

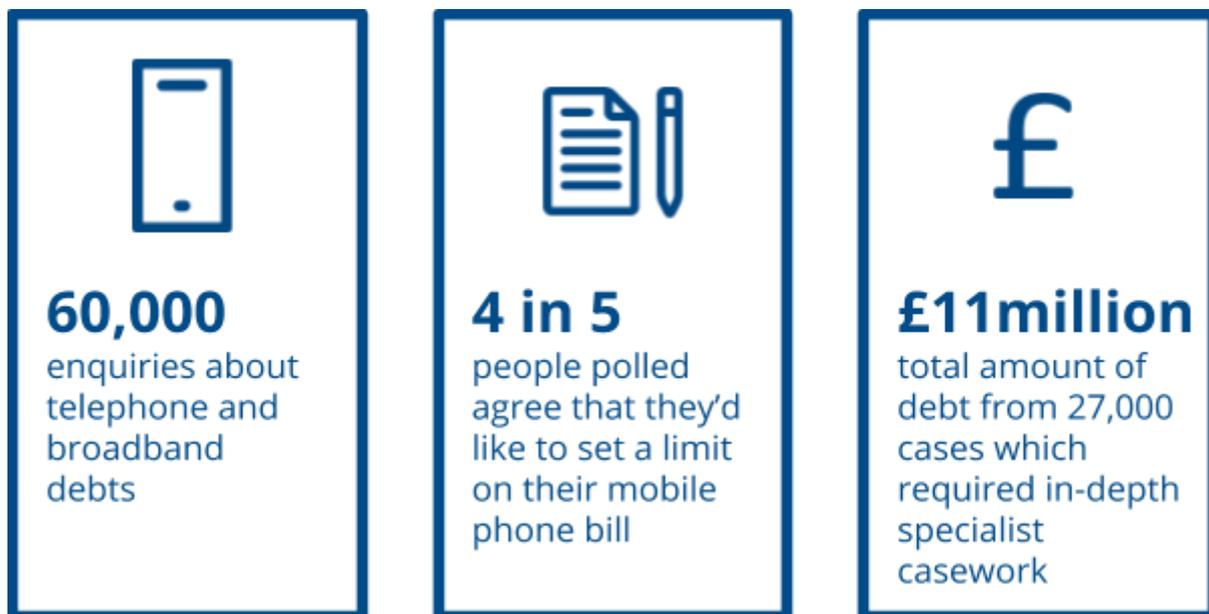
Dialling down debt

Our charter to improve
mobile phone debt
collection practices



**citizens
advice**

Every year, people come to Citizens Advice with approximately 60,000 enquiries about telephone and broadband debts. In 2014/15, Citizens Advice provided clients with in-depth specialist casework for nearly 27,000 mobile phone debts totalling nearly £11million. Research conducted with Citizens Advice debt advisers revealed that debt collection practices in the mobile phone sector have fallen behind those found in other essential markets, including water and energy. This must change.



These findings prompted us to carry out an in-depth review of evidence gathered from across the Citizens Advice service on the experience of our debt clients when dealing with their mobile phone provider. We found systemic weaknesses in debt collection practices across the industry. Clients and advisers routinely come up against cumbersome, inadequate processes which prevent them from resolving debt problems. Common problems include premature or disproportionate collection activity, inflexible policies, pursuit of debts which are being disputed and poor communication.

We are asking mobile phone providers to sign up to our debt collection charter. This charter, based on best practice gathered from across regulated markets, sets out a number of practical steps providers can take to ensure that they are treating customers in financial difficulty fairly.

There are 3 compelling reasons mobile phone providers should commit to improving their practices in line with our charter:

1. Mobile phones are no longer a luxury product – they are an essential part of modern life. 1 in 3 people now relies on their mobile phone as their primary means to access the internet. Low income households are also more than five times more likely to rely on their mobile phone as their sole telecommunications service than the highest earning households. As mobile phones become ever more integral to modern life, the potential implications of mobile phone debt and disconnection become more severe.

2. The impact of mobile phone debt on a consumer’s financial situation can be severe and long term, such as influencing their ability to access credit in the future. Recent Citizens Advice research shows that half of the people we help with debt problems have a problem in at least one other area of their life. By addressing these issues now, we not only help those in current need but also those people for whom a debt issue could compound other problems in their lives.

3. There is a clear business case for improving debt collection practices. Creditors in other sectors report that improving their debt collection practices led to reduced friction with customers and fewer complaints. Straightforward systems that make it easier for consumers to contact companies could not only make the experience less distressing for the customer but make recovering debts quicker. Similarly, allowing customers to make lower payments over a longer period of time has resulted in more money being recouped over time and reduced the amount of time staff spend chasing payments and renegotiating failed repayment plans. Our advisers see first hand the beneficial impact that these changes have had on their ability to help their clients to find a way forward.

The following charter sets out practical steps that mobile phone providers can take in order to address the difficulties faced by thousands of people every year.

The Citizens Advice charter on mobile phone debt

1. We will direct our customers to sources of free debt advice and collaborate with advisers acting on behalf of our customers by
 - a. signposting people to sources of free debt advice via our website, on bills and other correspondence, and during conversations with customers who are in debt.
 - b. establishing a dedicated phone line so debt advisers can contact us to ask for information and negotiate on behalf of their clients.
 - c. developing forms of authority which allow advisers to a) gather information on clients' debts for the purpose of putting together common financial statements, debt relief orders and other debt solutions, and b) negotiate repayment schedules on behalf of our clients.

2. We will proactively make contact with customers who are experiencing payment difficulties.
 - a. We will make multiple attempts to contact consumers who are behind on their bills before disconnecting them or engaging in further debt collection activity.
 - b. We will use this contact as an opportunity to gather more information about the customer's situation and ability to pay the amount under discussion.
 - c. If during this initial contact a consumer provides evidence that they are making efforts to establish a repayment plan (either through a debt advice agency or a self help tool) we will give them 'breathing space' by suspending debt collection activity for 30 days.¹

3. We will make it easy for customers to contact us about their bill and negotiate repayment rates which reflect their ability to pay.

¹ This right is based on the breathing space given to people with credit card debts under sections 201-203 of the Lending Code.

- a. Customers in debt will be able to make direct contact with someone who has the ability and authority to negotiate a repayment plan for their bill.
 - b. We will provide multiple contact channels for customers and allow consumers to send and receive relevant documents by both post and email.
 - c. We will take individual customers circumstances and ability to pay into account when setting repayment rates.
 - d. When agreeing repayment plans, we will not insist on receiving substantial upfront payments before reconnecting customers.
4. We will suspend collection action when the customer reasonably disputes the debt
- a. If a customer is disputing the cause or amount charged we will suspend debt collection activity for the disputed amount until the case has been considered by an Alternative Dispute Resolution scheme.
5. We will help customers avoid debt by allowing them to set a cap on the monthly cost of their bills
- a. We will ask our customers if they want to set a limit on their monthly spending when they buy a contract.
 - b. Consumers will only be able to spend more than this limit with the explicit permission of the bill payer.²

² Term 'bill payer' is used to protect parents who give their children mobile phones.

Free, confidential advice. Whoever you are.

We help people overcome their problems and campaign on big issues when their voices need to be heard.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.



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