Prohibiting inflation-linked price rises

New rules and guidance for telecoms and pay TV providers

Statement

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Annex

1. Overview

1.1 **This statement sets out Ofcom's decision to ban telecoms and pay TV providers from including inflation-linked or percentage-based price rise terms in new contracts.**

1.2 Ofcom's role is to protect consumers and ensure effective competition, while also encouraging long-term investment in the networks that the country needs for future growth, productivity and innovation.

1.3 Over the last five years, average prices for broadband and mobile services have fallen in real terms, while quality has improved. In that period, average prices for new landline and broadband (standard, superfast or ultrafast) bundles fell in real terms: for example, by 13% for superfast broadband bundles. The average monthly price of mobile services, based on average use and excluding handset costs, fell by 33% in real terms, while mobile data use grew by 249%.

1.4 Recent investment in full fibre and 5G networks has led to significant improvements in the speed, capacity and reliability of the services that keep us connected. As of January 2024, full fibre broadband is available to 62% of UK homes, up from just 21% three years earlier. Gigabit-capable broadband is available to 80% of UK homes. 5G coverage is available from at least one operator to around 92% of premises outdoors in January 2024, up from 69% three years earlier.

1.5 The UK residential telecoms market is competitive and there are good deals available to consumers who shop around. In a competitive market, the level of retail prices is determined by providers, taking into account market conditions, business needs and costs. For a competitive market to operate effectively, consumers must be able to shop around with confidence and understand the deals that are available to them.

1.6 Many telecoms and pay TV providers include annual price rises in their contracts that are linked to uncertain future inflation plus an additional percentage, typically 3.9%. We estimate that, in April 2024, around six in ten broadband and mobile customers were on contracts with inflation-linked price rise terms.

1.7 Inflation-linked price rise terms complicate the process of shopping for a deal. To estimate the price they might pay for services subject to these terms, people must: be aware of the terms; understand what various measures of inflation mean (whether the Consumer Prices Index or Retail Prices Index); predict inflation rates; and calculate the price rises accurately, by adding a fixed percentage on top of an uncertain future inflation rate. For 18- and 24-month contracts, they may need to think about inflation rates for two different years and the cumulative effect of inflation-indexed price rises. They must then compare these calculations across different deals. These are complex and laborious steps and the evidence shows that most people struggle with them.

1.8 In December 2023, we consulted on making changes to our General Conditions to require providers, where they apply in-contract price rises, to set these out upfront, in pounds and pence, at the point of sale. Having considered responses to our consultation, we have decided to proceed with making the proposed changes to our rules.

What we have decided - in brief

Wherever telecoms or pay TV providers include price rises in their contracts, they must set these out clearly in pounds and pence, before a customer signs up.

Providers must draw this information to the customer's attention prominently before they are bound by the contract, in a clear and comprehensible manner (including during a sales call or other verbal sale such as an in-store sale) to enable them to make an informed choice. Providers must also set out *when* any changes to the monthly price will occur.

Providers may increase their prices during the contract period and the new rules do not restrict their ability to set the level of their prices. However, they will prohibit providers from including inflation-linked, or percentage-based, price rise terms that apply to the Core Subscription Price in new contracts. This will give consumers clarity and certainty about the price they will pay, helping them choose the best deal for their needs.

Guidance setting out our expectations

We are issuing guidance to accompany the new rules, to assist providers to comply. The guidance includes examples of how providers could present any in-contract price rises at the point of sale.

The new rules and guidance will apply to new contracts from **17 January 2025.**

1.9 The overview section in this document is a simplified high-level summary only. The decisions we have taken and our reasoning are set out in the full document.

2. Background

2.1 This section sets out developments in the market that are the context for our review of inflation-linked price variation terms, the scope and objectives of our review and December 2023 consultation and the relevant legal framework.

Inflation-linked price variation terms have become increasingly common over the last four years

2.2 Many UK communications providers include terms in customers' broadband, mobile and pay TV contracts that enable them to increase the monthly Core Subscription Price[1] that in-contract customers pay by an amount linked to a measure of inflation ('inflation-linked price variation terms'). Typically, these terms enable providers to make annual price rises linked to the Consumer Prices Index (CPI) or Retail Prices Index (RPI), plus an additional fixed percentage on top (typically 3.9%).

2.3 When a customer enters a contract subject to inflation-linked price variation terms, they may experience up to two annual price rises during a contract period of 18 or 24 months. If a customer wants to exit the contract early (for example, if they want to switch provider to avoid a price rise), they are likely to incur an early termination charge, making these price rises effectively unavoidable.

2.4 Not all contracts available to consumers contain inflation-linked price variation terms. Some contracts do not provide for specified price rises (the provider would need to give customers on these contracts at least one month's notice of any price rise and a right to exit without penalty), while others guarantee that the customer will face no price rise during the contract period.

2.5 Ofcom imposes General Conditions (GCs) on providers that require them to specify certain pricing information to customers in a clear and comprehensible manner at the point of sale.[2] These rules should enable customers to make informed decisions and find the best deal for their needs. Under this regime, if a price variation term is not sufficiently prominent and transparent, and the customer is not fully informed about the different amounts they would need to pay (such that the customer can be said to have agreed to those terms), the customer would have a right to exit the contract without penalty if the provider increases its price (or increases it beyond what the customer has agreed).[3]

2.6 However, customers on contracts with inflation-linked price variation terms do not have a right to exit their contract without penalty when providers increase their prices in line with the terms. Changes in market conditions also mean that these terms can have a greater impact on consumers than they did previously. First, as we set out below, the choice

[1] The sum that customers must pay at regular intervals for the services and / or facilities that the provider is bound to provide. See 'Definitions' section of Ofcom, *General Conditions of Entitlement*, 2023.
[2] See Conditions C1.3-1.7 of Ofcom, *General Conditions of Entitlement*, 2023.
[3] See Conditions C1.14-C1.20 of Ofcom, *General Conditions of Entitlement*, 2023 and paragraph 1.100 of Ofcom, *Ofcom's guidance under General Condition C1 - contract requirements (June 2022)*.

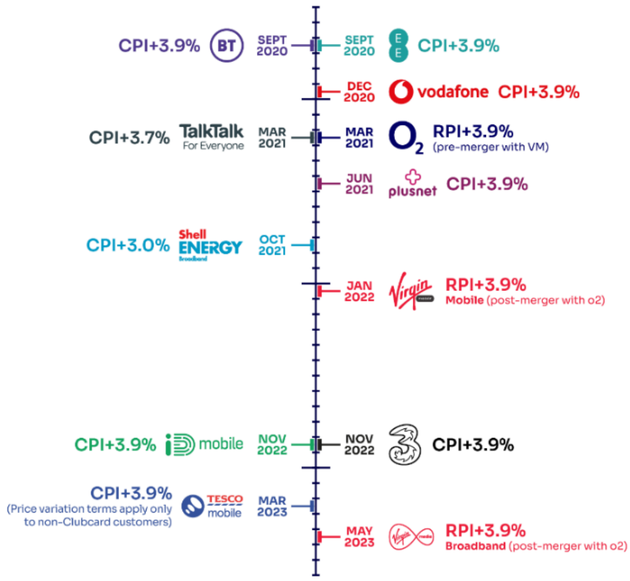
available to consumers of new deals from the largest providers that do not contain these terms has narrowed.

2.7 Second, volatile and rising inflation rates have led to less predictable prices and to significant price rises for many consumers in 2022, 2023 and 2024. In these conditions, even consumers who are aware of inflation-linked price variation terms would find it harder than ever to estimate what they will pay for a service when they choose it, while those who are unaware of them are more likely to be surprised by the scale of the price increase they face.

Most major telecoms and pay TV providers have adopted inflation-linked price variation terms

2.8 Since 2020, most of the UK's largest telecoms and pay TV providers have introduced inflation-linked price variation terms with an additional fixed percentage, in most cases for the first time. Before this, many providers applied 'prices may vary' terms that permitted for unspecified price rises,[4] or used inflation-linked price variation terms without an additional fixed percentage (this was more common among mobile providers). In September 2020, BT announced that it would start to apply inflation-linked price variation terms with an additional fixed percentage to new customers' contracts, namely CPI plus 3.9%. Over time, many other providers adopted similar terms. Since spring 2023, Sky has been the only major provider to apply prices may vary terms.[5]

Figure 1: Timeline of the introduction of inflation-linked price variation terms including an additional fixed percentage



[4] 'Prices may vary' terms refer to contract terms that enable providers to implement price rises for which the value and frequency are not specified in a customer's contract (unspecified price rises). Our rules do not prohibit prices may vary terms, but providers are required to give customers at least one month's notice of the price increase and the right to exit their contract without penalty, as they constitute contractual modifications. See Conditions C1.14-C1.20 of Ofcom, *General Conditions of Entitlement*, 2023.

[5] Here, 'major providers' are those with a stable market share of over 1.5% of either landline, broadband, mobile or pay TV subscribers. See Ofcom, *Telecoms and Pay TV Complaints methodology document*, 2023.

Table 1: Summary of major providers' inflation-linked price variation terms and price increases

Provider	Service	Price variation terms	Month of annual price rise	2023 price rise	2024 price rise
BT / EE / Plusnet	Broadband, mobile and bundles	CPI published in January + 3.9%	March	14.4%	7.9%
iD Mobile	Mobile	CPI published in February + 3.9%	April	14.0%	7.9%
Shell Energy	Broadband and bundles	CPI published in January + up to 3.0%	April	12.5%	6.0%
TalkTalk	Broadband	CPI published in January + 3.7%	April	14.2%	7.7%
Tesco Mobile	Mobile	Fixed with a Clubcard For customers without a Clubcard: CPI published in January + 3.9%	April	14.4% (for customers without a Clubcard)	7.9%
Three	Broadband, mobile and bundles	CPI published in January + 3.9%	April	14.4%	7.9%
Virgin Media O2	Broadband, mobile and bundles	RPI published in February + 3.9%	April	17.3% (for Virgin Mobile and O2)	8.8%
Vodafone	Broadband, mobile and bundles	CPI published in January + 3.9%	April	14.4%	7.9%

Source: responses to our statutory information request dated 20 June 2023. Price rises in 2024 are taken from providers' websites / media reports.

2.9 Consequently, the proportion of customers on contracts subject to inflation-linked price variation terms has increased. As of April 2023, at least 11 million broadband customers and 36 million mobile customers were on contracts subject to these terms.[6] This is equivalent to

[6] Based on our analysis of providers' information on the number of their customers that take different products and the terms and conditions of their products (from providers' response to questions 1, 2, 10, 11 and 13 of our statutory information request dated 20 June 2023 ('our statutory information request')). These include both in-contract customers and customers no longer within their Commitment Period who remain subject to inflation-linked price variation terms.

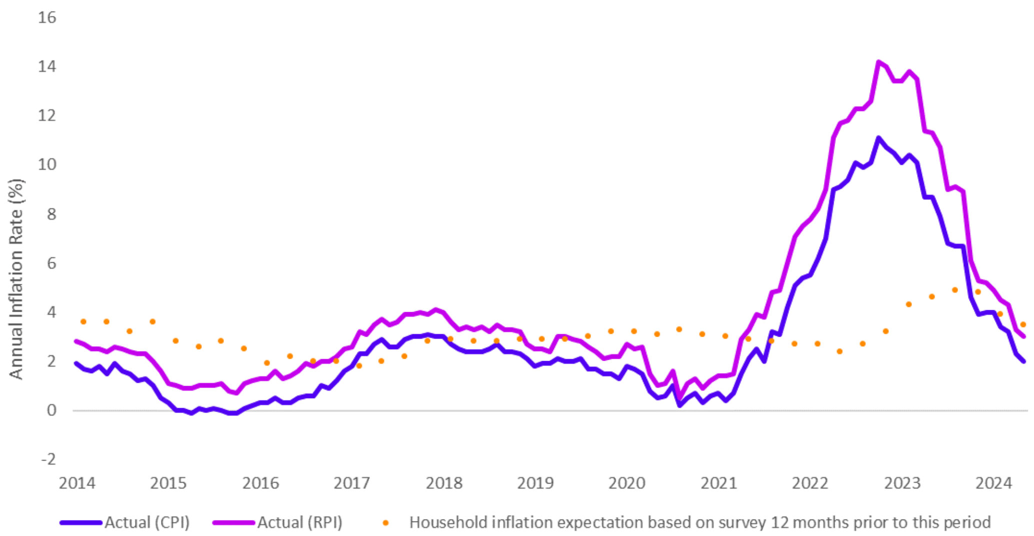
four in ten broadband customers and over half of mobile customers.[7] We estimate that these proportions may have grown further in 2023/24, to around six in ten of both broadband and mobile customers, as more customers have signed up to new contracts and after Three and Virgin Media applied inflation-linked price rise terms to more of their customers' contracts.[8]

2.10 In spring 2023, most customers on these contracts faced inflation-linked price rises between 14% and 17%. While in 2024 inflation rates have fallen from a peak in 2023, most affected customers still experienced a significant price rise of between 7.9% and 8.8%.

Inflation rose quickly between 2021 and 2023 and has become harder to forecast

2.11 Customers on contracts subject to inflation-linked price variation terms have faced unpredictable price rises in recent years because inflation rates have been volatile and rose dramatically between 2021 and 2023. In the first few months of 2024, the rate of inflation started falling and, in the 12 months to May 2024, reached the Bank of England's target of 2%.[9] Figure 2 shows the sharp volatilities in CPI and RPI since 2021.

Figure 2: CPI and RPI rates and households' expectations of inflation



Sources: Office for National Statistics (CPI, RPI) and Bank of England.

[7] Other customers were either with providers that have not introduced inflation-linked price variation terms or on products without these terms. In the mobile market, inflation-linked price variation terms are applied to pay-monthly contracts, while pay-as-you-go customers are not subject to price variation terms. In the broadband market, some providers have customers on legacy products that are not subject to inflation-linked price variation terms; nor do providers apply in-contract price rises to broadband social tariffs.

[8] Virgin Media O2 introduced inflation-linked price variation terms into broadband contracts from May 2023 and applied inflation-linked price rises in April 2024. Three introduced inflation-linked price variation terms into pay-monthly mobile contracts for new and upgrading customers from November 2022. In addition, Tesco Mobile and iD Mobile have also introduced inflation-linked price variation terms for some of their customers since November 2022, as set out in Figure 1.

[9] In its May 2024 Monetary Policy Report, the Bank of England noted that it "can't rule out more global shocks that keep inflation high". See Bank of England, *Monetary Policy Report - May 2024*, 2024.

2.12 Consumers find volatile inflation rates difficult to predict. Responses to the Bank of England's Inflation Attitudes Survey, which gauges households' expectations of how prices will change over the next twelve months, demonstrate how households have struggled to forecast inflation accurately, particularly when CPI and RPI rates sharply increased from 2021 to 2023 (see Figure 2).[10] In 2022, the median response to the Inflation Attitudes Survey ranged from 4.3% to 4.9%, while actual CPI rates were between 6.0% and 10.0% for most of 2023. Even during the years prior to 2021, when inflation rates were relatively stable, there were regular mismatches between realised inflation rates (the blue and purple lines in Figure 2) and households' expectations of them (the orange dots). It is likely that households' inability to predict inflation rates will persist in future.

2.13 Volatile and unpredictable inflation rates mean that consumers, particularly those on longer contracts, find it difficult to estimate what they will pay for their services. Even where consumers have access to inflation forecasts, consumers still have no certainty about the actual price rises they will face. More unpredictable inflation may exacerbate the broader concern that consumers struggle to engage with inflation-linked-price variation terms (as we discuss in further detail in section 3).

In the past we have strengthened the rules that apply to price variation terms

2.14 Providers must comply with both general consumer law and our GCs when they apply inflation-linked price variation terms.[11] We have considered issues around inflation-linked price variation terms previously in different contexts, strengthened our rules and published guidance to clarify our expectations of providers.

2.15 In 2014, we issued guidance in relation to price rises and the notification of contractual modifications.[12] It set out that we were likely to regard any increase to prices during the fixed term of a contract to be 'material detriment' that should give the customer a right to exit their contract without penalty, unless the relevant price terms are sufficiently prominent and transparent that the customer can be said to have agreed on an informed basis.

[10] Bank of England, *Inflation Attitudes survey*, 2014-2024. The Inflation Attitudes survey asks respondents by how much they expect prices in shops will change over the next twelve months. Each data point in Figure 2 shows the median value of households' responses from the survey that took place twelve months prior (for example, the November 2023 data point refers to the survey data published in November 2022).

[11] The Consumer Rights Act provides that unfair terms in consumer contracts are not binding. The Competition and Markets Authority has issued guidance on the relevant provisions in the Consumer Rights Act. See Competition and Markets Authority, *Unfair contract terms guidance: Guidance on the unfair terms provisions in the Consumer Rights Act 2015*, 2015. Further, the Consumer Protection from Unfair Trading Regulations 2008 contain a general prohibition of unfair trading, prohibitions of misleading and aggressive trading practices, and specific prohibitions on particular practices considered to be inherently unfair.

[12] Ofcom, *Guidance on "material detriment" under GC9.6 in relation to price rises and notification of contract modifications*, 2014. The term 'Core Subscription Price' was, at that time, defined in this guidance. It is now defined in the Definitions section of our GCs.

2.16 In June 2022, a number of changes to the GCs came into effect, which were accompanied by new guidance on the use of price variation terms:[13]

- Providers are required to provide customers with Contract Information before customers are bound by a contract.14 Contract Information must be provided in a clear and comprehensible manner and on a durable medium and include the Core Subscription Price.15 Providers are also required to provide customers with a Contract Summary before they enter a contract.16
- The accompanying guidance stated that we expected providers to give an example to the customer of how any planned price increase term was likely to affect the price they would pay, using the most recent value of inflation if the provider's terms used an inflation index such as CPI or RPI to calculate price increases.17
- Providers are required to give customers at least a month's notice and a right to exit penalty-free for any contractual modification that is not exclusively to the benefit of the customer.18 The accompanying guidance addresses how this rule would apply in circumstances involving a price variation term. If that term is sufficiently prominent and transparent, and if the provider ensures that the customer was fully informed about the different amounts they would have to pay (such that they could be said to have agreed to those terms), the provider is not required to give the customer a right to exit penalty-free upon changing the price pursuant to that term. This guidance also states that price variation clauses should only be used where there is reasonable justification on practical grounds.19

2.17 In the statement that set out our decision to introduce these rules, we noted that we would be concerned if the use of variation clauses became significantly more widespread, as this could make contracts harder to understand and give customers less certainty about important terms of the contract at the point they enter into them.[20]

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[13] Ofcom made further changes to GC C1 that took effect in April 2023. However, these changes related to the switching process and did not materially change the GCs that are most relevant to this review. See Ofcom, *Fair treatment and easier switching for broadband and mobile customers: Implementation of the new European Communications Code*, 2020.
[14] See Condition C1.3 of Ofcom, *General Conditions of Entitlement*, 2023.
[15] See Conditions C1.3-1.4, and the Annex to Condition C1, of Ofcom, *General Conditions of Entitlement*, 2023.
[16] See Condition C1.5 of Ofcom, *General Conditions of Entitlement*, 2023.
[17] See paragraphs 1.21-1.24 of Ofcom, *Ofcom's guidance under General Condition C1 – contract requirements (June 2022)*. Ofcom updated this guidance in December 2023 to include guidance regarding how providers should inform customers about the network technology used to deliver their broadband service: see Ofcom, *Broadband information: Guidance under General Conditions C1 and C2 – New guidance to improve consumer understanding of the technology used to provide broadband services*, 2023.
[18] See Condition C1.14 of Ofcom, *General Conditions of Entitlement*, 2023. This Condition requires that providers "give their Relevant Customers notice not shorter than one month of any contractual modifications relating to a Relevant Communications Service, or a Bundle or any elements thereof, that is provided by them, unless the proposed modification is exclusively to the benefit of that Relevant Customer, is of a purely administrative nature and has no negative effect on the Relevant Customer, or is directly imposed by law".
[19] Ofcom, *Ofcom's guidance under General Condition C1 – contract requirements (June 2022)*, paragraph 1.100-1.101.
[20] Ofcom, *Fair treatment and easier switching for broadband and mobile customers: Implementation of the new European Electronic Communications Code*, 2020, paragraph 8.21.

2.18 However, at the time we last considered this issue, our ability to make changes to the rules was constrained by the framework of European Union law. In particular, the changes to our rules that came into effect in June 2022 were made to implement provisions in the European Electronic Communications Code (EECC) that were subject to 'full harmonisation'.[21] This meant that, in the areas that those provisions covered, Ofcom could not maintain or introduce end-user provisions that diverged from those provisions, including more or less stringent provisions that would provide a different level of protection for end-users, except for where the provisions allowed for such divergence.

We launched a review of the effects of inflation-linked price variation terms and consulted on new rules

2.19 Notwithstanding changes to our rules and guidance in recent years, we have had concerns about the potential impact of inflation-linked price variation terms on consumers and on the market. For example, we have stated that price increases that are seen to be delivered in a way that is unfair could diminish consumer engagement, undermine confidence in the market and weaken competition.[22]

2.20 Given this, and in the context of the widespread adoption of inflation-linked price variation terms by providers and more volatile inflation, we launched a review of these terms in February 2023. The review examined the terms' effects on consumers, including on their ability to understand and choose the right deals for their needs, and on how this affects the functioning of markets.[23] On the basis of the evidence that we gathered during our review, in December 2023 we consulted on changes to our GCs and guidance.[24]

The scope of our review and consultation covered in-contract price rises for telecoms and pay TV customers

2.21 The review and consultation examined inflation-linked price variation terms and price variation terms that include fixed percentages. They considered contracts for landline, broadband, mobile and pay TV services purchased by residential customers, Microenterprise or Small Enterprise Customers and Not-For-Profit Customers (which we refer to in this document as 'small business customers'), including where these services are purchased as part of a bundle.

2.22 The review and consultation did not examine any impact that inflation-linked price variation terms may have on the level of retail prices. Telecoms markets are competitive and the level of retail prices is for providers to determine, taking into account market conditions, their business needs and costs. While there are good deals available to those who shop around, our concern is not about how much providers should charge, but about how inflation-linked price variation terms undermine clarity and certainty about what customers will pay. This

[21] Article 101, *Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code (Recast)*.
[22] Ofcom, *Ofcom's future approach to mobile markets and spectrum: Conclusions paper*, 2022.
[23] See Ofcom, *Review of inflation-linked in-contract price rises - Terms of reference*, 2023.
[24] Ofcom, *Prohibiting inflation-linked price rises: Proposals for new rules and guidance*, December 2023.

makes it harder for consumers to make informed choices and find the right deal for their needs.

2.23 We considered the impact of inflation-linked price rises on both customers who are in-contract and customers who have seen out their contract period. However, customers who have seen out their contract period are not bound to accept price rises, as they are free to leave their contract, shop around and switch to a new deal or re-contract with their provider at any time. We have measures in place to ensure people are notified when their contracts come to an end[25] and receive annual reminders if they do not recontract.[26] We have also made switching easier for mobile customers via Auto-Switch, and One Touch Switch will soon make switching easier for landline and broadband customers.[27] Thus we recognised that customers who have seen out their contract period can mitigate the impact of inflation-linked price rise terms to a greater extent than those in-contract.

2.24 Our review and consultation did not consider prices may vary terms, which, as set out above, only Sky applies today among major providers. Providers who use this type of term are required to give customers at least one month's notice of price rises that are not specified in the customer's contract and the right to exit their contract without penalty.

Stakeholder responses and our assessment

2.25 In response to our review and consultation, we received some comments on their scope. Citizens Advice[28] and Which?[29] submitted that we should have considered prices may vary terms and that these are likely to be unfair under the Consumer Rights Act 2015, because they allow providers to alter a price unilaterally without giving a reason and also give providers the discretion to decide the price after the consumer has been bound by the contract. Hyperoptic further proposed that we review whether our GCs ensure that consumers receive sufficient information about prices may vary terms during the sales journey.[30]

2.26 In our role as an enforcer of consumer law, we note some stakeholders' concerns about the use of prices may vary terms. We also note stakeholders' views that the scope of our review and consultation should have encompassed the impact of prices may vary terms on consumers and how our GCs apply to them.

2.27 In our view, there are two key considerations regarding how the scope of our review and consultation interact with relevant aspects of consumer law. First, in our assessment of administrative priorities, our general approach is to consider the risk of harm to customers and the most effective way to address this to ensure that our work is targeted to where action is most needed. As noted above, the only major provider that currently uses prices may vary terms to apply Core Subscription Price rises is Sky. Given the evidence of consumer

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[25] Requirements related to end-of-contract notifications. See Conditions C1.21-1.29 of Ofcom, *General Conditions of Entitlement*, 2023.

[26] Requirements related to annual best tariff notifications. See Conditions C1.30-1.36 of Ofcom, *General Conditions of Entitlement*, 2023.

[27] One Touch Switch was due to be in place in April 2023, but industry was not ready to implement it in time. We have therefore launched an industry-wide enforcement programme to ensure One Touch Switch will be available to customers as quickly as possible.

[28] Citizens Advice response, page 6.

[29] Which? response, page 5.

[30] Hyperoptic response, page 5.

harm arising from the inflation-linked price variation terms that apply to Core Subscription Prices, in our view it is right that our review and consultation focused on these terms. We consider it most appropriate to address that harm through making changes to our sector-specific rules, as this is currently the most effective way to require all providers to present any increase to the Core Subscription Price during a customer's Commitment Period[31] in a given way.

2.28 Second, as set out above, where providers apply prices may vary terms, our GCs require providers to give customers no less than one month's notice and a right to exit without penalty should they not wish to accept the price change. We consider these to be significant rebalancing factors for customers who are on contracts with prices may vary terms (the Competition and Markets Authority (CMA)'s guidance on unfair contract terms notes that a variation clause may be more likely to be found fair if these factors apply).[32]

2.29 While the focus of our review and consultation has therefore been on the impact of inflation-linked price variation terms and how our GCs apply to them, we continue to actively consider consumer law in relation to the issues our consultation explored. For example, we assess in section 4 how any intervention might affect the use of prices may vary terms and set out in section 5 how we will monitor the impact of our intervention, including whether any new pricing structures are sufficiently clear and certain to consumers.

The evidence we gathered on the impact of inflation-linked price variation terms has informed our specific policy objectives

2.30 Our longstanding objectives are to support consumers to make informed decisions and that the information providers present to customers is sufficiently clear and transparent. These objectives help deliver good outcomes for consumers and the market, such as strengthening competition and ensuring customers get a fair deal.

2.31 In addition, Ofcom has a longstanding priority to ensure that customers are treated fairly. All the UK's biggest broadband, phone and pay TV companies have committed to putting fairness at the heart of their businesses, after signing up to Ofcom's Fairness for Customers commitments.[33] These require that (among other things): customers get a fair deal; providers offer customers packages that fit their needs and have a fair approach to pricing; and that prices are clear and easy to understand. We have set out in our Fairness Framework that we are likely to be concerned where providers do not treat customers fairly and that this can happen where, for example: information is not clear, easy to understand and timely; behavioural biases and / or barriers to engagement are exploited; or customers are not

[31] Our GCs define the Commitment Period as "a period beginning on the date that contract terms agreed by a **Communications Provider** and a **Subscriber** take effect and ending on a date specified in that contract and during which the **Subscriber** is required to pay for services, facilities and/or Terminal Equipment provided under the contract and the **Communications Provider** is bound to provide them".

[32] CMA, *Unfair contract terms guidance*, paragraph 5.21.8: "A variation clause may also be more likely to be found fair if it includes a duty on the trader to give notice of any variation in good time prior to it taking effect and a right for the consumer to cancel without being adversely affected."

[33] Ofcom, *Fairness for Customers commitments*, 2019.

supported in making well-informed decisions. In particular, we are likely to be concerned where certain groups, such as vulnerable customers, are being harmed.[34]

2.32 In our December 2023 consultation, and in the light of the evidence we gathered during our review, we further explained that our specific policy objectives are 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).

2.33 These objectives are consistent with Ofcom's priorities for 2024/25. Our priorities for the year include continuing to support consumers to be confident and able to engage and make choices in the market to get the right services for them.[35] The objectives are also consistent with the matters set out in the Government's Statement of Strategic Priorities (SSP) for telecommunications, the management of radio spectrum and postal services (see paragraphs 2.51-2.52).

Stakeholder responses and our assessment

2.34 In response to our December 2023 consultation, and in relation to our policy objectives, Virgin Media O2 stated that, notwithstanding the constraints imposed by the full harmonisation requirement of the EECC (see paragraph 2.18), it has always been open to Ofcom to intervene in this area and it was unclear what had changed to cause Ofcom to (conduct this review and) intervene now.[36] Virgin Media O2 also suggested that Ofcom's objective to ensure that customers have sufficient certainty "[did] not appear to be in line with Ofcom's position in previous statements and guidance".[37] Specifically, Virgin Media O2 stated that Ofcom had historically been concerned with "legal certainty", but now appears to be concerned with "certainty of contract value" or "price certainty".[38]

2.35 We have set out above how the widespread adoption of inflation-linked price variation terms by providers, alongside the impact of volatile and unpredictable inflation, led us to launch our review. As we set out in our consultation, and reiterate above, one of our long-standing objectives is that consumers have sufficient certainty to make informed comparisons and choices and find the right deal for their needs. This objective is consistent with the objectives and principles that underpinned our previous reviews of price rises, as well as our longstanding priority to ensure that customers are treated fairly. For example, in our 2013 review of price rises in fixed term contracts, we sought to ensure customers have information which enables them to know what bargain they are striking, so they can make informed transactional decisions.[39] In our December 2023 consultation, we set out why we

[34] Ofcom, *Making communications markets work well for customers - a framework for assessing fairness in broadband, mobile, home phone and pay TV*, 2020.
[35] Ofcom, *Ofcom's Plan of Work 2024-25*, 2024.
[36] Virgin Media O2 response, page 14.
[37] Virgin Media O2 response, page 12.
[38] Virgin Media O2 response, page 13.
[39] Ofcom, *Price rises in fixed term contracts: Decision to issue Guidance on General Condition 9.6*, 2013, paragraph 6.9.

did not consider that inflation-linked price variation terms provide sufficient certainty to meet this objective of our review.

In December 2023 we consulted on proposals for new protections

2.36 Our consultation proposed to prohibit telecoms companies from including inflation-linked price rises or price rises that are set out in percentage terms in contracts. Instead, where companies' contracts provide for any price rises during the contract period, they would have to set this out upfront in pounds and pence (the '£/p requirement').

2.37 We set out our provisional assessment that the £/p requirement would give consumers sufficient clarity and certainty about the price they would pay and would ensure that consumers could make more informed choices about what the best deal would be for them. We explained our view that the £/p requirement would improve consumer engagement and help to drive more effective competition based on clear pricing structures. We also explained that we expected the £/p requirement to ensure customers do not face unfair financial risks from inflation-linked price variation terms.

2.38 Our consultation also proposed amendments to our GCs to require that the following information is drawn prominently to the customer's attention in a clear and comprehensible manner (including during a sales call or other verbal sale such as an in-store sale) before a customer is bound by a contract:

- The Core Subscription Price.
- The changed Core Subscription Price(s), if it is to change during the Commitment Period, in pounds and pence.
- The date from which any changed Core Subscription Price(s) take effect.

2.39 We proposed amendments to our GCs to require that the Contract Information and Contract Summary include the following information:

- The changed Core Subscription Price(s), if it is to change during the Commitment Period, in pounds and pence.
- The date from which any changed Core Subscription Price during the Commitment Period shall have effect.

2.40 We proposed amendments to our guidance on contract requirements to clarify our expectations on how providers could comply with the new requirements.

2.41 Finally, we proposed that the requirement would come into effect four months after the publication of our final decision in 2024.

Most responses supported our proposals, albeit to different degrees and some wanted us to go further

2.42 We received 150 responses to our consultation, including from providers and trade bodies, consumer organisations, public bodies, price comparison websites and members of the public. Most respondents were supportive of our consultation proposals, including several providers, albeit to different degrees. Among the providers and trade bodies that responded to the consultation, only Virgin Media O2 and TalkTalk opposed our proposed new rules. However, several providers raised concerns about the four-month implementation deadline, about how the rules would apply to small business customers and how they could implement the rules and guidance at the point of sale.

2.43 Many consumer organisations and other respondents were supportive of the proposed intervention. However, some others wanted us to go further, for example by requiring providers to fix monthly prices for their services at the same level for the duration of the Commitment Period, prohibiting the application of inflation-linked in-contract price rises to customers who have seen out their Commitment Period or capping the level of in-contract price rises.

2.44 We address these responses to the consultation in sections 3, 4 and 5.

Legal framework

General duties

2.45 We set out below our powers and duties that are relevant to the proposals set out in this consultation. We explain how we propose to exercise these powers and take account of these duties in the context of our proposals in section 5.

2.46 The Communications Act 2003 (the '2003 Act') places a number of duties on us that we must fulfil when exercising the regulatory powers and functions we have been given. Section 3(1) of the 2003 Act states that it shall be our principal duty, in carrying out our functions:

- To further the interests of citizens in relation to communication matters.
- To further the interests of consumers in relevant markets, where appropriate by promoting competition.

2.47 In performing our duties under section 3(1) of the 2003 Act, we are required to have regard to the principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed, as well as any other principles appearing to us to represent best regulatory practice (section 3(3) of the 2003 Act).

2.48 Section 3(4) of the 2003 Act provides that in performing our duties we must have regard to a number of matters as they appear to us to be relevant in the circumstances, including the desirability of promoting competition in relevant markets; the desirability of encouraging investment and innovation in relevant markets; the desirability of encouraging the availability and use of high speed data transfer services throughout the United Kingdom; the needs of persons with disabilities, of the elderly and of those on low incomes; the opinions of customers in relevant markets and of members of the public generally; and the extent to which, in the circumstances of the case, the furthering or securing of the matters mentioned in section 3(1) is reasonably practicable.

2.49 In addition, section 3(5) of the 2003 Act requires that, when performing our duty to further the interests of consumers, we must have regard, in particular, to the interests of those consumers in respect of choice, price, quality of service and value for money.

2.50 When exercising our functions in relation to electronic communications networks and services under Chapter 1 of Part 2 of the 2003 Act, we have a duty to act in accordance with certain requirements set out in section 4, such as:

- Promoting competition in relation to the provision of electronic communication networks and electronic communication services.
- Promoting the interests of all members of the public in the United Kingdom.

UK Government's Statement of Strategic Priorities

2.51 As required by section 2B(2)(a) of the 2003 Act, we also need to have regard to the UK Government's SSP for telecommunications, management of radio spectrum and postal services.[40] The SSP sets out that the Government's strategic priorities for current and future telecoms consumers include to:

- Tackle harmful industry practices and improve the support available to vulnerable consumers.
- Address the difficulties that consumers experience in navigating the communications market by giving them the right data, information and support to boost their engagement.
- Remove barriers that consumers face to switching products and services, and ensure that all consumers get better outcomes, even if they are not actively searching for the best deal all of the time.
- Improve the overall quality of service for telecoms consumers.

2.52 The SSP also states that Ofcom should take all opportunities to improve the consumer experience in the telecoms sector, particularly for vulnerable consumers, including those with disabilities.

Powers and duties in relation to GCs

2.53 Section 45 of the 2003 Act says that we may set GCs which contain provisions authorised or required by one or more of sections 51, 52, 57, 58 or 64. Under section 51(1)(a), we may set GCs making such provisions as we consider appropriate for the purpose of protecting the interests of end-users of public electronic communications services.

2.54 Section 51(2) of the 2003 Act sets out a non-exhaustive list of the specific types of GCs that we may set in pursuance of this purpose. This includes:

- Section 51(2)(a) which gives Ofcom the power to set conditions relating to the supply, provision or making available of goods, services or facilities in association with the provision of public electronic communications services.
- Section 51(2)(b) which gives Ofcom the power to set conditions that relate to any of the elements of a bundled contract.
- Section 51(2)(d) which gives Ofcom the power to set conditions which require the provision, free of charge, of specified information, or information of a specified kind, to end-users.

[40] Department for Digital, Culture, Media & Sport, *Statement of Strategic Priorities for telecommunications, the management of radio spectrum, and postal services*, 2019.

2.55 Section 47(2) of the 2003 Act governs the circumstances in which we can set or modify a GC. It states that a condition can be modified where it is objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates, not such as to discriminate unduly against particular persons or against a particular description of persons, proportionate to what the condition or modification is intended to achieve, and transparent in relation to what it is intended to achieve.

Impact assessment

2.56 Section 7 of the 2003 Act requires us to carry out and publish an assessment of the likely impact of implementing a proposal which would be likely to have a significant impact on businesses or the general public, or when there is a major change in Ofcom's activities.

2.57 Impact assessments provide a valuable way of assessing different options for regulation and showing why the preferred option was chosen. They form part of best practice policymaking, and as a matter of policy we are committed to carrying out and publishing impact assessments in relation to most of our policy decisions. We use impact assessments to help us understand and assess the potential impact of our policy decisions before we make them. They also help us explain the policy decisions we have decided to take and why we consider those decisions best fulfil our applicable duties and objectives in the least intrusive way. Our impact assessment guidance sets out our general approach to how we assess and present the impact of our proposed decisions.[41]

2.58 Within this framework, the analysis in our consultation constituted an impact assessment in respect to our proposals. In this statement we set out our updated impact assessment in the light of the consultation responses and the additional evidence we have received.

2.59 Section 3 sets out our assessment of the consumer harm from inflation-linked price variation terms. After assessing the remedy options that would meet our policy objectives in section 4, section 5 (paragraphs 5.11-5.81) sets out our impact assessment.

Equality Act impact assessment

2.60 Section 149 of the Equality Act 2010 (the 2010 Act) imposes a duty on Ofcom, when carrying out its functions, to have due regard to the need to eliminate discrimination, harassment, victimisation and other prohibited conduct related to the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation.

2.61 The 2010 Act also requires Ofcom to have due regard to the need to advance equality of opportunity and foster good relations between persons who share specified protected characteristics and persons who do not.

2.62 Section 75 of the Northern Ireland Act 1998 (the 1998 Act) also imposes a duty on Ofcom, when carrying out its functions relating to Northern Ireland, to have due regard to the need to promote equality of opportunity and have regard to the desirability of promoting good relations across a range of categories outlined in the 1998 Act. Ofcom's Revised Northern

[41] Ofcom, *Impact assessment guidance*, 2023

Ireland Equality Scheme explains how we comply with our statutory duties under the 1998 Act.[42]

2.63 To help us comply with our duties under the 2010 Act and the 1998 Act, we assess the impact of our proposed intervention on persons sharing protected characteristics and in particular whether they may discriminate against such persons or impact on equality of opportunity or good relations.

2.64 Section 3(4) of the 2003 Act also requires us to have regard to the needs and interests of specific groups of persons when performing our duties, as appears to us to be relevant in the circumstances. These include:

- The vulnerability of children and of others whose circumstances appear to us to put them in need of special protection.
- The needs of persons with disabilities, older persons and persons on low incomes.
- The different interests of persons in the different parts of the UK, of the different ethnic communities within the UK and of persons living in rural and in urban areas.

2.65 We have not identified any adverse impacts from our intervention on specific groups of persons that are likely to be affected in a different way to the general population.

2.66 We also consider that our intervention is likely to have a positive impact on consumers with a physical or mental disability, in particular. Our consumer research found that people with a disability are disproportionately more likely to find inflation-linked price variation terms difficult to understand than are those without a disability. We consider that our remedies will address this impact, as the removal of the inflation-linked and percentage-based price variation terms will make any future price rises easier to understand.

2.67 In addition, we consider that our intervention is likely to have a positive impact on financially vulnerable consumers and those with lower levels of numeracy, in particular. Research shows that awareness of CPI and RPI is lowest among the most financially vulnerable and that those with lower levels of numeracy struggled more than other consumers to understand inflation-linked price variation terms. By requiring providers to set out any contractual price rises in pounds and pence, our intervention will make it easier to understand how much customers will be paying for their broadband and mobile contracts.

2.68 In the light of the above, we are satisfied that we have complied with the public sector equality duty in the 2010 Act, and the 1998 Act, in making the rules set out in this statement.

Welsh language impact assessment

2.69 The Welsh Language (Wales) Measure 2011 established a legal framework to impose duties on certain organisations to comply with 'Standards' in relation to the Welsh language. Ofcom must meet 141 Standards when carrying out its work to ensure that it treats Welsh no less favourably than English.

[42] Ofcom, *Revised Northern Ireland Equality Scheme for Ofcom*, 2019.

2.70 Where the Welsh Language Standards are engaged, we consider the potential impact of a policy proposal on: (i) opportunities for persons to use the Welsh language; and (ii) treating the Welsh language no less favourably than the English language. We also consider how a proposal could be formulated so as to have, or increase, a positive impact, or not to have adverse effects or to decrease any adverse effects.

2.71 No issues were raised in responses to our consultation related to the Welsh language.

2.72 As reflected below, our decision is focussed on the provision of (largely numerical) pricing information, not on the overall presentation of contractual documents. Therefore, we do not think that our decision will have positive or negative effects on opportunities to use Welsh, or could be formulated so as to have, or increase, a positive effect, or not to have adverse effects or to decrease any adverse effects.

3. Consumer harm from inflation-linked price variation terms

Introduction

3.1 This section assesses the consumer harm from inflation-linked price variation terms. In our December 2023 consultation, we explained our concerns that inflation-linked price variation terms may limit consumer engagement in ways that harm consumers and undermine the policy objectives of this review, based on a wide range of evidence including:

- Two quantitative consumer surveys of pay-monthly mobile and broadband customers,[43] conducted in January 2023 and in October 2023.[44]
- Qualitative consumer research, conducted in July and August 2023.[45]
- Providers' responses to our statutory information request dated 20 June 2023, which include information on how they present pricing to consumers, consumer research and internal documents.
- Complaints to Ofcom.[46]
- Research by consumer organisations such as Citizens Advice and Which?.[47]

3.2 The vast majority of respondents to our consultation agreed with our concerns about inflation-linked price variations terms. All consumer organisations and public bodies who responded agreed that consumers struggle to engage with inflation-linked price variation terms and that this, in turn, could harm consumers and make competition less effective. We received 121 responses from individual respondents, which overwhelmingly supported our view of the harm arising from inflation-linked price variation terms and, in some cases, shared their personal experience of harm.[48]

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[43] Pay-as-you-go customers are not subject to inflation-linked price variation terms and therefore our research sample included only those who were on a pay-monthly plan (either in or out of contract, fixed term or rolling). Where we report results from our surveys in relation to mobile customers in this consultation, they refer to pay-monthly mobile customers.

[44] See Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Mobile)*, 2023; and Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Broadband)*, 2023. Online omnibus research (phase 1), among 4213 UK Adults aged 16+. Fieldwork conducted 6-11 January 2023. Online omnibus research (phase 2), among 4232 UK Adults aged 16+. Fieldwork conducted 18-23 October 2023.

[45] See Ofcom, *Inflation-linked price rises: qualitative research report*, 2023. We commissioned Community Research to conduct qualitative research with 54 participants, involving an online forum pre-task, online focus groups and individual in-depth interviews (with those in vulnerable situations) across the UK between July and August 2023. The sample represented a broad range of demographics with minimum quotas set on age, gender, socio-economic group and location.

[46] We analysed the number of consumer complaints to Ofcom from January 2021 to mid-October 2023 related to mobile and broadband price rises.

[47] See Citizens Advice, *Dialling up prices: Why mobile and broadband consumers need better protections from unfair pricing practices*, 2023; Which?, *Customer knowledge and understanding of mid-contract price rises*, *2023*; and Which?, *The benefit of certainty*, 2023.

[48] For example, see [✂]; [✂]; and [✂].

3.3 Providers’ responses were mixed. While some providers agreed with our overall view on consumer harm, three major providers (BT Group, TalkTalk and Virgin Media O2) disagreed that consumers are being harmed and challenged certain aspects of our analysis. Moreover, some providers serving small business customers said our consultation did not demonstrate harm to this segment.

3.4 We have taken account of the consultation responses and our overall conclusion remains that inflation-linked price variation terms cause substantial harm to consumers. In the remainder of this section, we summarise consultation responses in detail, draw on the available evidence and set out our assessment of consumer harm. The section is structured as follows:

- We first analyse the evidence showing consumers struggle to engage with inflation-linked price variation terms (paragraphs 3.5-3.51).
- We then explain there is consumer harm from inflation-linked price variation terms (paragraphs 3.52-3.104).
- Next, we explain the scale of consumer harm is substantial (paragraphs 3.105-3.112).
- Finally, we set out our conclusions on consumer harm (paragraph 3.113).

Consumers struggle to engage with inflation-linked price variation terms

3.5 In this section, we assess the challenges that consumers face when engaging with inflation-linked price variation terms. For consumers to understand the price of a broadband, mobile or pay TV service and make informed comparisons and choices, they must be confident in engaging with inflation-linked price variation terms. When we refer to consumers engaging with inflation-linked price variation terms, we define this as consumers being able to take all the steps set out in Figure 3 easily and correctly when choosing a service.

Figure 3: Necessary steps for consumers to understand and engage with the price of a phone, broadband, mobile or pay TV service with inflation-linked price variation terms

Be aware of price rises during the contract period

↓

Understand the price will increase by a rate of inflation plus any applicable fixed percentage (e.g. 3.9%)

↓

Understand over which period(s) the price rise(s) will apply (e.g. from March or April)

↓

Understand which inflation measure (RPI or CPI) and which month's rate will be used for the price rise

↓

Predict the future inflation rate, or know where to find inflation forecasts

↓

Calculate the price rise accurately by adding any applicable fixed percentage on top of an uncertain future inflation rate and applying to the relevant period(s)

↓

Repeat the above calculations if the contract has more than one price rise

↓

Repeat the above calculations to compare deals with other inflation-linked price variation terms (e.g. different inflation rates or price rise periods)

3.6 These are very complex steps for consumers, which our evidence shows they cannot be expected to take confidently and thus understand and engage with the price of a broadband, mobile or pay TV service with inflation-linked price variation terms. This is for the following reasons:

- Consumers have low awareness of inflation-linked price variation terms (paragraphs 3.7-3.12).
- Consumers have limited understanding of measures of inflation (paragraphs 3.13-3.23).
- Consumers find inflation-linked price variation terms complex and difficult to engage with (paragraphs 3.24-3.34).
- Consumers with certain vulnerabilities experience particular difficulties in engaging with inflation-linked price variation terms (paragraphs 3.35-3.40).
- Inflation-linked price variation terms create price uncertainty (paragraphs 3.41-3.43).
- Typical point-of-sale explanations of inflation-linked price variation terms do not give consumers sufficient clarity (paragraphs 3.44-3.51).

Consumers have low awareness of inflation-linked price variation terms

Our December 2023 consultation

3.7 In our consultation, we provisionally concluded that consumer awareness of inflation-linked price variation terms is low. We based this conclusion on analysis of our quantitative and qualitative consumer research, as well as research carried out by other organisations.

Stakeholder responses and our assessment

3.8 A limited number of stakeholders commented on our analysis of awareness of inflation-linked price variation terms. The Consumer Council for Northern Ireland (CCNI) and Hyperoptic agreed with our analysis of consumer awareness.[49]

3.9 Our consumer research showed that, overall, very few customers who contracted with providers that use inflation-linked price variation terms were both aware of price rises and able to identify how their provider would increase prices.[50] Our qualitative consumer research also showed that awareness of inflation-linked price variation terms among consumers is low.[51] Specifically, qualitative research participants tended to focus on headline prices and overlook inflation-linked price variation terms when making decisions.[52] Even when participants spent significant amounts of time comparing offers, awareness of inflation-linked price variation terms was low.

3.10 Further, research carried out by other organisations was consistent with our findings. Which? found that, among people who did not think their monthly price could increase during their contract term, 92% were with a broadband provider that could increase their monthly in-contract payment.[53] Hyperoptic found that around three-quarters of UK households said they were unaware of the details of the price increase they were facing in April 2023.[54] The CCNI shared research that confirmed that consumers in Northern Ireland had limited recall of potential price rises.[55]

3.11 BT Group and Community Fibre suggested that consumer awareness of inflation-linked price variation terms was high or had improved over time.[56] However, we believe their submissions are not valid or sufficient to change our conclusion, for the following reasons:

- BT Group said its internal research suggested “high awareness amongst customers” of its inflation-linked pricing model.[57] We have considered BT Group’s customer research, which asked respondents about [✂].[58] Our research found that, of those customers who were in-contract and were with providers that use inflation-linked price variation terms,

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[49] CCNI response, page 13; and Hyperoptic response, page 2.

[50] Only 12% of mobile customers and 16% of broadband customers that were contracted with a provider who used inflation-linked price variation terms were both aware that their prices could increase and able to identify that the price rise they faced was inflation-linked with an additional fixed percentage. See Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Mobile)*, slide 14; and Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Broadband)*, slide 15.

[51] See Ofcom, *Inflation-linked price rises: qualitative research report*, section 4.1.

[52] Headline price refers to the price of a service available to new or re-contracting customer during an initial period before any in-contract price rises apply.

[53] Which?, *The benefit of certainty*, 2023.

[54] Hyperoptic, *Instant regret – shock mid-contract price hikes make two thirds of recent broadband buyers wish they’d chosen a different provider*, 2023.

[55] CCNI response, page 13. CCNI’s research found those who had been with their current provider for a year or more were likely to have experienced mid-contract price rises, and “none of these individuals recalled having been made aware of potential price rises before they signed up for the contract, which was felt to be underhanded and frustrating”.

[56] BT Group response, page 7; and Community Fibre response, pages 1-2.

[57] BT Group response, page 7.

[58] BT Group research report titled ‘Yonder BT mid-contract price increases study, December 2022’. BT Group referred to this within its response to our consultation. It provided this report in full in its 8 August 2023 response to our statutory information request. This shows the wording of the question was: [✂].

four in ten (42%) mobile customers and around half (49%) of broadband customers were unaware that their provider could increase their monthly payment.[59] [60]

- Community Fibre said that our quantitative research showed a significant increase in the proportion of broadband customers who knew how their provider would calculate price rises between January and October 2023.[61] While we note that this proportion had increased over time, the level of awareness remained very low.[62]

3.12 Overall, based on the evidence analysed above, we conclude that consumer awareness of inflation-linked price variation terms is low.

Consumers have limited understanding of measures of inflation

Our December 2023 consultation

3.13 The analysis in our consultation showed that consumers have limited understanding of measures of inflation. This was based on our quantitative consumer research and informed by research by other consumer organisations and a provider.

Stakeholder responses and our assessment

3.14 Hyperoptic, Uswitch and Which? supported our analysis of consumer understanding.[63] Hyperoptic referred to its research, which showed similarly limited consumer understanding of CPI.[64] Other providers responded with different views and some raised questions about our research methodology. We assess these responses in detail below alongside the consumer research evidence we have relied on.

3.15 Our quantitative research indicates that consumers have very limited understanding of inflation and different measures of inflation used by providers. In our October 2023 survey, 55% of broadband customers and 58% of mobile customers were unable to identify that CPI and RPI measure inflation.[65] These proportions were largely the same in our January 2023 survey.[66] Furthermore, our January 2023 survey showed that, even among those people who were aware that the CPI and RPI measure rates of inflation, a large majority (79% of mobile

[59] See Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Mobile)*, slide 7; and Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Broadband)*, slide 8.
[60] Furthermore, among those customers who were aware that their prices could increase and were contracted with a provider who used inflation-linked price variation terms, most were unable to identify correctly how their provider would increase their price (67% of broadband customers, 78% of mobile customers). See Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Mobile)*, slide 14; and Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Broadband)*, slide 15.
[61] Community Fibre response, pages 1-2.
[62] In October 2023, only 16% of broadband customers contracted with a provider who used inflation-linked price variation terms were both aware that their prices could increase and able to identify that the price rise they faced was inflation-linked with an additional fixed percentage. See Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Broadband)*, slide 15.
[63] Hyperoptic response, page 2; Uswitch response, pages 3-4; and Which? response, page 2.
[64] Hyperoptic response, page 2.
[65] See Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Mobile)*, slide 10; and Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Broadband)*, slide 11.
[66] There was no statistically significant change in the proportion of customers who were unable to identify that CPI and RPI measure inflation in October 2023 compared to January 2023 (mobile: 61% in January, 58% in October; broadband 58% in January, 55% in October).

customers, 75% of broadband customers) did not understand the difference between the two measures.[67]

3.16 Research findings from consumer organisations and from a provider were similar to our own. Which? found that about half of its research participants could not identify accurate descriptions of CPI or RPI.[68] Citizens Advice found that one in three people on contracts with price rises linked to CPI said they have never heard of CPI and 84% of people would not be able to accurately compare contracts that use CPI or RPI.[69] One major provider's research showed a similarly low level of understanding of inflation among consumers.[70]

3.17 However, several providers suggested that our analysis understated consumers' understanding of inflation rates, some identifying other markets or situations where consumers may understand the concept of inflation.[71]

3.18 BT Group said its research showed that consumers have better understanding of inflation than our research indicated.[72] However, we believe BT Group's research findings are consistent with our findings, as they showed that a third of respondents did not identify the correct meaning of CPI even after being given a broad definition.[73]

3.19 Virgin Media O2 said that consumers understand inflation indices and percentages as these mechanisms are a common element of the prices of mortgage products, in pensions and consumer benefit payments and are used in a range of other contexts.[74] Virgin Media O2 commissioned a report that suggested that consumers "have a good understanding of 'a price increase in line with inflation'", drawing from research focused on the rail sector.[75] Similarly, Gamma suggested that the existence of the State Pension triple lock, which takes into account CPI, is evidence that consumers understand this measure.[76]

3.20 In our view, these providers did not show evidence of how well people understand inflation in these other contexts, or how such understanding would help people to work out how much they will pay in their telecoms and pay TV contracts with inflation-linked price variation terms.[77] Moreover, by contrast with communications products, products such as mortgages and pensions investment typically involve financial commitments over longer

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[67] See Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Mobile)*, slide 12; and Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Broadband),* slide 13

[68] See Which?, *The benefit of certainty*, 2023, section 4.2.

[69] See Citizens Advice, *Dialling up prices*, 2023, section 2, page 12, .

[70] [✂] provided research documents which found that 67% of respondents had little understanding of RPI: [✂] provided in [✂] response to our statutory information request.

[71] BT Group response, page 6; Sections 4.3.1 and 4.4 of Oxera report for Virgin Media O2; Gamma response, page 6; Community Fibre response, page 2.

[72] BT Group response, page 6

[73] BT Group research report titled 'Yonder BT mid-contract price increases study, December 2022'. BT Group referred to this within its response to our consultation. It provided this report in full in its BT Group's 8 August 2023 response to our statutory information request. This shows the wording of the question was: [✂] followed by multiple choice answers. In response to this question, 33% of the participants did not give the accurate answer.

[74] Virgin Media O2 response, page 35.

[75] Sections 4.3.1 and 4.4 of Oxera report for Virgin Media O2.

[76] Gamma response, page 6.

[77] We note that the pricing methodologies in telecoms and the rail markets are not comparable. While rail fare increases are regulated in ways that take into account inflation, passengers know how much they pay at the point of sale and are not subject to contractual price rises linked to unknown inflation values.

periods and in relation to larger sums. There are stronger safeguards in place to ensure consumers understand the risks involved, while consumers regularly seek financial advice in relation to these risks. Therefore, we do not consider that these submissions undermine the inferences we have made from our research, carried out specifically to test consumers' understanding of inflation rates and their implications in the context of telecoms pricing.

3.21 Virgin Media O2 and Community Fibre raised some objections to our consumer research methodology,[78] suggesting that the wording and options of our research questions influenced responses on awareness and understanding of inflation.[79] Our view is that our consumer research methodology was robust: we used large, nationally representative sample sizes in our quantitative research, while our surveys were designed to ask questions in an appropriate, neutral and straightforward way. In addition, our analysis draws from multiple sources of evidence, as summarised in paragraphs 3.15-3.16, which consistently indicated a low level of consumer understanding of inflation-linked price variation terms. Therefore, we disagree with these providers' views about our consumer research methodology.

3.22 The Independent Networks Cooperative Association (INCA) suggested our consumer research findings would be different if it was conducted when inflation was lower.[80] It was not clear in what way INCA expected that the findings would be different, but we see no evidence that consumer understanding of inflation would change according to either high or low levels of inflation. For example, as set out in paragraph 3.15 above, our research found no significant change in consumer understanding between January and October 2023.

3.23 Overall, having considered stakeholders' responses, our view remains that consumers have limited understanding of measures of inflation.

Consumers find inflation-linked price variation terms complex and difficult to engage with

Our December 2023 consultation

3.24 We provisionally concluded that consumers find inflation-linked price variation terms complex and difficult to engage with. This was based primarily on our consumer research, which showed that, even among participants who are aware of inflation-linked price variation terms, many struggle to work out what these mean for the price they will pay.

Stakeholder responses and our assessment

3.25 Ofcom's Advisory Council for Northern Ireland (ACNI), the Communications Ombudsman, Hyperoptic and MoneySavingExpert agreed with our view and some respondents submitted further evidence showing that inflation-linked price variation terms are complex and difficult

[78] Community Fibre response, page 2; Virgin Media O2 response, page 10.

[79] Virgin Media O2 suggested that if we had used different survey questions it would have proved that consumers have a better general understanding of inflation. See Virgin Media O2 response, page 10. Community Fibre response, page 2, disputed our findings based on the question on the difference between RPI and CPI as it said that RPI is not always lower than CPI. However, as set out in Figure 2 RPI has been higher than CPI for the last 10 years.

[80] INCA response, paragraph 8.

for consumers to engage with.[81] BT Group, Verastar and Virgin Media O2 disagreed with our provisional view. We explain and address these responses as we assess the evidence below.

3.26 Our qualitative research highlights that shopping around for a deal is a time-consuming and confusing process for consumers and that inflation-linked price variation terms further complicate it.[82] It shows that, even among participants who were aware of inflation-linked price variation terms, many struggled to work out what these mean for the price they will pay.[83] Many participants found inflation-linked price variation terms confusing and poorly communicated, the terminology difficult to understand and that inconsistencies across providers made it hard for them to shop around.[84] Furthermore, in a hypothetical exercise where we asked participants to calculate what the monthly price would be after applying an inflation-linked price variation term, around two-thirds could not perform this calculation correctly.[85] Therefore, the evidence above indicates that consumers struggle to engage with inflation-linked price variation terms, i.e. that they do not understand what these terms mean for the price they will pay and shop around accordingly.

3.27 Our research suggests that low numeracy and consumers' overestimation of their abilities may be among the reasons why they could not calculate price rises accurately.[86] In the hypothetical exercise described above, a quarter of participants thought the calculation was difficult, but a third gave the price with only the CPI increase, not noticing the additional 3.9%. Four participants claimed that the calculation was easy but gave an incorrect answer. In the round, the exercise indicated that a proportion of participants overestimated their ability to calculate price rises.

3.28 Consistent with our findings, Hyperoptic submitted research that found that most respondents would not know how to work out inflation-linked price rises, found it complicated, or were over-confident in their ability to do so.[87]

3.29 Several providers did not agree with our analysis.[88] BT Group said that consumers are engaged with the telecoms market generally. It cited Ofcom's switching tracker, which showed "no change in the number of customers who have made changes to their broadband package" since the wider adoption of inflation-linked price variation terms. It also referred to analysis by Which?, which showed an increase in switching rates in mobile between 2018 and 2021.[89] We note that our 2023 ex-post evaluation of the Auto-Switch reforms,

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[81] ACNI response, page 2; Communications Ombudsman response, page 1; Hyperoptic response, page 2; MoneySavingExpert response, pages 3-4; and Which? response, page 2.

[82] See Ofcom, *Inflation-linked price rises: qualitative research report*, sections 3.2 and 4.3.

[83] See Ofcom, *Inflation-linked price rises: qualitative research report,* section 3.2. Participants completed a pre-task simulating the mobile / broadband contract research and decision-making process and a price increase calculation exercise. Participants were asked to limit their research to a maximum of 20 minutes. As noted in the qualitative research report, some participants would easily have been able to carry on researching far beyond this timeframe.

[84] See Ofcom, *Inflation-linked price rises: qualitative research report*, sections 3.2 and 4.3.

[85] See Ofcom, *Inflation-linked price rises: qualitative research report*, section 4.2. Participants were asked to imagine they had a monthly contract for £40, with inflation-linked price variation terms, and work out what the monthly cost would be when the price rise was applied in April 2024. They were told that the CPI in January 2024 would be 8.5%.

[86] See Ofcom, *Inflation-linked price rises: qualitative research report*, section 4.2.

[87] Hyperoptic response, page 2.

[88] BT Group response, page 2; Verastar response, paragraph 3.2; and Virgin Media O2 response, page 10.

[89] BT Group response, pages 9-10.

introduced in 2019, showed that switching increased following their introduction and that Auto-Switch may have contributed to this increase.[90] Notwithstanding this, we do not consider that switching trends are indicative of consumers' ability to understand inflation-linked price variation terms or the impact these terms may have on what consumers will pay. More generally, we consider that customers are more likely to benefit from switching, or re-contracting with their provider, where they are well-informed about pricing.

3.30 Verastar and Virgin Media O2 suggested that the first month's price is an adequate proxy for comparing deals, because the inflation-linked price variation terms used, or the percentage increases across providers, are similar.[91] We disagree with this view. Consumers need to know how much they will pay for their contract overall, not just in the first month, and inflation-linked price variation terms make that difficult. In addition, knowing the first month's price is not sufficient for comparing deals where providers use inflation-linked price variation terms with different measures of inflation or fixed percentage uplifts (a finding confirmed in our qualitative research).[92]

3.31 Other research provides further evidence of the difficulties consumers face when engaging with inflation-linked price variation terms. For example, Which? found that only one in twenty consumers were capable of estimating the impact of inflation-linked price variation terms on their monthly price.[93] Similarly, one provider's internal research suggested that the large majority of customers did not know prices would increase by more than the rate of inflation.[94] This implies that customers were not aware of, or did not understand, how the additional percentage price increase was being applied. More generally, Ofcom's switching tracker shows that 2 in 10 customers (18%) are not confident in comparing costs of the various deals available in the market.[95]

3.32 These challenges that consumers face can be explained in part by low numeracy skills. For example, UK Government research in 2011 found that approximately half of the UK's working age population had a level of numeracy skill below that where they would be expected to be capable of calculating simple percentages.[96]

3.33 Finally, a report for Virgin Media O2 suggested that, if consumers found inflation-linked price variation terms complex, then market forces would lead to simpler pricing structures over time, as some consumers "avoid purchasing products that feature complicated pricing

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[90] Ofcom, *Ex-post evaluation of our mobile switching reforms,* 2023.

[91] Verastar response, paragraph 3.2; and Virgin Media O2 response, page 10.

[92] See Ofcom, *Inflation-linked price rises: qualitative research report*, section 3.2.

[93] Which? research took respondents through a series of steps exploring awareness of what CPI and RPI are, estimation of future CPI and calculating the likely price after an inflation-linked price rise. Considering all steps implies that only 5% of respondents were able to estimate the impact of inflation-linked price variation terms. Which?, *Customer knowledge and understanding of mid-contract price rises*, 2023.

[94] [✂] provided consumer research which found that only two in ten [✂] customers (19%) knew that their bill may increase each year by more than the rate of inflation: [✂] provided in [✂] response to our statutory information request.

[95] Ofcom, *Ofcom Core Switching Tracker Study 2023*, October 2023.

[96] See Figure 1.2 of Department for Business Innovation & Skills, *The 2011 Skills for Life Survey: A Survey of Literacy, Numeracy and ICT Levels in England*, December 2012, which shows that 49% of UK adults aged 16-65 had a numeracy level at or below Entry Level 3. An adult with a numeracy skill level at or below Entry Level 3 is not expected to understand how to calculate simple percentages. For the definitions of the adult numeracy skill levels, see National Numeracy, What do adult numeracy 'levels' mean?, 2023

terms".[97] In reality, and contrary to this contention, in the last four years we have seen major providers converge in adopting complex inflation-linked pricing structures. We believe this trend reflects consumers' lack of ability to understand inflation-linked price variation terms, which in turn has affected the incentives of providers to use these pricing structures and how they compete (as we explain further in paragraphs 3.69-3.77 below).

3.34 Overall, we remain of the view that inflation-linked price variation terms are complex and difficult for consumers to engage with.

Consumers with certain vulnerabilities experience particular difficulties in engaging with inflation-linked price variation terms

Our December 2023 consultation

3.35 We provisionally concluded that consumers with certain vulnerabilities experience particular difficulties in engaging with inflation-linked price variation terms. Our provisional conclusion was based on our consumer research and informed by research by consumer organisations.

Stakeholder responses and our assessment

3.36 The ACNI, Citizens Advice, Hyperoptic and Tesco Mobile agreed with our view that vulnerable consumers are likely to struggle to engage with inflation-linked price variation terms.[98] Most other responses did not comment specifically on this provisional conclusion.

3.37 Our quantitative research shows that customers with certain vulnerabilities tend to have lower awareness and understanding of inflation-linked price variation terms than an average customer.[99] In particular:

- Awareness of CPI and RPI is lower among the most financially vulnerable and those with a mental health condition.[100]
- Our January 2023 survey suggested that respondents with a disability are more likely to lack confidence in knowing where to look for information on inflation rates.[101]
- Our January 2023 survey suggested that broadband respondents who reported having a mental health condition are significantly more likely than other respondents to be unaware of whether their provider applies price rises during the contract period. However, our October 2023 survey did not show such differences.[102]

[97] Oxera report for Virgin Media O2, page 48.
[98] ACNI response, page 2; Citizens Advice response, page 11; Hyperoptic response, page 3; and Tesco Mobile response, page 1.
[99] Vulnerable consumers include those with physical or mental health problems, specific characteristics such as age or literacy skills, or changes in personal circumstances such as bereavement, job loss or changes in household income.
[100] See Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Mobile)*, slide 11; and Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Broadband),* slide 12.
[101] See Ofcom, *Inflation-linked price rises: quantitative survey data tables (Mobile) – January 2023*, table 71, question 19; and Ofcom, *Inflation-linked price rises: quantitative survey data tables (Broadband) – January 2023*, table 71, question 19.
[102] See Ofcom, *Inflation-linked price rises: quantitative survey data tables (Broadband) – January 2023*, table 35, question 10.

3.38 Furthermore, our qualitative research shows that participants with financial vulnerability or a lower degree of literacy or numeracy struggled more than others with understanding inflation-linked price variation terms. Of the seven participants with these characteristics in our hypothetical price rise exercise, five reported that the calculation was difficult or very difficult for them.[103]

3.39 Similarly, research conducted by Which? found that people with a disability, people with lower levels of educational attainment or people on lower incomes are all less likely to be aware of what CPI and RPI measure, to be able to forecast future inflation or calculate a price rise.[104] Citizens Advice research found that people with a disability are significantly less likely to feel confident comparing deals on a price comparison website than people without a disability.[105] We did not receive any evidence to the contrary in response to our consultation.

3.40 Overall, our analysis shows that consumers with certain vulnerabilities, including mental health conditions, disability, financial vulnerability or low numeracy, may experience particular difficulties in engaging with inflation-linked price variation terms.

Inflation-linked price variation terms create price uncertainty

Our December 2023 consultation

3.41 We provisionally concluded that inflation-linked price variation terms create price uncertainty and that volatile inflation exacerbated price uncertainty and further limited consumers' ability to understand and compare prices. This was because the rate of future inflation is unknown and most consumers cannot know reliably how much they will pay for a deal with inflation-linked price variation terms. Longer contracts, with multiple inflation-linked price rises, exacerbate this uncertainty.

Stakeholder responses and our assessment

3.42 Gamma, INCA, TalkTalk and Virgin Media O2 noted that inflation has fallen or stabilised recently and suggested that price uncertainty faced by consumers from inflation-linked price variation terms has subsided.[106] Gamma suggested that consumer sentiment against inflation-linked price rises would become less acute when inflation returns to target level.[107]

3.43 As explained in section 2, inflation has been volatile during the past few years. We acknowledge that the rate of inflation has fallen since early 2024 from a peak in 2023. However, consumers have limited ability to predict inflation even during periods when inflation is relatively low (see paragraph 2.12) and our research shows that most consumers do not understand inflation measures and do not know how to find information about inflation rates (paragraphs 3.15-3.16). We note Gamma's suggestion that consumer sentiment might change when inflation returns to target levels. This could well be the case;

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[103] See Ofcom, *Inflation-linked price rises: qualitative research report*, section 4.2. Our qualitative research included in-depth interviews with participants who were financially vulnerable, or with lower literacy or numeracy skills.

[104] See Which?, *Customer knowledge and understanding of mid-contract price rises*, 2023, table 1.

[105] Citizens Advice, *Dialling up prices*, 2023.

[106] INCA response, paragraph 6; Gamma response, page 2; TalkTalk response, page 6; Virgin Media O2 response, pages 18-19.

[107] Gamma response, page 2.

however, it does not change the fact that price uncertainty remains. Therefore, recent falls in inflation rates do not change our view that inflation-linked price variation terms create price uncertainty for consumers.

Typical point-of-sale explanations of inflation-linked price variation terms do not give consumers sufficient clarity

Our December 2023 consultation

3.44 We provisionally concluded that, across all sales channels, providers show inflation-linked price variation terms less prominently than headline prices and their details are explained only later in the sales journey.[108] This view was based on analysis of how providers presented and explained details about inflation-linked price variation terms to customers.[109] We also found that digital comparison tools do not provide additional clarity regarding how inflation-linked price variation terms will impact the price consumers pay throughout their contract period.

Stakeholder responses and our assessment

3.45 MoneySavingExpert agreed that providers do not communicate inflation-linked price rise terms effectively and suggested that customers find providers' explanations difficult to engage with.[110] Virgin Media O2 disputed our provisional conclusions on whether typical point-of-sale explanations of inflation-linked price variation terms give customers clarity and certainty about what they will pay.[111]

3.46 As set out in paragraph 2.16, if providers wish to apply inflation-linked price variation terms, our rules require them to ensure that those terms are sufficiently prominent and transparent before the customer becomes bound by the contract, such that the customer can be said to have agreed on an informed basis. If a provider does not do so, any increase to prices during the fixed term of a contract would be subject to our rules on contractual modifications, which would require the provider to notify the customer in advance and give the customer a right to exit their contract without penalty. The provider must also ensure that the customer is fully informed about the different amounts that they would have to pay at different times. Our current guidance[112] sets out that providers should include in Contract Information a worked example to explain how an inflation-linked price variation term is likely to affect the price that customers pay.

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[108] We have received a number of consumer complaints in which complainants said that sales agents did not notify them of inflation-linked price variation terms during sales calls. While we cannot verify the specifics of these complaints, this could suggest (in combination with evidence from sales scripts) that sales agents may not in all cases draw information on these terms to the customer's attention, prominently and sufficiently early, to enable customers to make an informed decision.

[109] We asked providers to submit screen shots, call scripts, or any other relevant visual evidence or documentation, which showed how they informed customers of price variation terms. This was provided in providers' responses to questions 15 to 22 of our statutory information request.

[110] MoneySavingExpert response, pages 3-4.

[111] Virgin Media O2 response, pages 21-25 and 35.

[112] That is, our guidance that applies at the time of publishing this statement, rather than the guidance that will apply after the end of the six-month implementation period referred to in section 5. See Ofcom, *Ofcom's guidance under General Condition C1 – contract requirements (June 2022)*.

3.47 The analysis set out in our consultation showed that, for online customers, providers tended to show inflation-linked price variation terms much less prominently and later in the sign-up process than headline prices. While many providers used a dedicated web page and some provided tools to explain inflation-linked price variation terms, these resources were not clearly signposted to customers. Similarly, for customers signing up by phone or in-person, some providers' sales agents explained inflation-linked price variation terms verbally for the first time only after the customer had chosen their package.[113]

3.48 Virgin Media O2 suggested we had not adequately considered the effect of existing regulatory interventions (such as the worked example required in Contract Information).[114] Similarly, Community Fibre said it is largely irrelevant whether customers understand inflation measures as providers should include a worked example.[115] In our view, worked examples pursuant to our guidance are not enough to ensure consumers understand the prices they will pay on contracts with inflation-linked price variation terms. In our qualitative research none of the participants reported having seen any worked example in their contractual documents.[116] Furthermore, the inflation rates used on worked examples are typically illustrative and do not necessarily correspond to how much consumers will pay.

3.49 Our December consultation also set out that price comparison websites typically did not provide clarity regarding how inflation-linked price variation terms will impact the price customers pay throughout their contract period. We have not received any responses or seen further evidence suggesting the contrary.

3.50 We note that, since our consultation, guidance from the Committee of Advertising Practice (CAP) and Broadcast Committee of Advertising Practice (BCAP) on the presentation of in-contract price increases in telecoms ads has taken effect, requiring providers to display inflation-linked price variation terms prominently in adverts and marketing communications alongside headline prices.[117] Community Fibre, Verastar and Virgin Media O2 said that we have not taken account of the impact of new guidance.[118] Virgin Media O2 suggested this guidance could increase awareness and understanding of these terms drive providers to compete with respect to their pricing structures.[119] Our consultation recognised that the CAP/BCAP guidance could improve awareness in principle. However, we believe that displaying inflation-linked price variation terms prominently is not sufficient to ensure consumers understand how they impact the prices they will pay, with clarity and certainty, given the other steps required to engage with them (see Figure 3). Furthermore, this guidance does not apply to verbal communication between providers and customers (many customers will sign up to new deals after discussing with sales agents). Therefore, the CAP/BCAP guidance does not sufficiently address our concerns.

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[113] Although in accordance with our rules, before the customer expressed consent to enter the contract.

[114] Virgin Media O2 response, pages 21-25 and 35.

[115] Community Fibre response, page 2.

[116] See Ofcom, *Inflation-linked price rises: qualitative research report*, section 4.6.

[117] For more information see CAP / BCAP, *Guidance on the presentation of mid-contract price increases in telecoms ads*, 2023. The guidance came into effect in December 2023.

[118] Community Fibre response, page 3; Verastar response, page 4; Virgin Media O2 response, pages 21-25 and 35.

[119] Virgin Media O2 response, pages 21-25 and 35.

3.51 In conclusion, our view remains that, even if providers explain inflation-linked price variation terms to customers based on our existing rules and guidance and display these terms prominently, this is insufficient to give consumers sufficient clarity and certainty about what they will pay over the contract period.

There is consumer harm from inflation-linked price variation terms

3.52 Effective consumer engagement plays a key role in ensuring good outcomes in the market. Engaged consumers are more likely to make informed choices and drive providers to compete effectively. However, our analysis above shows that consumers struggle to engage with inflation-linked price variation terms due to the multiple cumulative challenges these terms present, particularly to consumers' awareness and understanding of price rise terms and to clarity and certainty about what they will pay. These challenges mean inflation-linked price variation terms can adversely affect outcomes for consumers.

3.53 In our December consultation, we explained how inflation-linked price variation terms could harm consumers due to their impact on cognitive burden and the ability to make an informed choice, on the effectiveness of competition and on the financial risks that consumers bear. We considered that both residential customers and small business customers could experience these harms.

3.54 In their consultation responses, most consumer organisations, public bodies and individual respondents, as well as some providers, agreed with our assessment of consumer harm.[120] However, a few providers and trade bodies disagreed that inflation-linked price variation terms may harm consumers or raised questions about aspects of our assessment.[121]

3.55 In this section we set out our conclusions that inflation-linked price variation terms:

- Increase cognitive burden and can lead to consumers not finding the best deal for their needs (see paragraphs 3.57-3.68).
- Limit consumer engagement, which in turn can reduce the effectiveness of competition (paragraphs 3.69-3.77).
- Impose unfair financial risks on consumers (paragraphs 3.78-3.98).

3.56 We also explain that small business customers are likely to be in the same position as residential customers (paragraphs 3.99-3.104).

[120] ACNI response, pages 1-2; Careful Trouble response, pages 1-2, Citizens Advice response, page 11; Citizens Advice Scotland response, page 1; CMA response, page 2-3; Communication Ombudsman response, page 1; CCNI response, page 12; Consumer Scotland response, paragraph 14; INCA response, paragraph 6; MoneySuperMarket response, page 1; MoneySavingExpert response, pages 4-8, Over50sMoney response, page 3, Tesco Mobile response, page 1; Uswitch response, page 3; Utility Warehouse response, page 11; Which? response, page 2.

[121] BT Group response, page 2; Community Fibre response, pages 1-3; Federation of Communication Services response, pages 2-3; TalkTalk response, page 5; Comms Council UK response, page 1; and Gamma, page 3.

Inflation-linked price variation terms increase cognitive burden and can lead to consumers not finding the best deal for their needs

Our December 2023 consultation

3.57 We provisionally concluded that inflation-linked price variation terms increase consumers' cognitive burden and can lead to consumers not finding the best deal for their needs. We said that these terms can impose particular cognitive burden on consumers with certain vulnerabilities.

Stakeholder responses and our assessment

3.58 Careful Trouble, Citizens Advice, Hyperoptic and Which? agreed with our view about the impact of inflation-linked price variation terms on consumers' choices and the cognitive burden they experience.[122] Some stakeholders disagreed with our view, which we consider as we set out our assessment below.

3.59 Price plays a central role in consumers' choice of broadband and mobile services. Our qualitative research confirms this, as does previous Ofcom research.[123] Inflation-linked price variation terms are an important component of price. However, consumers need to go through multiple cumulative steps to work out the actual price of a deal with inflation-linked price variation terms (see Figure 3).

3.60 The evidence shows that most consumers have low awareness and understanding of inflation-linked price variation terms (see paragraphs 3.7-3.12) and struggle to engage with them effectively (paragraphs 3.24-3.34). Therefore, in practice, consumers cannot reliably work out what they will pay for a deal subject to inflation-linked price variation terms. This can harm consumers in the following ways:

- Consumers may not choose the best value deal for their needs. For example, if consumers do not take account of inflation-linked price variation terms, they could choose a deal that, despite having a lower headline price, is more expensive over the contract period than a deal with a higher headline price but without price variation terms.
- Inflation-linked price variation terms increase cognitive burden on consumers, including the time and effort they need to understand prices and to shop around, even among consumers who can engage with the terms. Other examples of this effect are that consumers may misjudge the best time to enter a new contract (because they fail to take into account an upcoming price rise) or how many price rises they will experience.[124]

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[122] Careful Trouble response, page 1; Citizens Advice response, page 12; Hyperoptic response, page 2-3; and Which? response, page 2.

[123] Participants in our qualitative research ranked price as the most important factor to their purchasing decision, see Ofcom, *Inflation-linked price rises: qualitative research report*, section 3.3. Also see previous Ofcom research: Ofcom, *Switching Experience Tracker*, 2022, table 45 question 13.

[124] Some providers do not apply inflation-linked price variation terms to new contracts starting between February and April until the following March/April, so that, even with a two-year Commitment Period, some customers will face only one annual price rise. However, even where providers offer a period of protection from in-contract price rises, these terms may differ between them and hence can make comparisons across providers even harder.

Inflation-linked price variation terms add complexity to the already time-consuming process of finding a deal.

3.61 BT Group stated that Ofcom's current requirements for providers to supply Contract Information and Contract Summary are intended to reduce the cognitive burden faced by consumers.[125] We recognise that existing rules seek to improve consumer understanding of prices, but our analysis above indicates that they are not enough to ensure price clarity and certainty for consumers where providers have inflation-linked price variation terms (paragraphs 3.44-3.51) and consumers' awareness and understanding of these terms remain low (paragraphs 3.7-3.12).

3.62 Further, as we set out in our consultation, behavioural economics insights support our view that inflation-linked price variation terms can adversely affect consumers.[126] In our Fairness Framework, we identified several behavioural biases that can explain why consumers struggle to engage with inflation-linked price variation terms and how they can result in consumers not finding the right deal for their needs.[127]

3.63 A report for Virgin Media O2 suggested that we should have assessed the behavioural insights in the context of the competitive UK telecoms market.[128] We agree that this context is important. As explained in paragraphs 3.7-3.51, we have assessed a range of evidence that shows that UK telecoms consumers struggle to engage with inflation-linked price variation terms. The behavioural biases that explain why consumers fail to choose effectively are consistent with our research findings.

3.64 We have considered the impact of inflation-linked price variation terms on consumers with vulnerabilities. Our qualitative consumer research shows that consumers with financial vulnerabilities or a low degree of literacy or numeracy tend to experience more difficulties in understanding inflation-linked price variation terms than consumers on average (paragraphs 3.35-3.40).

3.65 Several stakeholders agreed with our assessment of the impact of inflation-linked price variation terms on vulnerable consumers.[129] The ACNI further suggested that the additional challenge of dealing with complexity can cause vulnerable customers to become disengaged in the market.[130]

3.66 In contrast, Virgin Media O2 said that it does not target inflation-linked price rise contracts at financially vulnerable customers and actively tries to steer these customers onto other products to mitigate the risk of applicants signing up to products they cannot afford.[131]

3.67 While we acknowledge the support available to some consumers, our consumer research indicates that some financially vulnerable consumers continue to take up contracts with

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[125] BT Group response, page 9.

[126] We set out relevant behavioural economics insights in further detail in a supporting document to our December 2023 consultation, *Inflation-linked price rises: relevant behavioural economics concepts*.

[127] See Ofcom, *Making communications markets work well for customers*, 2022, paragraphs 2.4, 3.21-3.27.

[128] Oxera report for Virgin Media O2, section 1.2.3 and section 4.

[129] ACNI response, page 1; Citizens Advice response, page 11; Hyperoptic response, page 4; and Tesco Mobile response, page 1.

[130] ACNI response, page 1. ACNI explained that vulnerable customers may "end up paying more, receiving an inferior service or not getting the support they are entitled to" as a result.

[131] Virgin Media O2 response, pages 28-29.

inflation-linked price variation terms and struggle to engage with these terms.[132] As such, the availability of support measures to some vulnerable consumers does not change our view that inflation-linked price variation terms create particular cognitive burden for these consumers.

3.68 For the reasons explained above, we conclude that inflation-linked price variation terms increase cognitive burden and search costs for consumers and make it harder for consumers to find the right deals.

Inflation-linked price variation terms limit consumer engagement and reduce the effectiveness of competition

Our December 2023 consultation

3.69 Our provisional view was that the widespread adoption of inflation-linked price variation terms reduces the clarity and certainty consumers have about pricing and hence limits consumer engagement with the market. This in turn can make the competitive process less effective and reduce the availability of deals with pricing structures that are certain, transparent and understandable in the markets. Less effective competition can ultimately harm consumers.

Stakeholder responses and our assessment

3.70 The CMA, Hyperoptic, MoneySavingExpert and Which? agreed with our view that inflation-linked price variation terms can impact the effectiveness of competition in the market.[133] However, BT Group and Virgin Media O2 disagreed with our view.[134]

3.71 In our assessment, the notion that strong consumer engagement spurs competition is well established in economic literature and in our past decisions.[135] [136] In markets where consumers can readily understand and compare prices, consumers are more confident in shopping around for deals from different providers and providers have greater incentives to compete. That means clarity and certainty of prices can enable consumers to make more informed choices, and in turn, also make competition more effective.

3.72 Our view is that inflation-linked price variation terms can undermine the competitive process. Our analysis shows that inflation-linked price variation terms make it hard for consumers to work out prices reliably and to compare deals between providers (paragraphs 3.7-3.51). Our qualitative research showed that participants often assumed that all providers

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[132] For example, see Table 46, question 12 of Ofcom, *Inflation-linked price rises: quantitative survey data tables (Mobile) – October 2023* and table 46, question 12 of Ofcom, *Inflation-linked price rises: quantitative survey data tables (Broadband) – October 2023*. Also see Ofcom, *Inflation-linked price rises: qualitative research report*, section 4.5.

[133] CMA response, paragraph 7; Hyperoptic response, page 3; MoneySavingExpert response, page 4-5; and Which? response, page 2.

[134] BT Group response, page 4; Virgin Media O2 response, pages 5-8.

[135] For example, see Fletcher, A, *Disclosure as a tool for enhancing consumer engagement and competition*, 2021 and Bennett, M, Fingleton, J, Fletcher, A, Hurley, L & Ruck, D, *What does behavioral economics mean for competition policy?*, 2010.

[136] For example, see Ofcom, *Quick, easy and reliable switching: Statement on changes to the General Conditions*, 2022, which states that customers need to be able to switch telecoms providers easily so that they can take advantage of competition in communications markets, and effective switching is also important to support future competitive investment.

applied inflation-linked price variation terms and hence thought they had no alternative but to accept the terms, rather than shop around.[137] This lessened participants' engagement with the market, which can make the competitive process less effective.

3.73 We have specifically considered how consumer behaviour in response to inflation-linked price variation terms might affect providers' incentives to compete. Our analysis shows that consumers tend to focus on headline prices but overlook inflation-linked price variation terms and that they cannot work out what they will pay across the contract period (paragraph 3.9). We consider that, in response to such consumer behaviour, providers may have a greater incentive to compete by lowering headline prices (as this is the most salient price component to consumers), rather than by lowering actual prices over the entire contract period (which most consumers cannot work out). This can put providers that are clear and transparent about actual prices at a competitive disadvantage, for example because providers using a fixed price for the entire contract period may look more expensive at the headline price level. Hyperoptic and Which? supported this view.[138]

3.74 Our view is also consistent with our finding from internal documents, that smaller providers mentioned "alignment with the market" as a reason for introducing inflation-linked price variation terms, even though some of them recognised other pricing structures would be clearer to consumers.[139] [140]

3.75 BT Group and Virgin Media O2 did not agree that inflation-linked price variation terms undermine competition. They stated that inflation-linked price variation terms provide incentives for consumers to engage in the market and help drive competition between providers.[141] We note that neither provider offered evidence to support this contention. Contrary to their views, we consider that competition is most effective when consumers can respond to clear and certain pricing signals; by contrast, inflation-linked price variation terms are opaque and uncertain and fail to provide such pricing signals to consumers.

3.76 Virgin Media O2 stated that, even in markets with consumers who lack awareness about price, competition for engaged consumers and providers' reputational concerns can be sufficient to deliver good outcomes for consumers.[142] Virgin Media O2 further suggested that some providers focus on "contract structure as a competitive differentiator" and invest in marketing the benefits of fixed price contracts.[143] While this may be the case in some

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[137] See Ofcom, *Inflation-linked price rises: qualitative research report*, section 4.3. At the time, there were contracts available on the market that did not include inflation-linked price variation terms.
[138] Hyperoptic response, page 3-5; Which? response, page 2.
[139] [✂] notes that its adoption of inflation-linked in-contact price variation terms is, in part, due to [✂]: [✂] provided in [✂] response to our statutory information request. In [✂] response to our statutory information request, the [✂] considers the pros and cons of different price variation rates. It notes that moving to a variable rate has the advantage of aligning to the market. In the [✂] provided in [✂] response to our statutory information request, it states that moving to an inflation-linked price variation term brings its policy in line with the market.
[140] We note the CMA's recent observation that inflation-linked price variation terms are an example of "strategic price interactions between the MNOs". This is consistent with our view that inflation-linked price variation terms are relevant to competition and might lead to the competitive process working less effectively. See CMA, *Anticipated joint venture between Vodafone Group Plc and CK Hutchinson Holdings Limited concerning Vodafone Limited and Hutchinson 3G UK Limited*, 2024, page 130.
[141] BT Group response, page 5; and Virgin Media O2 response, page 27.
[142] Virgin Media O2 response, page 23-24.
[143] Virgin Media O2 response, page 17.

circumstances, the evidence shows that most consumers are not informed enough about comparative pricing when inflation-linked price variation terms are used (paragraph 3.26). Therefore, challenges persist for consumers comparing deals. In our view, even if some providers market fixed price contracts, or if a minority of customers are better able to engage with inflation-linked price variation terms or to choose tariffs without these terms, we do not think they would provide sufficient competitive pressure to providers to protect less engaged customers on contracts with inflation-linked price variation terms. Moreover, it does not appear that reputational concerns are sufficient to prevent harm from inflation-linked price variation terms.[144]

3.77 One of our objectives is to drive competition based on clear, certain and transparent pricing structures. However, inflation-linked price variation terms do not have these characteristics and our view remains that they limit consumer engagement, which undermines the effectiveness of competition.

Inflation-linked price variation terms can impose unfair financial risks on consumers

Our December 2023 consultation

3.78 We provisionally concluded that inflation-linked price variation terms create price uncertainty and impose unfair financial risks on consumers, which can be particularly harmful for low-income consumers. We said that providers are better placed to manage financial risks than consumers, as they have a wide range of tools to manage and mitigate the impact of inflation. We also provisionally concluded that we had not seen clear evidence of a direct link between providers' costs and the inflation-linked price variation terms they have adopted.

Stakeholder responses and our assessment

3.79 All consumer organisations, public bodies and price comparison websites that responded to our consultation agreed with our view that providers are better placed than consumers to manage financial risks and that consumers face unfair burden and risks from inflation-linked price variation terms.[145] Some individual respondents explained how price uncertainty from inflation-linked price variation terms had affected their ability to manage their budgets.[146]

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[144] As summarised in paragraph 3.50, Virgin Media O2 suggested that the new CAP/BCAP guidance and Ofcom's June 2022 contract summary and contract information guidance will drive providers to compete on pricing structure, which we should consider when thinking about the impact on the competitive process. We acknowledge the CAP/BCAP guidance may improve customer awareness of inflation-linked price variation terms in some channels. However, we do not consider it sufficient to ensure price clarity and certainty and to sufficiently address our concerns.

[145] Careful Trouble response, page 1; Citizens Advice response, pages 11-12; Citizens Advice Scotland response, page 1; CMA response, page 3; Communication Ombudsman response, page 1; Consumer Scotland response, page 2; ACNI response, pages 2-3; MoneySavingExpert response, page 6; MoneySuperMarket response, pages 1-2; Over50sMoney response, page 1-3; Uswitch response, page 1; and Which? response, pages 2-3.

[146] For example, see responses from [✂], [✂] and [✂].

3.80 Providers expressed mixed views.[147] Utility Warehouse agreed with our view and questioned the fairness of other providers using inflation-linked price variation terms, given the limited relevance of some components of CPI to the sector.[148] Hyperoptic supported the view that financially-vulnerable consumers and those with lower educational attainment are particularly likely to be impacted.[149] Some smaller providers agreed that providers are better placed than consumers to manage inflation risks, but qualified that they are less able to do so than larger providers.[150] BT Group and Virgin Media O2 disagreed with our view about the financial risks imposed on consumers.[151]

Price uncertainty can impose financial risks and harm consumers

3.81 In previous decisions, we have set out our view that providers should generally bear the risk of cost increases during the lifetime of fixed-term contracts.[152] We have also stated that, if an increase in prices is seen to be delivered in a way that is unfair, such as resulting in unexpected price increases for customers in their minimum commitment period, this could diminish consumer engagement, undermine confidence in the market and weaken competition.[153]

3.82 Despite consumers' preference for certainty, as evidenced in our research and corroborated in research by other organisations,[154] they have faced greater price uncertainty with respect to communications services than before. This is due to the widespread adoption of inflation-linked price variation terms and the unpredictability of inflation.

3.83 Price uncertainty can impose financial risks on consumers and has a direct adverse impact on them. In the period January to October 2023, Ofcom received over 800 consumer complaints related to price rises, almost double the volume of complaints received in January to October 2021. Some complainants highlighted that uncertainty created by inflation-linked price variation terms can lead to unanticipated changes in their budgets, amongst other concerns.[155]

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[147] Community Fibre response, pages 1-3; Hyperoptic response, page 4; INCA response, paragraph 6; Gamma response, page 2; TalkTalk response, page 6; Utility Warehouse response, page 4; and Virgin Media O2 response, page 31.
[148] Utility Warehouse response, page 4.
[149] Hyperoptic response, page 4.
[150] Comms Council UK response, paragraph 12; FCS response, page 3; and Gamma response, page 5.
[151] BT Group response, pages 2, 4-5 and 9-10; and Virgin Media O2 response, pages 27-29.
[152] See Ofcom, *Price rises in fixed term contracts*, 2013, paragraphs 6.120-6.143.
[153] See Ofcom, *Ofcom's future approach to mobile markets and spectrum: Conclusions paper*, 2022, paragraph 5.27.
[154] Most participants in our qualitative consumer research expressed a preference for price certainty. See Ofcom, *Inflation-linked price rises: qualitative research report*, section 5.5. Research conducted by other organisations show similar findings. For example, see Which?, *The benefit of certainty*, 2023; [✂] consumer research provided in [✂] in its [✂] response to our statutory information request; and [✂] consumer research provided in [✂] in it [✂] response to our statutory information request. However, a [✂] survey suggests that consumers may not be willing to pay a substantial premium for certainty as only one in five preferred a fixed price contract with a much higher headline price than other options with inflation-linked price variation terms: [✂] provided in [✂] response to our statutory information request.
[155] They expressed concerns such as that: (i) they were struggling to plan for unknown future price rises which could exceed their budgets (e.g. "It doesn't allow accurate budgeting and a bill can quickly become

3.84 Several providers suggested that we should not draw firm conclusions based on complaints to Ofcom.[156] However, we consider that this data illustrates the challenges that some consumers subject to inflation-linked price rises face; they are not the only source of our evidence, but they are nevertheless consistent with other evidence.

3.85 Our consumer research also shows that inflation-linked price variation terms have had an adverse impact on some consumers. For example:

- In our October 2023 quantitative research, we asked consumers what effect the price rise in March/April 2023 had on them. Many customers who experienced a price rise said they were "annoyed" by the price rise (36% mobile, 49% broadband) and some said they had to adjust their budget (9% mobile, 11% broadband).[157] A small minority said they had difficulty affording the increased price.[158] However, we note that other customers who experienced a price rise said they did not notice it, either because they could afford it (15% mobile, 12% broadband) or because they found it quite small (20% mobile, 11% broadband).
- Our qualitative research also shows that participants felt annoyed or resigned to inflation-linked price rises. Moreover, some participants felt that those on low incomes or fixed budgets, for example pensioners or students, would be at particular risk of negative impacts from unexpected price rises.[159]

3.86 BT Group said our qualitative research showed that price rises were expected, small, affordable and understood.[160] Further, it suggested that inflation-linked price increases do not lead to large increases in household spending.[161] In its view, our research did not support the argument that inflation-linked price variation terms increase financial risk for customers.

3.87 We do not agree with BT Group's interpretation of our research. We consider that price uncertainty and financial risks can adversely affect consumers in various ways, including but not limited to the impact on their ability to afford communications services. For example, our qualitative consumer research indicates that price certainty is important for consumers for planning household budgets.[162] Further, contrary to BT Group's suggestion that price

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unaffordable for the remaining 24-month contract"); (ii) it was unfair to sign up to a contract subject to an unavoidable and unpredictable price rise (e.g. "It is inherently unfair to get someone to sign up for an amount that at the time is unknowable"); and (iii) they regretted taking out a long contract subject to unpredictable price rises (e.g. "Had I known that the increase would be nearly 15%…I would not have taken out a 24-month contract").

[156] Community Fibre response, pages 1-3; TalkTalk response, pages 6-7; and Virgin Media O2 response, pages 30-31.,

[157] See Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Mobile)*, slide 18; and Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Broadband),* slide 19.

[158] Five per cent of mobile participants and seven per cent of broadband participants reported they had difficulty paying the increased amount. See Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Mobile)*, slide 18; and Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Broadband)*, slide 19.

[159] See Ofcom, *Inflation-linked price rises: qualitative research report*, section 4.5.

[160] BT Group response, page 10.

[161] BT Group response, pages 2, 5 and 9.

[162] See Ofcom, *Inflation-linked price rises: qualitative research report*, section 5.5.

rises were understood, our evidence is clear that most consumers are not aware of, and do not understand, inflation-linked price variation terms (paragraphs 3.7-3.23).

3.88 In line with our research, evidence from other organisations shows that the financial burden from inflation-linked price variation terms can adversely affect consumers.

- Uswitch's consumer survey indicated that more than a quarter of consumers said an increase of £5 to their monthly mobile or broadband bill would cause them stress.[163]
- Citizens Advice's research noted that a third of consumers said it was difficult to predict their financial situation. Citizens Advice also highlighted the example of an individual, who was claiming Universal Credit, suffered from depression and anxiety and who had her mobile service cut off after being unable to pay bills following a price rise. This reportedly made her money issues worse, as she was unable to participate in an important interview, was sanctioned and not paid her claim.[164]
- MoneySavingExpert provided examples of consumers who experienced unexpected price rises from inflation-linked price variation terms, which reportedly exacerbated these consumers' financial challenges and physical or mental health issues.[165]
- Careful Trouble submitted evidence from June 2023 research, which identified that low-income households spend almost twelve times as much of their disposable income on broadband than the richest households.[166]

3.89 The evidence above indicates the impact of price uncertainty on lower-income households and how this can affect their ability to budget.

3.90 We consider that unanticipated price rises can be particularly harmful for low-income consumers. Ofcom's Affordability Tracker showed that, in January 2024, 9% of households with a mobile phone service and 8% of households with fixed broadband were struggling to afford the service.[167] [168] Our consumer research also suggests that financially vulnerable consumers have lower understanding of measures of inflation and tend to struggle more with understanding inflation-linked price rises, which may make them less able to anticipate or understand inflation-linked price rises.[169] [170] Taking these together, inflation-linked price variation terms can add financial burden to households that already struggle to afford communications services and that may understand these price rises less well.

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[163] Uswitch, *Four in five consumers say mid-contract mobile and broadband price rises are unfair as millions face hikes next April*, 2022.
[164] See Citizens Advice, *Dialling up prices,* pages 16-17.
[165] MoneySavingExpert response, pages 3-7.
[166] Careful Trouble response, page 2.
[167] Ofcom's *Communications Affordability Tracker* monitors consumers' attitudes and behaviours regarding the affordability of communications services and has been running since June 2020.
[168] While broadband and mobile social tariffs offering a lower-price service to those on qualifying benefits are available from many providers, most people who are eligible do not know about them and take up of these tariffs remains low as a proportion of eligible households, at 8.3%. See Ofcom, *Pricing Trends Report*, 2023.
[169] See Ofcom, *Inflation-linked price rises: qualitative research report*, section 4.5.
[170] The most financially vulnerable were more likely to give an incorrect response about what the CPI and RPI measure. See Ofcom*, Inflation-linked price rises: Summary of quantitative research findings (Mobile)*, slide 11; and Ofcom*, Inflation-linked price rises: Summary of quantitative research findings (Broadband)*, slide 12.

3.91 Virgin Media O2 and BT Group told us that providers offer affordability support and other measures for financially vulnerable customers, such as social tariffs.[171] We welcome the support that providers offer to vulnerable customers. However, not all vulnerable customers are financially vulnerable or eligible for social tariffs, and take-up of social tariffs remains relatively low.[172] Therefore, our view is that the availability of affordability measures is not sufficient to allay our concerns.

Providers are better placed than consumers to manage financial risk

3.92 We remain of the view that providers in general have more tools available to understand and mitigate inflationary risk relative to consumers. Our review of major providers' internal documents showed that many of them engage in multi-year financial planning processes based on a range of inflation scenarios.[173] This suggests that providers anticipate changes in finances over longer periods, accounting for unpredictable inflation in their normal course of business.

3.93 In addition, providers can set various parameters to manage their revenues to mitigate financial risks. For example, they are free to determine prices, taking into consideration competitive constraints and their own costs. Should costs increase in an unexpected way, providers can adjust the services they offer and their price. Providers are also free to design contract lengths and tariffs and choose which ones to promote to customers.[174] For example, if providers consider it riskier to provide longer contracts, they could offer shorter deals and promote them.

3.94 The Federation of Communications Services (FCS), Gamma and Verastar said that smaller providers are less sophisticated than larger providers in financial planning and risk management.[175] This may be so, but in our view, there is a significant difference between the ability of providers, of any size, to manage the risk of unanticipated increases in the costs of supplying communications services and the ability of consumers.

3.95 As noted in the consultation, some providers told us that inflation-linked price rises were explained by increases in costs and dealing with uncertainty around their costs of supply.[176] However, the evidence from our review of major providers' internal documents about their rationale for adopting inflation-linked price variation terms was mixed. Most of them put

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[171] BT Group response, pages 2, 4; and Virgin Media O2 response, pages 28-29.

[172] Fifty-five per cent of UK adults living in eligible households had not heard of social tariffs in October 2023 and only eight per cent of eligible households had taken them up in September 2023. See Ofcom, *Pricing Trends Report*, 2023. Consumer research referred to is online omnibus research among 2084 UK Adults ages 18+. Fieldwork conducted between 4-5 October 2023.

[173] For example, [✂], [✂], [✂], and [✂] provided internal documents, in response to question 23 and 25 of our statutory information request, which showed multi-year financial planning or financial planning with multiple inflation scenarios considered: [✂], [✂] and [✂].

[174] This is subject to certain requirements: mobile service, landline and broadband contracts must be no longer than 24 months (under GC C1.11) and they must offer contracts with a maximum duration of 12 months (C1.13): See Ofcom, *General Conditions of Entitlement*, 2023.

[175] FCS response, page 3; Gamma response, page 5; and Verastar response, pages 3-4.

[176] For example, in response to question 23 of our statutory information request [✂] response outlined the increase in cost over the past 2 years; [✂] response highlighted that it is experiencing increased costs; [✂] response outlined that consideration was given to the likely increases it would see it costs over time; and [✂] response explained that the price variation term was introduced to create a more accurate alignment between costs it was exposed to and what was passed on to customers.

more emphasis on raising revenues rather than covering costs as a rationale.[177] Even where increasing costs were mentioned, only two providers identified cost components (wholesale product costs) that are linked to measures of inflation directly.[178] We have not seen clear evidence of a direct link between providers' costs and the inflation-linked price variation terms they have adopted.

3.96 Several providers that responded to our consultation said they incur wholesale input costs that are indexed to CPI.[179] We recognise that this may be the case for some providers. However, this does not change our assessment that providers are better able to understand and mitigate financial risk than consumers, and our view remains that inflation-linked price variation terms impose unfair financial risks on consumers.

3.97 A report for Virgin Media O2 sought to justify the use of inflation-linked price variation terms and suggested that some cost components were linked to inflation.[180] We have not placed weight on this analysis carried out in response to our consultation; instead we have placed substantial weight on findings from internal documents that underpin real-world business decisions and that explain the rationale of adopting inflation-linked price variation terms. As noted in paragraph 3.95 above, we have not seen clear evidence of a direct link between providers' costs and the inflation-linked price variation terms they have adopted.

3.98 Overall, we remain of the view that inflation-linked price variation terms impose unfair financial risks on consumers and that providers are better placed to manage such financial risks.

Small business customers are likely to be in the same position as residential customers

Our December 2023 consultation

3.99 We set out our view that, while our evidence gathering had focussed on the impact on residential customers, small business customers were likely to be in the same position as residential customers.[181]

Stakeholder responses and our assessment

3.100 BT Group, Comms Council UK (CCUK) and Verastar disagreed with our view that small business customers are likely to be in the same position as residential consumers, and suggested that we have not demonstrated harm to these customers.[182]

[177] For example, [✂], [✂], [✂], [✂], [✂] and [✂] provided internal documents, in response to question 23 and 25 of our statutory information request: [✂], [✂], [✂], [✂], [✂] and [✂].

[178] In response to question 25 of our statutory information request, [✂] and [✂] internal documents point to an increase in Openreach wholesale costs as one of the factors for their decision to implement inflation-linked price variation terms: [✂], [✂].

[179] TalkTalk response, page 1; and Vodafone response, pages 1 and 4; FCS response, page 5; Gamma response, page 5; and Utility Warehouse response, pages 1 and 7-9.

[180] Oxera report for Virgin Media O2, pages 8-9. The cost components mentioned include spectrum license fees, staff salaries and network costs.

[181] Small business customers refer to Microenterprise or Small Enterprise Customers, and Not-for-Profit Customers, as those terms are defined in the General Conditions. These types of customers have no more than 10 individuals working for them.

[182] BT Group response, page 11; CCUK response, paragraphs 5-11; Gamma response, pages 3-4; and Verastar response, paragraphs 3.3-3.5.

3.101 Gamma said that small business customers do not require the same protections as residential customers.[183] Similarly, Verastar said that our concerns about the cognitive burden of inflation-linked price variation terms are unlikely to apply to small business customers.[184]

3.102 We disagree with these views. We consider that many small business customers are likely to be in a similar position to residential customers and many of our rules are aimed at protecting both residential and small business customers for that reason.[185] [186] Our 2022 SME research found that, compared to businesses with more than 10 employees, small business customers:

- Feel less confident and informed about the communications market.[187]
- Are less likely to agree/more likely to disagree that they can negotiate with their provider on tariffs and services.[188]
- Are less likely to agree/more likely to disagree that their contract terms and conditions are clear and easily understood and also less likely to agree/more likely to disagree that they always read them.[189]

3.103 Our 2022 SME research also showed that almost a quarter of small business customers on a business contract had experienced negative consequences as a result of terms and conditions they were unaware of, while 17% of those on residential contracts had experienced this.[190]

3.104 In the round, this research indicates that some small business customers have low levels of confidence when it comes to engaging with the communications market. On this basis we consider that, like residential customers, some small business customers are likely to lack the ability to engage with inflation-linked price variation terms and therefore face similar harms.

The scale of consumer harm is substantial

Our December 2023 consultation

3.105 We provisionally concluded that the scale of consumer harm from inflation-linked price variation terms is substantial across the mobile and broadband markets. This was based,

[183] Gamma response, pages 3-4.
[184] Verastar response, paragraphs 3.3-3.5.
[185] We recognised this in our transposition of the EECC, which extended certain end-user protections to small business customers on the basis that their bargaining position was comparable to that of residential customers. See Ofcom, *Fair treatment and easier switching for broadband and mobile customers: Implementation of the new European Electronic Communications Code*, 2020, paragraphs 4.32-4.88.
[186] Our research on SME consumer experience in the communications market found that the majority of small businesses (those with 10 or fewer employees) are on residential contracts only (64% mobile, 58% landline, 58% internet). See extra analysis of SME consumer experience in the communications market 2022 survey data, Tables 1, 2 and 3.
[187] See extra analysis of Ofcom, SME consumer experience in the communications market 2022 survey data, Tables 4, 5 and 6.
[188] See extra analysis of Ofcom, SME consumer experience in the communications market, Table 7.
[189] See extra analysis of Ofcom, SME consumer experience in the communications market, Tables 8 and 9.
[190] Ofcom, *SME consumer experience in the communications market 2022 Interactive report*, 2022.

among other factors, on the number of customers affected, the low degree of awareness and understanding of inflation-linked price rises and the size of unexpected price rises, the essential nature of mobile and broadband services and their impact on certain vulnerable consumers in particular.

Stakeholder responses and our assessment

3.106 The ACNI, MoneySavingExpert and Which? agreed with our view that this consumer harm is substantial.[191] The ACNI further suggested that our view was conservative as to the level of detriment consumers experience from inflation-linked price variation terms.[192]

3.107 We estimate the number of customers affected by inflation-linked price variation terms to be large. As set out in paragraph 2.9, as of April 2023, at least 11 million broadband customers and 36 million mobile customers, equivalent to around four in ten broadband customers and over half of mobile customers in the UK, were on contracts subject to these terms. We estimate that these proportions have grown to around six in ten of both broadband and mobile customers, as Three and Virgin Media applied inflation-linked price variation terms to more of their customers' contracts during 2023/24. We consider that the proportion of affected customers remains substantial, given most major providers continue to apply inflation-linked price variation terms.

3.108 TalkTalk said that our analysis exaggerated the extent of consumer harm as it ignored improvements in consumer satisfaction.[193] In our view, consumer satisfaction is not indicative of consumers' ability to engage with inflation-linked price variation terms and the harm they may experience as a result.

3.109 Virgin Media O2 said we overestimated the number of customers affected, as customers who have seen out their Commitment Period are not bound to pay in-contract price rises and should be excluded from our analysis.[194] In our view, it is appropriate to consider the impact on all customers who have signed up for deals subject to inflation-linked price variation terms, whether they are still in-contract or not, because the lack of price certainty and clarity could affect both types of customers. In paragraphs 5.30-5.81, below, we set out how we have ensured that our intervention is proportionate and targeted.

3.110 Virgin Media O2 questioned how our consultation presented the scale of price increases, because the effective price rise experienced by customers in relation to their entire spend is lower than the price rise from inflation-linked price variation terms, which may apply only to part of what they pay their provider.[195] We note that some providers do not apply inflation-linked price variation terms to customer spend outside the core subscription price, such as handset costs. However, given our finding that consumers tend to focus on headline prices (paragraph 3.9), we believe it is relevant to consider the scale of increases in headline prices in assessing the impact of inflation-linked price variation terms on consumers' ability to find the right deals. Moreover, as noted in paragraph 3.7-3.51, our concern is driven by a range of factors including, consumers' inability to understand inflation-linked price variation terms and the number of customers affected; not by the scale of price rises alone. As such, we do

[191] ACNI response, page 2; MoneySavingExpert response, pages 6-7; and Which? response, page 4.
[192] ACNI response, page 2.
[193] TalkTalk response, pages 2, 5-6.
[194] Virgin Media O2 response, pages 14-18.
[195] Virgin Media O2 response, pages 26-27.

not consider Virgin Media O2's submission to change our view that the scale of the harm is substantial.

3.111 BT Group said that inflation-linked price variation terms do not lead to significant consumer harm because, among other reasons, they do not lead to large increase in household spend.[196] We recognise that, for some people, broadband and mobile bills may not be a significant component of their household spend. Notwithstanding this, and given the large number of customers affected and the particular impact of price uncertainty on the ability of lower-income households to budget, our view remains that the scale of consumer harm from inflation-linked price variation terms is substantial.

3.112 Therefore, having considered stakeholders' responses, we remain of the view that the consumer harm from inflation-linked price variation terms is substantial.

Our conclusion on the consumer harm from inflation-linked price variation terms

3.113 Having considered the evidence and responses to our consultation in the round, we conclude that:

- Consumers struggle to engage with inflation-linked price variation terms.
- There is consumer harm from inflation-linked price variation terms. In particular, inflation-linked price variation terms increase cognitive burden and can lead to consumers not finding the best deal for their needs; they limit consumer engagement and reduce the effectiveness of competition; and they can impose unfair financial risks on consumers.
- The scale of the harm is substantial.

[196] BT Group response, pages 2, 5 and 6.

4. Remedies to address consumer harm

Introduction

4.1 In section 3, we explained our conclusions on the harm that arises from inflation-linked price variation terms. We found that these terms: increase cognitive burden for consumers so that they may not find the best deal for their needs; limit consumer engagement and thus the effectiveness of competition; and impose unfair financial risks on consumers.

4.2 As set out in section 2, our policy objectives are 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).

4.3 Given our objectives and the harm we have identified, below we analyse and conclude on the remedies that we consider will address the harm. In section 5, we set out our decision and the amendments to the GCs that give effect to the remedies.

4.4 This section explains:

- Our finding that consumers are at risk without new regulatory protections (paragraphs 4.5 to 4.18).
- Our consideration of several remedy options that, we have found, would not meet our policy objectives (paragraphs 4.19 to 4.29).
- Our decision that the £/p requirement would best meet our policy objectives (paragraphs 4.30 to 4.95).
- Our decision that the £/p requirement should apply to contracts for residential and small business customers. In relation to the latter, we have clarified that, where small business customers wish to negotiate bespoke agreements with providers, they may choose to waive their right to receiving the Contract Information, Contract Summary and pre-contractual information setting out any contractual price rises in pounds and pence, and consequently to the protections of the £/p requirement (paragraphs 4.96 to 4.110).

Consumers are at risk of harm without new regulatory protections

Our December 2023 consultation

4.5 In our December 2023 consultation, we set out our provisional view that we could not rely on enforcement of our existing rules and on other protections (such as general consumer law and CAP/BCAP guidance) to address the harms we have identified and to meet our policy objectives. We were concerned that, without further intervention, consumers would continue to lack clarity and certainty about what they will pay when contracts include inflation-linked price variation terms.

4.6 We also noted that enforcement under consumer law was unlikely to achieve our objectives.[197] Therefore, we provisionally concluded that it would be appropriate to introduce new regulatory protections. We also provisionally concluded that new protections would apply to all broadband, landline, mobile and pay TV services, including where they are taken in combination as a bundle.

Stakeholder responses

4.7 Some providers and most consumer organisations supported our view that new regulatory protections are needed. However, Community Fibre,[198] Gamma,[199] TalkTalk,[200] Verastar[201] and Virgin Media O2[202] disagreed.

4.8 TalkTalk considered that our proposals conflict with our regulatory policy of the last ten years as, it said, we have allowed for inflation-linked price variation terms in consumer contracts until as recently as June 2022, with the introduction of requirements for the provision of Contract Summary and Contract Information at the point of sale.[203]

4.9 Community Fibre,[204] Verastar[205] and Virgin Media O2[206] stated that we should assess the impact of the June 2022 changes to the GCs and the CAP/BCAP guidance, which took effect in December 2023, before deciding whether further intervention is needed. Similarly, Gamma called for Ofcom to place more weight on consistency with its previous decisions, rather than intervening during a period of outliers in historical inflation rates.[207]

4.10 Virgin Media O2 referred to Ofcom's 2013 review of price rises in fixed term contracts, stating that Ofcom's conclusion, at that time, was that inflation-linked terms were not prohibited on the grounds of clarity under the unfair terms regulations that were then in place.[208]

4.11 Virgin Media O2 also noted that BT Group had announced that it would stop including inflation-linked price variation terms in telecoms and pay TV contracts for new residential

[197] We set out that achieving our objectives through enforcement under consumer law would be a complex process, because the question of whether a particular inflation-linked price variation term is lawful depends upon the facts and circumstances in a particular case. This can only be determined by a court, after a contravention has occurred. Further, this approach would be unlikely to achieve our objectives in a timely manner and, even if we were successful in bringing consumer law proceedings in respect of one or more inflation-linked price variation terms, while this may clarify the types of terms that *are not* lawful, it may create uncertainty about the terms that *are* lawful.
[198] Community Fibre response, page 3.
[199] Gamma response, page 2.
[200] TalkTalk response, page 3-4.
[201] Verastar response, page 5.
[202] Virgin Media O2 response, page 22.
[203] TalkTalk response, page 4.
[204] Community Fibre response, page 3.
[205] Verastar response, page 4.
[206] Virgin Media O2 response, page 22.
[207] Gamma response, page 2.
[208] Virgin Media O2 response, page 11.

customers.[209] Virgin Media O2 stated that this would create more choice in the market and that Ofcom should monitor how consumers and competing providers respond to this change before settling on any further intervention.[210]

4.12 BT Group,[211] CCUK,[212] Gamma[213] and Verastar[214] questioned the need for regulatory intervention in respect of services for small business customers. They stated that these customers have different requirements and understanding of inflation-linked price rises by comparison with residential customers.

4.13 We did not receive any comments on our provisional conclusion to apply new regulatory protections to all broadband, landline, mobile and pay TV services, including where they are taken in combination as a bundle.

Our assessment and conclusion

4.14 As we explain in section 2, notwithstanding changes to our rules and guidance in recent years, we have had concerns about the potential impact of inflation-linked price variation terms on consumers and on the market for some time. Our review has found that consumer harm arises from inflation-linked price variation terms. Thus we have considered it necessary to review whether existing protections and measures are adequate, or whether new regulatory protections are required. We have found that existing measures are not sufficient to mitigate the harms we have identified and that new regulatory protections are needed.

4.15 As set out in section 3, the evidence suggests that customers lack sufficient clarity and certainty at the point of sale about what they will be liable to pay to be able to make informed decisions. The Contract Information and Contract Summary requirements and guidance that came into effect in June 2022 may have improved consumer awareness of the impact of inflation-linked price variation terms on what they will pay. The CAP/BCAP guidance may also improve consumer awareness of these terms. However, these measures cannot address our concerns about consumers' ability to understand, with clarity and certainty, what they will pay for services subject to inflation-linked price variation terms and to make an informed choice (even during periods when inflation is at a low rate). Moreover, these measures cannot address our concerns about the unfair financial risks inflation-linked price variation terms impose on consumers.

4.16 We note BT Group and Vodafone's decision to stop offering inflation-linked price variation terms in contracts for new residential customers and the launch by other providers of deals for new customers that are not subject to price variation terms. We also recognise the need

[209] In response to our December 2023 consultation, BT Group announced that it would cease to offer new residential contracts that include inflation-linked price variation terms. Since April 2024, the BT and EE brands have offered contracts with fixed annual price rises, expressed in pounds and pence (see BT Group, *Our new pricing structure for the future*, 16 January 2024 and BT Group, *Calling out a new pricing structure in pounds and pence*, 10 April 2024). BT Group's Plusnet brand adopted this approach in July 2024. In June 2024, Vodafone announced that it would cease to offer new contracts that include inflation-linked price variation terms to residential customers and for some small office / home office products and services (see Vodafone, *Pounds and pence: a new approach to price rises*, 26 June 2024). Other providers have also launched deals for new customers that are not subject to price variation terms since our December 2023 consultation.

[210] Virgin Media response, page 2.

[211] BT Group response, page 11.

[212] CCUK response, page 2.

[213] Gamma response, page 3 & 4.

[214] Verastar response, paragraphs 3.3-3.5.

to consider market developments on a forward-looking basis in our assessment. However, we do not agree with Virgin Media O2's contention that we should not intervene at this time because the effects of competition may address our concerns. Many providers still offer contracts with inflation-linked price variation terms and we continue to have concerns about both consumers' ability to understand these terms and make an informed choice and about their potential to harm consumers. Absent intervention, we also have no confidence that providers would cease to offer inflation-linked price variation terms (and thus address our concerns). BT Group and Vodafone's announcements were clear that their decisions to stop using inflation-linked variation terms were a response to our proposed regulation. Without new rules, providers may not offer clear and certain pricing options or may revert to offering only inflation-linked or other complex pricing structures.

4.17 We note the argument that small business customers do not require new protections because their experience and understanding of inflation-linked price variation terms is different to that of residential customers. We set out in paragraphs 3.99-3.104 why we consider that many small business customers are likely to be in a similar position to residential customers. For these reasons we consider that residential and small business customers require similar new protections.

4.18 Therefore, we remain of the view that existing protections and measures do not sufficiently address our concerns about consumers having sufficient clarity and certainty about the price they will pay during their contract period. We also remain of the view that new protections are needed, including for small business customers, and that these should apply to all broadband, landline, mobile and pay TV services, including where they are taken in combination as a bundle.

We have considered and rejected several remedy options that will not meet our policy objectives

Our December 2023 consultation

4.19 In our December 2023 consultation, we identified a number of potential remedy options. We provisionally concluded that the following options would not address the harms identified, in the context of the UK telecoms market:

a) Requiring more point-of-sale information about the potential impact of inflation-linked price variation terms on the price customers will pay.
b) Prohibiting inflation-linked price variation terms that would apply in-contract price rises less than 12 months after the start of the contract.
c) Requiring providers to offer additional products with a contract period of up to 12 months only.
d) Requiring providers to offer additional products with a monthly price fixed at the same level for the duration of the contract.
e) Requiring providers to limit the contract period for their services to up to 12 months only.

Stakeholder responses

4.20 We received several responses that commented on some of the remedy options (a) to (e):

- Hyperoptic noted consumers' limited time and ability to make comparisons and to understand the inherent uncertainty of inflation. It considered that an effective remedy should not introduce further worked examples and forecasts at the point of sale (i.e.

option (a)) or increase the variety of contracts available on the market (i.e. options (c) and (d)).[215]

- Gamma argued that our rules should permit providers to offer a "tracker" tariff with inflation-linked price variation terms alongside other deals with fixed in-contract price rises, to which providers could apply a "risk premium" (a remedy similar to option (d)). It considered that this would offer improved value to consumers and greater transparency.[216]

4.21 We also received several responses suggesting remedy options that we did not consider in our consultation. Three respondents suggested that we should cap the level of price rises at a certain amount, either alongside the £/p requirement or instead of it:

- MoneySavingExpert proposed that providers should set out any in-contract price rises upfront, in pounds and pence (i.e. the £/p requirement), but that any price rise should also be capped at the rate of inflation.[217] It stated that this would protect consumers, particularly financially vulnerable people, from unfair financial burdens.
- INCA proposed that our rules should permit inflation-linked in-contract price rises, but only to a certain value, set out in pounds and pence. It stated that this would ensure that consumers know the highest level of price increase that they could face.[218]
- Two individual respondents considered that in-contract price rises for telecoms services should be capped in the same way as in the water and gas sectors.[219]

4.22 Utility Warehouse considered that any contract with a price rise mechanism could take customers by surprise as price rise information has the potential to be 'lost' in the information provided at the point of sale. It proposed that, in any circumstance where providers increase prices during the contract period (including where customers have signed up to contracts that provide for such price rises, in line with our rules), customers should be given the right to exit their contract without penalty. Such a remedy, it stated, would remove the burden for customers of engaging with substantial amounts of information intended to raise awareness of in-contract price rises, at the point of sale.[220] An individual respondent also considered that consumers should be given the right to exit without penalty when providers apply price variation terms.[221]

4.23 Three individual respondents called for further conditions to apply to the application of in-contract price rises. Two respondents proposed that price rises should only take place if a provider significantly improves the service they provide,[222] while another submitted that in-contract price rises should not be permitted unless they are linked to increases in providers' costs.[223]

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[215] Hyperoptic response, page 4.
[216] Gamma response, page 8.
[217] MoneySavingExpert response, page 1.
[218] INCA response, page 6.
[219] [✂] and [✂].
[220] Utility Warehouse response, page 1.
[221] [✂].
[222] [✂] and [✂].
[223] [✂].

Our assessment and conclusion

4.24 We note that most responses to the consultation did not dispute our assessment of options (a)-(e). It remains our view, as set out in the consultation, that none of the options (a)-(e) would give consumers sufficient clarity or certainty about what they would pay for services subject to inflation-linked price variation terms. Some options also risk introducing greater complexity to the process of shopping around and finding the best deal.

4.25 With respect to Gamma's support for a remedy similar to option (d), this approach would continue to allow for providers to offer contracts with inflation-linked price variation terms. We have concluded that these terms give rise to harm and thus this option would not address the consumer harm we identified in section 3, by giving customers sufficient clarity or certainty about what they would pay for all services, even if other deals with fixed in-contract price rises are available.

4.26 We have considered calls from respondents for in-contract price rises to be capped. In our view, an option to allow in-contract price rises up to a certain level, in isolation or in combination with other remedies, would not address our policy objectives because it would not give customers sufficient clarity and certainty about the cost of a service. Further, we consider that introducing a cap on price rises would constitute pricing regulation of the retail market. The regulatory framework in which we work does not generally permit retail pricing regulation where the market is competitive.[224]

4.27 We note some respondents' proposal that customers should have the right to exit a contract without penalty whenever a provider applies in-contract price rises. We consider that such a remedy may undermine our rules requiring providers to give a right to exit where there has been a contractual modification. These are designed to give clarity to both parties entering into a contract about their rights and obligations, including contractual price rises.[225]

4.28 With respect to suggestions to permit in-contract price rises only in certain circumstances, these options would neither provide sufficient clarity to consumers about the price they will pay, nor address unfair financial risks from inflation-linked price variation terms.

4.29 Our conclusion therefore remains that none of the remedy options (a) to (e) considered in our consultation, or those proposed in consultation responses, would meet our policy objectives.

The £/p requirement addresses consumer harm and meets our policy objectives

4.30 In our December 2023 consultation, we also provisionally concluded that two options could address the harms we identified and meet our policy objectives:

- Requiring providers to fix the monthly price for their services at the same level for the duration of the contract (a fixed charges requirement).

[224] Under the framework set out in Part 2 Chapter 1 of the Communications Act 2003, we may impose 'SMP conditions' on a 'dominant provider' which include price controls: see section 87(9)(a). However, in order to do so, we must first find that a provider has 'significant market power': see section 78.

[225] Ofcom, *Inflation linked price rises qualitative research report*, 2023, page 35.

- Requiring providers, when they provide for a change to the monthly price of their service during the contract term, to set that change out at the point of sale in pounds and pence (a £/p requirement).

4.31 Of these two options, we also provisionally concluded that the £/p requirement would best address the harm we identified and meet our policy objectives.

4.32 In this section, we set out:

- A recap of our provisional view that a fixed charges requirement and a £/p requirement could both meet our objectives and address the harms that we identified.
- Our assessment of the fixed charges requirement, in the light of stakeholder responses.
- Our assessment of the £/p requirement, in the light of stakeholder responses.
- Our decision that the £/p requirement will best address the harm we have identified and meet our policy objectives.

Our December 2023 consultation

4.33 Our December consultation set out our provisional view that a fixed charges requirement or a £/p requirement could both meet our objectives and address the harms that arise from inflation-linked price variation terms.

4.34 The **fixed charges requirement** would require providers to fix the monthly price for their services at the same level for the duration of the contract. In our consultation, we stated that this option would give consumers clarity and certainty about the price they would pay, without any need for complex calculations. Understanding and managing their future outgoings would be straightforward. In turn, this option could drive greater consumer engagement and incentivise providers to compete more effectively.

4.35 However, we noted that there are drawbacks to this option. A common way that providers compete is by marketing their products with introductory discounts and other offers to attract customers. We said that introductory discounts can be good for competition and are liked by consumers. However, we noted that, for the fixed charges requirement to work as intended (i.e. for consumers to be able to engage with and compare prices that do not change during the contract), it may be necessary to restrict introductory discounts, so that the Core Subscription Price would be fixed for the duration of the contract.

4.36 We also noted that, under this option, providers may seek to limit their exposure to changing economic circumstances by introducing and exercising prices may vary terms (as more providers did prior to 2020). It is possible that, if the fixed charges requirement were to drive more frequent unspecified price rises, it could have the unintended consequence of undermining consumer's ability to understand the price of a service readily, with sufficient clarity and certainty.

4.37 The **£/p requirement** that we proposed in our consultation would require providers, when they intend to change the monthly price of a service during the contract period, to set that change out at the point of sale, in pounds and pence.

4.38 First, this measure would require providers to ensure that, before a customer is bound by a contract, the following information would be drawn prominently to a customer's attention in a clear and comprehensible manner (including during a sales call or other verbal sale such as an in-store sale):

- The Core Subscription Price.

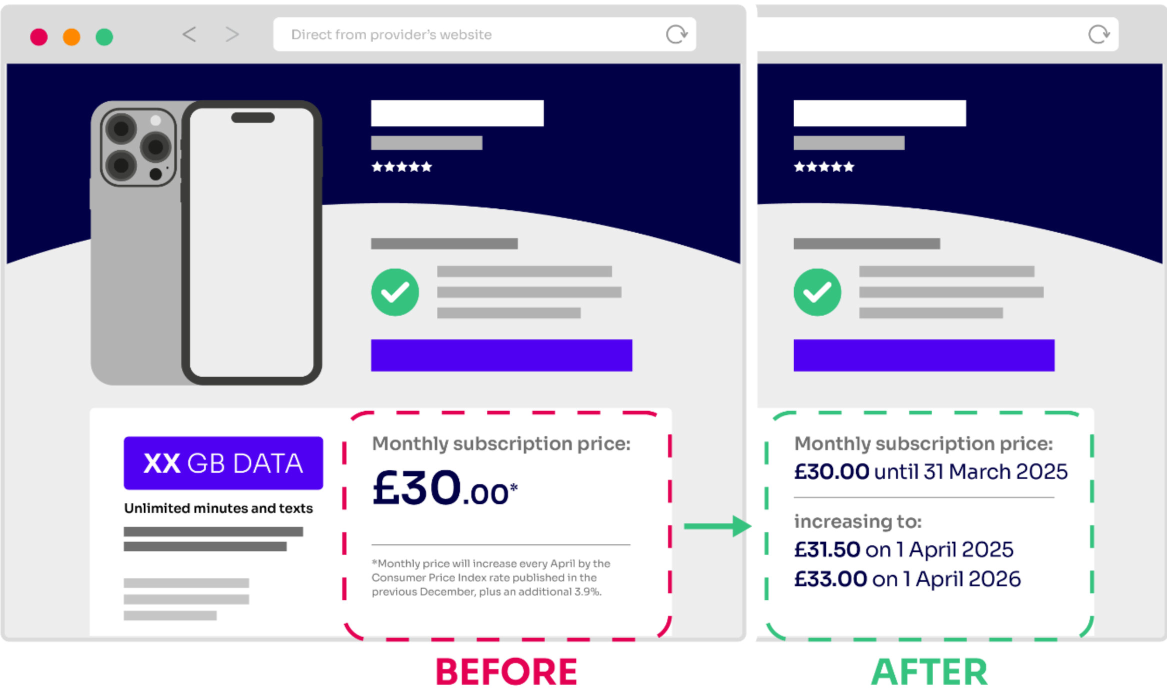
- The changed Core Subscription Price(s), if it is to change during the Commitment Period, in pounds and pence.
- The date from which any changed Core Subscription Price(s) takes effect.

4.39 Second, this measure would require providers to set out the following information in the Contract Information and Contract Summary:

- The changed Core Subscription Price(s), if it is to change during the Commitment Period, in pounds and pence.
- The date from which any changed Core Subscription Price during the Commitment Period shall have effect.

4.40 This remedy would, in effect, prohibit providers from offering contracts that provide for inflation-linked price rises to the Core Subscription Price during the contract period. It would ensure that contractual information on pricing is clear and certain, including where services are taken together as a bundle (see Figure 4 for an example of point-of-sale information that would comply with the £/p requirement). The £/p requirement would not affect providers' commercial flexibility to allow for contractual price rises or to compete for customers with discounts and introductory offers.

Figure 4: Example of how the £/p requirement would apply



4.41 We considered whether the £/p requirement could allow for providers to set out price changes at the point of sale in fixed percentage terms. However, our qualitative research suggested that some people are unable to calculate percentage changes and we have noted research indicating that consumers are unlikely to be able perform these calculations. Depending on when consumers take out a contract and its length, they may need to perform multiple percentage change calculations, compounding the difficulty. We therefore considered that allowing for providers to set out price changes in percentage terms would mean that consumers continue to experience significant cognitive burdens. As such, we considered that this variant of the remedy option would not meet our objectives.

4.42 Our consultation set out the benefits we expected the £/p requirement to bring about for consumers, how it would meet our policy objectives and how it would address the harms arising from inflation-linked price variation terms identified in section 3.

4.43 First, our consumer research demonstrated that consumers look for certainty, consistency, and transparency when it comes to prices. The research gave several other insights indicating that consumers wanted:

- To be able to make meaningful comparisons between providers.
- Information to be presented consistently across the market in a uniform way, to allow like-for-like comparison.
- To get what they are expecting and to avoid surprises. Consumers felt that price rises were hidden and not clear and understandable.

4.44 We set out that we expected that the £/p requirement would provide customers with clarity and certainty about what they will pay. Our quantitative research confirmed that the majority of broadband and mobile customers agreed a pounds and pence formulation would be easy to understand.[226]

4.45 Second, we expected that the £/p requirement would benefit customers by increasing their ability to shop around, compare deals and choose the right deal for them, based on the price across the duration of the contract. The £/p requirement should therefore make consumers feel more confident to engage with the market and, in turn, drive providers to compete on the basis of clear pricing structures.

4.46 Third, we expected that the £/p requirement would protect consumers from unfair burdens and risks, such as the financial risks that unpredictable price rises pose. We considered that providers are better placed than consumers to manage the uncertainty and financial risks that arise from inflation and that inflation-linked price variation terms impose unfair financial risks on consumers.

4.47 As set out above, **our provisional view** was that both the fixed charges requirement and the £/p requirement would meet our policy objectives. However, we considered that the effects of these options on the market might be different and that the fixed charges requirement might have more significant unintended consequences that could make it less effective at delivering our objectives in the round. In particular, the fixed charges requirement would constrain the commercial flexibility of providers to a degree that we did not consider necessary to ensure consumers have clarity and certainty about the prices they will pay.

4.48 On that basis, our provisional view was that the £/p requirement would best address our concerns and meet our policy objectives. We considered that it would ensure that consumers have sufficient clarity and certainty about pricing for the duration of their contract, which they do not have currently due to the lack of clarity and uncertainty of inflation-linked price variation terms.

[226] See slide 19 of Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Mobile)* and slide 20 of Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Broadband)*. Our research in October 2023 sought consumer views on how easy it would be to understand how much they would be required to pay each month and over the full contract if the price was fixed, or if price rises were expressed in pounds and pence in different ways.

The fixed charges requirement

Stakeholder responses

4.49 Some consumer organisations and the majority of individual respondents supported the fixed charges requirement over the £/p requirement.

4.50 Citizens Advice considered that a fixed charges requirement would mean prices are more accessible to all consumers. It also considered that fixed prices would help to drive providers to compete more effectively to offer customers lower prices throughout the duration of a contract (not just a lower initial price).[227]

4.51 Careful Trouble[228] and Over50sMoney[229] considered that a fixed charges requirement would provide greater certainty to consumers about what they will pay than the £/p requirement, as it would ensure that the customer pays the same monthly price over the term of their contract. MoneySuperMarket preferred that any price agreed at the start of the contract period would not be subject to price increases.[230]

4.52 Careful Trouble[231] and Citizens Advice[232] both questioned whether Ofcom should be concerned that, for the fixed charges requirement to be effective, it might need to restrict introductory discounts. Careful Trouble queried whether there is evidence that consumers like introductory discounts.[233] Citizens Advice recognised that consumers like introductory discounts, but it stated that its research suggests that many customers "prioritise stability and ease over deals". For example, it found that consumers are willing to choose a deal with a slightly higher initial price over a contract with an introductory offer and a price variation term. Citizens Advice argued that introductory discounts are "driving a new loyalty penalty" as, after they expire and when the contract period ends, customers fail to switch away to avoid paying higher non-discounted prices.[234]

4.53 Citizens Advice did not agree that fixed prices are incompatible with discounts. While it noted the risk that providers could respond to a ban on in-contract price rises by using introductory discounts to recreate the structure of such price rises, it considered that this could be addressed through an anti-gaming provision (e.g. a requirement that discounts that expire during the contract period must represent a reduction away from the "market price" of the tariff, to which the price must revert when the discount ends).[235]

Our assessment and conclusion

4.54 We note the support from some respondents for the fixed charges requirement as a remedy to address the consumer harm we have identified. In our consultation, we recognised that the fixed charges requirement would meet our objectives of ensuring consumers can understand the price of a service readily, with sufficient clarity and certainty to make informed comparisons and choices, driving providers to compete on the basis of pricing

[227] Citizens Advice response, page 4.
[228] Careful Trouble response, page 3.
[229] Over50sMoney response, page 4.
[230] MoneySuperMarket response, page 1.
[231] Careful Trouble response, page 4.
[232] Citizens Advice response, page 4-5.
[233] Careful Trouble response, page 4.
[234] Citizens Advice response, page 4.
[235] Citizens Advice response, page 5.

structures that are clear and transparent and protecting consumers from unfair burdens and risks. However, we maintain our view that the fixed charges requirement would constrain the commercial flexibility of providers to a degree that we do not consider necessary to ensure consumers have clarity and certainty about the prices they will pay.

4.55 We considered Citizens Advice's suggestion that fixed prices would mean providers compete more effectively to offer customers lower prices throughout the duration of a contract and not just a lower initial price, and other responses which considered this requirement would provide greater certainty to consumers by comparison with other remedies. In our view, it is not essential to require providers to offer the same price throughout the Commitment Period to meet our policy objective of providing customers with sufficient clarity and certainty to make informed comparisons and choices, while requiring this would also constrain providers' commercial flexibility. Similarly, we do not consider that driving providers to compete based on pricing structures that are clear and transparent requires that providers fix the level of monthly prices for the duration of the contract (although providers may wish to do so to attract customers who value a fixed price).

4.56 Our December 2023 consultation noted an unintended consequence of the fixed charges requirement would be that it may be necessary to restrict introductory discounts and we considered points made by Citizens Advice and Careful Trouble in that regard. We have not considered it necessary to conduct specific consumer research into customers' perceptions of introductory discounts for the purpose of assessing this potential remedy. As we have noted in the past, introductory discounts can benefit consumers by incentivising them to switch or take up services (especially faster connections only available on new technology).[236] We also consider it likely that introductory discounts have pro-competitive effects, as they encourage consumers to engage in the market.

4.57 A benefit of the fixed charges requirement is that it would give customers clarity and certainty about what they would need to pay without the need for complex calculations. However, as we set out in our consultation, an accompanying limitation is that, to achieve this benefit, it may be necessary to restrict providers from offering introductory discounts. With respect to Citizens Advice's proposal that we could circumvent this limitation and allow for introductory discounts through anti-gaming measures, we consider that this could introduce greater regulatory complexity without generating significant additional benefits over and above those of the £/p requirement (as both approaches would mean that customers would compare tariffs containing price rises set out in pounds and pence).

4.58 We also continue to consider that, under the fixed charges requirement, providers may seek to limit their exposure to changing economic circumstances by introducing and exercising prices may vary terms. This could undermine our policy objectives.

4.59 It therefore remains our view that the fixed charges requirement would have significant unintended consequences that could make it less effective at delivering our objectives.

[236] See Ofcom, *Making communications markets work well for customers: A framework for assessing fairness in broadband, mobile, home phone and pay TV*, 2020, Table A1.1.

The £/p requirement

Stakeholder responses

4.60 Hyperoptic,[237] Sky[238], Tesco Mobile[239] and Three[240] supported our £/p requirement proposals. Hyperoptic considered that, of all the remedy options we had considered, the £/p requirement would be most likely to simplify the information provided to customers and, as far as possible, leave them in no doubt about what they will pay and when. Tesco Mobile agreed that providing information upfront in pounds and pence would provide customers with clarity about price rises.[241]

4.61 BT Group considered that, of all the options we considered, the £/p requirement was likely to have the least unintended consequences (it did not elaborate on what it considers the unintended consequences of the £/p requirement may be).[242]

4.62 A number of consumer organisations were supportive of the £/p requirement and of how we proposed that information should be presented to customers.[243] Which?[244] supported a £/p requirement and said that prohibiting inflation-linked and percentage-based price rises would help address consumer harm. Uswitch was also supportive of our proposals,[245] as were several individual respondents.[246]

4.63 The CMA considered the £/p requirement would help to remove consumer financial uncertainty and make it possible to calculate the total cost of a contract, which in turn would improve competition and better overall market outcomes.[247]

4.64 We received several responses calling for additional rules to require providers to set out upfront the total price that a customer will pay over the duration of the contract (the 'total contract cost'):

- The CMA stated that this could be a way to make it as easy as possible for consumers to compare the total price of contracts, as it considered that, even with the £/p requirement in effect, some complexity would remain in stepped pricing structures.
- Which? considered that a requirement for providers to present the total contract cost, alongside a monthly price set out in pounds and pence, would allow consumers to compare packages easily when shopping around and would mitigate a risk that consumers focus on initial headline prices when choosing a deal.

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[237] Hyperoptic response, page 4.
[238] Sky response, page 2.
[239] Tesco Mobile response, page 2.
[240] Three response, page 1.
[241] Tesco Mobile response, page 2.
[242] BT Group response, page 10.
[243] The ACNI, CCNI, the Communications Consumer Panel and Advisory Committee for Older and Disabled People, Citizens Advice Scotland, the Communications Ombudsman and Consumer Scotland were supportive of the information that our proposals would require to be set out before a customer is bound by a contract. See paragraph 4.77, below.
[244] Which? response, page 3.
[245] Uswitch response, page 1.
[246] [✂], [✂], [✂], [✂], [✂], [✂], [✂], [✂], [✂] and [✂].
[247] CMA response, page 3.

- Community Fibre suggested that a single total contract cost figure should be presented at the point of sale to remove any cognitive burden and ensure customers are not presented with too much information.[248]
- Individual respondents also suggested that a total contract cost requirement would be helpful and would add clarity.[249] One individual respondent argued that providers should set out the average (monthly) price over the term of the contract, as they considered that our proposals would still lead to a degree of difficulty in comparing deals.[250]

4.65 Citizens Advice said the £/p requirement would be a step in the right direction in terms of clarity and transparency for consumers, but considered that some of the concerns it had about inflation-linked price rises also apply to price rises stated in pounds and pence. In particular, it was concerned that it would still be difficult for many customers to compare different deals and identify the cheapest overall.[251]

4.66 MoneySavingExpert stated that the £/p requirement would only partially address our policy objectives. It considered that the £/p requirement would make it difficult for consumers to compare price rises to the rate of inflation, which some consumers would want to take into account.[252]

4.67 One individual respondent proposed that our rules should apply the £/p requirement and also limit contracts to a 12-month Commitment Period.[253]

Our assessment and conclusion

4.68 We note the support that many stakeholders expressed for the £/p requirement. However, several responses were concerned about cognitive burden that consumers could face when comparing deals with in-contract price rises set out in pounds and pence.

4.69 We accept that a cognitive burden may remain for customers comparing deals with in-contract price rises in pounds and pence. However, the £/p requirement should significantly reduce the cognitive burden they face, for example by removing the need to engage with inflation-linked price variation terms or undertake complex calculations to understand the price that customers will pay. As noted in paragraph 4.44, our quantitative research confirmed that the majority of broadband and mobile customers agreed a £/p formulation would be easy to understand. The £/p requirement should also have significant benefits for those vulnerable consumers who struggle to engage with or understand inflation-linked price variation terms (see paragraphs 3.37-3.40).

4.70 In our view, the £/p requirement should provide customers with the information they need to be able to understand the price of a service readily, with sufficient clarity and certainty to make informed comparisons to enable them to find the right deal for their needs.

4.71 We note calls from some respondents for a requirement to present a total contract cost or average monthly price, alongside the £/p requirement. We acknowledge that a total contract cost or average monthly cost might make the cost of different contracts clearer to

[248] Community Fibre response, page 3-4.
[249] [✂] and [✂].
[250] [✂].
[251] Citizens Advice response, page 1-2.
[252] MoneySavingExpert response, page 9.
[253] [✂].

many customers. During the course of our review, we considered the merits of requiring providers to present the total cost of a contract, in addition to the £/p requirement.

4.72 However, we concluded that it may be difficult to implement a requirement to present the total contract cost or average monthly price of all services subject to the GCs effectively. For example, the impact and benefits of such a requirement may be undermined where providers offer bundles that contain elements with contract periods of different lengths or rolling subscription elements that customers may cancel at any time. Given that, and the fact the £/p requirement will mean customers would have sufficient clarity and certainty about the price they will pay, so that they are able to make more informed decisions on the best deal for them, we did not think this was required.

4.73 We disagree with MoneySavingExpert's view that it is a drawback of the £/p requirement that it does not specifically ensure that consumers can easily compare the level of any in-contract price rises to rates of inflation. In our view, the £/p requirement should provide customers with sufficient clarity and certainty to make informed comparisons and choices and find the right deal for their needs. While the comparison between any in-contract price rise and the rate of inflation may be a consideration for some consumers, when considered in the round, we do not think customers need to compare in-contract price rises to the rate of inflation to make an informed choice about what they will pay over the duration of their contract.

4.74 We note one respondent's suggestion that providers should set out in-contract price rises in pounds and pence *and* limit contracts' Commitment Period to 12 months. We already require that providers offer a contract with a maximum duration of 12 months[254] and we do not consider that limiting the duration of all contracts to 12 months would address the harms identified in section 3 and meet our policy objectives more effectively than the £/p requirement alone.

We have considered the information that providers should set out at the point of sale under the £/p requirement

4.75 As proposed in our consultation, the £/p requirement would require providers to ensure that information about changes to the monthly price of a service during the contract period is drawn prominently to a customer's attention in a clear and comprehensible manner before a customer is bound by a contract (including during a sales call or other verbal sale such as an in-store sale). It would also require providers to set out information about changes to the monthly price of a service in the Contract Information and Contract Summary.

Stakeholder responses

4.76 Tesco Mobile agreed with our proposals with respect to the information that providers should present to customers upfront and in the Contract Summary and Contract Information.[255] Hyperoptic added that our proposals to require providers to present price rise information with equal prominence to the Core Subscription Price in online sales

[254] See Condition C1.13 of Ofcom, *General Conditions of Entitlement*, 2023.
[255] Tesco Mobile response, page 2-3.

journeys,[256] and immediately after the Core Subscription Price in verbal sales, would make consumers aware of this upfront.[257] Community Fibre stated that, if we implement the £/p requirement, it agreed with its requirements for the information to be included in Contract Information and Contract Summary.[258]

4.77 The ACNI,[259] CCNI,[260] Citizens Advice Scotland,[261] the Communications Consumer Panel and Advisory Committee for Older and Disabled People (the CCP),[262] the Communications Ombudsman[263] and Consumer Scotland[264] agreed with our proposals outlining the information that providers should be required to set out before a customer is bound by a contract, in the Contract Summary and in the Contract Information; and on how providers should do this. The CCNI considered this was particularly important for vulnerable consumers. Citizens Advice Scotland considered the information our proposals required to be set out would allow consumers to make more informed decisions prior to signing a contract.

4.78 The CCP agreed that the proposals should apply to verbal communication such as sales calls or in-store sales, noting its research that identified the importance of retail shops for comparing services. It encouraged Ofcom to require providers to set out the same information across other channels, such as web chat, video relay and text relay.[265] The CCP also considered that the information we require providers to include before a customer is bound by a contract should be communicated in an accessible manner.[266]

4.79 The ACNI said that, currently, information regarding inflation-linked price rises is often introduced late in the sales process or in insufficient detail. It called for this price rise information to be presented in a complete, consistent and timely manner by all providers.

4.80 Consumer Scotland said it would welcome an additional requirement that, during a verbal sales conversation, a sales agent should talk the customer through a worked example of how the price of a deal would rise. It was concerned that, in this context, consumers may focus on the initial price and may not fully understand the price structure.[267]

4.81 Three said that it would be concerned if the £/p requirement applied to any promotional discounts to the Core Subscription Price. It would also be concerned if new rules require providers to display introductory offers with equal prominence to the Core Subscription Price. Three considered that this would disincentivise providers from offering more innovative and longer-term promotional offers and would also risk confusing customers, for

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[256] In this context, we understood Hyperoptic to be referring to information indicating the fact that the Core Subscription Price will change, which we proposed must have equal prominence to the initial/headline Core Subscription Price.
[257] Hyperoptic response, page 4.
[258] Community Fibre response, page 4.
[259] ACNI response, page 3.
[260] CCNI response, page 14
[261] Citizens Advice Scotland response, pages 1-2
[262] CCP response, page 1.
[263] Communications Ombudsman response, page 1
[264] Consumer Scotland response, page 5
[265] CCP response, page 3
[266] CCP response, page 2.
[267] Consumer Scotland response, page 6.

example if this leads providers to present a larger number of different Core Subscription Prices that will apply successively during the contract period.[268]

4.82 Hyperoptic said that, in order to overcome behavioural barriers to customers being able to understand the full price, price rises should be expressed as the total monthly price after the rise, rather than the amount by which the price will increase.[269] Vodafone argued for the opposite, suggesting that we should replace the obligation to state what the price will go up to with the amount the price will go up by, giving two key reasons for this:

- First, that it would be quicker for it to implement [✂], as allowing the price rise amount to be stated would require fewer and less complex changes. It added that, if our proposals are not revised to set higher-level requirements, they would require longer than four months to implement.[270] We consider comments about implementation in paragraphs 5.82-5.92.
- Second, that requiring the new price to be presented could be confusing for customers, who can add or remove products and services from their subscription over time, so that what they pay may differ from the amount presented in their Contract Summary.[271]

4.83 Hyperoptic noted that our proposals related only to the sales journey and Contract Summary and Contract Information. It considered that information on Core Subscription Price changes should also be included in End-of-Contract Notifications and Annual Best Tariff Notifications so there is parity of information wherever tariff features are communicated to customers.[272]

Our assessment and conclusion

4.84 We note the support for our specific proposals on information that should be presented at the point of sale, and on how providers should present it, among many consumer organisations and some providers.

4.85 With respect to the ACNI's concern that price rise information should be presented in a complete, consistent and timely manner by all providers, we consider that the changes to our rules on which we consulted would address these issues.[273]

4.86 We note that Consumer Scotland would welcome an additional requirement for sales agents to talk a customer through a worked example of how the price of a deal would rise. Our consultation proposal required providers to draw prominently to the customer's attention, in a clear and comprehensible manner, the Core Subscription Price, any changed Core Subscription Price(s) and when any changes will take effect. This requirement would apply during verbal sales and, we believe, would ensure that prices are sufficiently clear and certain to customers.

4.87 With respect to the CCP's view that Ofcom should require providers to set out the same information across channels other than verbal communications, we can clarify that our rules

[268] Three response, pages 5-6.
[269] Hyperoptic response, page 4.
[270] Vodafone supplementary response, pages 2-3.
[271] Vodafone supplementary response, page 4.
[272] Hyperoptic response, page 5.
[273] In addition, we have amended the guidance to GC C1 to set out how providers may provide price change information (paragraphs 1.45-1.46), including for online sales (paragraphs 1.47-1.49) and verbal sales (paragraph 1.50), in order to comply with the rules.

already apply to information provided via such channels where they form part of the sales process. For example, some customers may require the use of video relay or text relay in place of a verbal sales call to make or complete their purchase. Where that is the case, the same information requirements would apply: providers would need to ensure that the relevant information about the Core Subscription Price and any changes to that price is drawn prominently to the customer's attention before they are bound by the contract as part of the sales process, regardless of the channel/contact method being used.

4.88 We note the CCP's proposal that information we require providers to include before a customer is bound by a contract should be communicated in an accessible manner. Our GCs already require providers to have and comply with policies and procedures for the fair and appropriate treatment of consumers whose circumstances may make them vulnerable.[274] There is also a requirement on providers for communications (which includes the Contract Summary and Contract Information) to be provided in a reasonably acceptable format to any Subscriber who requires it because of their disabilities.[275]

4.89 With respect to Three's view that the £/p requirement should not apply to promotional discounts, we consider that applying the £/p requirement to the Core Subscription Price in circumstances where providers are offering a discount to that price would be essential 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. We would be concerned if providers present discounts to the Core Subscription Price in a manner that confuses customers.

4.90 The intention in our consultation was that the £/p requirement would be applied to such discounts. This would address potential lack of clarity for customers if discounts were presented in such a way as to require them to undertake calculations in order to work out the monthly Core Subscription Price they would be required to pay their provider. We therefore confirm our view that the £/p requirement should apply to any discounts to the Core Subscription Price.

4.91 While we note Vodafone's view that providers should be allowed to set out by how much the Core Subscription Price will rise (rather than the changed price), we are concerned about the cognitive load that customers would experience if providers were to do this. In our judgement, this would mean that consumers must perform a further calculation to understand what they will pay, regardless of whether their total monthly price has changed due to the addition or removal of products and services from their subscription during the commitment period. We therefore do not agree with Vodafone's suggestion that providers should be required to present the amount by which the Core Subscription will rise.

4.92 For the avoidance of doubt, this is an example of how providers could comply with the £/p requirement in setting out price change information:

> *"Your monthly price is £30; increasing to £31.50 on 1 April 2025 and to £33.00 on 1 April 2026."*

4.93 This is an example that would not comply with the £/p requirement:

[274] See Condition C5.2-5.3 of Ofcom, *General Conditions of Entitlement*, 2023.
[275] See Condition C5.16 of Ofcom, *General Conditions of Entitlement*, 2023.

> *"Your monthly price is £30; increasing by £1.50 on 1 April 2025 and 1 April 2026."*

4.94 We note Hyperoptic's view that providers should present information on Core Subscription Price changes. Consistent with our rules on End of Contract Notifications and Annual Best Tariff Notifications,[276] and with the Fairness for Customers commitments,[277] we expect providers to support their customers with clear information before and after their contracts end, to enable them to make well-informed decisions. Consistent with this, we consider that where providers structure their Core Subscription Price to include a price variation term, they should set this out in these notifications.

4.95 Having assessed the responses to the consultation, we remain of the view that the information set out in paragraphs 4.38 should be drawn prominently to the customer's attention in a clear and comprehensible manner (including during a sales call or other verbal sale such as an in-store sale) and before a customer is bound by a contract. We also remain of the view that the information set out in paragraphs 4.39 should be presented in the Contract Information and Contract Summary.

The £/p requirement will apply to residential and small business customers

4.96 In our December 2023 consultation, we set out our provisional view that the £/p requirement should apply to any contracts taken by residential customers or by small business customers (i.e. Microenterprise, Small Enterprise and Not-For-Profit customers for which not more than 10 individuals work, as defined in the GCs), unless the latter have expressly agreed otherwise.

Stakeholder responses

4.97 Consumer Scotland said it welcomed the protection that the prohibition of inflation-linked price rises will offer to small business customers.[278]

4.98 BT Group[279], CCUK, Gamma and Verastar[280] challenged the inclusion of contracts for small business customers in the scope of our remedy. They disagreed with our view that some small business customers are likely to be in the same position as residential consumers or suggested that we had not demonstrated harm to these customers.

4.99 CCUK[281] and Gamma[282] questioned how providers should comply with requirements to present information on any in-contract price rises in pounds and pence at the point of sale where providers may also seek small business customers' agreement to not provide them with Contract Information and Contract Summary. Both were concerned that providers would need to seek a "waiver" of the £/p requirement even during exploratory

[276] Ofcom, *Helping consumers get better deals: Statement on end-of-contract notifications and annual best tariff information*, 2019.
[277] Ofcom, *Fairness for Customers commitments*, 2019.
[278] Consumer Scotland response, page 5.
[279] BT Group response, page 11.
[280] Verastar response, paragraphs 3.3-3.5.
[281] CCUK response, pages 1-2.
[282] Gamma response, page 3.

conversations with a customer. Gamma said that the correct place in the consumer journey for the provider to seek such a waiver would be at the point of sale.

4.100 CCUK said that the £/p requirement would be less onerous if it would require providers to draw the attention of business customers to the price variation clause later in the sales process, but prior to the customer being bound by the contract: for example, on the customer's order form or as part of their Contract Information and Contract Summary (if the customer does not waive their right to these).[283]

Our assessment and conclusion

4.101 We note BT Group, CCUK, Gamma and Verastar's disagreement with the inclusion of contracts for small business customers in the scope of the £/p requirement. As set out in paragraphs 3.99-3.104, evidence suggests that many small business customers are likely to experience the same harms from inflation-linked price variation terms as residential customers. We set out in paragraph 4.17 that, for this reason, we consider that residential and small business customers require similar new protections.

4.102 While some small business customers purchase products intended for residential customers, our research found that 34% of small business customers are on business contracts for mobile services and 40% of small business customers are on business contracts for broadband services.[284] Therefore our view remains that, when small business customers take business contracts, like residential customers they need the protection of the £/p requirement in their Contract Information, Contract Summary and in pre-contractual information setting out any contractual price rises in pounds and pence.

4.103 However, under our rules, providers may seek small business customers' express consent to waive their right to Contract Information and Contract Summary.[285] This is because, when we introduced the Contract Information and Contract Summary requirements, we recognised that some small businesses with more complex communications needs and uses might demand the flexibility to negotiate bespoke contract terms, as opposed to purchasing 'off the shelf' business contracts.[286] For example, some customers might want to be able to negotiate with respect to price or other aspects of the service, such as the number of lines they require, equipment provided or the duration of the contract.

4.104 In these specific circumstances, we consider that it would be reasonable for small business customers to expressly agree not to receive the Contract Information, Contract Summary and pre-contractual information setting out any contractual price rises in pounds and pence, because they want to negotiate and/or agree to bespoke arrangements. Those bespoke arrangements might include price variation terms where price changes are not set out in pounds and pence. However, the customer must be aware of the terms to which they are signing up.

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[283] CCUK response, page 2.

[284] Ofcom, See extra analysis of Ofcom, *SME consumer experience in the communications market 2022 survey data*, Tables 1 (mobile) and 3 (broadband).

[285] See Condition C1.1(a)(ii) of Ofcom, *General Conditions of Entitlement*, 2023.

[286] Ofcom, *Implementing the new European Electronic Communications Code: Revised proposals for annual best tariff information and business customer definitions,* 2020, paragraph 4.33

4.105 We set out how providers may seek small business customers' express agreement to waive their rights to Contract Information and Contract Summary in our October 2020 statement on implementation of the EECC. We said that:

"In seeking such a waiver, providers should ensure that the relevant business customers have been made aware of their rights as part of the sales process. We would also expect any waiver of rights to be clearly and prominently referenced in any pre-contractual information that is provided to these customers, such that it is clear that the customer has given their express consent to such a waiver and made an informed decision prior to entering into a contract."[287]

4.106 We would be concerned if a provider simply includes a term in a contract with small business customers to inform them that they have automatically waived these rights, especially if there is no scope to negotiate terms. We would expect providers to explain to small business customers that they have the option to waive these rights, and the reasons for this, and ask them to make a decision on whether or not they wish to do so.

4.107 In response to CCUK and Gamma's comment about whether a waiver would be required during exploratory conversations, we do not envisage that the £/p requirement would interfere in providers' sales processes, where negotiation can take many forms. It is up to providers to ensure that customers are given full, accurate and relevant information at appropriate times during the sales journey to enable them to make an informed decision.

Our decision

4.108 Our provisional view as set out in our December consultation was that the £/p requirement would best address the consumer harm we have identified and meet our policy objectives.

4.109 We remain of that view. The £/p requirement will enable consumers to understand the price of a service readily and provide sufficient clarity and certainty to make informed decisions and comparisons and to find the right deal for them. We do not consider that this is the case where providers use inflation-linked price variation terms or percentage-based increases. The £/p requirement will also drive consumers to compete based on clear and transparent pricing structures and protect customers from unfair burdens and risks.

4.110 The £/p requirement will apply to any contracts for broadband, landline, mobile and pay TV services, including where they are taken in combination as a bundle, taken by:

- Consumers.
- Microenterprise, Small Enterprise and Not-for-Profit Customers, unless they have expressly agreed not to receive the Contract Information, Contract Summary and pre-contractual information setting out any contractual price rises in pounds and pence.

[287] Ofcom, *Fair treatment and easier switching for broadband and mobile customers: Implementation of the new European Electronic Communications Code*, 2020, paragraph 5.104.

5. Decision and implementation

Introduction

5.1 We concluded in section 4 that new protections are needed to protect consumers from harm from inflation-linked price variation terms and to meet our policy objectives.

5.2 We have decided that the appropriate way to meet our policy objectives and protect consumers from harm will be to require providers, when they provide for a change to the monthly price of their services during the contract term, to set that change out at the point of sale in pounds and pence (the £/p requirement).

5.3 As proposed in our consultation, to implement the £/p requirement we are making three sets of changes to GC C1. First, we are amending our GCs to require providers to ensure that, before a customer is bound by a contract, the following information is drawn prominently to the customer's attention in a clear and comprehensible manner (including during a sales call or other verbal sale such as an in-store sale):

- The Core Subscription Price.
- If the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price, in pounds and pence.
- The date from which any changed Core Subscription Price(s) take effect.

5.4 Second, we are amending our GCs to require providers to include certain information in their Contract Information (which must be provided to customers before they are bound by the contract):

- If the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price, in pounds and pence.
- The date from which any changed Core Subscription Price(s) during the Commitment Period shall have effect.[288]

5.5 Third, we are making changes to GC C1.5 to require providers to include the same pricing information in the Contract Summary. The GCs already require providers to set out in the Contract Summary the 'price' of the service (i.e. the recurring price in subscription contracts). Our proposed amendments to GC C1.5 explicitly provided that the price set out in the Contract Summary must include the Core Subscription Price. Providers will also need to include the following in the Contract Summary:

- If the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price, in pounds and pence.
- The date from which any changed Core Subscription Price(s) during the Commitment Period shall have effect.

[288] Our GCs already require providers to set out the Core Subscription Price in the Contract Information and Contract Summary. The Core Subscription Price is (in summary) the sum that the customer is bound to pay the provider at regular intervals for the services and / or facilities that the latter is bound to provide.

5.6 We are also amending our existing guidance on GC C1 to give providers clarity about our expectations of how they can comply with our proposed requirements.

5.7 The changes apply to:

- All broadband, landline, mobile and pay TV services, including where they are taken in combination as a bundle.
- Any contracts for the above services taken by Consumers.
- Any contracts for the above services taken by Microenterprise and Small Enterprise Customers and Not-For-Profit Customers, unless they expressly agree otherwise.

5.8 In this section, we set out why we consider it is appropriate and proportionate to introduce the £/p requirement, having regard to Ofcom's statutory duties. In particular, we explain our decision that it is appropriate to introduce the new rules set out in Annex 2 and new guidance set out in Annex 3 to achieve our policy objectives and therefore protect the interests of customers. The new rules are targeted to be effective in addressing the consumer harm we have identified, while also being the least onerous means of achieving our objectives. We consider that the new rules are proportionate, will deliver benefits to consumers that outweigh the costs to providers and will not lead to disproportionate adverse effects.

5.9 We also explain our decision that the £/p requirement will come into effect six months from the date of this statement. The new rules will apply to any new contracts entered into from 17 January 2025.

5.10 In Annex 1 we set out additional stakeholder responses on the specifics of the changes we are making to GC C1 and guidance and our assessment of these.

Proportionality of our decision

5.11 Under our regulatory principles, we operate with a bias against intervention. Under section 3(3)(a) of the 2003 Act, we have a duty to have regard to the principles that our regulatory activities should be proportionate and targeted only at cases where action is needed.

5.12 This section sets out our assessment of the proportionality of the changes to our GCs. Following Ofcom's *Impact assessment guidance*, we have taken into account all consultation responses prior to making our decision based on all the evidence and what we consider to be the most proportionate and least onerous means of achieving our objectives.[289] Specifically, we have:

- Considered whether the £/p requirement is an effective means of achieving our policy objectives (paragraphs 5.13-5.21).
- Considered whether the £/p requirement is necessary to achieve our objectives or could be achieved by a less onerous approach (paragraphs 5.22-5.28).

[289] Ofcom, *Impact assessment guidance*, 2023, paragraph 2.13.

- Assessed the proportionality of the £/p requirement in the round, including whether the expected benefits outweigh the costs, and whether it gives rise to adverse effects that are disproportionate to our policy objectives (paragraphs 5.29-5.80).

The £/p requirement is an effective means of achieving our objectives

Our December 2023 consultation

5.13 Our provisional view was that the £/p requirement would be an effective means of achieving our policy objectives, which are: to ensure consumers have sufficient price clarity and certainty; to drive providers to compete based on clear and transparent pricing structures; and to protect consumers from unfair burdens and risks.

Stakeholder responses and our assessment

5.14 In response to the consultation, many stakeholders commented that the £/p requirement would improve the clarity and transparency of pricing,[290] make it easier for consumers to understand prices and to shop around,[291] strengthen the effectiveness of competition,[292] ensure price certainty and prevent consumers from facing unfair financial risks.[293]

5.15 Virgin Media O2 suggested that we did not demonstrate a positive case that the £/p requirement would be effective, as we did not "research the mechanism, likelihood or scale" of the effect that the £/p requirement would have to drive greater consumer engagement and stronger competition.[294] It also said we did not analyse whether the £/p requirement "would lead to direct customer activity (e.g. switching or shopping around)".[295] It further said that "an intervention to restrict pricing freedom in a competitive market imposes a high burden of proof onto a regulatory body", which Ofcom had not met.[296]

5.16 One of our policy objectives is to ensure consumers have sufficient price clarity and certainty and can find the right deals for their needs. As explained in section 3, price plays a central role in consumer choice and our analysis shows that inflation-linked price variation terms undermine price clarity and certainty, which in turn makes it harder for consumers to find the right deal for them. We believe the £/p requirement will make it easier for consumers to know how much they will pay by removing the cognitive burden required to understand inflation-linked price variation terms, thus enabling consumers to shop around and to choose the best deals with more confidence and less effort. This is the mechanism through which we expect the £/p requirement to achieve our policy objective.

5.17 Our qualitative research supports our view that the £/p requirement will be effective. The research sought consumers' views of potential remedy options. When considering what

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[290] Communication Ombudsman response, page 1; Consumer Scotland response, page 3; Hyperoptic response, page 4; MoneySavingExpert response, page 1; Tesco Mobile response, page 3.
[291] CMA response, page 3; Communication Ombudsman response, page 1; Hyperoptic response, page 4; MoneySavingExpert response, page 1; Which? response, page 3.
[292] CMA response, page 3; Hyperoptic response, pages 4-5; Which? response, page 3.
[293] CMA response, page 3; Communication Ombudsman response, page 1; Consumer Scotland response, page 3; MoneySavingExpert response, page 1; Which? response, page 3.
[294] Virgin Media O2 response, page 2.
[295] Virgin Media O2 response, page 33.
[296] Virgin Media O2 response, page 2.

remedies might address the confusion and lack of clarity that participants had identified in relation to in-contract price rises, they valued options that would go some way towards meeting their need for certainty, consistency and transparency. In particular, participants viewed more favourably remedy options that would prohibit inflation-linked price rises (which included the £/p requirement and the fixed charges requirement). This indicates that presenting prices or any price rises in pounds and pence would meet consumers' need for, and is effective in achieving our policy objectives of, price clarity and certainty.[297] We do not agree with Virgin Media O2's suggestion that we must research or quantify the likelihood or scale of the potential impact of the £/p requirement on consumer engagement in forms of customer activity such as switching, in order to demonstrate it will be effective in delivering price clarity and certainty.

5.18 We also expect the £/p requirement to strengthen the effectiveness of competition. As explained in paragraph 3.71, it is a well-established economic principle that informed and engaged consumers drive providers to compete: when consumers are better able to choose products that offer the best value for money, providers that meet consumers' needs at the best prices will be rewarded with more business. Specifically, as the £/p requirement improves consumers' understanding of how much they will pay over the contract duration and simplifies price comparison, we expect it to incentivise providers to compete by offering deals based on attractive overall prices, rather than on offering attractive headline prices and increasing them later using inflation-linked price variation terms. We also expect providers to respond to the £/p requirement using differentiated approaches, thus offering a wider variety of pricing options that are clear and transparent to consumers, relative to the current situation where many providers adopt similar inflation-linked price variation terms. We therefore believe that the £/p requirement will strengthen the effectiveness of competition, thus achieving our objective of driving providers to compete based on clear and transparent pricing structures.

5.19 Furthermore, we expect the £/p requirement will ensure consumers do not face financial risks from unanticipated price rises. Inflation-linked price variation terms currently impose such risks because consumers lack awareness and understanding of them and because inflation is unpredictable. The £/p requirement will improve price clarity and create price certainty, by removing the unpredictable inflation-linked element from any price rises. We therefore consider it effective in achieving our objective of protecting consumers from unfair financial risks.

5.20 Lastly, in relation to Virgin Media O2's argument about the burden of proof needed to amend the GCs in a competitive market, we consider that we have discharged that burden. Ofcom has a statutory power to make GCs that we consider appropriate for protecting the interests of end-users of communications services,[298] even in circumstances where we have not found that a person has significant market power. Ofcom can only do so where this satisfies certain legal tests[299] and is consistent with our general duties.[300] We consider that the £/p requirement does satisfy those legal tests, and is consistent with our general duties,

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[297] See Ofcom, *Inflation-linked price rises: qualitative research report*, section 5
[298] Communications Act 2003, s 51(1)(a).
[299] Communications Act 2003, s 47.
[300] Communications Act 2003, ss 3-4.

for the reasons set out in paragraphs 5.95-5.96 below and in this section, which set out our assessment of the proportionality of the changes that we are making.

5.21 Overall, we remain of the view that the £/p requirement will be an effective means of achieving all of our policy objectives.

The £/p requirement is necessary to protect consumers

Our December 2023 consultation

5.22 Our provisional view was that the £/p requirement would be necessary to protect consumers from the harms caused by inflation-linked price variation terms and to achieve our policy objectives. We considered that such consumer harms would not be addressed by our existing rules and guidance or by providers voluntarily. Moreover, we considered that the £/p requirement was targeted at achieving our policy objectives, does only what is necessary to achieve them and that it would be the least onerous way of achieving our policy objectives.

Stakeholder responses and our assessment

5.23 Hyperoptic,[301] Three[302] and Which?[303] supported our view that the £/p requirement would be necessary to address consumer harms from inflation-linked price variation terms. However, several providers and trade bodies said that, looking forward, the £/p requirement would not be necessary because inflation had been falling or stabilising.[304]

5.24 Inflation has fallen since early 2024 relative to the trend between 2021 and 2023. However, as explained in paragraphs 2.12-2.13, consumers' inability to predict inflation rates will likely persist going forwards. Moreover, we consider the £/p requirement will give price clarity and certainty to consumers and protect them from the harm arising from their lack of awareness and understanding of inflation-linked variation terms. Therefore, we remain of the view that the £/p requirement is necessary to achieve our policy objectives, irrespective of whether inflation rates are falling or not.

5.25 We have considered whether the £/p requirement is the least onerous approach to achieve our policy objectives. For reasons explained in paragraphs 4.54-4.59, we consider that the only other remedy that would be effective is the fixed charges requirement. However, the fixed charges requirement would be a more onerous way of achieving our objectives because, in our view, it would place greater constraint on providers' commercial flexibility in a way that is not necessary to achieve our policy objectives.

5.26 In addition, we have considered whether it is necessary to apply the £/p requirement to customers who have seen out their contract period. We note that Citizens Advice and Consumer Scotland said we should consider how to prevent an increasing number of consumers from being exposed to price rises when they are out-of-contract.[305] Citizens Advice was concerned that some groups of people are more likely to struggle to switch at

[301] Hyperoptic response, page 5.
[302] Three response, page 1.
[303] Which? response, page 3.
[304] CCUK response, page 4; Gamma response, page 2; INCA response, page 4; TalkTalk response, page 6; Virgin Media O2 response, page 19.
[305] Citizens Advice response, page 8; Consumer Scotland response, page 2.

the end of their contracts and therefore would be ‘stuck’ with inflation-linked price rises as out-of-contract customers.

5.27 As set out in paragraph 2.23 and section 3, we have considered the impact of inflation-linked price rises on both customers who are in-contract and customers who have seen out their contract period. However, customers who have seen out their contract period are not bound to accept price rises and we consider that they are therefore in a better position to mitigate the impact of inflation-linked price variation terms than in-contract customers. We also have other measures in place to ensure people are notified annually when they are free to sign up to a new deal and when their contracts come to an end, as well as measures to make switching easier. Moreover, these customers will benefit from the £/p requirement when they come to engage with the market. Therefore, to ensure our remedy is targeted only where intervention is needed, we consider it necessary to apply the £/p requirement to new contracts but not to services for customers who have seen out their Commitment Period.

5.28 Overall, we consider that the £/p requirement is necessary to protect consumers and that it is the least onerous means of achieving our policy objectives.

The £/p requirement is proportionate and would not give rise to disproportionate adverse effects

5.29 This section assesses the proportionality of the £/p requirement in the round.

Our December 2023 consultation

5.30 In our consultation we said that our proposed remedy would deliver clear and meaningful benefits of improved clarity and certainty of prices. We expected the potential cost of the £/p remedy to be low relative to the consumer benefits, as we did not expect that providers would need to build new systems and the incremental cost to providers of training sales agents and making changes to communications was likely to be small.

5.31 We also said we did not expect our proposal to give rise to disproportionate adverse effects. We considered the £/p requirement would not undermine providers’ ability to recover costs or their flexibility to set prices to fund investment, nor would it adversely impact the functioning of the market.

5.32 As such, we provisionally concluded that targeted regulation in the form of the £/p requirement was both appropriate and proportionate to protect the interests of consumers.

Stakeholder responses and our assessment

5.33 Below, we consider the consultation responses and assess the proportionality of the £/p requirement in the round, by considering:

- The expected benefits of the £/p requirement (paragraphs 5.34-5.42).
- Whether the benefits would outweigh the costs (paragraphs 5.43-5.50).
- Whether the £/p requirement may give rise to any disproportionate adverse effects (paragraphs 5.51-5.80).

The £/p requirement will deliver clear and meaningful benefits

5.34 Many stakeholders supported the £/p requirement and agreed with our assessment of the benefits it would bring about.[306] While several stakeholders preferred other remedy options, such as the fixed charges requirement, they recognised that the £/p requirement would offer an improvement from the status quo.[307]

5.35 However, Virgin Media O2 said our market research cast doubt on whether the £/p requirement would drive greater consumer engagement, because some participants could not tell that examples of price rises, expressed in pounds and pence but in different ways, gave the same total cost. It also stated that "contracts expressed as £/p increases were the least easy to understand" by comparison with other forms of £/p price rise terms or fixed prices.[308]

5.36 In our assessment, to achieve our policy objective of ensuring consumers have sufficient price clarity and certainty to find the right deals for their needs, it is necessary for consumers to be better informed about prices and have more certainty about them. We expect the £/p requirement to deliver such price certainty and clarity, as explained in paragraphs 4.43-4.48. In particular, we expect the £/p requirement to improve consumers' ability to make informed choices relative to the status quo in which most customers struggle to engage with inflation-linked price variation terms. In our view, the £/p requirement will benefit different groups of consumers:

- Active consumers who shop around will have access to a range of product options that offer clear, certain prices for the duration of their contract. This will benefit both customers who are currently subject to inflation-linked price variation terms and those who are not.
- Clear and certain pricing can help customers who have seen out their contract period engage with the market, as providers will need to offer clarity and certainty about their services' prices and any subsequent price rises.
- All consumers will benefit from the strengthened effectiveness of price competition between providers.

5.37 In addition, we expect the £/p requirement to deliver significant benefits for many consumers by easing their cognitive burden and search costs. Consumers will not need to undertake complex calculations, including calculating percentage increases (our evidence shows that consumers find it difficult to do the complex calculations needed to correctly calculate inflation-linked price rises, as set out in paragraphs 3.25-3.34). Consumers will also not need to estimate inflation, or find inflation forecasts, to understand the price they will pay for the duration of their contract (the inflation rate that will apply is impossible to predict with accuracy unless the relevant inflation rate has been published by the time the customer enters their contract). These challenges are compounded when more than one

[306] ACNI response, page 4; BT Group response, pages 10-11; CCNI response, page 4; CCP response, page 1; Citizens Advice Scotland response, page 2; CMA response, pages 3-4; Communications Ombudsman response, page 1; Consumer Scotland response, page 2; Hyperoptic response, page 4; Sky response, page 2; Tesco Mobile response, pages 4-5; Three, page 1 response; Uswitch response, page 1; and Which? response, page 3.
[307] Careful Trouble response, page 4; Citizens Advice response, pages 12-13; MoneySavingExpert response, page 7; and Over50sMoney response, page 3.
[308] Virgin Media O2 response, page 33.

price rise applies to the contract. Price clarity is important for consumers, regardless of the level of inflation rates or wider economic conditions, so we consider that these consumer benefits will endure even as conditions change.

5.38 We disagree with Virgin Media O2's suggestion that our research cast doubt on the benefits of the £/p requirement. Our research shows that most participants agreed it is easy to understand the price they will pay each month of the contract when prices are expressed in pounds and pence.[309] We note that, when presented with different pricing structures, some participants could not accurately compare the total cost of deals with fixed prices with the total cost of deals subject to prices rises set out in pounds and pence (and expressed in different ways).[310] We have taken this evidence into account in developing our remedy, which will require providers to present the monthly prices that will apply during the contract duration in pounds and pence, not the amount by which prices will rise, to reduce cognitive load (paragraphs 4.91-4.93). While the £/p requirement may not fully eliminate the cognitive burden that consumers face when comparing deals subject to price rises, it will significantly reduce those burdens by removing the need for consumers to understand and predict inflation and other percentage-based pricing elements. As such, our view remains that the £/p requirement will generate significant benefits to consumers.

5.39 We expect this to benefit all consumers, and we also expect it will benefit, to an even larger degree, some disabled people, those with lower levels of educational attainment or with lower incomes, as research finds that these consumers face particular difficulties understanding inflation-linked prices (see paragraphs 3.36-3.40).

5.40 The £/p requirement will also ensure customers do not face unfair financial risks. The prices customers pay during the contract period will be certain and not dependent upon inflation rates that they are unable to understand or predict. This benefit may be particularly significant for financially vulnerable customers, such as lower income households, where unexpected price increases could have significant impacts on their wider household budget (see paragraphs 3.88-3.91).

5.41 In our view, the range of benefits set out above are clear and meaningful. Given the evidence of the scale of harm set out in paragraphs 3.105-3.112, we expect the benefits of the £/p requirement to be substantial. These include helping tens of millions of consumers currently subject to inflation-linked price variation terms to make more informed choices (paragraph 3.107) and benefiting all consumers by strengthening effectiveness of competition based on clear and transparent pricing.

5.42 We have also had regard to the desirability of promoting economic growth. We consider that our decision to implement the £/p requirement is consistent with that objective, including because (as set out above) it is likely to protect consumers from harm and strengthen the effectiveness of competition, and, for the reasons set out in this section, is proportionate.

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[309] See slide 19-20 of Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Mobile)* and slide 20-21 of Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Broadband)*.
[310] See slide 21 of Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Mobile)* and slide 22 of Ofcom, *Inflation-linked price rises: Summary of quantitative research findings (Broadband)*.

The costs of implementing the £/p requirement are low and largely one-off relative to the benefits, which are substantial and long-lasting

5.43 In response to the consultation, several providers said we have underestimated the costs of implementing the £/p requirement and the complexity of the changes required:

- Three estimated that its implementation costs would be around [✂], due to systems changes to sales journeys across all channels and commensurate changes to its contractual documentation and product catalogue.[311]
- Virgin Media O2 estimated that the median costs of implementation would be approximately [✂] to cover the work required to prepare the customer discovery and purchasing journeys and the additional costs of updating billing systems to execute price rises in the proposed format.[312]
- BT Group and Vodafone did not quantify their costs, but also said they would need to make changes to the customer journey and contract summary and undertake development across agents' sales platforms, sales journeys and other processes, as well as training and testing.[313]

5.44 Hyperoptic considered that the costs to providers of implementing changes would be minimal, given these changes would be an extension of work already done to comply with the CAP/BCAP guidance.[314]

5.45 We remain of the view that the overall costs of the £/p requirement are low and are outweighed by the substantial consumer benefits, for the following reasons.

5.46 First, we have taken into consideration the costs to industry as a whole, not just the costs to individual providers. The £/p requirement will only require implementation work to the extent providers currently adopt inflation-linked price variation terms. It will not impose any implementation costs on providers offering contracts that do not provide for specified price rises. Fixed-price tariffs are already clear and certain to consumers. Other types of tariff, such as pay-as-you-go mobile, typically do not contain in-contract price rises.

5.47 Second, some providers have existing system capabilities to set in-contract price rises in pounds and pence. One major provider ([✂]) already had tools to apply price rises in pounds and pence at the time of our consultation.[315] BT/EE and Vodafone changed their pricing structures to offer new tariffs with in-contract price rises expressed in pounds and pence in April 2024 and July 2024, respectively.

5.48 Third, in relation to making operational and systems changes, we recognise that providers need to adapt their systems throughout the customer journey to implement the £/p requirement and ensure this is drawn prominently to the customer's attention. We acknowledge this will involve costs; however, no providers reported the need for large-scale investment to change their systems or to build new systems.

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[311] Three response, page 1.
[312] Virgin Media O2 supplementary response to Ofcom's consultation, pages 4-5.
[313] BT Group supplementary response, page 1-2 and Vodafone supplementary response, page 1-2.
[314] Hyperoptic response, page 5.
[315] [✂] provided in [✂] response to our statutory information request.

5.49 Finally, implementation costs will be largely one-off. We acknowledge that providers need to draw on engineering and other IT resources to alter current systems and platforms, as well as to invest in training staff to ensure they communicate new policies to customers. In our view, however, our remedy will not create additional resource and training burdens for providers after the one-off costs they will incur. No providers suggested that the £/p requirement would increase their ongoing operational or staffing costs permanently.

5.50 In conclusion, we believe the incremental costs of implementing our remedy are low for the industry relative to the benefits to consumers. While we have not sought to quantify these costs across all providers, the indication is that they are in the order of magnitude of [✂] one-off costs for some of the major providers and likely to be less for many other providers. We believe the cost to industry is outweighed by the substantial and long-lasting consumer benefits of the £/p requirement.

The £/p requirement does not give rise to disproportionate risk of adverse effects

5.51 A number of providers disagreed with our view that the £/p requirement would not give rise to disproportionate effects and argued that there could be unintended consequences if we were to introduce the £/p remedy. We discuss the potential impact of the £/p requirement on:

- Providers' ability to fund investments (paragraphs 5.52-5.54).
- Providers' risks and prices paid by consumers (paragraphs 5.55-5.61).
- Non-integrated providers that face CPI-linked wholesale costs (paragraphs 5.62-5.65).
- Consumers on lower-priced tariffs (paragraphs 5.66-5.69).
- Consumer choice (paragraphs 5.70-5.72).
- Small business customers and their providers (paragraphs 5.73-5.77).
- Other areas (paragraphs 5.78-5.80).

Providers' ability to fund investment

5.52 Some providers suggested that inflation-linked price variation terms are necessary to enable investments (e.g. in full-fibre rollout and 5G networks)[316] or other initiatives (e.g. social tariffs).[317] INCA said that investment is drawn to the telecoms sector because providers can increase their prices in line with inflation.[318]

5.53 As we set out in the consultation, we do not consider the £/p requirement would undermine providers' ability to recover their costs, nor would it limit providers' flexibility to set prices to fund investment or fund initiatives to protect vulnerable consumers. The £/p requirement would not affect how much providers can charge, nor whether they can raise prices during

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[316] For example, [✂] response to question 23 of our statutory information request, [✂] response to question 23 of our statutory information request, and [✂] provided in [✂] response to our statutory information request.
[317] [✂] response to question 23 of our statutory information request.
[318] INCA response, page 3.

the term of a contract. Rather it would affect how any price rise is set out, requiring clarity and certainty, so that consumers know what they are signing up to pay for the duration of a contract.

5.54 No stakeholders contested this view in response to the consultation. Our view remains that the £/p requirement will not limit providers' flexibility to set prices to fund investment or other initiatives.

Providers' risks and prices paid by consumers

5.55 Several providers[319] and trade bodies,[320] plus Consumer Scotland,[321] commented that, due to risk aversion on the part of providers, the £/p requirement may lead to higher prices. In their view, providers may add a risk premium to prices if, as a result of the £/p requirement, they cannot pass on inflationary risk on to consumers directly using inflation-linked variation terms.

5.56 Citizens Advice, Hyperoptic and Which? said effective competition due to the improved price transparency of the £/p requirement would ensure prices are competitive and may even lower prices.[322]

5.57 We recognise that the £/p requirement means some providers may need to change the way they manage risk, rather than simply passing risk on to consumers using inflation-linked price variation terms. We consider this change is necessary to achieve our policy objective of ensuring consumers do not face unfair financial risk, because consumers do not have equivalent capabilities to manage risk.

5.58 Nonetheless, we believe that price premiums would not be the only way in which providers manage risk. Providers can maintain and update inflation forecasts and adjust their offerings in response to changing conditions. Providers also sign up new customers continually and they can adjust the initial prices and any price changes at the time of agreeing new contracts, as well as the duration of the contracts. In all these ways, they can adapt to changes in their expectations of future costs.

5.59 Virgin Media O2 noted that the £/p requirement could lead providers to manage uncertain inflation by reducing contract lengths, which it considered could drive higher prices for consumers.[323] We note that different contract durations may suit different consumer needs and shorter contracts may allow consumers to benefit from competitive headline prices of new contracts sooner.[324] We consider that, if some providers were to offer shorter contracts more frequently, this would not be a disproportionate consequence of our remedy.

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[319] Community Fibre response, page 3; Gamma response, pages 2-5; TalkTalk response, page 2; Utility Warehouse response, page 1 and page 7; Virgin Media O2 response, page7.
[320] CCUK response, pages 2-3; INCA response, page 1.
[321] Consumer Scotland response, page 2.
[322] Citizens Advice response, pages 4-5; Which? response, page 3; Hyperoptic response, page 5.
[323] Virgin Media O2 response, page 7; Oxera report for Virgin Media O2, section 3.5.
[324] We do not place weight on the analysis by Virgin Media O2's economic consultant that sought to use a stylised example to illustrate the potential impact on prices of providers withdrawing longer contracts (Table 3.5 of the Oxera report for Virgin Media O2). The analysis used O2's headline prices in January 2024 to model

5.60 However, as set out in paragraph 3.95, we have not seen clear evidence of a direct link between providers' costs and the inflation-linked price variation terms they have adopted.[325] In our view, prohibiting inflation-linked price variation terms should not materially affect these providers' ability to cover costs (or manage risk).

5.61 Finally, we note that fixed price deals are already available on the market. We have not heard suggestions that these providers had to bear excessive risk or incorporate higher risk premiums when offering fixed price deals. More generally, the £/p requirement should make price competition more effective as pricing clarity and certainty for consumers improve. We believe that the strengthening of price competition should constrain providers from passing on any excessive risk premiums or setting materially higher prices for consumers overall.

Non-integrated providers that face CPI-linked wholesale costs

5.62 In response to the consultation, TalkTalk said that the £/p requirement would put it at a competitive disadvantage by comparison with vertically-integrated providers, by putting a "further squeeze on its ability to recover costs", as it is "not currently able to pass through Openreach's price increases in full".[326]

5.63 Ofcom regulates the prices of a subset of Openreach's wholesale products.[327] We recognise that Openreach's wholesale products, as well as other network operators' products, often allow for CPI-linked price increases. We also recognise that the extent to which providers are vertically-integrated can influence their costs and how they compete.

5.64 However, we have previously reached the view that the legal separation of Openreach from BT Group, and a range of remedies,[328] would address the competition risk that BT Group and Openreach undermine their non-integrated downstream rivals. The introduction of the £/p requirement will not change our view. As explained in paragraph 5.58 above, providers can manage CPI-linked risks using a range of approaches, while consumers have much more limited scope to manage risk.

5.65 In any event, retail providers already apply a fixed percentage of 3.7-3.9% on top of the CPI rate in existing inflation-linked variation terms. This additional fixed percentage indicates that providers, including those which are not vertically-integrated, set price increases which do not necessarily correspond closely to changes in inflation.

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hypothetical contracts entered into in October 2024 (with sensitivity for April 2024/25) but ignored the fact that headline prices will adapt once the £/p requirement is in place. Moreover, customers can benefit by switching to other providers with competitive headline prices/introductory discounts instead of staying with O2.

[325] We understand that some providers to small business customers adopted inflation-linked price variation terms because similar terms were introduced in their wholesale input contracts. We discuss impact of the £/p requirement on small business customers in paragraph 5.73-5.77.

[326] TalkTalk response, page 2.

[327] Including MPF local loop unbundling and 'up to 40 Mbit/s' wholesale services. See Ofcom, *Statement: Promoting investment and competition in fibre networks – Wholesale Fixed Telecoms Market Review 2021-26*, 2021.

[328] See Ofcom, *Strengthening Openreach's strategic and operational independence*, 2016; and Ofcom, *Statement: Promoting investment and competition in fibre networks – Wholesale Fixed Telecoms Market Review 2021-26*, 2021.

Consumers on lower-priced tariffs

5.66 In response to some stakeholders' comments, we have considered whether the £/p requirement may disproportionately affect customers on lower-priced tariffs. Gamma, Three and Virgin Media O2 suggested that, if providers apply fixed price rises (in pounds and pence) at the same level across all tariffs, this may result in disproportionately higher price rises for customers on lower-priced contracts than for those on higher-priced tariffs.[329] Virgin Media O2 commissioned an analysis to illustrate the possible distributional effects.[330]

5.67 In our view, there are sufficient safeguards to minimise the risk that consumers on lower-priced tariffs face disproportionately high prices. First, we expect the £/p requirement to enable consumers to make more informed choices based on overall prices, rather than on either the headline price or the size of a subsequent in-contract price rise, in isolation. In turn, such improvements should drive providers to compete more effectively to offer attractive overall contract prices for customers.

5.68 Second, we expect that, if a provider chooses to implement our remedy by setting a fixed pounds and pence price rise across all its tariffs, it will still need to adjust headline prices such that its overall contract prices stay competitive. If a provider allows its pricing for lower-priced tariffs to become uncompetitive, we would expect it to lose customers to other providers that are willing to price more competitively, whether through lower headline prices or lower price increases over the course of the contract. For this reason, we do not place weight on the analysis of illustrative 'distribution effects' commissioned by Virgin Media O2, which did not account for the dynamics between headline prices and the price variation terms used.[331]

5.69 Third, we note that setting price rises at a fixed pounds and pence amount across tariffs is one possible approach to implementing our remedy, but not the only approach. For example, Three said it is important to "implement a tiered (as opposed to a flat fee) solution".[332] Moreover, fixed prices or other options (e.g. pay-as-you-go, monthly-rolling) will continue to be available, which tend to be more common pricing structures for lower-priced contracts. Therefore the availability of a variety of pricing structures, including more contracts that offer improved clarity and certainty, should benefit all customers, including those on lower-priced tariffs.

Consumer choice

5.70 We have considered the impact of our remedy on the choices available on the market. Many stakeholders commented that the £/p requirement would improve the choices available by

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[329] Gamma response, pages 7-8; Three response, page 2; Virgin Media O2 response, page 29.
[330] Oxera report for Virgin Media O2, section 3.6.1
[331] Oxera report for Virgin Media O2 (section 3.61) modelled a stylised example to illustrate the potential impact of the £/p requirement on cost to consumer by comparing two hypothetical scenarios, one with £/p price increases based on BT Group's announcement, and another one with prices increasing by RPI + 3.9%. This hypothetical example relied on headline prices as of January 2024 and assumed they were the same under both scenarios. As such, it did not account for the competitive dynamics that would affect headline prices according to the price variation terms and the sizes of expected price rise applied.
[332] Three response, page 2

ensuring prices are clear and certain.[333] However, some providers suggested that our remedy would restrict consumer choice by removing options containing inflation-linked price variation terms.[334] Virgin Media O2 stated that some consumers have an appetite for bearing inflation risk and they would now have to pay a premium for price certainty.[335] Virgin Media O2 further suggested that our remedy would give rise to a similar unintended consequence as Ofgem's attempt to simplify tariff choices in its 2010 retail market reforms, which led to higher prices.

5.71 We recognise that contracts with inflation-linked price variation terms will no longer be available to consumers after our rules come into effect. In that respect, the £/p requirement will reduce the range of options available to consumers. We consider it appropriate to take this step because, in our view, consumers are not advantaged by having a range of options that includes inflation-linked price variation terms, which evidence shows to harm consumers. By contrast, the £/p requirement will ensure that the options available to consumers have prices that are clear and certain, which has a positive impact on consumers' ability to find the right deals and on competition.

5.72 There is very limited evidence to suggest that consumers prefer to bear risk or actively look for contracts with inflation-linked variation terms.[336] Therefore, we believe the substantial consumer benefits of our remedy will outweigh any potential risk of restricting options for a very small minority of consumers (if any) who might be willing to bear the risk of uncertain inflationary price rises. Additionally, the greater use of £/p price increases, and variation between offers in these price increases, should give additional options that have been largely unavailable to consumers.

Small business customers and their providers

5.73 Several providers serving small business customers and their trade bodies raised concerns about the impact of £/p requirement on their ability to manage input costs risk.[337] These stakeholders argued that, as providers pay input costs to wholesalers that are typically linked to CPI, the £/p requirement would make it impossible for them to pass on CPI-related risks to end-customers through inflation-linked price variation terms. They said this would compel providers serving the small business market to set higher prices and could disincentivise them from offering longer-term contracts that allow small business end-customers to spread the payment of high upfront costs.

5.74 We recognise that, for these providers, some cost components are directly linked to CPI, as they often procure wholesale services with annual price rises indexed to CPI. We have

[333] Communication Ombudsman response, page 1; Hyperoptic response, page 4; MoneySavingExpert response, page 1; Tesco Mobile response, page 3. Stakeholders saying prices will be more certain for consumers: CMA response, page 3; Communication Ombudsman response, page 1; Consumer Scotland response, page 3; Which? response, page 3.
[334] FCS response, page 2; Verastar response, page 3; and Virgin Media O2 response, page 1.
[335] Virgin Media O2 response, page 2, page 9.
[336] The example Virgin Media O2 referred to was that some participants in our qualitative research expressed the view that "it may be worth taking the risk" of inflation-linked price variation terms based on their assumption that inflation would be likely to come down. See Ofcom, *Inflation-linked price rises: qualitative research report*, section 5.2.
[337] CCUK response, page 2; FCS response, page 3; Gamma response, page 5; INCA response, page 2; Verastar response, page 3.

explained how we take account of these concerns in paragraphs 5.58 and 5.64-5.65, above. Our general view is that consumers, including small businesses, should not face unfair financial risk relative to providers. This might mean providers need to manage risk differently, without using inflation-linked price variation terms.

5.75 However, we acknowledge that some small business customers are more sophisticated than residential customers and wish to negotiate bespoke contract terms. This is reflected in the fact that, under our current rules, small business customers can opt for contracts longer than 24 months, which is not the case for residential contracts. Some small business customers may also be more accustomed to inflation-linked pricing and the uncertainty it entails than residential customers.

5.76 On this basis, we have explained in paragraphs 4.103-4.104 that, where small business customers might want to enter into bespoke negotiations to better suit their needs, they should be able to expressly agree to waive their right to Contract Information, Contract Summary and pre-contractual information setting out any contractual price rises in pounds and pence, and potentially to the protection of the £/p requirement, provided that the small business customer is aware of the terms that they are signing up to and the implications. This will allow providers to offer different price variation terms, subject to agreement by the customer.

5.77 In our view, this approach is sufficient to ensure the £/p requirement will not adversely impact small business customers in a way that would be disproportionate to the benefits it generates, because:

- It ensures that small business customers benefit from price clarity and certainty from the £/p requirement, unless they choose to negotiate other terms. We also note that many small business customers are on residential contracts (64% mobile, 58% broadband) and so will benefit from the £/p requirement.[338]
- Small business customers will continue to have the flexibility to enter bespoke negotiations, which may include price variation terms that do not adhere to the £/p requirement.

Other areas

5.78 Consumer Scotland, Virgin Media O2 and Which? suggested that providers may shift to using prices may vary terms in their contracts instead of including price rises in pounds and pence.[339]

5.79 As set out in paragraphs 2.24-2.29, our review and consultation have not examined the impact of prices may vary terms. We recognise that it is possible that there could be more frequent unspecified price rises following the introduction of the £/p requirement (although this would not be without risk for providers, because under our rules they can only increase prices pursuant to these terms if they give customers at least one month's notice and the right to exit penalty-free). If so, this could have the unintended consequence of undermining

[338] See extra analysis of Ofcom, SME consumer experience in the communications market 2022 survey, Tables 1 and 3.
[339] Consumer Scotland response, page 7; Oxera report for Virgin Media O2, pages 30-31; and Which? response, page 5.

our objective that customers can understand the price of a service readily, with sufficient clarity and certainty, as explained in paragraph 4.36. In paragraph 5.94 we set out how we will monitor for any such impacts.

5.80 Finally, Gamma said inflation-linked price variation terms had enabled them to offer attractive headline prices to incentivise switching and the £/p requirement would reduce such incentives.[340] Our view is that switching works best where consumers are well-informed. Rather than undermine the incentive for consumers to switch, our remedy should ensure that consumers are able to choose the best deals that suit their needs, including by switching, based on clear and certain pricing. Moreover, our remedy will allow providers to apply different pricing structures, including introductory discounts, to incentivise switching. Therefore, we disagree with the suggestion that our remedy would impact switching adversely or to the detriment of consumers.

Our decision on proportionality

5.81 Having carefully considered the information available in the round, our assessment is that the £/p requirement is both appropriate and proportionate to protect the interests of residential and small business customers. We consider the revised GCs and guidance that give effect to these requirements, set out in Annexes 2 and 3, would be effective in meeting our policy objectives, are necessary to achieve the objectives and would not produce adverse effects which would be disproportionate to the objectives. In Annex 1 we set out additional stakeholder responses on the specific changes that we are making to GC C1 and guidance and our assessment of these.

Implementation

Our December 2023 consultation

5.82 In our consultation, we proposed that new contracts should comply with the amended rules by four months from the publication of this statement. Our provisional view was that this requirement took account of the scale of consumer harm that may result from providers continuing to sign customers up to inflation-linked prices rises, while giving providers sufficient time to make the necessary changes to their processes and business plans.

5.83 We did not expect implementation to require providers to build new systems, although we expected they would need to implement systems changes, train customer-facing staff and amend contract documents. We emphasised that it is necessary to implement the £/p requirement in a timely way to avert substantial further harm to consumers.

Stakeholder responses and our assessment

Support for a four-month implementation period

5.84 Several respondents agreed that, due to the scale of consumer harm from inflation-linked price variation terms, providers should implement our proposals within four months of our final decision and ahead of any annual price rises in 2025. The ACNI,[341] Citizens Advice

[340] Gamma response, page 6.
[341] ACNI response, page 5.

Scotland,[342] Consumer Scotland,[343] Hyperoptic,[344] MoneySavingExpert,[345] MoneySuperMarket[346] and Over 50s Money[347] supported a four-month implementation period. The CCNI, [348] Uswitch[349] and Which?[350] called for our proposals to be introduced as soon as possible.

Systems and process changes

5.85 Some providers stated that a four-month implementation period would not be long enough to make the necessary systems and process changes. These respondents proposed periods between six and nine months:

- Vodafone outlined the systems changes it would need to make and highlighted that the introduction of CAP/BCAP guidance on the presentation of in-contract price increases in telecoms ads in 2023 was subject to a six-month implementation period. It proposed an eight-month implementation period.[351] As noted in paragraph 4.82, Vodafone considered it could implement sooner if we were less prescriptive about how price change information should be presented.
- INCA said six-months would be sufficient to allow providers to adjust systems,[352] while Community Fibre suggested a deadline of 31 December 2024.[353]
- Three stated that our proposed changes would require extensive changes, including by external partners. It said it required nine months to fit the necessary development changes by third-party suppliers into a pre-defined release schedule.[354]
- Virgin Media O2 also proposed a nine-month implementation period to provide enough time to make widespread changes across its systems.[355] It acknowledged it could re-prioritise other projects to implement our proposals in a shorter timeframe but emphasised this would increase costs and disruption to its commercial projects.[356]
- BT Group raised similar concerns in relation to applying the changes to contracts for business customers. It said that the sales journey for business customers is more complicated than for residential customers and it would need up to nine months to implement our proposals should they apply to these contracts.[357] Separately, BT Group said it would not be able to present total bundled price change information without significant development costs.[358]

[342] Citizens Advice Scotland response, pages 2-3.
[343] Consumer Scotland response, page 9.
[344] Hyperoptic response, page 6.
[345] MoneySavingExpert response, pages 15-16.
[346] MoneySuperMarket response, page 3.
[347] Over50sMoney response, page 6.
[348] CCNI response, page 16.
[349] Uswitch response, page 5.
[350] Which? response, page 8.
[351] Vodafone response, page 8.
[352] INCA response, page 4.
[353] Community Fibre response, page 5.
[354] Three response, page 4.
[355] Virgin Media O2 supplementary response, page 2.
[356] Virgin Media O2 supplementary response, page 6.
[357] BT Group response, page 11.
[358] BT Group supplementary response, para 5.

- Community Fibre[359] and Vodafone[360] raised concerns that, due to other regulatory interventions, such as One Touch Switch, industry would require a longer implementation period.
- Verastar said it would need to re-negotiate with its suppliers and wholesalers to agree fixed price increases, which it said would not be possible within the proposed four months.[361]

5.86 We acknowledge providers' comments about the volume of systems and process changes required to become compliant with our rules. As part of our additional discussions with providers, we received some further detail on the types of activities providers would need to take. While providers would need to take different actions to comply, they generally described a similar process of designing, building, testing, and rolling out changes across numerous systems.

5.87 We have also considered other regulatory interventions and any changes to commercial contracts. We believe providers have sufficient notice to make the relevant changes for each of our interventions and that it is not necessary to re-negotiate wholesaler contracts to comply with this intervention.

Consumer understanding

5.88 TalkTalk said a longer implementation period is needed to avoid customer confusion as existing practice has permitted for a significant period.[362] We do not agree that it would create confusion among consumers to implement the £/p requirement. Rather, we believe consumers will be able to understand and engage with our proposals more effectively than existing inflation-linked price variation terms.

Pricing strategies

5.89 Some respondents emphasised that, with a shorter implementation period, industry may be more likely to introduce price variation terms that apply the same level of in-contract price rises across their customer bases, rather than to apply more varied price variation terms across their products, which might be their preferred approach. For example, Virgin Media O2 suggested that, with less time to develop new systems, providers may decide to offer the same price variation terms across tariffs.[363] Respondents suggested this standardised approach would result in less customer choice and potentially higher relative price increases for those on the cheapest tariffs.

5.90 We acknowledge providers' views on their preference to introduce differentiated price variation terms across their product bases. We welcome greater choice of clear and certain pricing structures. However, we have not received strong evidence to suggest that the implementation period for our new rules would mean that providers are unable to introduce more varied price variation terms across their product bases, if that is their preference. For example, our new rules do not prevent providers from tailoring price increases to specific

[359] Community Fibre response, page 5.
[360] Vodafone response, page 8.
[361] Verastar response, pages 6-7.
[362] TalkTalk response, pages 1-2.
[363] Virgin Media O2 supplementary response, page 2.

tariffs or customer segments, now or in the future. Providers will continue to be free to adjust their pricing structures as they see fit, within the requirements of the GCs.

Our decision on implementation

5.91 We recognise these points and the need to balance the costs to providers against the benefits to consumers. Given the above responses and analysis, we have decided to extend the implementation period by two months, which should still ensure consumers are able to enter into contracts featuring £/p requirements, ahead of annual price rises in 2025. In making this decision we have taken account of the scale of the changes to systems that providers will need to make, the need for providers to limit further harm by complying quickly and the need to ensure that providers can make the necessary changes to their sales channels.

5.92 Our new rules and guidance will apply from 17 January 2025.

Monitoring

5.93 We intend to monitor market developments to understand how our 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 remedy or undermining our objectives.[364]

5.94 We will also review the impact of the £/p requirement as part of our ongoing programme of ex-post evaluations, once we have allowed time for the new rules to bed-in.[365] That review may consider, for example: whether any new pricing structures are sufficiently clear and certain to consumers; whether consumers have sufficient choice of different pricing structures from providers; and how our intervention impacts consumer engagement and competitive dynamics between providers.

Legal tests

5.95 We consider the legal tests under section 47(2) of the 2003 Act are met in the context of the changes to GC C1, as those amendments are:

- **Objectively justifiable** as they are aimed at protecting the interests of customers by ensuring they can make informed decisions based on clear and certain pricing.
- **Not unduly discriminatory** as the requirement will be imposed on all providers that provide Public Electronic Communications Services to Consumers, Microenterprise or Small Enterprise Customers, and/or Not-For-Profit Customers.
- **Proportionate** for the reasons set out above, including that we consider the £/p requirement to be the least onerous way to protect consumers from the harms we have

[364] In particular, we noted in our consultation that some providers' terms currently include both inflation-linked price variation terms and prices may vary terms. As our objectives include ensuring that consumers can understand the price of a service readily with sufficient clarity and certainty, we said we may be concerned if providers apply both price variation terms specified in pounds and pence and prices may vary terms, such that they undermine both clarity and certainty.

[365] Ofcom, *Plan of Work 2024/25*, 2024, pages 34. 46.

identified while also meeting our policy objectives. We also consider that the £/p requirement will deliver benefits to consumers that outweigh the cost to industry, and have taken care to ensure that our intervention is appropriately targeted e.g. limited to the Core Subscription Price and any price rise that applies during the Commitment Period.

- **Transparent** as the reasons for making changes to the relevant rules are explained above. Issuing guidance alongside the GC will also clarify our expectations and our likely approach to compliance and enforcement.

5.96 We also consider that our decisions are consistent with our general duties set out in section 3 of the 2003 Act and the requirements in section 4 of the 2003 Act. In formulating our proposals, we have had regard to the UK Government's SSP.

A1. Additional stakeholder responses on changes to GC C1 and guidance and our assessment

Changes to GC C1

Our December 2023 consultation

A1.1 As set out in paragraphs 5.3-5.5, in our consultation we proposed to make three sets of changes to GC C1 to implement the £/p requirement.

A1.2 First, we proposed amendments to our GCs to require providers to ensure that, before a customer is bound by a contract, the following information is drawn prominently to the customer's attention in a clear and comprehensible manner (including during sales call or other verbal sale such as an in-store sale):

- The Core Subscription Price.
- If the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price, in pounds and pence.
- The date from which any changed Core Subscription Price(s) take effect.

A1.3 Second, we proposed changes to the Annex to GC C1 to require providers to include certain information in their Contract Information (which must be provided to customers before they are bound by the contract). Providers are already required to include the Core Subscription Price in their Contract Information. The additional information that we proposed to require providers to include in Contract Information was:

- If the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price expressed in pounds and pence.
- The date from which any changed Core Subscription Price(s) shall have effect.

A1.4 Third, we proposed changes to GC C1.5 to require providers to include the same pricing information in the Contract Summary. The GCs already require providers to set out in the Contract Summary the 'price' of the service (i.e. the recurring price in subscription contracts). Our proposed amendments to GC C1.5 explicitly provided that the price set out in the Contract Summary must include the Core Subscription Price. Providers will also need to include the following in the Contract Summary:

- If the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price expressed in pounds and pence.
- The date from which any changed Core Subscription Price(s) shall have effect.

A1.5 We also proposed two further drafting changes:

- To amend the preamble to GC C1 to highlight that one of the purposes of this Condition is to ensure that consumers receive information about any changes to the price that they will face during their contract, in order to provide them with certainty as to the amounts they will be required to pay.

- To amend the title appearing before GC C1.3 to signpost the proposed modifications.

Stakeholder responses and our assessment

A1.6 Most stakeholders who supported the £/p requirement agreed with our proposed changes to GC C1. However, some stakeholders (the CCUK, Gamma and Sky) commented on the specific drafting of the rules.

Services that are bought and sold in a currency other than pound sterling

A1.7 The CCUK[366] and Gamma[367] said that the proposed changes would restrict the consumer and small business market to trading in pound sterling. Both respondents noted that services for some business products and eSIMS for roaming customers are denoted in US dollars. Both suggested some drafting changes so as not to limit the medium of exchange to pound sterling: for example, that the price change should be specified as a fixed amount in the medium of exchange in which the contract is governed.

A1.8 It is not our intention to require providers offering services in the UK to trade in pound sterling in all circumstances. Therefore, in our new definition for 'Core Subscription Price Change Information' (see A1.14, below), we have amended the wording around how the price should be presented to allow for price rises to be presented as units of the currency in which the services are being purchased: for example, if a service is being sold in US dollars, then the provider must set out upfront any changes to that Core Subscription Price in US dollars. We anticipate that most contracts available to UK consumers will continue to be priced in pounds and pence and therefore we continue to refer to our new rules as the '£/p requirement' in this document.

Prices may vary terms

A1.9 Sky was concerned that our proposed GC amendments would have the effect of prohibiting providers' use of prices may vary terms, which Sky includes in its contracts.[368] Sky said that it would not be able to specify its future price rises upfront in pounds and pence because it may not know what the price rise will amount to at the point at which a customer enters their contract. It suggested some drafting changes to ensure that providers that use prices may vary terms and are subject to the contractual modification rules in GC C1.14-1.20 are expressly excluded from the £/p requirement.

A1.10 We do not consider that we need to amend our GCs as Sky has suggested. The new rules are intended to require providers to present certain information where the level and timing of any changes to the Core Subscription Price are specified in the contract. We consider that prices may vary terms would not be captured by this as, by their nature, the level and timing of any price rises pursuant to prices may vary terms are not specified in the contract. To assist providers we have clarified this in our guidance at paragraph 1.29.

[366] CCUK response, page 3.
[367] Gamma response, pages 9-10.
[368] Sky response, pages 2-3.

Other drafting changes

A1.11 We did not receive any responses to our proposals to make the following drafting changes:

- To amend the preamble to GC C1 to highlight that one of the purposes of this Condition is to ensure that consumers receive information about any changes to the price that they will face during their contract, in order to provide them with certainty as to the amounts they will be required to pay.
- To amend the title appearing before GC C1.3 to signpost the proposed modifications.

A1.12 We therefore confirm that these changes will be made to the GCs.

Editorial changes to the GCs

A1.13 Within the GCs that we are amending, we have decided to make an editorial change to aid readability. That is, we have decided to introduce a defined term, the Core Subscription Price Change Information.

A1.14 The Core Subscription Price Change Information means, if the Core Subscription Price is to change during the Commitment Period: (a) the changed Core Subscription Price(s) expressed in pounds and pence or units of a different currency; and (b) the date from which any changed Core Subscription Price(s) referred to in (a) shall have effect.

A1.15 We have used this term in GCs C1.3, C1.5, and the Annex to Condition C1, and defined it in the 'Definitions' section of the GCs. We do not consider that this introduces substantive changes as compared with the GCs on which we consulted.

Changes to GC C1 guidance

Our December 2023 consultation

A1.16 In our December 2023 consultation, we proposed amendments to our existing guidance on contract requirements to give providers clarity about our expectations of how they can comply with the £/p requirement.

A1.17 In particular, we proposed to:

- Clarify how providers can choose to comply with the requirement to draw pricing information to customers' attention prominently in a clear and comprehensible manner, including in the contexts of sales calls or other verbal sales, such as in-store sales.
- Include non-exhaustive examples of how providers could set out their Core Subscription Price and any changes to that price during the Commitment Period that would likely comply with the new requirements.
- Remove the part of the guidance which refers to the provision of a worked example in the Contract Information, as this would no longer be relevant under our new requirements.

Stakeholder responses and our assessment

A1.18 Most stakeholders that were supportive of the £/p requirement agreed with our proposed changes to the GC C1 guidance. Some stakeholders (the ACNI, BT Group, Consumer Scotland, the FCS, Three, Uswitch and Vodafone) sought further clarification of our expectations, which our guidance will provide where necessary.

When price change information should be presented

A1.19 BT Group commented on the proposed guidance on how providers may comply with the new requirements in the context of an online sales process. It considered that having to set out the full information each time the provider sets out the price of a deal would be unnecessarily onerous, risk information overload for consumers and would also increase the amount of systems changes needed.[369] It said that setting the information out on the initial landing page and before the customer makes their purchase would provide sufficient transparency.

A1.20 Similarly, Three was concerned that, if the price change and effective date of price change is repeated each and every time the Core Subscription Price is mentioned during the purchase journey, this would complicate and lengthen the journey. Like BT Group, it considered that the price change and effective date of the price change information could appear when the pricing information is first presented to the customer on the home and product pages (when the customer is making their purchase journey) and at the end of the purchase journey, at 'checkout', when the customer is entering into their contract.

A1.21 In our consultation we said that we would expect providers to ensure that the pricing information available and given to consumers is consistent throughout the consumer journey. That is, any changes to the Core Subscription Price should be made clear regardless of where the consumer is in the purchasing process and irrespective of the channel(s) through which they engage with providers. We also proposed changes to the GC C1 guidance to assist providers to comply with the proposed new rules in relation to online sales and verbal sales.

A1.22 Providers should satisfy themselves that relevant information about price rises is drawn prominently to the Relevant Customer's attention in a clear and comprehensible manner before the customer is bound by a contract. We have clarified in our guidance (paragraph 1.46) that we consider this means that the customer must be fully informed of this information, that it should be presented in a way that is easy for the customer to understand and at appropriate times during the consumer journey such that it enables them to make an informed choice about whether to enter into the contract.

A1.23 It is for providers to satisfy themselves that they are meeting their obligations under the GCs. We would assess compliance on a case-by-case basis and would likely make that assessment by looking across the whole of the consumer journey to understand what price rise information is presented to customers and how that information is presented.

A1.24 BT Group also had concerns with the proposed guidance in relation to verbal sales.[370] It said that it does not seem proportionate or necessary to provide customers with price change information when presenting different options to the customer. It said that this information should be given when the customer settles on an option and decided to move through to purchase, as well as in the Contract Information and Contract Summary.

A1.25 We disagree with this. We consider that it is important, even during exploratory conversations, that customers should be told upfront that the price presented to them will change during the contract period and what that change might be for different options they

[369] BT Group supplementary response, page 1.
[370] BT Group supplementary response, page 1.

are considering. This is to ensure that they are clear that the initial headline price presented to them will not remain the same throughout the contract duration and/or that the £/p price rise might be different for different products. This will best enable them to make an informed purchasing decision: for example, if they want the certainty of a fixed subscription price for the contract duration, or if they prefer to go for a deal with a different price increase, or if they wish to explore what might be available from other providers.

Information about when the price change takes effect

A1.26 Three also asked for a number of clarifications to the guidance. First, it asked Ofcom to make clear that the 'effective date' of the price change can be expressed by referring to the month and year of application, rather than a specific date.[371] Three explained that the effective date of the price change would be the individual customer's bill date in the specified month and therefore it could not be as precise as we had proposed. Similarly, Vodafone said that, in many cases, a price increase will be tied to a customer's contract start date, but that start date might not be known when a customer places an order and is issued the Contract Summary.[372]

A1.27 We consider that, where providers are able to specify exact dates, they should do so to ensure there is clarity and certainty about when any price change will take effect. Where providers are not able to specify the date of a price rise, we would expect there to be a reasonable justification for why that is the case: for example, if it depends on the billing date, which is not known until the customer agrees to the contract; or a contract start date that is not known when the customer is presented with the Contract Summary or Contract Information.

A1.28 If providers are not able to be precise about the date of the price rise (with a reasonable justification), we consider that they should, at a minimum, inform the customer of the point in time in the month (for example, the date of a monthly bill) in which any price change will take effect (e.g. "Your monthly price is £30, increasing to £31.50 from your April 2025 bill and to £33.00 from your April 2026 bill"). We consider that this would still allow a customer to understand when in the month a price change will happen and check the relevant bills have the correct price applied. We have updated our guidance to clarify this.

A1.29 Three also asked us to clarify that providers are not required to set out the date after which a price will change (e.g. "Your monthly price is £30 *until 31st March 2025*"), if it is required to set out the date of any price rise.[373]

A1.30 Our new GCs require providers to ensure that the certain information is drawn prominently to the customer's attention in a clear and comprehensible manner to enable them to make an informed choice. This information includes the date from which any changed Core Subscription Price shall have effect. Therefore, in all circumstances, providers must set out the date of any price rise to comply with this requirement.

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[371] Three response, page 6.
[372] Vodafone supplementary response, page 3. The contract start date is determined by when the customer receives all they need to actually use the service. For mobile services, this will mean waiting until the customer has received their handset and SIM and activated their service. For broadband, this could mean waiting until a supplier has installed and activated a working service at the customer's home.
[373] Three response, page 6.

A1.31 Further, our guidance says that, in the context of an online sales process, providers may comply by ensuring that: (i) information indicating the fact that the Core Subscription Price will change has equal prominence to the initial/headline Core Subscription Price; and (ii) other information (including the date of any price rise) is either equally prominent to, or presented immediately below or alongside, the information referred to in (i). Providers may choose to comply with (i) by setting out the date after which a price will change with equal prominence to the Core Subscription Price, provided that they set out the other required information (including the date on which the price change will take effect) immediately below or alongside this. For example:

> *"£30 a month until 31 March 2025.*
>
> *Increasing to £31.50 on 1 April 2025, and to £33.00 on 1 April 2026."*

A1.32 However, our guidance also sets out other examples of how providers could comply with this requirement, which do not set out the date after which a price will change.

Information indicating that the Core Subscription Price will change

A1.33 Three noted our proposed guidance that providers may comply by ensuring that information indicating the fact that the Core Subscription Price will change has equal prominence to the initial / headline Core Subscription Price (paragraph 1.43(a)). It considered that the indication of a price rise should only be required if the changed Core Subscription Price and effective date are not equally prominent to the initial headline price.[374]

A1.34 We are concerned that the absence of information indicating the fact that the Core Subscription Price will change, which is equally prominent to the headline Core Subscription Price, could cause harm. This is because, without this information, it could be that some providers merely present a list of prices and dates to customers, which might be confusing without an explanation that the different prices and dates would apply to the customer during their contract period due to price rises taking place and that they are bound by their contract to pay them. We consider that the indication of a price rise, with equal prominence to the headline Core Subscription Price, is an important piece of information that signals to the customer that price changes will take place during their contract period. Therefore, we have not altered our guidance on this point.

Presenting price change information for bundles

A1.35 BT Group said it is important that customers are aware of the different price increases that would apply to different parts of the bundle.[375] It also said it is not able to present total bundled price change information without significant development that would impact implementation costs and timescales.

A1.36 We said in our proposed guidance (paragraph 1.35) that we do not expect providers to set out any price rises that apply to individual parts of the bundle it sells separately, but that they must set out the different price points for the bundle as a whole if this is to change during the contract period. We were concerned about the potential cognitive load for consumers if we required providers to set out price rises for each element of a bundle.

[374] Three response, page 8.
[375] BT Group supplementary response, pages 1-2.

A1.37 Where providers have individual prices for elements of the bundle, we consider that the customer would still need to know the total monthly cost of the bundle as that would be the recurring monthly price they would be required to pay their provider for the contract period. Therefore, providers could present price change information for individual elements of the bundle if they so choose, but they should also add those elements up into a monthly total bundle price so that the customer is aware of how that total bundle price will change during the contract period.

Small business customers

A1.38 The FCS said the guidance could be clearer about which customer groups would be covered by the new rules.[376] We have added to the guidance that the provisions apply to services for small business customers, unless they expressly agree otherwise.

A1.39 The FCS also said it would be helpful for Ofcom to provide guidance on what measures could be considered as complying with the phrase "unless they have expressly agreed otherwise".[377] As noted in paragraph 4.104, we have previously set out that, in seeking such a waiver, providers should ensure that the relevant business customers have been made aware of their rights as part of the sales process. We also expect any waiver of rights to be clearly and prominently referenced in any pre-contractual information that is provided to these customers, such that it is clear that the customer has given their express consent to such a waiver and made an informed decision prior to entering into a contract.[378]

A1.40 We set out in paragraph 4.105 that we would be concerned if a provider simply includes a term in a contract with small business customers to inform them that they have automatically waived these rights, especially if there is no scope to negotiate terms. We would expect providers to explain to small business customers that they have the option to waive their right to Contract Information, Contract Summary and pre-contractual information setting out any contractual price rises in pounds and pence, and the reasons for this, and to ask them to make a decision on whether or not they wish to do so. For the avoidance of doubt, a provider is less likely to comply with our rule if it simply includes a term in a contract with a small business customer to inform them they have automatically waived their right to receiving the Contract Information, Contract Summary and pre-contractual information setting out any contractual price rises in pounds and pence. We have added this in paragraph 1.59-1.60 of our guidance.

Other issues

A1.41 Consumer Scotland said it would welcome the publication of best practice guidance, including worked examples and standard phrasing, setting out how, how often and when providers should provide consumers with clear, transparent and detailed information, in advance of the implementation of the proposals.[379] We consider that our guidance already covers the areas proposed by Consumer Scotland. For example, it includes an example of

[376] FCS response, page 5.

[377] FCS response, page 5. This refers to our rule in GC1.1(a)(ii), which sets out that Conditions C1.3 to 1.7 (on contract requirements) apply to providers of Public Electronic Communications Services as specified in the Annex to this Condition, when they provide such services to Microenterprise or Small Enterprise Customers or Not-for-Profit Customers, unless they have expressly agreed otherwise.

[378] Ofcom, *Fair treatment and easier switching for broadband and mobile customers: Implementation of the new European Electronic Communications Code*, 2020, paragraph 5.104.

[379] Consumer Scotland response, page 9.

how price rises in pounds and pence could be presented and set out, and it explains how we would expect providers to convey price rise information during verbal sales as well as online sales.

A1.42 Uswitch said that the text in the proposed guidance must leave no doubt that inflation-linked price variation terms and price variation terms that allow for percentage-based price rises are prohibited.[380] It also suggested a potential clarification that the £/p requirement would not apply at all if providers choose to fix the core subscription price for the contract period.[381] We agree that the £/p requirement would not apply to providers that fix their core subscription price for the contract period. We have inserted a line on this in paragraph 1.29 of our guidance, for the avoidance of doubt.

A1.43 The ACNI noted that paragraph 1.43 of the proposed guidance does not specify if it relates only to online sales channels exclusively operated and managed by the provider or wider sales channels, such as price comparison websites.[382] For clarity, price comparison websites and other digital comparison tools provide information about deals but, typically, only direct customers to providers' sales channels, to which our rules apply. However, these services are subject to general consumer law and therefore they are required to present information in a way which adheres to the relevant legislation and regulations in place to protect consumers.

[380] Paragraph 1.27 of our proposed changes to GC C1 guidance said "Core Subscription Prices where price increases are linked to an inflation index, or a set percentage, or both, would not comply with the rules because the price change is not set out in pounds and pence".
[381] Uswitch response, page 5.
[382] ACNI response, page 4.

A2. Notification modifying General Condition C1 – Contract Requirements and Definitions section

Notification of Ofcom's decision to modify General Condition C1 under section 48(1) of the Communications Act 2003 (the 'Act')

Background

A2.1 On 12 December 2023, Ofcom published a notification ('Notification') pursuant to sections 48(1) and 48A(3) of the Act, which included proposals to modify General Condition ('GC') C1, and the Definitions section of the GCs, in particular:

a) The preamble to GC C1;

b) The title appearing before GC C1.3;

c) GC C1.3;

d) GC C1.5;

e) Table A of the Annex to Condition C1, paragraph 3 ('Price');

f) The definition of 'Contract Summary' in the Definitions section of the GCs.

A2.2 Ofcom proposed that, if implemented, the changes would enter into force four months from the publication of the further notification accompanying Ofcom's final statement in relation to those proposals, or such later date as specified in any final notification.

A2.3 Ofcom's reasons for making these proposals and the effect of each proposal were set out in the accompanying consultation document.[383] Ofcom invited representations about the proposals by 5pm on Tuesday 13 February 2024.

A2.4 A copy of the Notification and the accompanying consultation document was sent to the Secretary of State in accordance with section 48C(1) of the Act.

A2.5 By virtue of section 48A(6) and (7) of the Act, Ofcom may give effect to these proposals, with or without modification, only if –

a) they have considered every representation about the proposal that is made to them within the period specified in the Notification; and

[383] Ofcom, 12 December 2023, Prohibiting inflation-linked price rises: proposals for new rules and guidance.

b) they have had regard to every international obligation of the United Kingdom (if any) which has been notified to them for this purpose by the Secretary of State.

A2.6 Ofcom received responses to the Notification and has considered every such representation made to them in respect of the proposals set out in the Notification (and the accompanying explanatory documents).

A2.7 The Secretary of State did not notify Ofcom of any international obligation of the United Kingdom for the purpose of section 48A(6) of the Act.

Decision

A2.8 In accordance with sections 45 and 48(1) of the Act, Ofcom has decided to modify GC C1, and the Definitions section of the GCs, in particular:

a) The preamble to GC C1;

b) The title appearing before GC C1.3;

c) GC C1.3;

d) GC C1.5;

e) Table A of the Annex to Condition C1, paragraph 3 (‘Price’);

f) The definition of ‘Contract Summary’ in the Definitions section of the GCs;

g) The definition of ‘Core Subscription Price Change Information’ (newly inserted) in the Definitions section of the GCs.

A2.9 These modifications are set out in Schedule to this notification.

A2.10 These modifications shall enter into force on 17 January 2025.

A2.11 Ofcom’s reasons for reaching this decision, and the effect of the decision, are set out in the explanatory statement accompanying this notification.

A2.12 Ofcom considers that it has complied with the requirements of section 45 to 48C of the Act insofar as they are applicable.

A2.13 Ofcom has considered and acted in accordance with their general duties under section 3 of the Act and the six requirements set out in section 4 of the Act. Ofcom has also had regard to the Statement of Strategic Priorities in making the decision referred to in this notification.

A2.14 A copy of this notification and the accompanying explanatory statement have been sent to the Secretary of State in accordance with section 48C(1) of the Act.

A2.15 In this notification:

a) ‘the Act’ means the Communications Act 2003;

b) ‘General Conditions of Entitlement’ or ‘General Conditions’ means the general conditions set under section 45 of the Act by Ofcom on 19 September 2017, as amended from time to time;

c) ‘Ofcom’ means the Office of Communications;

d) ‘Statement of Strategic Priorities’ means the Statement of Strategic Priorities for telecommunications, the management of radio spectrum, and postal services designated by the Secretary of State for Digital, Culture, Media and Sport for the purposes of section 2A of the Communications Act 2003 on 29 October 2019.

A2.16 Words or expressions shall have the meaning assigned to them in this notification, and otherwise any word or expression shall have the same meaning as it has in the Act.

A2.17 For the purposes of interpreting this notification: (i) headings and titles shall be disregarded; and (ii) the Interpretation Act 1978 shall apply as if this notification were an Act of Parliament.

A2.18 The Schedules to this notification shall form part of this notification.

Signed by Cristina Luna-Esteban

Director – Telecoms Policy

A person authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002

19 July 2024

Schedule

This Schedule shows the modifications we are making to the General Conditions to give effect to the policy decisions outlined in the accompanying explanatory statement.

Modifications to the preamble to GC C1

Existing text	New text	Explanation
This condition aims to protect consumers and end-users by ensuring that contracts for public electronic communications services include key information about the services they are receiving and that such information is provided to them before they enter into their contract to allow them to make an informed choice. It also sets out requirements about contract duration, contract renewal, end-of-contract notifications, annual best tariff information, facilitating changes of communications provider and end-users' rights to terminate a contract, which are designed to ensure that end users are treated fairly and able to switch to a different provider in appropriate cases.	This condition aims to protect consumers and end-users by ensuring that contracts for public electronic communications services include key information about the services they are receiving and that such information is provided to them before they enter into their contract to allow them to make an informed choice. This includes information about any changes to the price that consumers and end-users will face during their contract, in order to provide them with certainty as to the amounts they will be required to pay. It also sets out requirements about contract duration, contract renewal, end-of-contract notifications, annual best tariff information, facilitating changes of communications provider and end-users' rights to terminate a contract, which are designed to ensure that end users are treated fairly and able to switch to a different provider in appropriate cases.	Provides additional information about the purpose of GC C1 in light of the proposed amendments referred to below.

Modifications to the title appearing before GC C1.3

Existing text	New text	Explanation
Contract requirements[1] [1] See also Ofcom's guidance under General Condition C1	**Contract requirements – information to be provided at point of sale and before customer gives consent to enter a contract**[1] [1] See also Ofcom's guidance under General Condition C1	Amendment to title to signpost the proposed modifications to GC C1.3 set out below.

Modifications to GC C1.3

Existing text	New text	Explanation
C1.3 Before a **Relevant Customer** is bound by a contract for a **Relevant Communications Service**, **Regulated Providers** shall provide that **Relevant Customer** with the **Contract Information** set out in the Annex to **Condition** C1 to the extent that it relates to a service they provide.	C1.3 Before a **Relevant Customer** is bound by a contract for a **Relevant Communications Service**, **Regulated Providers** shall: (a) ensure that the following information is drawn prominently to the **Relevant Customer**'s attention in a clear and comprehensible manner (including during a sales call or other verbal sale such as an in-store sale) to enable them to make an informed choice: (i) the **Core Subscription Price**; and (ii) any **Core Subscription Price Change Information;** and (b) provide that **Relevant Customer** with the **Contract Information** set out in the Annex to **Condition** C1 to the extent that it relates to a service they provide.	Requires Regulated Providers to ensure that certain pricing information is drawn prominently to the Relevant Customer's attention (including during a sales call or other verbal sale such as an in-store sale) in a clear and comprehensible manner before a Relevant Customer is bound by a contract, to enable the customer to make an informed choice.

Modifications to GC C1.5

Existing text	New text	Explanation
C1.5 Before entering into a contract, **Regulated Providers** shall provide the **Relevant Customer**, free of charge, with a **Contract Summary.**	C1.5 Before entering into a contract, **Regulated Providers** shall: (a) provide the **Relevant Customer**, free of charge, with a **Contract Summary**; and (b) when providing information as to 'Price' within a **Contract Summary**, include the following information: (i) the **Core Subscription Price**; and (ii) any **Core Subscription Price Change Information.**	Requires Regulated Providers to provide certain pricing information in the Contract Summary.

Modifications to Annex to Condition C1, Table A, paragraph 3 (Price)

Existing text		New text		Explanation
(a) the price of the service (including VAT), including: (i) the **Core Subscription Price**; (ii) any usage charges for any additional use of services or facilities, or for use of any additional services or facilities not included in (i); (iii) where applicable, any activation charges. If the **Relevant Customer** is not a **Consumer**, prices may be stated exclusive of VAT.	(b) the cost of using the means of distance communication for the conclusion of the contract where that cost is calculated other than at the basic rate;	(a) the price of the service (including VAT), including: (i) the **Core Subscription Price**; (ii) any usage charges for any additional use of services or facilities, or for use of any additional services or facilities not included in (i); (iii) where applicable, any activation charges; (b) any **Core Subscription Price Change information.** If the **Relevant Customer** is not a **Consumer**, prices may be stated exclusive of VAT.	(c) the cost of using the means of distance communication for the conclusion of the contract where that cost is calculated other than at the basic rate;	Requires Regulated Providers to provide certain pricing information in the Contract Information.

Modifications to Definitions section

Existing text	New text	Explanation
'**Contract Summary**' means the information required and set out in accordance with the contract summary template specified by the European Commission under Commission Implementing Regulation (EU) 2019/2243 of 17 December 2019 establishing a template for the contract summary to be used by providers of publicly available electronic communications services pursuant to Directive (EU) 2018/1972;[23] [23] See Commission Implementing Regulation (EU) 2019/2243	'**Contract Summary**' means the information required and set out in accordance with **Condition** C1.5 and the contract summary template specified by the European Commission under Commission Implementing Regulation (EU) 2019/2243 of 17 December 2019 establishing a template for the contract summary to be used by providers of publicly available electronic communications services pursuant to Directive (EU) 2018/1972;[23] [23] See Commission Implementing Regulation (EU) 2019/2243, as amended.	Amends the definition of 'Contract Summary' to ensure that it captures the pricing information that Regulated Providers must include in the Contract Summary as a consequence of the amendments to GC 1.5. Amends footnote 23 to flag that Commission Implementing Regulation (EU) 2019/2243 has been amended (see The Electronic Communications and Wireless Telegraphy (Amendment) (European Electronic Communications Code and EU Exit) Regulations 2020, schedule 3, paragraph 1).
N/A	'**Core Subscription Price Change Information'** means, if the **Core Subscription Price** is to change during the **Commitment Period**: (a) the changed **Core Subscription Price(s)**, expressed in pounds and pence or units of a different currency; and (b) the date from which any changed **Core Subscription Price(s**) referred to in (a) shall have effect;	Defines 'Core Subscription Price Change Information', namely pricing information that must be provided to customers at particular times

Existing text	New text	Explanation
		in the sales process, if there is going to be a change to the Core Subscription Price during the Commitment Period.

A3. Table of changes to GC C1 Guidance

This table shows the changes we are making to the GC C1 Guidance. A complete and clean version of this GC C1 Guidance with these amendments is published as a supporting document to this Statement (Revised guidance on GC C1 contract requirements (17 January 2025)).

Current text	New text	Notes
Purpose of this document	**Purpose of this document**	
1.1 This document sets out Ofcom's guidance under General Condition C1 (Condition C1) in the following areas: a. Identifying Microenterprise or Small Enterprise Customers, and Not-for-Profit Customers; b. Contract Information and the Contract Summary; c. Conditions and procedures for contract termination; d. Non-coterminous linked contracts; e. Automatically renewable contracts; f. Contractual modifications; and g. End-of-contract and annual best tariff notifications.	1.1 This document sets out Ofcom's guidance under General Condition C1 (Condition C1) in the following areas: a. Identifying Microenterprise or Small Enterprise Customers, and Not-for-Profit Customers; b. Contract Information and the Contract Summary; c. Pricing information to be drawn to customers' attention before they enter into a contract; d. Conditions and procedures for contract termination; e. Non-coterminous linked contracts; f. Automatically renewable contracts; g. Contractual modifications; and h. End-of-contract and annual best tariff notifications.	
Identifying Microenterprise or Small Enterprise Customers, and Not-for-Profit Customers	**Identifying Microenterprise or Small Enterprise Customers, and Not-for-Profit Customers**	
N/A	1.4 Some provisions in Condition C1 apply when services are provided to Microenterprise or Small Enterprise Customers or Not-For-Profit Customers, unless they have expressly agreed otherwise.[1] • Conditions C1.3 to C1.7 (contract requirements), C1.8 (conditions and procedures for contract termination) and C1.11 (contract duration)	New paragraph

	apply to providers of Public Electronic Communications Services when they provide such services to: (i) Consumers; and/or (ii) Microenterprise or Small Enterprise Customers or Not-For-Profit Customers, unless they have expressly agreed otherwise. • Condition C1.12 (extending duration of a contract) applies to providers of Internet Access Services and/or Number-based Interpersonal Communications Services when they provide these services to: (i) Consumers; and/or (ii) Microenterprise or Small Enterprise Customers or Not-For-Profit Customers, unless they expressly agreed otherwise. • Conditions C1.5, C1.6, C1.7 (insofar as it applies to Contract Summaries) and C1.8 to C1.20 (except for Conditions C1.9, C1.10 and C1.13) also apply to providers of Bundles when they provide Bundles to: (i) Consumers; and/or (ii) Microenterprise or Small Enterprise Customers or Not-For-Profit Customers, unless they expressly agreed otherwise. • Insofar as Conditions C1.21 to C1.36 (End-of Contract Notification and Annual Best Tariff Information) expressly refer to Bundles, these Conditions apply to providers of Bundles to the extent stated in the relevant Conditions when they provide Bundles to: (i) Consumer; and/or (ii) Microenterprise or Small Enterprise Customers or Not-For-Profit Customers, unless they expressly agreed otherwise.	
1.4 – 1.6	1.5 – 1.7	No changes other than numbering
Conditions C1.3-C1.7: Contract Information and Summary	**Conditions C1.3-C1.7: Contract Information and Summary and pricing information to be drawn to customers' attention before they enter into a contract**	

1.7 Conditions C1.3 to C1.7 set out requirements for providers in relation to the information they must provide to Consumers and other relevant customers before they enter into a contract for Electronic Communications Services (ECS). These conditions apply to all providers of ECSs, except in so far as they provide Machine-to-Machine Transmission Services, as defined in the Conditions.	1.8 Conditions C1.3 to C1.7 set out requirements for providers in relation to the information they must provide to Consumers before they enter into a contract for Electronic Communication Services (ECS). These conditions also apply to providers when they provide services to Microenterprise or Small Enterprise Customers, and Not-for-Profit Customers, unless they expressly agree otherwise. We refer to all of these customers throughout this guidance as 'relevant customers'. These conditions apply to all providers of ECSs, except in so far as they provide Machine-to-Machine Transmission Services, as defined in the Conditions.	
1.8 The provisions specifically provide for two sets of information to be provided to customers before they are bound by a contract: the specified Contract Information and a Contract Summary. Additional information requirements also apply to providers of certain types of services, such as Internet Access Services (as specified in the Annex to Condition C1).	1.9 The provisions specifically provide for three sets of information to be provided to customers before they are bound by a contract: information in relation to the Core Subscription Price, and how and when it might change, which must be drawn to customers' attention; the specified Contract Information; and a Contract Summary. Additional information requirements also apply to providers of certain types of services, such as Internet Access Services (as specified in the Annex to Condition C1).	
1.9 This part of the guidance outlines Ofcom's expectations as to how the Contract Information in the Annex to Condition C1 and the Contract Summary should be provided, as well as further specifics on the information that should be provided in compliance with those conditions. This guidance is not exhaustive, and the full list of information which needs to be provided before a customer is bound by a contract under these Conditions is set out in the Annex to Condition C1 and in the Contract Summary Implementing Regulation.[2]	1.10 This part of the guidance outlines Ofcom's expectations as to how the Contract Information in the Annex to Condition C1, the Contract Summary and pricing information to be drawn to relevant customers' attention before they enter into a contract should be provided, as well as further specifics on the information that should be provided in compliance with those conditions. This guidance is not exhaustive, and the full list of information which needs to be provided before a customer is bound by a contract under these Conditions is set out in Condition C1.3(a), the Annex to Condition C1, Condition C1.5(b) and the Contract Summary Implementing Regulation.[2]	
How the Contract Information and Contract Summary are provided	**How the Contract Information and Contract Summary are provided**	
1.10 Under Conditions C1.3-1.4, the **Contract Information** needs to be provided "Before a Relevant Customer is bound by	1.11 Under Conditions C1.3(b)-1.4, the **Contract Information** needs to be provided "Before a Relevant Customer is bound by	

a contract" in a "*clear and comprehensible manner*" and on a Durable Medium. A Durable Medium is defined in the Conditions as: "*paper or email, or any other medium that:* a. *allows information to be addressed personally to the recipient;* b. *enables the recipient to store the information in a way accessible for future reference for a period that is long enough for the purposes of the information; and* c. *allows the unchanged reproduction of the information to be stored.*"	a contract" in a "*clear and comprehensible manner*" and on a Durable Medium. A Durable Medium is defined in the Conditions as: "*paper or email, or any other medium that:* a. *allows information to be addressed personally to the recipient;* b. *enables the recipient to store the information in a way accessible for future reference for a period that is long enough for the purposes of the information; and* c. *allows the unchanged reproduction of the information to be stored.*"	
1.11 – 1.18	1.12 – 1.19	No changes other than numbering
Guidance on elements of the Contract Information	**Guidance on elements of the Contract Information**	
1.19	1.20	No changes other than numbering
1.20 In all cases, the Contract Information must include the Core Subscription Price.[5] In some contracts, that Core Subscription Price is structured so that it is £X for part of the contract period and £X + a measure determined by an inflation index (e.g. £X + the retail price index ('RPI') or £X + the consumer price index ('CPI')) for a later part of that period. In accordance with the guidance on contract modifications,[6] specifying the price this way in their contracts, and at the point of sale, means that providers are not required to give customers a right to exit their contract without additional charge when the price uplift takes effect. The guidance in paragraphs 1.21-1.24 below sets out how we expect providers to tell customers about these sorts of prices in the Contract Information for the purposes of Condition C1.3.	1.21 In Table A in the Annex to Condition C1: • Clause 3(a)(i) requires providers to set out "the Core Subscription Price"; • Clause 3(b) requires providers to set out any "Core Subscription Price Change Information".	
1.21 Table A, clause 3(a)(i) in the Annex to Condition C1 requires providers to set out "the Core Subscription Price". In complying with this requirement, where a provider is offering a	1.22 In the Definitions to the GCs: 'Core Subscription Price Change Information' means, if the Core Subscription Price is to change during the Commitment Period:	

package in which the Core Subscription Price is set out on the basis described in the paragraph above, an estimate of the price, including any increment for inflation, should be included, in an accessible way, such that the customer has an indication of how the relevant inflation index might affect the price they will pay.	(a) the changed Core Subscription Price(s), expressed in pounds and pence or units of a different currency; and (b) the date from which any changed Core Subscription Price(s) referred to in (a) shall have effect.	
1.22 This means that stating that there will be an (unspecified) uplift to the Core Subscription Price in line with a particular inflation index is unlikely to be sufficient. For example, text which states "*In April 2020 your price will increase by an amount equal to the RPI rate published in March of that year*" does not make clear to the customer what the impact on their Core Subscription Price will be.	1.23 In all cases, the Contract Information must include the Core Subscription Price.[5]	
1.23 Instead, we expect providers to provide an example to the customer of how such a price term is likely to affect the price they will pay. If the increase is by reference to an inflation index, then providers should use the most recent value of that index.	1.24 Some providers may choose to structure their contracts so that the Core Subscription Price is £X for part of the contract period and £Y for a later part of that period. Where they do so, the provider should, in accordance with the clauses set out above, clearly set out the different Core Subscription Price points within the Core Subscription Price Change Information. This includes any different Core Subscription Price points that come into effect after the expiry of a discount.	
1.24 As an example, this additional clarification could read: "*For example, using last year's RPI value of 2%, this would mean your monthly price of £40 would increase to £40.80 from April next year*".	1.25 In accordance with the guidance on contract modifications,[6] specifying the price this way in their contracts, and at the point of sale, means that providers are not required to give customers a right to exit their contract without additional charge when the price uplift takes effect. The guidance in paragraphs 1.26-1.30 below sets out how we expect providers to tell customers about these sorts of prices in the Contract Information for the purposes of Condition C1.3(b).	
N/A	1.26 Below are non-exhaustive examples of how this information could be presented in the Contract Information: • *"Your monthly price is £30, increasing to £31.50 on 1 April 2025 and to £33.00 on 1 April 2026."*	New paragraph

	• "*Your monthly price is half price at £15 a month for the first three months, and then £30 a month from 18 October, increasing to £31.50 on 1 April 2025 and to £33.00 on 1 April 2026*."	
N/A	1.27 It would not be sufficient for providers to simply state the change in the Core Subscription Price, nor would it be sufficient to state a broader timeframe for when the price rise will occur, e.g. "*Your monthly price will increase by £3 each March until the end of your contract*".	New paragraph
N/A	1.28 If providers are not able to specify the exact date when a price change will take effect by the time the provider has to give the customer their Contract Summary and Contract Information, we would expect there to be a reasonable justification for this: for example, if it is dependent on a date (such as the customer's billing date or contract start date) that has not yet been agreed or set. In these circumstances, we would expect providers to inform customers of the point in time in the month in which any price change will take effect in any particular year. For example: *"Your monthly price is £30, increasing to £31.50 from the date of your April 2025 bill and to £33.00 from the date of your April 2026 bill."*	New paragraph
	1.29 For the avoidance of doubt: • Where a provider offers services that relevant customers are to pay for in a currency other than pound sterling, it can set out the different Core Subscription Price points in the relevant currency within the Core Subscription Price Change Information. For example, where a service is offered in US dollars, the Core Subscription Price points within the Core Subscription Price Change Information can be in US dollars.	New paragraph

	• Where a provider fixes the level of the Core Subscription Price throughout the Commitment Period at the same amount, the provider is not required to set out any Core Subscription Price Change Information as there is no changed Core Subscription Price. • Where a provider uses 'prices may vary' terms, where contract terms enable providers to implement increases to the Core Subscription Price for which the value and frequency are not specified in the contract, the provider is not required to set out any Core Subscription Price Change Information as the contract does not specify whether a price rise will be applied during the Commitment Period.[7]	
N/A	1.30 Core Subscription Prices where price increases are linked to an inflation index, or a set percentage, or both, would not comply with the rules because the price change is not set out in pounds and pence or units of a different currency.	New paragraph
1.25 – 1.31	1.31 – 1.37	No changes other than numbering
N/A	1.38 Where a number of services are taken together as a Bundle, we do not expect providers to set out any price rises that apply to individual parts of the Bundle it sells separately, unless providers choose to do so. However, providers must present the Core Subscription Price for the Bundle as a whole in accordance with Table A, clause 3, i.e. if the Core Subscription Price for the Bundle is to change during the Commitment Period, the provider must include the different Core Subscription price points within the Core Subscription Price Change Information for the Bundle as a whole.	New paragraph
1.32 – 1.35A	1.39 – 1.43	No changes other than numbering

N/A	**[New sub-heading] Pricing information to be drawn to relevant customers' attention before they enter into a contract**	
N/A	1.44 Condition C1.3(a) says: "Before a Relevant Customer is bound by a contract for a Relevant Communications Service, Regulated Providers shall: a. ensure that the following information is drawn prominently to the Relevant Customer's attention in a clear and comprehensible manner (including during a sales call or other verbal sale such as an in-store sale) to enable them to make an informed choice: i. the Core Subscription Price; and ii. any Core Subscription Price Change Information." [11]	New paragraph
N/A	1.45 Providers should draw this information to relevant customers' attention prominently and in a clear and comprehensible manner *before* the customer becomes bound by a contract.	New paragraph
N/A	1.46 We consider that the requirement to draw this information prominently to the relevant customers' attention in a clear and comprehensible manner means that the customer must be fully informed of this information, that it should be presented in a way that is easy for the customer to understand and at appropriate times during the consumer journey such that it enables them to make an informed choice about whether to enter into a contract. Where providers provide the customer with the Contract Summary and Contract Information towards the end of the consumer journey, we would expect providers to ensure that the Core Subscription Price, and any Core Subscription Price Change Information, is drawn to the customer's attention at an earlier point in time, as this will better enable the customer to make an informed choice.	New paragraph

N/A	1.47 In the context of an online sales process, providers may comply by ensuring that: a. information indicating the fact that the Core Subscription Price will change has equal prominence to the initial / headline Core Subscription Price; and b. the Core Subscription Price Change Information is either: i. equally prominent to; or ii. presented immediately below or alongside, the information set out in sub-para (a) above.	New paragraph
N/A	1.48 For example, we consider that the following would comply: “*Your monthly price is £30, increasing to £31.50 on 1 April 2025 and to £33.00 on 1 April 2026*.” *“£30 a month until 31 March 2025.* *Increasing to £31.50 on 1 April 2025 and to £33.00 on 1 April 2026*.”	New paragraph
N/A	1.49 However, we consider that the following would not comply: a. requiring the customer to hover over an asterisk or other symbol or indicator in order to view any changed Core Subscription Price(s) and the date from which any changed Core Subscription Price(s) shall have effect; b. presenting any changed Core Subscription Price(s) and the date from which any changed Core Subscription Price(s) shall have effect in a footnote at the bottom of a web page.	New paragraph

N/A	1.50 In the context of sales calls or other verbal sales (such as an in-store sale), the provider could comply by ensuring sales agents explain to relevant customers any changed Core Subscription Price(s), and the dates from which the contract provides for them to take effect, immediately after explaining the initial Core Subscription Price and in a clear and comprehensible manner, for example at the same pace as compared with the Core Subscription Price. We consider that a provider would not comply where a sales agent provides this information: a. significantly later in their discussion than the point at which they set out the initial Core Subscription Price; or b. in a way which makes it difficult to understand, for example by speaking inaudibly or at a fast pace as compared with the Core Subscription Price.	New paragraph
Guidance on information in the Contract Summary	**Guidance on information in the Contract Summary**	
1.36 The Contract Summary Implementing Regulation sets out detailed requirements on what information should be included. In complying with these requirements, we would expect providers to consider in particular: a. the extent to which the information required is relevant to their customers; b. what elements of that information are key to a customer's understanding of the contract and their decision about whether to sign-up to the contract; and c. how they can present those key elements in clear language that is understandable to a UK customer.	1.51 The Contract Summary Implementing Regulation,[12] read together with C1.5, sets out detailed requirements on what information should be included. In complying with these requirements, we would expect providers to consider in particular: a. the extent to which the information required is relevant to their customers; b. what elements of that information are key to a customer's understanding of the contract and their decision about whether to sign-up to the contract; and c. how they can present those key elements in clear language that is understandable to a UK customer.	
1.37	1.52	No changes other than numbering

1.38 With respect to presenting prices in the Contract Summary: a. where the Implementing Regulation refers to "recurring prices" we expect providers to include the Core Subscription Price, as well as any other recurring prices (such as addons) which appear automatically on a customer's bill each month; b. it is likely to be helpful to customers if they are presented with these prices in a consistent way across both the Contract Summary and Contract Information and therefore providers may want to set out the Core Subscription Price, and any other recurring or consumption-related prices, in a consistent way with the Contract Information (as set out in paragraphs 1.20 to 1.25 above); c. providers only need to include taxes in these prices where the Contract Summary is being provided to customers who are Consumers (i.e. prices for business customers can be stated exclusive of VAT); and d. providers may indicate that information about tariffs for additional services is available separately, for example by providing a link to where that information is published.	1.53 With respect to presenting prices in the Contract Summary: a. where the Implementing Regulation refers to "recurring prices" this includes the Core Subscription Price (as required by C1.5(b)(i)), as well as any other recurring prices (such as add-ons) which appear automatically on a customer's bill each month; b. GC C1.5(b)(ii) requires providers to set out any Core Subscription Price Change Information. This information is the same as the information required in the Contract Information pursuant to the Annex to Condition C1 (as set out in paragraphs 1.21 to 1.31 above) and the information that must be drawn prominently to the customers' attention pursuant to C1.3(a) (as set out in paragraphs 1.44-1.50 above); c. providers only need to include taxes in these prices where the Contract Summary is being provided to customers who are Consumers (i.e. prices for business customers can be stated exclusive of VAT); and d. providers may indicate that information about tariffs for additional services is available separately, for example by providing a link to where that information is published.	
1.39	1.54	No changes other than numbering
1.39A The Broadband information: Guidance under General Conditions C1 and C2 referenced at paragraph 1.35A above also applies to the Contract Summary under GC C1.5.	1.55 The Broadband information: Guidance under General Conditions C1 and C2 referenced at paragraph 1.43 above also applies to the Contract Summary under GC C1.5.	

N/A	**[New sub-heading] Guidance on seeking agreement from Microenterprise or Small Enterprise Customers and Not-for-Profit Customers that Conditions C1.3-1.7 do not apply**	
N/A	1.56 Conditions C1.3 to C1.7 set out requirements for providers in relation to the information they must provide to relevant customers before they enter into a contract for Electronic Communication Services (ECS).	New paragraph
N/A	1.57 Some Microenterprise or Small Enterprise Customers, or Not-for-Profit Customers, may have more complex communications needs and uses than Consumers. Therefore they may wish to be more engaged than Consumers in negotiating the terms of their contracts with providers and to agree bespoke contracts and terms. It follows that Conditions C1.3-1.7, which are intended to protect those customers who are not in a position to engage in sophisticated negotiations and who use standard communications services, may be of less relevance to these customers.	New paragraph
N/A	1.58 Therefore, Conditions C1.3-1.7 apply to Microenterprise or Small Enterprise Customers, and Not-for-Profit Customers, unless they expressly agree otherwise.	New paragraph
N/A	1.59 In seeking relevant customers' agreement to waive their rights to receive the information covered by Conditions C1.3-1.7, providers should ensure that the relevant customers have been made aware of their rights as part of the sales process. We would also expect any waiver of rights to be clearly and prominently referenced in any pre-contractual information that is provided to these customers, such that it is clear that the customer has given their consent to such a waiver and made an informed decision prior to entering into a contract.	New paragraph
N/A	1.60 For the avoidance of doubt, a provider is less likely to comply if it just includes a term in a contract with relevant customers to inform them that they have automatically waived their right to receiving the information mentioned in Conditions	New paragraph

	C1.3-1.7, especially if there is no scope to negotiate terms. We would expect providers to explain to relevant customers that they have the option to waive their right to receive the information mentioned in Conditions C1.3-1.7, and the reasons for this, and ask them to make a decision on whether or not they wish to do so.	
1.40 – 1.66	1.61 – 1.87	
1.67 Where the factors at paragraph 1.65 apply, we would then consider the case for taking enforcement action by assessing the potential for, and extent of, any customer harm, taking into account the factors below.	1.88 Where the factors at paragraph 1.86 apply, we would then consider the case for taking enforcement action by assessing the potential for, and extent of, any customer harm, taking into account the factors below.	
1.68 – 1.69	1.89 – 1.90	No changes other than numbering
1.70 In addition, we would take into account any other factors which might reduce the potential for harm from non-coterminous linked contracts, for example: a. whether the contractual arrangements provided efficiencies or other benefits for customers. We would, however, expect providers to be able to evidence that there were such efficiencies or other benefits to customers. We would also consider whether a provider could deliver those efficiencies or other benefits without the factors described at 1.65. b. whether, when customers originally entered into non-coterminous linked contracts, they chose to take such contracts even though they were offered the option to take contracts with aligned Commitment Periods; and c. whether customers were well-informed about the arrangements and their implications, when they entered into them. We would take account of the level of support providers give to customers to help	1.91 In addition, we would take into account any other factors which might reduce the potential for harm from non-coterminous linked contracts, for example: a. whether the contractual arrangements provided efficiencies or other benefits for customers. We would, however, expect providers to be able to evidence that there were such efficiencies or other benefits to customers. We would also consider whether a provider could deliver those efficiencies or other benefits without the factors described at 1.86. b. whether, when customers originally entered into non-coterminous linked contracts, they chose to take such contracts even though they were offered the option to take contracts with aligned Commitment Periods; and c. whether customers were well-informed about the arrangements and their implications, when they entered into them. We would take account of the level of support providers give to customers to help	

them understand the implications of entering into these agreements, including what happens to prices at the end of the different Commitment Periods. However, even if customers were well-informed about non-coterminous linked contracts at the point of sale, this is unlikely to be sufficient on its own to allay potential concerns if there were no efficiencies or other benefits for customers.	them understand the implications of entering into these agreements, including what happens to prices at the end of the different Commitment Periods. However, even if customers were well-informed about non-coterminous linked contracts at the point of sale, this is unlikely to be sufficient on its own to allay potential concerns if there were no efficiencies or other benefits for customers.	
1.71 – 1.89	1.92 – 1.110	No changes other than numbering
1.90 The above will also be subject to any contractual terms that set out specified variations to the prices charged, or services offered, during the contract period (see below at 1.100).	1.111 The above will also be subject to any contractual terms that set out specified variations to the prices charged, or services offered, during the contract period (see below at 1.121).	
1.91 – 1.92	1.112 – 1.113	No changes other than numbering
1.93 In contrast, where an access charge for calling a premium rate service is levied by a communications provider, and forms part of the communications provider’s contract with its customer, an increase in the access charge would trigger the right to exit (unless the increase was in line with a price variation clause, see below at 1.100).	1.114 In contrast, where an access charge for calling a premium rate service is levied by a communications provider, and forms part of the communications provider’s contract with its customer, an increase in the access charge would trigger the right to exit (unless the increase was in line with a price variation clause, see below at 1.121).	
1.94 – 1.101	1.115 – 1.122	No changes other than numbering
Variation clauses in contracts	**Variation clauses in contracts**	
1.102 Our guidance on Contract Information and Contract Summary provides examples of how information on Core Subscription Price could be set out in clear and useful terms for customers. We would however expect providers to adopt a clear and transparent approach in setting out all price variation terms as part of the Contract Information, regardless of whether the service and/or facility constitutes part of the Core	1.123 Our guidance on Contract Information and Contract Summary provides examples of how information on Core Subscription Price could be set out in clear and useful terms for customers. We would however expect providers to adopt a clear and transparent approach in setting out all price variation terms as part of the Contract Summary and Contract	

Subscription Price and regardless of whether the price variation is linked to a particular price index.	Information, regardless of whether the service and/or facility constitutes part of the Core Subscription Price.	
1.103 – 1.123	1.124 – 1.144	No changes other than numbering
1.124 In complying with this requirement, providers should apply the principles described above in paragraphs 1.118-1.122 to set out the changes to the listed services that will come into effect because the Commitment Period is ending. Any changes to the main services provided under the contract, and the associated aspects of those services, should be included in the notification itself. A full list of changes to the services provided under the contract may be listed elsewhere (subject to compliance with the requirements described above).	1.145 In complying with this requirement, providers should apply the principles described above in paragraphs 1.139-1.143 to set out the changes to the listed services that will come into effect because the Commitment Period is ending. Any changes to the main services provided under the contract, and the associated aspects of those services, should be included in the notification itself. A full list of changes to the services provided under the contract may be listed elsewhere (subject to compliance with the requirements described above).	
1.125 – 1.144	1.146 – 1.165	No changes other than numbering
1.145 If multiple Public Electronic Communications Services are provided under the contract subject to the notification (e.g. a dual or triple play contract), the provider should consider all of those services when determining its best tariffs in accordance with paragraph 1.138.	1.166 If multiple Public Electronic Communications Services are provided under the contract subject to the notification (e.g. a dual or triple play contract), the provider should consider all of those services when determining its best tariffs in accordance with paragraph 1.159.	
1.146 Where: a. the provider provides multiple Public Electronic Communications Services to the Subscriber, but some are provided under the contract subject to the notification and some under other linked contract(s)[20]; or b. the contract subject to the notification forms part of a Bundle with another contract(s), the provider should consider the services / Terminal Equipment provided or sold under all of the contracts when determining its best tariffs in accordance with paragraph 1.138 in the following circumstances:	1.167 Where: a. the provider provides multiple Public Electronic Communications Services to the Subscriber, but some are provided under the contract subject to the notification and some under other linked contract(s)[23]; or b. the contract subject to the notification forms part of a Bundle with another contract(s), the provider should consider the services / Terminal Equipment provided or sold under all of the contracts when determining its best tariffs in accordance with paragraph 1.159 in the following circumstances:	

c. in an End-of-Contract Notification, if either: i. the 31-day window[21] for the contract subject to the notification overlaps with the 31-day window for the other contract(s); or ii. the other contract(s) is (are) not subject to a Commitment Period when the notification is sent, d. in an Annual Best Tariff Notification, if the other contract(s) is (are) not subject to a Commitment Period when the notification is sent.	c. in an End-of-Contract Notification, if either: i. the 31-day window[24] for the contract subject to the notification overlaps with the 31-day window for the other contract(s); or ii. the other contract(s) is (are) not subject to a Commitment Period when the notification is sent, d. in an Annual Best Tariff Notification, if the other contract(s) is (are) not subject to a Commitment Period when the notification is sent.	
1.147 – 1.154	1.168 – 1.175	No changes other than numbering
1.155 The remaining information required by Condition C1.24 should be made available to the Subscriber in a single location, which is referred to in paragraph 1.154e).	1.176 The remaining information required by Condition C1.24 should be made available to the Subscriber in a single location, which is referred to in paragraph 1.175e).	
1.156 – 1.162	1.177 – 1.183	No changes other than numbering
1.163 The remaining information required by Condition C1.33 should be made available to the Subscriber in a single location, which is referred to in paragraph 1.162d).	1.184 The remaining information required by Condition C1.33 should be made available to the Subscriber in a single location, which is referred to in paragraph 1.183d).	
Footnotes	**Footnotes**	
N/A	[Footnote 1] Paragraphs 1.56-1.60 set out guidance on seeking agreement from Microenterprise or Small Enterprise Customers and Not-for-Profit Customers that Conditions C1.3-1.7 do not apply.	New footnote
[Footnote 2] Commission Implementing Regulation (EU) 2019/2243 of 17 December 2019 ('the Contract Summary Implementing Regulation').	[Footnote 2] Commission Implementing Regulation (EU) 2019/2243 of 17 December 2019 ('the Contract Summary Implementing Regulation') (as amended).	

[Footnote 3] Commission Implementing Regulation (EU) 2019/2243 of 17 December 2019. In particular the Annex to this regulation specifies the template that must be used (in Part A of the Annex), along with instructions for completing the template (in Part B of the Annex).	[Footnote 3] Commission Implementing Regulation (EU) 2019/2243 of 17 December 2019, as amended. In particular the Annex to this regulation specifies the template that must be used (in Part A of the Annex), along with instructions for completing the template (in Part B of the Annex).	
N/A	[Footnote 5] 'Core Subscription Price' is defined in the Conditions as: *"the sum (however expressed in the contract) that the Subscriber is bound to pay to a Communications Provider at regular intervals for services and/or facilities the Communications Provider is bound to provide in return for that sum. It does not include sums payable for additional services or facilities (or the additional use of services or facilities) that the Subscriber is only liable to pay for if the additional service or facility is used".*	New footnote
[Footnote 6] Paragraph 1.100	[Footnote 6] Paragraph 1.121	
N/A	[Footnote 7] We expect providers to adopt a clear and transparent approach in setting out all price variation terms (including prices may vary terms) as part of the Contract Summary and Contract Information – see paragraph 1.123.	New footnote
[Footnote 7] – [Footnote 9]	[Footnote 8] – [Footnote 10]	No changes other than numbering
N/A	[Footnote 11] See definition of Core Subscription Price Change Information in paragraph 1.22.	New footnote
N/A	[Footnote 12] Commission Implementing Regulation (EU) 2019/2243, as amended.	New footnote
[Footnote 10 – 13]	[Footnote 13] – [Footnote 16]	No changes other than numbering
[Footnote 14] See paragraphs 1.96-1.99 for add-on services provided as part of a bundle, where those add-ons do not have a Commitment Period.	[Footnote 17] See paragraphs 1.117-1.120 for add-on services provided as part of a bundle, where those add-ons do not have a Commitment Period.	
[Footnote 15] – [Footnote 17]	[Footnote 18] – [Footnote 20]	No changes other than numbering

[Footnote 18] Paragraphs 1.40-1.55 above.	[Footnote 21] Paragraphs 1.61-1.76 above.	
[Footnote 19] We discuss at paragraphs 1.120-1.122 what we mean by a Subscriber’s main services, and the associated aspects of those services.	[Footnote 22] We discuss at paragraphs 1.141-1.143 what we mean by a Subscriber’s main services, and the associated aspects of those services.	
[Footnote 20] See paragraphs 1.128-1.129 for an explanation of this term.	[Footnote 23] See paragraphs 1.149-1.150 for an explanation of this term.	
[Footnote 21] See paragraph 1.148 for an explanation of this term.	[Footnote 24] See paragraph 1.169 for an explanation of this term.	
[Footnote 22] This is subject to an exception in relation to aggregated notifications, as set out in paragraph 1.150.	[Footnote 25] This is subject to an exception in relation to aggregated notifications, as set out in paragraph 1.171.	
[Footnote 23] See paragraphs 1.128-1.129 for an explanation of this term.	[Footnote 26] See paragraphs 1.149-1.150 for an explanation of this term.	
[Footnote 24] Providers may also choose to aggregate notifications (including aggregating an End-of-Contract and Annual Best Tariff Notification) in other circumstances, subject to compliance with the General Conditions and the remainder of this guidance.	[Footnote 27] Providers may also choose to aggregate notifications (including aggregating an End-of-Contract and Annual Best Tariff Notification) in other circumstances, subject to compliance with the General Conditions and the remainder of this guidance.	No changes other than numbering
[Footnote 25] See paragraphs 1.128-1.129 for an explanation of this term.	[Footnote 28] See paragraphs 1.149-1.150 for an explanation of this term.	
[Footnote 26] Providers may also choose to aggregate notifications (including aggregating an End-of-Contract and Annual Best Tariff Notifications) in other circumstances, subject to compliance with the General Conditions and the remainder of this guidance.	[Footnote 29] Providers may also choose to aggregate notifications (including aggregating an End-of-Contract and Annual Best Tariff Notifications) in other circumstances, subject to compliance with the General Conditions and the remainder of this guidance.	No changes other than numbering