

# Consultation: Prohibiting inflation-linked price rises

Response from Citizens Advice

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## Introduction

We welcome the opportunity to respond to this consultation. We've been raising alarm bells on price hikes in telco for the past 18 months - highlighting the impacts of egregious pricing practices in telco on consumers' ability to plan, budget, and understand what they'll be paying in a cost of living crisis. Our recent report [Dialling Up Prices](#) demonstrated the harm accrued by different telco pricing practices - and made the case that, when Ofcom conclude their review into inflation-linked in-contract price rises, they should be looking to both ban this practice and take action on different kinds of price hikes to create a fairer market and promote more effect overall price competition.

Our response to this consultation draws on insights from Citizens Advice advisers as well as independent commissioned research. and we're pleased to see the proposal to ban inflation-linked price variation terms in minimum-term contracts.

While we agree that the proposal to ban inflation-linked price hikes is a necessary step we do not see it alone as being sufficient to address the harm we see around in-contract price rises. The use of inflation-linked terms is harmful as they're impossible for consumers to predict - however, these proposals don't address other types of price increases which are also impossible for consumers to predict, nor does the proposal tackle broader but well-known and related issues in the market. We conclude that the proposal as set out in the consultation is too narrow and represents a huge potential missed opportunity.

In our response, we highlight three areas of concern within the market that should be tackled alongside inflation-linked price hikes:

1. Discretionary price rises, and the risk of providers turning to these egregious pricing practices in response to the proposed changes
2. The lack of action to protect out-of-contract customers
3. How the supposed protections in place for consumers in both - i.e. being able to "switch" contracts - are insufficient to protect them from harm

Being connected matters now more than ever. Broadband is an essential service - being used by over 63 million people in the UK alone - so we need robust protections that

make contracts as simple as possible, so they can work for a broad retail market<sup>1</sup>. Instead, consumers are getting a raw deal across the board with telco pricing, facing a range of difficulties, most of which these proposed changes fail to address.

## Price hikes in pounds and pence

We welcome the news that Ofcom will ban inflation-linked price hikes. Our research findings echoed those in the consultation - showing that poor consumer comprehension of inflation terms and their inability to predict them mean they cannot be said to “agree” to these price rise terms in their contracts.

New proposals state that providers must clearly specify from the outset how much contracts will rise in pounds and pence. While this is a step in the right direction in terms of clarity and transparency, we’re concerned that some of the same concerns raised about inflation-linked price hikes also apply here.

Low numeracy is a problem when it comes to people budgeting - with research participants with financial vulnerability or lower degree of literacy or numeracy struggling more than others with understanding inflation-linked price rises<sup>2</sup>. Although it will be easier for people to now know what they’re spending, these new terms are not without their difficulties.

For one, it will still be difficult for many consumers to compare different deals and ascertain which is the cheapest overall. To find the best deal overall, consumers will have to calculate how much their contract is going to cost for its duration. This will be even trickier by the fact that providers will bring in annual price rises every April - so the number of months customers will be paying their upfront fee will change depending on when they sign up. According to National Numeracy, adults with skills below Entry Level 3 “may not be able to understand price labels or pay household bills”.<sup>3</sup> In the UK, 16.9% of adults are at Entry Level 2 and 6.8% at Entry Level 1. It is highly likely that these people will still struggle to compute total costs and compare contracts<sup>4</sup>. Mobile and broadband contracts are widely held - according to our research, 89% of UK adults have a mobile contract<sup>5</sup> and 69% of UK households have a broadband contract - although other sources suggest this may be higher, as Ofcom’s [Connected Nations 2023](#) states

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<sup>1</sup> [USwitch UK Broadband Statistics 2023](#)

<sup>2</sup> Section 2.52 of Ofcom’s proposals

<sup>3</sup> [National Numeracy's article 'What do adult numeracy 'levels' mean?'](#)

<sup>4</sup> See Figure 1.2 of Department for Business Innovation & Skills report [The 2011 Skills for Life Survey: A Survey of Literacy, Numeracy and ICT Levels in England](#)

<sup>5</sup> We asked participants if they had a contract for any of the following mobile services - SIM only, bundled contract or split contract. We asked if they purchased “bundles” of data, minutes and/or text, to answer none. This gave 89% of participants.

that 99.8% of households have access to decent internet<sup>6</sup>. Contracts which are held by almost all UK adults must be fair, clear and comprehensible to all adults, including allowing them to compare prices easily. The proposals do not meet this test since they will continue to put undue cognitive burden on nearly 1 in 4 consumers and leave them at risk of not being able to find the best deals for their needs.

Our research also suggested similar issues with people calculating total costs. We asked participants whether they would prefer:

1. Contract 1, which costs £20 per month for year 1, and then £20 + 25% increase per month for year 2;
2. Or contract 2, which costs £22.50 per month for both years.

Over two thirds chose contract 2. However, when we asked all participants why they chose each contract, 38% of those who chose contract 1 and 39% of those who chose contract 2 said it was because it would be “better value overall” - despite both contracts costing the same overall. Even though the new terms would require providers to state price increases in pounds and pence rather than by percentage increase, this still suggests around 2 in 5 people struggle with the kinds of basic calculations which would help determine which contract is the best value.

The consultation suggests that these new terms will not have any adverse impacts on any marginalised groups - in fact, they state that they're likely to have a positive impact on disabled consumers<sup>7</sup>. These new terms, however, still place a burden on some of the most vulnerable consumers with the lowest numeracy levels - nearly 1 in 4 UK adults.

Furthermore, many people have difficulties predicting what their financial situation will be in the future. Our research suggested that over a third of consumers find it difficult to predict their financial situation a year from now. This means that, even if they know how much their mobile and broadband bills will cost, they won't necessarily know if the new increased prices that will be imposed every April will work within their budget for that year.

Despite proposing terms that aim to make it clear that the price will go up, the fact that many consumers will still struggle to compare overall prices goes against Ofcom's statutory duty to “enable consumers to understand the price of a service readily, with sufficient clarity and certainty to make informed comparisons and choices and find the right deal for their needs.”

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<sup>6</sup> We asked participants if their household had a broadband contract (whether they were the main account holder or not) - 69% said yes. However, other sources imply that this number may be higher - with Ofcom stating that only 0.2% of households don't have access to decent internet in their [Connected Nations 2023 report](#). This source does not state whether this is through contracts or not.

<sup>7</sup> See sections 2-45-2.53 'Equality Act Impact assessment' of Ofcom's proposals

## Fixed means fixed

Any lingering concerns around price uncertainty and the impacts on the most vulnerable consumers could be fixed by opting for “fixed means fixed” contracts.

Fixed means fixed would be accessible to all consumers. Even with pounds and pence rises, consumers would still have to do extra calculations just to figure out which is the cheapest contract, taking into account how many months they will be paying the upfront price before April. Fixed prices would ensure all consumers know upfront how much their telco bills are going to cost and when - not just the most engaged consumers who have the cognitive space, time and energy to figure out which contract is best for them.

We appreciate that this option was considered under section 4.31 - and the reasons for not opting for the fixed charges requirement were as follows: it would “constrain the commercial flexibility of providers”, and risk providers introducing and exercising “prices may vary” terms. We consider, however, that a suitable package of measures could address these concerns.

## Fixed prices would be good for overall price competition

We understand that Ofcom is concerned about the impact fixed prices would have on the provision of introductory discounts and the “death of the discount” - stating that restricting introductory discounts wouldn’t work as they’re “liked by consumers”. We recognise that consumers do like introductory offers - but our research suggests that many prioritise stability and ease over deals. Over two thirds of participants chose a fixed contract with a slightly higher price upfront, over a contract with an introductory offer which was then increased. 62% said they chose a fixed contract because it makes it easier to plan and budget, and 26% said it was because they’d value not having to worry about the price for 2 years.

Furthermore, our research suggests that introductory offers are driving a new loyalty penalty linked to discounts. 1 in 5 consumers (21% for mobile and 18% for broadband) said the introductory offer was the main reason they chose the contract they chose - giving providers ample reason to produce artificially low intro offers and make up profits elsewhere, by raising prices for current customers both in and out of contract.

Our research found that 40% of those who got an intro offer intended to switch once it came to an end - but 1 in 3 never did. And those people who didn’t switch after their intro offer now pay over and above what new customers do for the same level of service - and more than the average customer. Despite signing up for an intro deal, because they didn’t get around to switching when it came to an end, they’re now paying on average £66 more a year for mobile and £69 a year more for broadband than the average customer - and if they haven’t switched for both, this would be £135 extra a year.

We recognise the tension between consumer desires here - i.e. both liking introductory offers and fixed prices - however, we think there's a good case for falling on the side of provisions that make budgeting easier and reduce the potential for loyalty penalties linked to discounts.

We also recognise that there is a competition argument for discounts - however, there is also a clear competition argument for fixed prices. Currently, price competition is around the headline price - and this will continue with the new pounds and pence price rises, as the headline price will be the first and main bit of information potential customers will see. This means that these new terms will just encourage providers to continue to compete for the lowest upfront prices, rather than the lowest prices overall - which, as discussed earlier, won't be obvious or easy for consumers to ascertain.

Finally, we don't agree that fixed prices are incompatible with discounts. We understand that there is a risk that providers could game a ban on price hikes by using discounts to recreate the structure of a mid-contract price rise - but this could be addressed through an anti-gaming provision. For example, rules could be put in place which would require that discounts that expire during the contract period must clearly represent a reduction away from what the market price of that tariff would be, and that, at the end of the discount, the price offered should revert to the market rate and not to a much higher amount.

We overall consider that the risk highlighted by Ofcom around the impact on commercial flexibility can be mitigated in a way that is consistent with both consumer protection and competition.

## **“Prices may vary” terms should be banned**

We are sympathetic to Ofcom's concern that providers might turn to “prices may vary” terms - however, we see the same risk with the proposed pounds and pence price hikes. Much like fixed prices, pounds and pence price hikes don't allow providers much flexibility - they will have to set out their prices in advance of the contract anyway, so will know how much the consumer will be paying them over the contract term from the start.

Keeping the door open for providers to exercise these “prices may vary” terms risks a large number of consumers facing these egregious price hikes once more. In our report [Dialling Up Prices](#), we raised concerns that one outcome of tightening the rules on non-discretionary price rises could be that more providers shift to discretionary price hikes instead - and delved into the various issues these cause for consumers.

Discretionary price rise clauses mean that consumers could face multiple price hikes over their contract term - which they have no way to predict in advance. These price hikes are a nightmare for consumers when it comes to clarity and price transparency -

as price hikes at unspecified intervals and by unspecified amounts are not terms that consumers can fairly agree to.

Indeed, given that Ofcom has raised the idea of providers moving to “price may vary” terms as a risk (thereby implicitly accepting that these terms are at best sub-optimal and at worst harmful), we find it difficult to understand why Ofcom’s proposals for reform of in-contract price rises does not contain any restriction on the use of these terms. We think it is clear and uncontroversial that these terms are less transparent than inflation-linked price rises and therefore carry similar, if not worse, risks for consumers. We strongly recommend that Ofcom immediately carries out work to consider the case for banning these.

## “Prices may vary” terms are unfair

“Prices may vary” terms may also be unfair under consumer law. Under the Consumer Rights Act 2015, part 1 of Schedule 2 states that the following may be unfair:

- “(11) A term which has the object or effect of enabling the trader to alter the terms of the contract unilaterally without a valid reason which is specified in the contract.”<sup>8</sup>
- “(14) A term which has the object or effect of giving the trader the discretion to decide the price payable under the contract after the consumer has become bound by it, where no price or method of determining the price is agreed when the consumer becomes bound.”<sup>9</sup>

Under “prices may vary” clauses, providers have included terms in their contracts that allow them to alter it unilaterally without giving a reason - as per (11) above. As the CMA lays out in their report [“Unfair contract terms guidance: Guidance on the unfair terms provisions in the Consumer Rights Act 2015”](#), when a consumer enters a contract, the natural expectation is that the terms are fixed for that period. A term that allows the provider to charge a higher price than agreed is therefore deemed unfair. Providers who use discretionary price hikes can also be said to be including a term that gives them the discretion to decide the price after the consumer has become bound to it, as per clause (14) above. The unfairness is that consumers cannot work out in advance of entering their contracts how much they will have to pay - a nightmare for budgeting, especially as so many struggle to foresee their financial situations in the future due to a range of cost of living impacts.

## Switching isn’t sufficient protection for many

Ofcom’s current guidance gives consumers the right to leave contracts penalty-free if providers exercise their discretionary right to raise prices. However, our research

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<sup>8</sup> Section 5.20.7 in the CMA’s report [Unfair Contract Terms Guidance](#)

<sup>9</sup> Section 5.22.13 in the CMA’s report [Unfair Contract Terms Guidance](#)

suggests that inertia is a strong force when it comes to consumer behaviour in mobile and broadband markets.

After the biggest round of telco price hikes in over 30 years last April, we found that only 10% of mobile customers and 8% of broadband customers who faced a price hike actually switched to avoid it - even though nearly half of mobile customers and a third of broadband customers could have done so penalty-free. And this isn't new - just under 1 in 4 mobile and 1 in 3 broadband customers haven't switched contracts in over 2 years, with most of them not switching for at least 4 years, before the cost of living crisis began.

This means that, even though some people will feel able to switch and avoid their price hikes, many won't.

The failure to tackle discretionary price hikes with this review is a significant gap and will likely have significant consequences for the success of the proposed remedy unless "prices may vary" clauses are also banned.

## Barriers to switching

Even though being able to switch penalty-free is the supposed protection against "prices may vary" terms, providers place unnecessary barriers to this process - forcing people to phone up and haggle, or compare a large range of deals and prices online. While some people can do this, it's not easy or accessible for everyone - with our research highlighting that some groups are more likely to struggle with the process than others.

Nearly 1 in 3 people with chronic mental health issues said they found the process of switching and renegotiating difficult - compared to only 19% of those with no mental health issues. 1 in 4 disabled people also said they found the process difficult.

And finding it difficult has a clear impact on people's confidence in their ability to switch and find good deals. 28% of disabled people are unconfident when comparing prices on a provider website, and 23% are unconfident using price comparison websites - compared to only 15% and 13% of non-disabled people respectively.

And over half (52%) of people with chronic mental health issues are unconfident phoning up and haggling to switch or renegotiate their contracts - compared to only 31% of people with no mental health conditions. This results in fewer people with mental health issues even phoning up at all, as only 24% say they do when they switch contracts, compared to 42% of those with no mental health issues.

This lack of confidence in phoning up providers won't just affect people's abilities to switch - this also stops them from accessing the best deals, which are widely known to be found by phoning up and haggling.

When we asked disabled people and those with mental health issues why they found switching hard, they said it was difficult, time-consuming, needlessly confusing and they were scared of being ripped off.

Ofcom not doing research into these egregious price hikes - and instead focussing on just one small area of how pricing works in telco and not adequately assessing the risks of knock-on effects elsewhere - is a massive oversight, and consumers shouldn't have to suffer as a result. Furthermore, given the vast amount of evidence that inflation-linked price hikes aren't transparent enough to be permitted, Ofcom should be able to deduce that the same must be true for discretionary price rises since they are even less transparent.

And as more and more providers turn to "prices may vary" terms as a result of the proposed changes and narrow scope of the consultation as decided by Ofcom, it's clear that a failure to tackle this will impact some marginalised groups more than others - despite the review stating that these proposed changes would be good for more vulnerable consumers.

## Out-of-contract customers

These issues with switching also impact out-of-contract customers - roughly 33% of broadband customers and 47% of mobile customers, according to our research. These customers also face the same annual, inflationary price rises - and the intended protection is again that they can leave their contracts penalty-free.

In our report, we urged Ofcom to take the opportunity of the review to explore appropriate approaches to out-of-contract price rises. Despite having acknowledged the level of harm inflation-linked price rises harm consumers within contract, however, they failed to acknowledge that all of the same concerns apply to out-of-contract customers too, except the exit fees - stating that they didn't "consider it appropriate to extend [their] proposals to price rises after the contract ends".

This means that these customers will continue to face egregious inflation-linked price hikes - despite Ofcom setting up robust evidence as to why these price hikes were inappropriate - alongside often [paying over and above what new customers do for the same level of service](#), and facing the same barriers to switching.

As set out in the previous section, our research showed that some groups of people face more barriers to switching than others. This means that disabled people, and those with mental health conditions, are more likely to struggle to switch at the end of their minimum-term contracts, and be stuck with inflation-linked annual price hikes as out-of-contract customers - despite being two groups that Ofcom flagged up as being



particularly impacted by inflation-linked price hikes<sup>10</sup>, and Ofcom flagging that these changes will have a “positive impact” on disabled people<sup>11</sup>.

## Monitoring isn't enough to prevent harm

As set out in Section 4.85, Ofcom intends to “monitor market developments to understand how [their] remedy is working, as well as any changes to contract terms that might not be in the interests of consumers and which might have the effect of reducing the effectiveness of our proposed remedy or undermining our objectives”. They also flag that they know some providers currently use both inflation-linked price rise terms and prices may vary terms - and are concerned that providers may apply both price variation terms specified in pounds and pence and prices may vary terms, undermining both clarity and certainty.

While we acknowledge that monitoring market developments is key to seeing how the proposal works, this won't be enough to prevent harm - especially when the harm that will incur is already evident. Furthermore, as the threshold for evidence of harm is high for Ofcom to enact change, we assume that there will have to be evidence of “prices may vary” terms rising across a period of time - meanwhile, a lot of consumer harm will be accrued, with more marginalised groups facing disproportionate impact.

## Conclusion

While it's clear that Ofcom have made a step in the right direction with improving price transparency in the telco market, it's clear that many oversights have been made. While it's great to see inflation-linked price rise terms banned, the narrow focus of this consultation means that, even once this has happened, Ofcom still leaves many consumers at risk of harm - whether that be from the cognitive burden of calculating which contract works for them; the risk of facing “prices may vary” terms; the harms faced by out-of-contract customers; and the barriers to switching.

In our response to questions below, we explain that, while we agree with the assessment of consumer harm caused by inflation-linked price hikes, we feel that research findings point towards the need for a bigger upheaval in the telco market - with a focus on both minimising consumer harm, maximising price transparency and encouraging healthy competition between providers.

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<sup>10</sup> See sections 3.24 and 3.27 of Ofcom's proposals

<sup>11</sup> Section 2.51 of Ofcom's proposal

## Responses to specific questions

### Question 1: Do you agree with the conclusion in our Equality Act impact assessment?

As laid out in Section 2.45, Ofcom has a duty to, when carrying out its functions, “have due regard to the need to eliminate discrimination, harassment, victimisation, and other prohibited conduct” related to protected characteristics. As laid out in Section 2.49, they are also required to “have regard to the needs and interests of specific groups of persons”, as appears to them to be relevant to the circumstances, including the “needs of persons with disabilities.”

We agree that inflation-linked price variation terms disproportionately impact marginalised groups, as the research shows - however, we disagree that the proposed intervention will have no adverse impacts on any specific marginalised groups. While we acknowledge that Ofcom’s research found that disabled people and those with lower levels of numeracy are disproportionately more likely to find inflation-linked price variation terms more difficult to understand than non-disabled people - we do not believe that these new proposed terms will tackle all of the disproportionate harm on these or any other groups that comes from unfair telco pricing practices.

As discussed above, those with the lowest level of numeracy (just under 1 in 4 UK adults) will still struggle to understand how much each contract will cost overall when the price increases are set out in pounds and pence. Different headline prices combined with varying price rise amounts and frequencies will make it tricky to determine which contract is the best value for money overall. Fixed contracts would be the most equitable approach that works best for all consumers. They would ensure that there is no confusion or undue expectation on consumers to hunt around and do calculations just to figure out how much their contracts are going to cost - a process that some people find a lot harder than others.

Furthermore, as discussed, forcing providers to switch to fixed price rises whilst keeping the door open for them to exercise “prices may vary” terms risks many providers switching to these egregious price hikes instead. Whilst current guidance gives consumers the right to leave such contracts penalty-free, our research suggests that many people struggle with switching contracts - with disabled people, those with mental health issues, and those on low incomes disproportionately affected.

Inertia is a strong force in the market. Just under 1 in 4 mobile and 1 in 3 broadband customers haven’t switched in over 2 years - with most not switching for at least 4 years, since before the cost of living crisis began. And beyond inertia, we found that the methods of switching - comparing prices online via provider websites, price comparison sites and phoning up - posed various barriers for people. Nearly 1 in 3 people with chronic mental health issues said they found the process of switching and renegotiating difficult - compared to just under 1 in 5 (19%) of those with no mental health issues. 1 in

4 disabled people also said they found the process difficult. These groups are also less likely to be confident with the process - with over half (52%) of people with chronic mental health issues telling us that they're unconfident phoning up providers to haggle, switch or renegotiate (compared to 31% of people with no mental health conditions).

Although removing inflation terms from contracts does improve price transparency, enacting pounds and pence price hikes instead of fixed prices will still cause confusion for many - and leaving the door open for discretionary price hikes, for which the only supposed protection is to switch, something that many people find difficult to engage with, risks more people accruing the harm of unfair pricing practices. We therefore do not agree with your conclusion that you have complied with the public sector equality duty in the 2010 Act, and the 1998 Act, in making the proposals set out in your conclusion.

### **Question 3: Do you agree with our assessment of the consumer harm arising from inflation-linked price variation terms?**

We've been raising the alarm on the harm arising from inflation-linked price variation terms for the past 18 months, so the proposal to scrap the use of CPI and RPI in telco contracts is a welcome one. We agree that the use of these terms results in consumer harm - echoing stats from our [previous publications](#) that many people don't understand and/or haven't heard of them, and even when they have, it's impossible to predict what they mean for their bills.

However, we feel that there have been some oversights made in the consultation.

For one, we feel that some of the harm caused by the use of these terms will continue with the new proposal. If the objective is to "enable consumers to understand the price of a service readily, with sufficient clarity to make informed comparisons and choices and find the right deal for their needs" then, as argued above, we feel that the new pricing structures will continue to hinder this for the most vulnerable consumers. Consumers will still have to do various calculations to determine which contract is the best deal for their needs - made even trickier by the fact that, according to the consultation, prices will go up every April rather than every e.g. 12 months in the contract. As discussed, nearly 1 in 4 UK adults have a numeracy level of Entry Levels 1 or 2, meaning that determining which contract is cheapest overall will be trickier for some people than others.

We agree that one objective in tackling telco pricing practices should be to "protect consumers from unfair burdens and risks", and agree that the removal of inflation-linked price variation terms is a step in the right direction - however, it's clear that the new proposals won't be enough to protect consumers. Those with the lowest numeracy levels will still face undue cognitive burden just to determine which contract

is the best deal for them. While we agree that inflation-linked price hikes can “increase cognitive burden...and can lead to consumers not finding the best deal for their needs”, it's clear that these new terms will do the same for some of the most vulnerable consumers.

Furthermore, we note that much of the harm - except exit fees - placed on in-contract customers who face inflation-linked price hikes also applies to out-of-contract customers, whose price rises are also determined by CPI and RPI. However, the banning of these terms has not been extended to these customers - who will continue to face much of the same harm set out in the consultation, including the inability to predict how much they'll be paying year to year.

We also believe that the risks of this new proposal have not been mitigated - as it's clear that not closing the door on “prices may vary” terms at the same time will encourage providers to move to these egregious pricing practices instead. Consumers will be at risk of the harm caused by these discretionary price hikes - a nightmare in terms of clarity and transparency, as providers can raise prices by unspecified amounts at unspecified intervals, something consumers cannot fairly agree to in advance.

#### **Question 4: Do you agree with the conclusion in our impact assessment?**

We are pleased to see steps being taken towards price clarity and transparency - however, we don't agree that the evidence laid out, as well as evidence from other sources, leads to the conclusion of implementing fixed price hikes and not banning discretionary price hikes.

Fixed contracts, plus banning discretionary price hikes, would be the best solution for consumers in terms of your policy objectives - i.e. to:

- “Enable consumers to understand the price of a service readily, with sufficient clarity and certainty to make informed comparisons and choices and find the right deal for their needs
- Drive providers to compete based on pricing structures that are clear and transparent
- Protect consumers from unfair burdens and risks (for example from contract terms that impose unfair financial risks on consumers)”

Fixed prices are the best solution to maximise clarity and certainty for consumers, allowing them to make informed comparisons and choices without having to do calculations to determine the best deal for their needs - a task much easier for some people than others.

We appreciate that this option was considered under section 4.31 - and the reasons for not opting for the fixed charges requirement were as follows: it would “constrain the

commercial flexibility of providers”, and risk providers introducing and exercising “prices may vary” terms.

As discussed above, while we don't disagree that introductory offers can be good for competition, this would make more sense if the introductory offer was a true discount - and not just artificially low prices to lure customers in, which will then be increased beyond the market rate every 6-12 months and at the end of their minimum-term. These new terms will just encourage providers to continue to compete for the lowest upfront prices, rather than lowest prices overall. Fixed prices would be best for overall price competition - and introductory offers could still exist, providing that sufficient anti-gaming provisions are set out from the start, to ensure the offers are genuine.

We recognise that consumers do like introductory offers - but, as above, our research suggests that many prioritise stability and ease over deals. We recognise the tension between consumer desires here - i.e. both liking introductory offers and fixed prices - however, we think there's a good case for falling on the side of provisions that make budgeting easier and reduce the potential for loyalty penalties linked to discounts.

We do share concerns that a fixed price requirement would risk providers turning to prices may vary terms - however, this is also a risk with the proposal of pence and pence increases. Providers will also have limited flexibility with the new proposals, as the overall price of the contract will be determined in advance. As discussed, these discretionary price hikes are a nightmare for price transparency and clarity. The impact of these discretionary price hikes should also be considered in this review - as it's impossible to focus on one small area of telco pricing without considering the full picture, as changing one small aspect will have a wider impact on the whole market. Not banning discretionary price hikes alongside making any changes to other pricing structures risks more and more consumers facing the unfair burdens and risks of “prices may vary” terms.

We acknowledge that there is a plan to monitor market developments to determine whether the use of these terms increases - however it's clear that the use of these terms is harmful for consumers either way, so we fail to see the logic behind waiting until the problem gets bigger and more consumer harm is accrued before considering further intervention.

## Question 5: Do you agree with our proposal to require providers to ensure that the following information is drawn prominently to the customer's attention in a clear and comprehensible manner before a customer is bound by a contract

- i) the Core Subscription Price;
- ii) if the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price, in pounds and pence
- iii) the date from which any changed Core Subscription Price shall have effect?

**Please note that the answer here also applies to questions 6, 7 and 9.**

We agree that it is essential that providers ensure all information around pricing is drawn prominently to the customer's attention in a clear and comprehensible manner before a customer is bound by a contract. We also agree that details around pricing should be included in the contract summary and contract information. We also acknowledge that a thorough job has been done to specify and rule out in advance some of the main ways providers would probably look to bend the rules via additions and amendments to existing GC C1 guidance.

We have also noted that inflation-linked price variation terms are shown less prominently than headline prices, so we appreciate the move to ensure any future price rises are made clearer for customers to see when they're browsing - both in adverts and marketing communications (adhering to the [recent guidance from CAP and BCAP](#)) but also in verbal communication.

This will also help improve clarity for customers on how much and when the rises will be - however it will still not assist customers in comparing deals between contracts and providers, and many will still struggle to ascertain which contract is best for them, as laid out above. Furthermore, we have concerns about how ensuring consumer understanding will be monitored and enforced - and whether providers will adapt their communication styles to suit different needs. We once again believe that the clearest and most comprehensible means to tackle pricing in the telco market would be to have fixed contracts - thus removing the need for extra guidance and effort around clear communication on different platforms and the monitoring of this, and making it easy for all customers to know what they'll be paying for the duration of their contract.

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