

# Automatic Compensation

Response to Ofcom from  
Citizens Advice



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# Quality of service in the telecommunications market

Citizens Advice strongly supports the introduction automatic compensation for consumers who receive poor service from their telecommunications provider. Although the majority of consumers are satisfied with their telecommunications service overall, both our case data and research indicate that consumers frequently experience problems. Early results from our forthcoming consumer detriment survey indicate that 5.8 million people had a problem with their television, mobile, or internet services in the last year - one of the highest figures for any market. Furthermore the survey also suggests that people spend more time resolving problems with telecoms providers than they do with other services. The introduction of this scheme will not only mean that more consumers will receive redress for the inconvenience these problems cause it will also will help to improve service standards across the sector.

Every day Citizens Advice sees the disruption which poor service from telecommunications providers can cause consumers. In 2015/16 mobile phones and broadband made up 5% of all queries to our Consumer Service. In particular problems with mobile phone service agreements and hardware consistently feature in the top five products which consumers come to us for help with. In addition local Citizens Advice helps a further 18,000 clients with problems with landline, mobile phone, internet and broadband services each year.

These cases include many examples of the types of problem which Ofcom propose should be covered by the new system. For instance we are often contacted by consumers who are experiencing delays to the start of their new broadband service. When providers do not keep an agreement to start a service on a particular date consumers are both left paying for a service they are not receiving, and have to spend considerable amounts of their free time trying to solve the problem. For example:

Ian emailed Citizens Advice after six weeks of waiting for his new broadband service to go live. Initially his broadband provider had promised him that he would be able to use the service from the 12th May onwards. When this didn't happen he contacted customer service and he was promised that the service would start working from the 20th onwards. Again, this didn't happen, so Ian called provider and this time he was promised that the service would go live on 25th May. When Ian called

us in June his service still was not working, and he'd been charged nearly £50 for broadband he wasn't able to use.

Such delays have costs for consumers beyond the money they spend on bills and the time taken contacting their provider. Telecommunication services are now an essential part of everyday life. When they don't work properly consumers can find themselves unable to carry out even some of the most basic day to day tasks. For example:

Barbara had just moved and had been told by her broadband provider that they could transfer her account to her new house. Just before the new service was due to be installed the provider declared that they would be delayed for 6 to 8 weeks due to building work by the council in the street which had made the cables inaccessible. Barbara contacted the council who inspected the cables and reported that there was no reason that the service could not be installed. Barbara then tried to book another installation with the broadband provider, but they only agreed to a provisional appointment date. Barbara was left unable to connect to the internet for weeks, and had no clear idea of when her service would be restored, and, since she had signed an 18 month contract, she was unable to go to another provider. This was particularly distressing as she is disabled and relies on the internet both to do her shopping and to order her prescriptions.

Similarly, engineers not turning up to appointments, or cancelling them at the last minute, can cause considerable disruption to consumers' lives. A missed appointment will typically delay either the installation or repair of a service a consumer is paying for and relies upon. Furthermore, consumers often have to book time off work or rearrange other commitments to accommodate such visits. For example:

Susan had ordered a combined TV, broadband and phone service for £23 a month. She was sent a router via the post and was told that an engineer would arrive on April 20th to deliver and set up the Youview box for the tv service. Susan booked the day off from work to take delivery, but the engineer never arrived. This happened another 11 times.

We are also contacted by consumers who are not receiving the broadband speed that they were promised when they signed up. Such problems can leave consumers with a service which is technically 'working' but is completely inappropriate for their needs. Attempts to solve these problems can be

incredibly time consuming, involving several calls to providers and engineers' appointments. For example:

Vicki had bought a 12 month internet contract, and been told that in her rural area she could expect speeds of between 1 and 3 mb per second. In fact on most days the speed was a mere 0.3 mb per second, making it impossible to look at all but the most basic text web pages. After several phone calls to the provider Vicki still did not have a reliably fast internet connection, and has been offered just £15 in refunds.

The complaints we receive illustrate that such problems not only cause consumers considerable inconvenience, they can also be very difficult to even resolve let alone be compensated for. Consumers do have the right to seek some compensation for poor service under the 2015 Consumer Rights Act. However, as the call for inputs highlights, consumers are often of unaware or uncertain about what forms of redress are available to them, or how they should go about claiming them. For instance in many circumstances consumers have the legal right to pursue compensation through the Alternative Dispute Resolution (ADR) Schemes. However, Ofcom's research indicates that only a small percentage of the cases which are eligible for such schemes are ever referred.<sup>1</sup>

Consumers who have had problems with their broadband or phone service will typically have spent a considerable amount of time trying to resolve them. They should not have to invest more time and effort in order to receive compensation for the inconvenience caused. The introduction of a scheme where consumers are automatically given payments when they receive poor service is long overdue, other utilities have had equivalent schemes for many years. This is an opportunity to make sure all consumers receive appropriate compensation, to avoid consumers having to waste yet more of their time making claims, and to encourage telecoms providers to improve their quality of service overall.

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<sup>1</sup> GfK, *Alternative Dispute Resolution Research* (Ofcom, 2013)

# Principles of the Scheme

The proposed scheme will make it far easier for consumers experiencing certain types of service problems to gain redress. In order to be successful it will have to fulfill three core criteria:

- The amount consumers receive should not be just a refund of the money they paid for the disrupted service, but a larger compensation payment
- The payment should be truly automatic and not require consumers to submit any kind of formal claim
- Payments should be closely monitored and the data gathered should be used to improve service overall

Paying compensation, rather than a refund, is a crucial part of the scheme. On an individual level, paying compensation recognises that disruption to communications services causes the consumers difficulties beyond simply not having received the product they've paid for. Telecommunications services are now essential to everyday life, and being without them causes disruption to consumers' lives and work. Furthermore, resolving service problems can cost consumers considerable amounts of time and energy, especially if it involves taking time off work for home visits.

Compensation payments will also act as an incentive to providers to improve their service in general. Usually it is assumed that companies will automatically strive to improve service standards in order to avoid customers going elsewhere. However, switching rates in the telecommunications industry are generally low. In 2014 only 7% of consumers changed their mobile provider, and just 6% moved to a new broadband supplier.<sup>2</sup> In addition, several of the issues which the call inputs proposes should come under the scheme are problems which will occur at the beginning of a telecoms contract, such as numbers not being ported correctly or the new service not beginning in time. In these cases it could be up to 18 months before consumers are actually able to go elsewhere, and indeed such experiences may in fact *discourage* consumers from changing providers for fear that they will have the same problems again. Automatic compensation payments will mean that failure to improve consumers' experiences in these areas will have a clear, measurable cost for companies and encourage them to address the underlying causes of these problems.

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<sup>2</sup> Department for Business Innovation and Skills, *Switching Principles: Call for Evidence* (2015)

It is also crucial that compensation is completely automatic. Having to fill in claims forms may discourage many consumers from pursuing the payments they are owed. Making payments automatically also circumvents the issue of low consumer awareness, which we have seen cause problems with other compensation schemes. For instance, analysis of Citizen Advice consumer service cases in response to the 2013 storms indicated that a significant proportion of consumers were not aware of the energy guaranteed standards performance scheme, or the level of compensation they were entitled to be paid. To avoid such problems payments should be made either as soon as providers have realised one of the criteria has been met (such as when an appointment has been missed) or when a consumer has made them aware of the problem (such as when they phone up to report their service has not been started).

Another factor which needs to be considered is how consumers should receive the money. In the energy schemes the compensation is often added as credit to the consumer's account. However, this method may not be appropriate for telecoms services, since these bills are on average much lower than those for electricity or gas. It would therefore take consumer several months to use up any credit they were given, which could have the regrettable side effect of discouraging some consumers from moving providers. Instead, where possible providers should make direct payments into client's bank accounts. As over nine out of ten consumers with a telecoms contract pay their bills via direct debit<sup>3</sup>, this should be easily achievable.

Automatic compensation is not a suitable solution for all types of service problem. The call for inputs sets out three criteria for issues which should be covered by the scheme: that the problem should be objectively measurable, that the provider should be able to solve it, and that it should not require long term network investment for them to do so. These are a sensible set of measures to identify problems which are unambiguous enough to trigger an automatic payment.

However, these restrictions underline the fact that automatic compensation is a not a panacea for problems with substandard service. Many problems will be too complicated, or too persistent, for a simple payment to be a satisfactory solution - for instance when a consumer is experiencing consistently poor coverage from their mobile network. In these cases other remedies should be considered. In particular it should be made easier for consumers to exit

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<sup>3</sup> [http://stakeholders.ofcom.org.uk/binaries/research/cross-media/bill-shock/1398439/Payment\\_Methods.pdf](http://stakeholders.ofcom.org.uk/binaries/research/cross-media/bill-shock/1398439/Payment_Methods.pdf)

contracts without penalty if they are experiencing longstanding service problems.

Finally, for this system to have maximum impact it is crucial that there is proper audit and enforcement from the start. Providers should collect a full record of the number or payments made, and report them to Ofcom. This data should be used to ensure that providers are complying with the scheme, and identify areas where service could be improved overall.



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Published June 2016

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.

Registered charity number 279057.