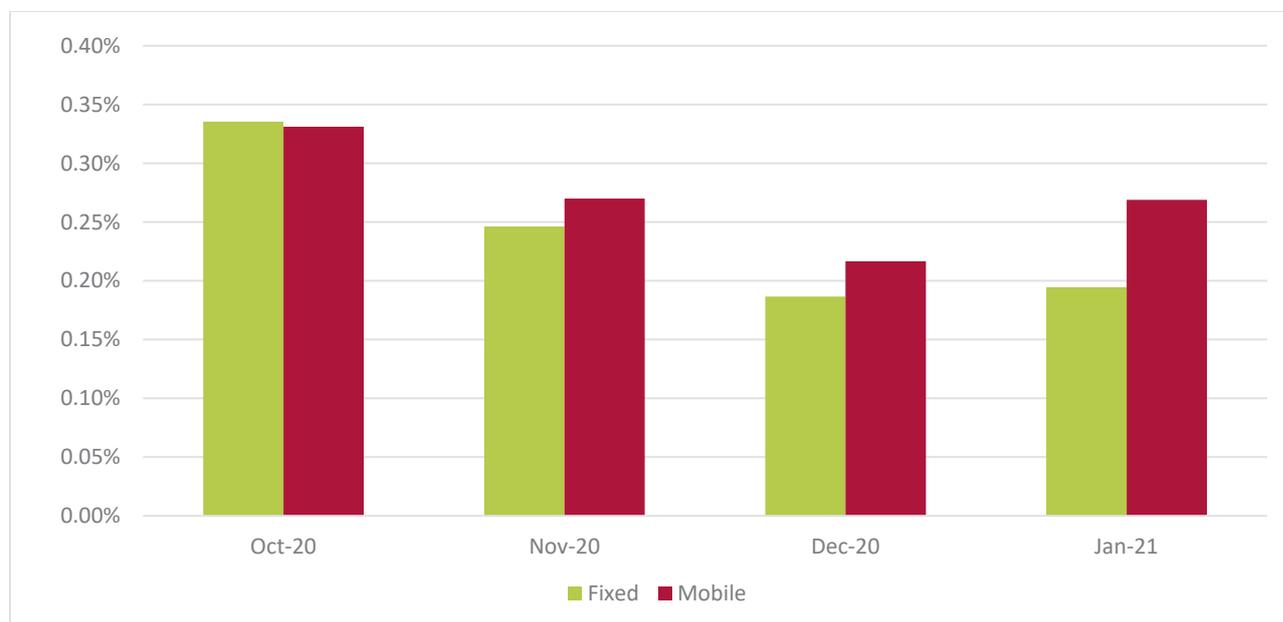


Source: Ofcom analysis of provider data.

- A5.13 As shown above in figure A3, we note that there is a difference in some months between the proportion of customers disconnected for non-payment for different product types. Disconnections of dual-play customers decreased from 0.09% to 0.01% between January and June 2020, while for triple-play customers disconnections decreased from 0.2% to 0.01%.
- A5.14 After lockdown restrictions were eased over the summer, there was an uplift in the proportion of landline, fixed broadband and pay TV customers being disconnected for non-payment from 0.01% in June 2020 to 0.33% in September 2020. The proportion of landline and fixed broadband customers being disconnected initially increased at a slower rate but accelerated after August 2020 to a peak of 0.22% in September 2020.
- A5.15 Disconnections fell by over half to c0.1% for customers on both types of fixed contract between September 2020 and January 2021, which suggests disconnections returning closer to levels seen at the start of the period, although we note triple-play disconnections are slightly below these levels.

The proportion of customers referred to an external agency

Figure A4: Proportion of customers referred to an external agency that handles the collections process where providers remain the creditor, fixed and mobile

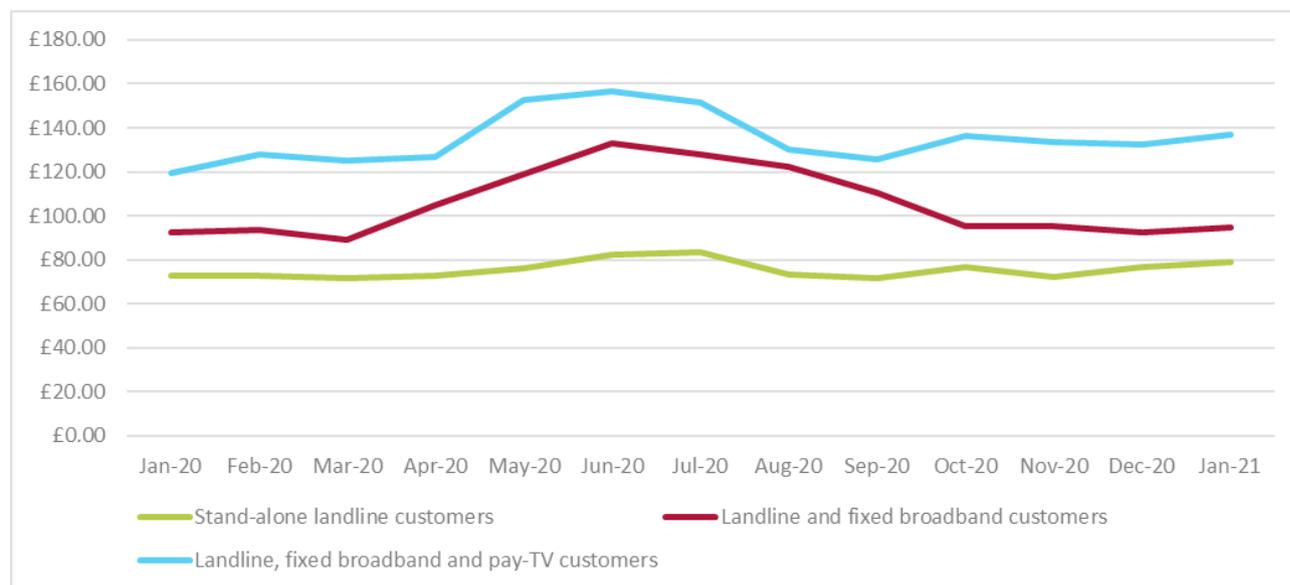


Source: Ofcom analysis of provider data.

- A5.16 As shown in figure A4 above, the proportion of customers referred to an external agency that handles the collections process, where providers remain the creditor, decreased in fixed from c0.35% to c0.2% between October 2020 and January 2021. In mobile, there was a smaller fall, from c0.35% to c0.25%.
- A5.17 We also collected data on customers who were referred to an external agency that buys customer debt, where providers have relinquished ownership of the debt. This data suggests that on average around 0.1% of fixed and mobile customers respectively per month were referred to external agencies in this way between October 2020 and January 2021.

Average customer debt levels

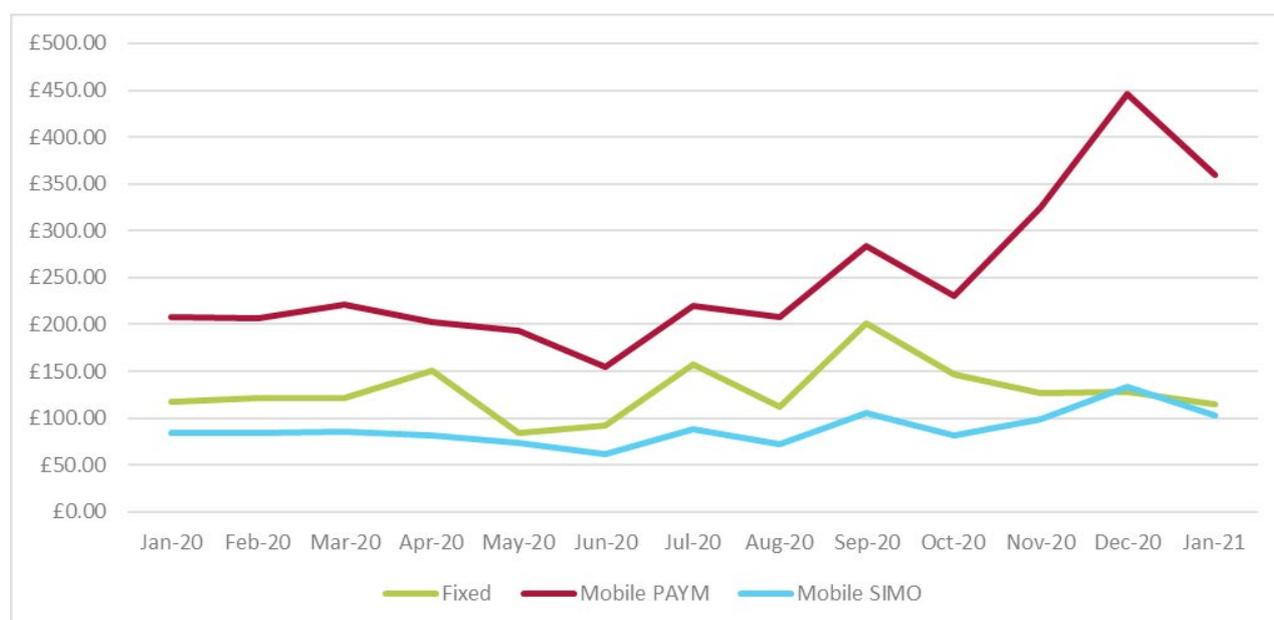
Figure A5: Average debt for customers in arrears, fixed breakdown



Source: Ofcom analysis of provider data.

A5.18 Figure A5 above shows significant variation in the debt accrued by customers in arrears depending on the product combination they take. Stand-alone landline customers in arrears had the lowest debt on average, of just under £80. Triple-play customers in arrears had the highest levels of debt at around £130 on average. This may be explained by the relative pricing of these packages, given stand-alone landline services are generally considerably cheaper than triple play products.

Figure A6: Average debt for disconnected customers, fixed and mobile

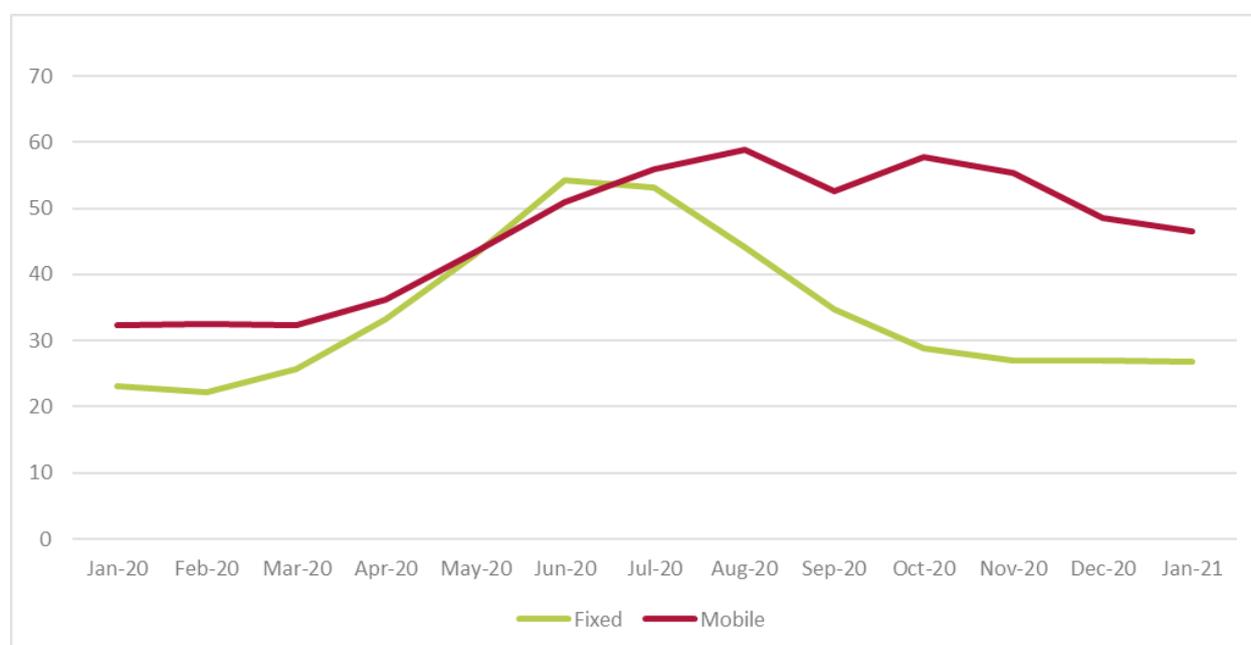


Source: Ofcom analysis of provider data.

- A5.19 Figure A6 above shows the average debt accrued by disconnected customers at the point of disconnection. Within mobile there is significant difference between pay-monthly and SIM-only with pay-monthly customers accruing an average of £100 additional debt compared to SIM-only customers.
- A5.20 Unlike fixed broadband and mobile SIM-only, we observe large increases in mobile pay-monthly debt averages towards the end of the period. This may be explained by the pause in disconnections by some mobile providers during the initial lockdown period meaning that by the end of the year these disconnected customers had accrued larger amounts of debt than would have been the case had disconnection occurred at an earlier stage. The average debt accrued by fixed broadband customers was largely stable throughout this period, with SIM-only average debt rising slightly.

Length of time spent in arrears

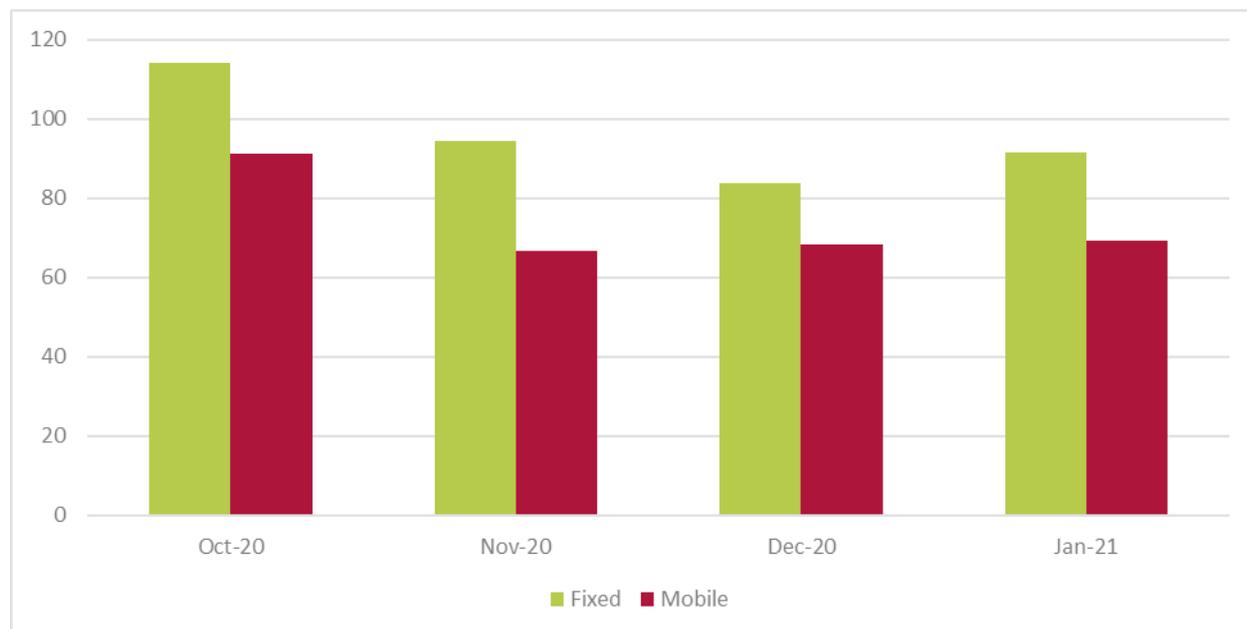
Figure A7: Average length of time (days) spent in arrears, customers in arrears, fixed and mobile



Source: Ofcom analysis of provider data.

- A5.21 Figure A7 indicates that the average length of time customers spent in arrears increased slightly in both fixed and mobile between January 2020 and January 2021. This was highest in June 2020 in fixed and August 2020 in mobile. This then fell in both fixed and mobile to around 30 and 45 days respectively in January 2021. This may reflect increased levels of forbearance by providers during the initial lockdown period.

Figure A8: Average length of time (days) spent in arrears, customers referred to an external agency that handles the collections process where providers remain the creditor, fixed and mobile



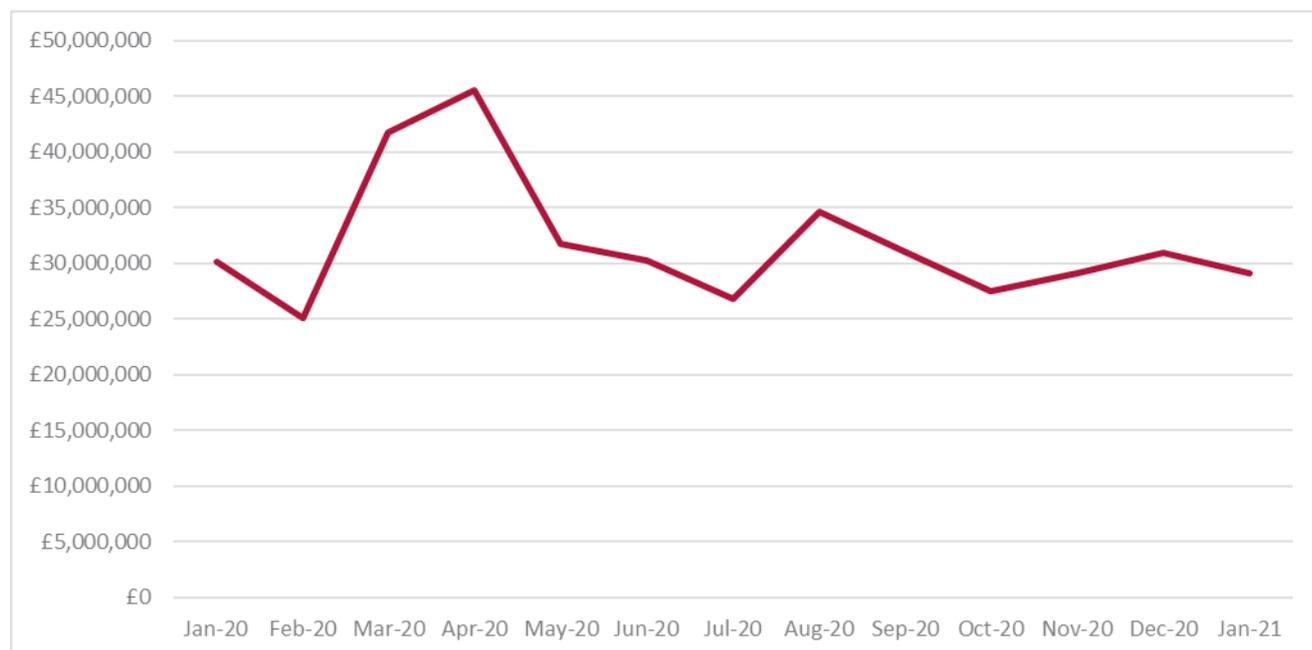
Source: Ofcom analysis of provider data.

A5.22 As shown in figure A8 above, between October 2020 and January 2021 fixed broadband customers were referred to an external collections agency after being in arrears for around 100 days on average. In mobile for this measure, customers were referred to these agencies after around 75 days on average. There are no significant trends observed in this measure over the four months. These figures relate to referrals to external collections agencies where the provider remains the creditor.

A5.23 We also collected data on customers who were referred to an external agency that buys customer debt, where providers have relinquished ownership of the debt. This data suggests that on average fixed and mobile customers respectively were referred to external agencies after spending over 6 months (180 days) in arrears between October 2020 and January 2021.

Bad debt

Figure A9: Total bad debt



Source: Ofcom analysis of provider data.

A5.24 Bad debt⁵⁷ figures represent the amount of customer debt that was written off by providers in a particular month. As shown in figure A9 above, this can be highly volatile when looking at trends, due to factors such as quarterly debt sales. We can use this data to determine the magnitude of customer debt written off within the year by communications providers.

A5.25 We observe that in the year between January 2020 and January 2021 c.£415m of customer debt was written off as bad debt by communications providers. This amounts to approximately 1% of total residential fixed and mobile revenue.⁵⁸

⁵⁷ Debt that providers have not been able to recover from customers, and which they have accounted for as an expense. This excludes customer debt and any bad debt provision.

⁵⁸ [Ofcom Communications Market Report 2020](#).