



# Switching between mobile providers

A summary of proposals for a better process

Consultation Summary

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# About this document

One of Ofcom's central objectives is to further the interests of consumers across the telecoms markets.

In the mobile sector, we believe that the current switching processes are causing difficulties for many consumers and could be improved. If consumers feel comfortable to switch between providers, this should also benefit healthy competition.

In this summary document, we outline options to reform the processes for switching mobile phone provider. For the full consultation document, please visit:

<http://stakeholders.acmpub.intra.ofcom.local/binaries/consultations/consumer-switching-mobile/summary/consumer-switching-mobile-consultation.pdf>

These new proposals take account of responses we received from our mobile switching consultation in July 2015, and additional evidence we have gathered since then. We welcome the views of all interested parties.

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## Section 1

# Introduction: making mobile switching easier

Consumers are best served when they are able to switch their mobile provider simply and easily.

Making it easier for them to switch smoothly to a better deal enhances their ability to take their business where they choose.

In the mobile phone sector, switching can be a hassle. There is a process to navigate and it can be awkward dealing with the provider you're leaving.

This deters some people from bothering to switch. And many others are nervous that something will go wrong in the transition from one provider to another.

These concerns are harming consumers, and we believe that the process for switching between mobile providers should be simpler and worry-free.

We think that when a consumer is considering leaving the provider they're with ('the losing provider') they should be free to talk to them if they wish, but they shouldn't be obliged to do so. It can be time-consuming, and can also trigger unwanted sales pressure to persuade him or her to stay.

To address these concerns, we are consulting on possible reforms to switching processes.

## Section 2

# Switching: the processes and the problems

## The processes now

At the moment, if you want to switch and keep ('port') your mobile number, you typically have to call your current ('losing') provider and request a Porting Authorisation Code (PAC).

When you take out a new service with your new ('gaining') provider, they give you a temporary phone number and a new SIM card. Once this SIM is activated, you give the gaining provider your PAC and they arrange the transfer of your phone number.

This is in fact the last losing provider-led (LPL) switching process in the UK communications sector, and most other countries have chosen gaining provider-led (GPL) switching for mobile services.

If you want to switch but don't want to keep your phone number, you need to co-ordinate things yourself. So, you need to contact your losing provider to cancel your service, and you need to contact your gaining provider to start your new one. We call this a 'cease and re-provide' (C&R) arrangement.

According to our research, the initial response of most people, when asked about their switching experiences, was that they found the switching process easy: 78% who had switched in the last 18 months described the PAC and C&R processes as 'very' or 'fairly' easy.

However, when prompted, we found that 38% of switchers, including some who found the process 'easy' overall, said they had run into some kind of major difficulty. This means that around 2.5 million switchers experienced a major difficulty related to switching.

It is also concerning that 37% of people who had considered switching, but didn't, pointed to worries about the process as the reason for not switching.

## The problems

We believe that the problems experienced by switchers fall into four main categories:

- The **time and hassle** involved in a switch, caused in particular by the need to contact the losing provider for a PAC, or to cancel;
- **Losing service** during the course of the switch, either because the consumer needs to coordinate it, or because of technical issues along the way;
- '**Double-paying**', where consumers choose to overlap their old and new contracts to avoid losing service, or because they have to serve out a notice period with their losing provider; and
- **Confusion**. Our research has found that some consumers just don't understand the processes, and this puts them off switching altogether.

We look at each of these problems below.

## **Time and hassle**

There is no doubt that switching currently takes some effort on the part of the consumer. He or she must contact their losing provider. This can be difficult and time-consuming for some, and for others the prospect discourages them from bothering.

Part of the problem is that losing providers have little incentive to help their customers 'out of the door.' This can result in a poor experience for the consumer: our research found that around one in five switchers who requested a PAC said they had a problem getting one. This is echoed by complaints made directly to Ofcom: of the thousand or so we receive each year about mobile switching, around 40% are about problems getting a PAC.

PAC issues have also been cited by around 10% of people who were considering a switch as a major factor in their decision not to switch.

A number of providers directly incentivise their service agents to try to dissuade customers from leaving. So the call to request a PAC may be prolonged by sales pressure that many regard as adding to the overall hassle.

However, we also recognise that many customers welcome being able to speak to their current provider before deciding whether to switch, so they can actively seek out any better offers that might persuade them to stay.

Ofcom therefore believes that any new switching process should give customers the option to contact their losing provider but should not require them to do so.

## **Losing your service**

Customers who want to port their phone number get a temporary one before theirs is transferred. This means they may not get the same mobile experience until the transfer happens. Our research found that some consumers can find themselves without a full mobile service during the switch from one provider to another. We found that around one in five PAC and one in ten C&R switchers experienced this problem, with 15% of these switchers experiencing loss of service for more than one day.

We also found that consumers can find it hard to make a switch happen on the day they want. Around 8% of switchers said this was a major difficulty.

In our view, the current switching processes are leading to consumer harm by leaving many switchers without a service for a time. This affects a substantial number of people, and can act as a deterrent: worries over losing their service were a major factor in the decision not to switch for around one in six consumers who had actively thought about switching.

## **Paying for two services: 'double-paying'**

Our research shows that, during a switch, around one third of switchers paid for both their old service and their new one for a period of time. On average, this double-paying lasted for around 13 days.

We found that they double-pay for various reasons. Some did so deliberately, to avoid any break in their service; others said that it was because they were unaware that their losing provider required a notice period to leave. Some also said their gaining provider gave them a start-date that was too early: it came into effect before their old contract had finished.

We believe that double-paying is a further example of consumer harm that comes with the switching processes. It is also acting as a deterrent to some people: just over one in six consumers who were actively considering a switch cited double-paying as a major factor in not going through with it.

## **Confusion**

Evidence suggests that consumers do not always understand the switching processes. Many are choosing not to switch, or not to port their number as a result.

Our research found that among people who had actively considered a switch, 12% cited 'not knowing what to do' as a major factor in not going ahead.

We therefore believe this confusion among consumers should be addressed with clearer processes and better information.

## **Our provisional views**

Given these findings, and other evidence emerging from our July 2015 consultation, our current view is that the existing PAC and C&R processes give rise to harm for a sizeable minority of mobile switchers. They also deter some people from switching at all. In summary:

- The requirement to contact the losing provider creates unnecessary hassle and takes too long.
- Consumers can temporarily lose their service, for example if they fail to coordinate stopping their old service with the start of their new one or if providers fail to port at the agreed time.
- Consumers can double-pay under both processes, for example where the switch completes before the consumer has finished the notice period with their old provider.

## Section 3

# Our proposals for better switching

We propose two main options for a new mobile switching process, and make further proposals to address consumer harm. These are explained below.

## Two options for a new process

We believe there is a case for creating both a better experience for switchers, and to encourage would-be switchers. And, by removing the barriers to switching as far as possible, reforms can drive more effective competition and the benefits it brings.

Ofcom is now proposing two alternative process options to make mobile switching easier and quicker. These would be available to consumers whether or not they wished to keep their mobile number. In summary, they are:

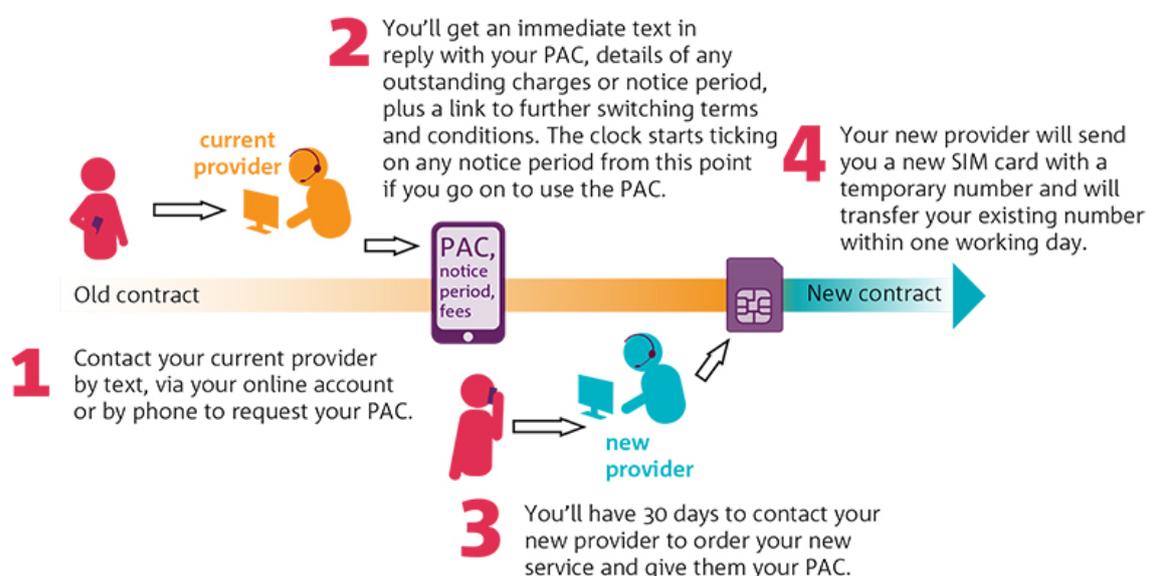
### Option 1: An automated PAC process

Under this proposal, a consumer can request the PAC they need in order to switch, in one of three ways: by sending an SMS/text message to a single, free shortcode number, or through their online account with their provider, or over the phone. This means they don't have to speak to their losing provider in order to leave, but can do so, if they wish.

They immediately receive the PAC by text, as well as through their online account or over the phone if that's how they requested the PAC. The same text also provides information relevant to their switching decision, such as any charges for ending their contract early, and any notice period.

To go ahead, the consumer then passes the PAC to their new provider, who arranges the switch.

Option 1 is illustrated below.



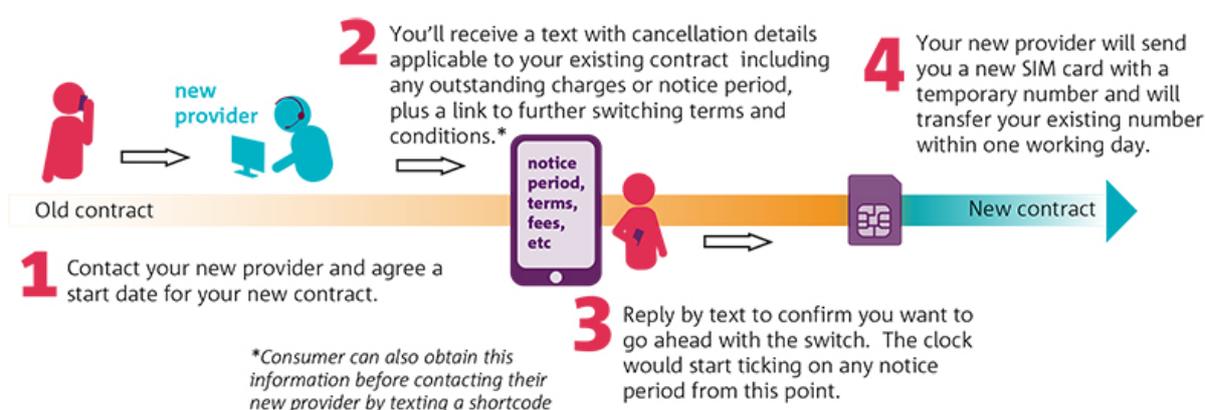
## Option 2: A gaining provider-led (GPL) process

Under this proposal, the consumer only needs to contact the provider they want to join.

The gaining provider advises the consumer about any notice period required by their current provider and would offer to delay the switch by up to 30 days to help the consumer manage that. The consumer receives a text message with information relating to their switching decision. To give consent to the switch, the consumer replies to the text. The gaining provider then sends the consumer a new SIM card and arranges the switch.

This arrangement entirely removes the need for the consumer to contact their losing provider in order to switch.

Option 2 is illustrated below.



We believe that each option would reduce the hassle and time that switchers encounter, as well as remove barriers to switching. And if consumers want to talk to their current provider before switching, both options leave them free to do so.

In considering these options, we considered the double-paying issue. When a consumer cancels a service, some providers require a notice period of up to 30 days.<sup>1</sup> With current processes this can lead to a period of contract overlap, where consumers can find themselves paying for the old and new service simultaneously. We have designed our proposals to avoid making this problem worse; in fact, we expect they will help to reduce double-paying. Specifically:

- Under **Option 1**: We propose requiring that the notice period is backdated to start from the point where the consumer requested their PAC, in line with the current industry guidelines.<sup>2</sup> This will help consumers whose operators

<sup>1</sup> Some operators may require time in addition to the notice period, typically up to two days, to process a consumer request to end their contract.

<sup>2</sup> This backdating procedure is set out in the industry 'Mobile Number Portability Porting Process Manual' [http://www.mnpsog.org.uk/Main\\_Documents/MNP2%20Manual%20issue%201-27.pdf](http://www.mnpsog.org.uk/Main_Documents/MNP2%20Manual%20issue%201-27.pdf) However, not all operators currently follow this process.

currently start the notice period from the date that the consumer actually uses the PAC.

- Under **Option 2**: As mentioned above, we propose requiring that the gaining provider should inform consumers of their notice period, and offer to delay the switch by up to 30 days so that any double-paying can be avoided.

We think that both of our proposed options would be relatively low-cost to set up and operate. With the cost savings of fewer calls to contact centres factored in, we estimate that Option 1 would create a net cost to the industry of £10.9 million over ten years, and Option 2 would result in a net cost of £12.4 million over the same period.

But we also believe that the new simplicity of both options would deliver significant benefits. Not all of these benefits can be costed, but for example, we estimate that the reduced time consumers spend talking to providers represents a saving of £14.2 million over ten years. Over the same timeframe, we project that Option 1 could reduce double payments by £6 million and Option 2, by £26 million. We therefore see the implementation costs for both options as reasonable, when weighed against the issues they will address.

## Further proposals to address consumer harm

As well as the two main options above (Option 1 and Option 2), we propose two further requirements to address service loss, coordination of the switch and consumer understanding.

Firstly, we propose to require ‘end-to-end management’ of the switch by a single body. This could include requiring that losing providers may not deactivate the leaving customer’s mobile service until the gaining provider has activated the new one. We refer to this process as ‘make before break’.

This would create a smoother switching process than now. It would also reassure currently inactive customers,<sup>3</sup> and those who have thought about switching but backed away, about the risk of something going wrong.

It should also help people who want to change provider, but don’t want to port their number, to coordinate the timing of their old and new service. These customers currently have no option but to arrange the transfer themselves through C&R. We think that a single process for consumers – whether they want to port or not - would make switching simpler.

We recognise that this end-to-end management would create a further cost to the industry. Our estimates range from £13 million to £29 million over ten years, depending on the extent of back office efficiency savings.

Secondly, we propose requiring operators to give consumers clear guidance on the switching process. We consider that the costs of updating operator websites would be small, yet deliver significant consumer benefits in terms of clarity and awareness.

Our full consultation document at <http://stakeholders.acmpub.intra.ofcom.local/binaries/consultations/consumer-switching-mobile/summary/consumer-switching-mobile-consultation.pdf> sets out why we think the benefits of these proposed changes are greater than the costs.

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<sup>3</sup> Defined as those who have neither switched, nor considered switching in the last year.

## How our proposed options address consumer harm

The table below summarises how Option 1 and Option 2 would address the consumer harms that we have identified.

<b>Harm identified</b>	<b>Option 1: Automated PAC process</b>	<b>Option 2: Gaining Provider-Led (GPL)</b>
<b>Time and hassle</b>	<ul style="list-style-type: none"> <li>You get a PAC immediately in a text message, or via your online account with your losing provider or by phone.</li> <li>You choose whether you want personal contact with your losing provider, or not.</li> </ul>	<ul style="list-style-type: none"> <li>You don't need to speak to, or even contact, your losing provider.</li> <li>Your new provider takes care of everything.</li> </ul>
	<p style="text-align: center;">Both options:</p> <ul style="list-style-type: none"> <li>The switch takes place within one working day.</li> <li>If your losing provider requires a notice period, you can delay your switch by up to 30 days to avoid double paying – see below.</li> <li>You're paid reasonable compensation if your switch doesn't happen when it should.</li> </ul>	
<b>Losing service</b>	<p style="text-align: center;">Both options:</p> <ul style="list-style-type: none"> <li>Your new service is activated before your old service is switched off.</li> </ul>	
<b>Double-paying</b>	<ul style="list-style-type: none"> <li>Any notice period required by your current provider starts on the day that you request your PAC.</li> </ul>	<ul style="list-style-type: none"> <li>Any notice period required by your current provider starts once you've confirmed your decision to switch.</li> <li>Your new provider warns you about any notice period required by your losing provider and offers to delay your switch by up to 30 days until the notice period is over.</li> </ul>
<b>Confusion / being well informed about switching</b>	<ul style="list-style-type: none"> <li>When you receive your PAC, you also get the key financial implications of your switch.</li> <li>You receive this information by text and via your online account or over the phone if you requested the PAC in these ways.</li> </ul>	<ul style="list-style-type: none"> <li>Your new provider informs you of the key financial implications of your switch.</li> </ul>
	<p style="text-align: center;">Both options:</p> <ul style="list-style-type: none"> <li>The key information includes any charges for leaving your contract early; payments still due for the handset; any credit for pay-as-you-go (PAYG) customers; and any applicable notice period duration and a service start-date.</li> <li>You receive these details immediately, by text, online or phone.</li> <li>Providers need to publish clear consumer guidance on the porting and switching process.</li> </ul>	

We have also designed these processes to minimise risks that consumers are switched without their consent or by mistake. To guard against these risks, under both options, the

current provider would verify any request to switch, and when a request to switch was made, the consumer would be alerted by a text message which would be sent to the mobile number to be switched.

## **Notice periods and double-payments**

We estimate that double-payments made by switchers could total as much as £46 million each year. Both the new options above have been designed with this in mind and are likely to reduce that figure.

We believe there may be better ways to address double payments. The relationship between notice periods and the switching process is something we will be discussing with the industry, in parallel with this consultation. If the consumer harm of double-payments is not addressed by process reforms or other industry initiatives, we intend to consult on further remedies.

## Section 4

# Your chance to contribute and next steps

## Responding to this consultation

Having weighed up current evidence and responses to our July 2015 consultation, our initial preference is for Option 2: the gaining provider-led process.

We believe it is simpler for consumers than Option 1 because they do not have to obtain a PAC to give to their gaining provider. In addition, Option 2 would require gaining providers to help consumers manage notice periods, and should therefore deliver greater reductions in double-payments.

Although Option 2 would cost providers £1.5 million more over ten years to implement and operate, we see this as a small difference in the light of the consumer benefits it would bring.

What's your view? We welcome contributions from all interested parties, both on our proposed options for reform and the other issues we've raised.

In particular, we are interested in your answers to the questions listed below.

- Q1 Do you agree that the current mobile switching processes lead to harm for consumers - due to the need to contact the losing provider, request a PAC, unwanted sales pressure, loss of service, double-paying and general confusion?
- Q2 Do you think there is a need for clearer switching processes and better information about switching?
- Q3 Do you have any other comments about the possible harms currently facing consumers when they switch mobile provider?
- Q4 Do Option 1 (PAC automation) and Option 2 (GPL) succeed in addressing the consumer harms we think are caused by the current switching processes?
- Q5 Do you agree the best three ways of requesting and receiving a PAC in Option 1 are by text message, by an online account with the current provider, and over the phone?
- Q6 How effective are Option 1 and Option 2 in verifying that the customer making the request is authorised to do so, and in protecting consumers against being switched without their consent?
- Q7 Do our options make sure that consumers can make a well-informed decision before they switch?
- Q8 Do you agree with our proposed 'make before break' requirement in both options, where providers would have to make sure your new service is live before the old one is switched off?

- Q9 One of our proposals is that providers should be required to do more in explaining the switching and porting process to consumers. Do you agree with this proposal?
- Q10 Do Option 1 and Option 2 help consumers co-ordinate their switch better, including making sure their switch date is scheduled to recognise any notice period required by the current provider?
- Q11 Do you have any other comments about our proposals to reform mobile switching?
- Q12 Do you think our proposals will deliver the consumer benefits we identified?
- Q13 Are our estimates of the likely costs to industry of our proposals realistic?
- Q14 We currently have a preference for Option 2 (GPL). Do you agree?
- Q15 Do you have any other comments about our assessment of our proposals?
- Q16 Are there any other points not covered by these questions that you would like to raise about mobile switching?

This document is a summary of Ofcom's current thinking on mobile switching, and the topics in the questions above are all covered in our main consultation document. You can access it here: <http://stakeholders.acmpub.intra.ofcom.local/binaries/consultations/consumer-switching-mobile/summary/consumer-switching-mobile-consultation.pdf>.

## Next steps

Please respond to this consultation by 1 June 2016.

We will assess all the available evidence and responses before deciding how to proceed. We expect to complete this work and publish a statement in the autumn. Alongside this consultation, we will continue to discuss with the industry, and other interested parties, ways to improve the consumer experience of switching.

Ofcom continues its work on the switching processes for triple-play services (fixed voice, broadband and pay TV). We expect to publish next steps on this, including proposals for change if we believe they are necessary, over the summer.