

MADE ON BEHALF OF: APPLICANT /PROPOSED CLASS REPRESENTATIVE
NAME OF WITNESS: JUSTIN LE PATOUREL
NUMBER OF STATEMENT: 1
EXHIBITS: JLP1 – JLP22
DATE: 15 JANUARY 2021

IN THE COMPETITION APPEAL TRIBUNAL
BETWEEN

Case Number: []

JUSTIN LE PATOUREL

Applicant / Proposed Class Representative

and

BT GROUP PLC

Respondent / Proposed Defendant

JLP BUNDLE
WITNESS STATEMENT OF JUSTIN LE PATOUREL
AND EXHIBITS

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I, JUSTIN LE PATOUREL of a private residential address in the United Kingdom¹, WILL STATE AS FOLLOWS:

Introduction

1. I am the proposed class representative in respect of the claims which it is proposed to combine in these collective proceedings (the "**Claims**"), which I seek to bring as an opt-out collective proceeding on behalf of certain customers of BT Group Plc ("**BT**") (the "**Proposed Class**") who suffered excessive prices charged to them by BT in relation to certain landline telephone services known as 'standalone fixed voice' ("**BT SFV services**") services. Essentially, the Claims relate to customers who have purchased certain residential landline services from BT without also purchasing broadband within a bundle (whether from BT or any other provider).
2. The proposed collective proceedings (the "**Proposed Collective Proceedings**") are commenced under section 47B of the Competition Act 1998 (the "**Act**").
3. The particulars of the Proposed Collective Proceedings are set out in the Collective Proceedings Claim Form dated 15 January 2021 (the "**Claim Form**") which, amongst other things, contains my application for a collective proceedings order ("**CPO**") from the Tribunal, together with an order pursuant to section 47B(8) of the Competition Act 1998 authorising me to act as the representative in the Proposed Collective Proceedings (the "**Proposed Class Representative**").
4. I make this witness statement in support of my application for a CPO and for the specific purpose of demonstrating my suitability to act as Proposed Class Representative in the Proposed Collective Proceedings.
5. In order to do so, I refer to the considerations contained in Rule 78 of the Competition Appeal Tribunal Rules 2015 (the "**Rules**"), together with paragraphs 6.9-6.14 of the Competition Appeal Tribunal Guide to Proceedings 2015 (the "**Guide**").
6. I confirm that the matters dealt with in this witness statement are within my personal knowledge unless the contrary is expressly stated. Where they are within my personal knowledge they are true. Where they are not within my personal knowledge, they are true

¹ The address will be provided to the Tribunal and to the Proposed Defendant, if required.

to the best of my knowledge, information and belief, and are derived from the sources which I identify. In particular, where I state in this witness statement that my understanding is based on my discussions with my legal representatives, I confirm, for the avoidance of doubt, that I do not waive legal professional privilege in this or any regard.

7. Where in this statement I make reference to documents exhibited to this statement, these are contained within Exhibits JLP1 – JLP22, which are attached to this statement. Bundle references are in the form **[JLP Bundle/Tab number/Page number]**. References to the Claim Form and its annexes are in the form **[CF Bundle/Tab number/Page number]**.

Overview of considerations for the authorisation of a class representative

8. My legal representatives have explained to me that section 47B(8) of the Act and Rule 78 of the Rules provide that the Tribunal may authorise a person to act as the class representative:
- (a) Whether or not that person is a class member; but
 - (b) Only if the Tribunal considers that it is just and reasonable for that applicant to act as a class representative in the Proposed Collective Proceedings.
9. Rule 78(2) sets out the considerations to which the Tribunal ought to have regard in determining whether it is just and reasonable for a person to act as a class representative. Those relevant to the Tribunal's assessment of my ability to act as the Class Representative include the following:
- (a) Whether the person would fairly and adequately act in the interests of the Proposed Class Members;
 - (b) Whether the person has, in relation to the common issues for the Proposed Class Members, a material interest that is in conflict with the interests of Proposed Class Members;
 - (c) If there is more than one applicant seeking approval to act as the class representative in respect of the same claims, who would be the most suitable;
 - (d) Whether the person will be able to pay the defendant's recoverable costs, if ordered to do so; and,
 - (e) Where an interim injunction is sought, whether the person will be able to satisfy any undertaking as to damages required by the Tribunal.

10. In relation to Rule 78(2)(c), I am not aware of any other applicant seeking approval to act as the class representative and therefore do not address this issue further.
11. As set out in paragraph 200 of the Claim Form [**CF Bundle/1/77**], I do not seek interim relief and therefore do not address Rule 78(2)(e) further.
12. I understand that Rule 78(3) identifies matters which the Tribunal should consider in determining whether a class representative would act fairly and adequately in the interests of Class Members. I understand that the Tribunal needs to take into account all the circumstances, including the suitability of the representative to manage the proceedings and whether the representative has prepared a suitable plan for the proceedings which satisfactorily addresses the matters set out in Rule 78(3)(c)(i) to (iii) (the "**Litigation Plan**").
13. I address, in this statement, the matters referred to at Rules 78(2)(a), (b) and (d), as relevant to my application to be authorised by the Tribunal to act as the Proposed Class Representative in the Proposed Collective Proceedings.

Brief overview of proceeding

The Proposed Collective Proceedings

14. The Claims seek redress for BT customers (primarily consumers) who have suffered loss due to unlawful overcharges by BT on certain of its residential landlines.
15. As explained in the Claim Form [**CF Bundle/1/3-81**], the alleged unlawful anti-competitive behaviour relates to BT's abuse of a dominant position consisting of charging excessive prices to the Proposed Class for BT SFV services.
16. I understand that the Claims are of a standalone nature. However, they rely to a material extent on the facts and findings set out in Ofcom's 2017 Review of the market for standalone telephone services (the "**2017 Review**") (Annex 5 to the Claim Form) [**CF Bundle/6/369-486**], and the effect of BT's commitments to address concerns for some BT Voice Only Customers (the "**BT Commitments**") [**CF Bundle/4/284-300**]. It is clear from the statement, "Review of the market for standalone landline telephone services" (dated 26 October 2017) as part of the 2017 Review ("**the Statement**") (Annex 3 to the Claim Form) [**CF Bundle/4/256-306**], and inherent in the fact that BT provided the BT Commitments, that Voice Only customers (defined in the Statement as SFV customers who do not also buy a fixed broadband service (whether from the same provider or different providers) and Split Purchase Customers (SFV customers who buy fixed broadband but not as part of a bundle))

were treated unfairly and overpaid for their BT SFV Services during the Claim Period (as defined in the Claim Form).

17. The objective of the Proposed Collective Proceedings is to seek full compensation for the losses and damages that the Proposed Class Members have suffered as a result of BT's unlawful exploitative behaviour.
18. In addition to the reliance on Ofcom's work in this area as outlined above, I have engaged David Parker, an independent expert economist at Frontier Economics, to assess the nature and duration of the infringement, to quantify the harm and damage suffered, and to estimate the class size in light of the Proposed Class definition, taking into account key factors such as the commonality of issues and interests among the Proposed Class Members. The findings of this assessment are set out in the expert report of David Parker (the "**Parker Report**") at (Annex 2 to the Claim Form) [**CF Bundle/3/87-255**].
19. My advisers inform me that, pursuant to Rule 79, the Tribunal may certify claims as eligible for inclusion in collective proceedings where, having regard to all the circumstances, it is satisfied by the Proposed Class Representative that the claims sought to be included in the Proposed Collective Proceedings:
 - (a) are brought on behalf of an identifiable class of persons;
 - (b) raise common issues; and
 - (c) are suitable to be brought in collective proceedings.
20. These points are addressed in the Claim Form, however, in light of paragraph 6.37 of the Guide, I set out some further points below:

Identifiable class of persons

21. The Proposed Class is defined in Part III of the Claim Form (for consistency I adopt the same defined terms in this witness statement). Membership of the Proposed Class depends on whether individuals were UK customers who purchased certain landline telephone services from BT.
22. I believe that whether an individual falls within the Proposed Class (and Proposed Sub-classes) is a factual question that will be straightforward for BT to confirm, either from its current or historic customer records. In addition, as part of the BT Commitments, BT committed to certain measures to increase consumer engagement, which necessarily involves identifying

which individuals fall within the Voice Only Customer and Split Purchase Customer groups as identified in the Statement. This involved BT working with Ofcom to identify the form of communication with the best prospect of success in increasing engagement for BT Voice Only Customers, and sending annual statements to BT Split Purchase Customers detailing, amongst other things, their total spend, potential cost savings and information on switching to another provider.

23. Moreover, at an individual level, BT customers should themselves also be able to identify whether they received the relevant services² by checking their billing history. They can therefore identify whether they fall within the Proposed Class or not, and which Proposed Sub-class or Proposed Sub-classes they belonged to during the Claim Period based on the services that they have purchased within the past 5 years. Customers could belong to both Proposed Sub-classes if, in the past 5 years, they have at different times been BT Voice Only Customers and BT Split Purchase Customers.
24. At all stages of the Proposed Collective Proceedings my advisors and I will provide Proposed Class Members with information which is easy to understand, adopting plain and simple language to explain the legal terms and definitions to ensure that the Proposed Class Members are made aware of their legal rights. For further information see the notice and administration plan that I have designed together with my advisers (the "**Notice and Administration Plan**") (JLPI) [JLP Bundle/2/60-149]. Working with my advisors, I will (at the distribution stage), also provide clear guidance to the Proposed Class Members on the options and steps available to them to do this. As such, Proposed Class Members will be clearly identifiable.

Commonality

25. The issue of "commonality", which I understand from my legal advisers to mean whether the claims raise "the same, similar or related issues of fact or law" (pursuant to s. 47B(6) of the Act and Rule 73(2)), is addressed in greater detail in the Claim Form and the Parker Report. In summary, the Parker Report sets out:
 - (a) The affected product bought by each and every member of the Proposed Class, whether BT Voice Only Customers or BT Split Purchase customers (as defined in

² Standard Line Rental, Line Rental Saver, Line Rental Plus or the call plan packages Unlimited Weekend Calls, Unlimited Evening and Weekend Calls or Unlimited Anytime Calls.

the Claim Form), including Split service or Split supplier, is identical (namely SFV services).

- (b) The Proposed Sub-classes (BT Voice Only Customers and BT Split Purchase customers) differ only in that the BT Split Purchase customer Proposed Sub-class additionally separately buy a broadband service, either from the same provider (Split service customers) or any other provider (Split supplier customers), but do not do so as part of the same bundle;
- (c) BT occupied a dominant position or positions in relation to the provision of SFV services to the Proposed Class;
- (d) The Members of the Proposed Class were all subject to the same abusive conduct – excessive pricing;
- (e) Determination of (i) whether BT's prices for SFV were excessive and (ii) the amount of the unlawful overcharge is ascertained using the same methodology across the Proposed Class; and
- (f) The Proposed Class Members have clearly suffered harm as a result of the unlawful overcharge, as it is self-evident that if consumers pay an unlawful overcharge, they suffer a loss equal to the difference between the prices which they paid and the prices they would have paid absent the overcharge. Causation is therefore clear-cut in this case, and the aggregate damages suffered by the Proposed Class can be calculated using the same methodology for all members of the Proposed Class, which will include considerations of VAT and pass-on. I understand from my legal advisers that there may be some customers who use BT SFV services for business purposes, and that these customers may have reclaimed VAT or passed on the overcharge. The difference in the period over which the damage occurred is different between the two Proposed Sub-classes. This is due to the fact that the BT Commitments had the effect of ending the overcharge being imposed by BT on BT Voice Only Customers, but not the overcharge imposed on BT Split Purchase Customers.

Scope

26. I have considered the scope of the Proposed Class in light of the guidance contained in 6.37 of the Guide, ensuring that it is defined as narrowly as possible and that there is commonality between the Members of the Proposed Class, without arbitrarily excluding those BT

customers who would be entitled to claim. The full consideration of the scope of the Proposed Class is set out at paragraphs 75 -101 of the Claim Form **[CF Bundle/1/31-41]**.

27. The Proposed Class encompasses the different categories of customer which bought SFV Services from BT and which, Ofcom found, had suffered serious detriment as a result of BT's pricing. It has been defined to ensure that all those consumers harmed by BT's excessive prices for SFV Services are within its scope, and any exclusions are based on a clear and objective rationale.
28. In particular, it is worth highlighting that the BT Home Phone Saver package has been excluded from the scope of the Proposed Class definition. I note from an Ofcom press release which announced the start of the BT Commitments and identified which customers would be eligible for a price reduction that Ofcom stated that "*A further 200,000 customers on BT's 'Home Phone Saver' package could also qualify. They can choose to stay on their current package, or move to the standard product being discounted, depending on which is the best deal for them.*"³ (JLP2) **[JLP Bundle/3/163]**. It is also the view of my expert that the BT Home Phone Saver package may also be excessively priced (paragraphs 308 – 309) (Annex 2 to the Claim Form) **[CF Bundle/3/180]**. However, presently we do not have enough data to assess the extent to which individuals on a BT Home Phone Saver package would have sufficient commonality with the Proposed Class.
29. I am conscious of my duty to act in the best interests of the class as a whole, therefore once we have the relevant information (likely following disclosure), it may be necessary for me to seek guidance from the Tribunal with regard to these individuals.

Suitability for collective proceedings

30. I am applying to bring the Proposed Collective Proceedings as an opt-out collective action on the basis that this is by far the most suitable way for a claim dealing with the Proposed Class Members and their issues to be brought.
31. I set out below the principal reasons for believing that this action is suitable for collective proceedings, and that an opt-out mechanism is the most suitable form of collective proceedings for this action:
 - (a) The Proposed Class is made up of a large proportion of individuals who typically have in common an inherent disengagement with the process of switching / securing

³ <https://www.ofcom.org.uk/about-ofcom/latest/features-and-news/bt-landline-price-cut>

a better landline deal. There are likely to be a number of complex economic and social reasons (some of which I discuss below), why members of the Proposed Class behave in this way. However, I believe it would be reasonable to assume that they would have similar difficulties in engaging with an opt-in process. Both processes (i.e. switching and opt-in) involve research, form-filling, and engaging with authority and administration in a way which I believe strongly deters this group.

- (b) The Proposed Class is large – estimated at 2.31 million customers of BT SFV services. By claiming on an opt-out basis, we will have a more inclusive approach that covers as many Proposed Class Members as possible, without going to the very significant prohibitive extra costs and administration required under an opt-in regime, to inform them about their rights to compensation, and persuade them to participate.
- (c) A significant proportion of the Proposed Class took only a landline service from BT, and Ofcom's Review highlights that they do not have domestic internet access. Even with the best intentions it would be incredibly difficult to design an offline opt-in process for potentially over a million individuals. This would mean that those without internet access (a significant proportion of the Proposed Class) would face additional challenges to opting in and potentially be excluded and lose out.
- (d) The 2017 Review also describes Proposed Class Members as being very loyal to BT (Annex 5 to the Claim Form) **[CF Bundle/6/369-486]**. Persuading them to proactively opt-in to proceedings in the context of a fairly new legal regime, and make a claim against a provider that they trust, might be difficult to achieve.
- (e) The Proposed Class includes many individuals who could be considered vulnerable, either as a result of their age (a high proportion of the Proposed Class are over 75), disability or financial status (a high proportion of the Proposed Class live in DE socio-economic group households). As a result, they are likely to face additional challenges and obstacles which could materially impact on their ability to successfully engage with an opt-in process. An opt-in action would simply not meet the needs of this demographic, and I believe that if there is a mechanism which allows me to pursue collective proceedings on their behalf it would be unfair to deny them that opportunity. Providing a redress mechanism for these consumers and seeking to protect them is precisely what I believe this regime was designed to do.

- (f) The amount of loss said to have been suffered by each BT customer may be relatively modest compared to the usual measure of competition law damages, but for many of the individuals concerned it will be significant. I believe that without the Proposed Collective Proceedings, there will be no remedy for the 2.31 million or so consumers affected by the infringement, as the quantum of each individual claim is such that it is not capable of being efficiently pursued.
32. In summary, I believe that it would not be practicable to pursue these proceedings on an opt-in basis for the reasons above, and doing so might not yield a sufficient number of Proposed Class Members to make the cost of proceedings proportionate. Even with the most intensive efforts to notify claimants, and even if they were offered every conceivable way to register their claim, forcing members of such a disengaged and technically unconfident group to opt-in to a little-known process concerning a claim about technologies they don't really understand would inevitably lead to a huge drop-out rate even among those who were aware they might be due damages.

My reasons for wanting to act as class representative

33. My career (as set out in detail at paragraphs 62 - 73) demonstrates my long history of championing consumer causes in the field of telecoms. I have held the roles of both Head of Market Intelligence and Consumer Policy and Protection Principal at Ofcom, both senior positions which required me to act in defence of consumers and their interests. As such, I have seen first-hand the ways in which telecoms companies are able to take advantage of consumers, and particularly of older or vulnerable consumers. Consequently, I believe that when consumers receive bad service, or are overcharged, they should be compensated appropriately. I also believe it should be easy for them to vote with their wallets, and to punish poor service or excessive prices by taking their custom elsewhere.
34. I am therefore interested in finding ways to promote consumer engagement with the communications market, and to make it easy to switch service provider. This involves, for example, ensuring that consumers are aware that they have a choice, that they can successfully navigate and assess the options available to them, and they can switch away easily using processes which make the transfer smooth and error-free. This interest is reflected in the positions I have held over my career (see paragraphs 62 - 72 below).
35. My interest in acting as Class Representative in the Proposed Collective Proceedings arises out of the findings set out in the Statement [**CF Bundle/4/256-306**]. I believe that Proposed Class Members who were subject to excessive prices should be properly compensated for

the period prior to the BT Commitments (as the BT Commitments were only forward looking from April 2018, applied only to residential BT Voice Only Customers, and Ofcom had identified excessive and increasing prices from at least 2009), and not just offered line rental cuts and call price caps after this point. BT had for years effectively penalised these customers for their loyalty.

36. I also believe that BT Split Purchase Customers (i.e. those who also took a broadband service outside the scope of a bundle with standalone telephone services with BT or another provider) should also be compensated. Although these customers were subject to the same excessive pricing as BT Voice Only Customers, they did not benefit from the forward-looking price cut in the BT Commitments.
37. The Proposed Class contains a large number of older and lower income customers, who are more likely to be considered "vulnerable consumers".⁴ Both categories are heavily over-represented in the Proposed Class compared to the wider population of telecoms service consumers. Both are much less likely than average to engage with the telecoms market. Many will have been unaware that they were being over-charged by BT. Some will not have known that they had a choice; those that did are more likely to have struggled with the market comparison, option assessment, and execution stages involved in choosing a new provider⁵. This will have posed particular difficulties for BT Voice Only Customers, who are less likely to have had ready access to the internet (because by definition they only purchase telephone landline services), and so many would have been forced to use call centres or libraries for example, in order to assess their options and switch.
38. I want to represent the Proposed Class in order to secure compensation for them. I set out in paragraphs 74 – 81 my credentials for this, based around my work on consumer engagement and switching. For now, I set out in more detail why I believe the Proposed Class described above deserves compensation. For ease I have split these into five themes, i.e.
- i. *Compensation for excessive prices charged before the BT commitments (all Members of the Proposed Class)*
 - ii. *Compensation for customers penalised for their loyalty (all Members of the Proposed Class)*
 - iii. *Compensation for BT Split Purchase Customers*

⁴ Ofcom considers customers' age, disability, income and geographical location to be factors that impact their vulnerability. See <https://www.ofcom.org.uk/about-ofcom/what-is-ofcom/consumer-vulnerability>.

⁵ A new harmonised process for switching voice or broadband provider had only just been implemented in 2015, and awareness of this is likely to have been low during the Claim Period. Prior to this there had been confusing multiple processes for switching communications services, some of which involved the additional hassle of the consumer having to contact their existing supplier to seek permission to leave.

- iv. *Compensation for vulnerable and older customers*
- v. *Compensation for lower income customers (many of these will also be vulnerable and / or older)*

(i) *Compensation for customers charged excessive prices charged before the BT Commitments*

39. As the BT Commitments were forward-looking, and applied only to residential BT Voice Only Customers, there was no compensation for BT Split Purchase Customers or business BT Voice Only Customers, or rebate for the past losses suffered by BT Voice Only Customers prior to 1 April 2018. The independent Communications Consumer Panel's Response to Ofcom's Statement (JLP4) **[JLP Bundle/5/173-174]** makes clear that it considered that there was evidence of consumer detriment over a long period which should have been accounted for by BT:

"Ofcom's proposals to reduce BT's retail price by £5-7 per month should provide tangible benefits to disempowered consumers and small businesses, for many of whom they play an essential role. In practice we would like to see the costs reduced further than the £5-7 proposed, by CPs adjusting their prices to a reasonable level for the service being delivered, taking into account the money they are saving on wholesale costs.

We have a further area of concern in that this situation has persisted for some years, and we believe that there is evidence of consumer detriment over a long period – where prices have far outstripped costs in a non competitive market, and no action has been proposed until now. We therefore believe that there is a case for retrospective analysis of the sum of the consumer detriment experienced thus far (pre any price control implementation) and we would urge Ofcom to consider how to address this. Long standing single line customers could perhaps qualify for a one-off rebate reflecting the level overpayment that they have already made."

40. I share these concerns and agree that BT customers should have been compensated for the excessive prices they were charged prior to 1 April 2018. In that regard, I understand from my legal representatives that I may be unable to seek damages for the Proposed Class Members before 1 October 2015 due to limitation rules. This means that up to six years of overcharging, from 2009-2015, will go uncompensated via the legal process. I find this very frustrating as it makes it impossible for me to use the legal process to seek compensation for individuals who may have been affected between 2009 and 2015.

(ii) *Compensation for customers penalised for their loyalty*

41. In the Citizen's Advice Report "Cost of Loyalty" (the "**Citizen's Advice Report**") (JLP5) **[JLP Bundle/6/177-225]**, "loyalty penalties" are explained as the cost of being a long-

standing customer, compared to a new customer receiving the same product or service. The research examines customers' experiences at each stage of the 'consumer journey' (i.e. choosing a deal, choosing to stick with a deal, and choosing to exit a contract), and finds that essential service providers exploit behavioural biases in ways that hinder consumers from exercising their choice.

42. The Proposed Class Members have typically been BT customers for a very long time. They were described in the 2017 Statement as "*legacy customers who were unlikely to have ever switched deals. Often they claimed to be with the same provider (usually BT) as when they originally bought their property. In many cases this equated to decades of customer 'loyalty'*"⁶. In fact, Ofcom found that 70% of Voice Only Customers had never switched provider⁷.
43. BT's treatment of the Proposed Class is a prime example of the use of loyalty penalties against a group of consumers, many of whom are older and/or vulnerable, and therefore less likely to be able to exercise choice. The Statement was clear that the loyalty of Voice Only Customers, was not rewarded, but instead was punished with "*ever higher prices*" (Annex 3 to the Claim Form) **[CF Bundle/4/260]**.
44. BT relied on the assumption that few would realise that their annual retail price increase was inherently unfair. Among those who did, it preyed on their lack of understanding that there were alternatives available, or their unwillingness to switch to another provider or change to a Dual Play bundle. It must have been known to BT that a high proportion of the Proposed Class Members were older consumers and therefore potentially vulnerable.
45. I believe that these customers should have been treated much better by BT. I think they deserve compensation for their exploitation by BT.

(iii) Compensation for Split Purchase Customers

46. The BT Commitments covered Voice Only Customers but not Split Purchase Customers. Yet both sets of customers were charged exactly the same excessive price for BT SFV services. By definition, Split Purchase Customers did not receive any discount on their fixed voice service by virtue of also taking broadband, given that the two services were not bought as a Dual Play bundle. As a result, Split Purchase Customers have suffered harm for a longer period of time than Voice Only Customers, who received price reductions from 1 April 2018.

⁶ Para 3.1.2 Enriching Understanding of Standalone Voice Consumers **[JLP Bundle/7/243]**.

⁷ Para 1.13, Ofcom's 2017 [Consultation Review of the market for standalone landline telephone services](#) **[CF Bundle/6/376]**.

47. Ofcom noted that Split Purchase Customers were better placed than Voice Only Customers to change provider if they were unhappy with BT's prices. They had a domestic broadband connection, and this typically makes it easier to research markets and execute a switch. The fact that these customers did not switch suggests to me that they were unaware that they were being overcharged (or did not know the level of this overcharge), or that they could not find a cheaper SFV alternative (as other providers followed BT's prices), or that they were unaware that bundling the two services together could have led to a reduction in their bill.
48. Regardless of their reasons for not switching supplier, the fact is that the prices charged to these customers for BT SFV services was unfair and excessive, and BT abused its market dominance to unlawfully charge Split Purchase Customers excessive prices in exactly the same way it did for Voice Only Customers. I believe they should equally have compensation.

(iv) *Compensation for vulnerable and older consumers*

49. Ofcom first raised concerns about the impact of BT's pricing trends on vulnerable customers in February 2016. In the Research Annex to its Consumer Experience Report, Ofcom noted that *"fixed voice telephony prices are continuing to rise, potentially causing harm to vulnerable or older consumers, in particular"* (JLP7) **[JLP Bundle/8/352]**.
50. In the same report Ofcom noted that *"older consumers are also likely to be 'inactive' in that they have low interest in the market and do not keep up to date with it; and 'vulnerable' consumers are more likely to have difficulties in navigating complex markets and identifying tariffs which best meet their needs"*. **[JLP Bundle/8/352]**. A similar point was noted in the Citizen's Advice Report, which found that vulnerable groups are more likely to stay in their contracts for longer (JLP5) **[JLP Bundle/6/190]**.
51. Ofcom has stated that around 40% of SFV service customers are over 75 years of age.⁸ According to 2018 ONS statistics, disability-free life expectancy at age 65 in England is just under 10 years. It is therefore likely that a substantial proportion of the Proposed Class will also suffer from some form of disability (JLP8) **[JLP Bundle/9/411-412]**.⁹ ¹⁰ This fact increases the likelihood of members of the Proposed Class being vulnerable and more susceptible to harm. Normal cognitive ageing can also mean that older people find it more

⁸ Para 1.13, Ofcom's 2017 [Consultation Review of the market for standalone landline telephone services. For a fuller consideration of Ofcom's statistics on age, please refer to the Claim Form.](#)

⁹ This is defined as the number of years of life expected to be spent without a disability.

¹⁰ Statistics as reported on pages 3 and 4 of Age UK's [Later Life in the United Kingdom 2019](#)

difficult (or need more time) to deal with unfamiliar decisions (JLP9) [JLP Bundle/10/479].¹¹ Older individuals are also more likely suffer from sensory impairment, disability and cognitive impairment¹², which can potentially compound the challenges they face when trying to navigate markets.

52. In addition, and as explained by Ofcom, changes in personal circumstances, such as bereavement, can lead to individuals becoming vulnerable (JLP11) [JLP Bundle/12/589].¹³ Such changes can be particularly acute for older people, due to the impact that they can have on support networks. In the Britainthinks report conducted for the CMA, older consumers described their circumstances altering as a result of their social circles and support networks changing significantly through bereavement or spouses and close friends developing conditions such as dementia and having to move into care homes (JLP12) [JLP Bundle/13/662].¹⁴ Such changes can lead to older consumers becoming vulnerable where they previously were not.
53. I believe that BT, like other telecoms operators, owes a particular duty of care to older and vulnerable customers. This is reflected in Ofcom's latest regulations, which require providers to publish clear, up-to-date and easy-to-understand policies for treating vulnerable customers fairly¹⁵. Ofcom says this should be led from the top, with senior leaders accountable for embedding these policies in their organisation's culture. It recommends that providers consult with experts, consumer bodies and charities to strengthen their understanding of different vulnerable customers' needs.
54. BT does indeed publish the required policies, and acknowledges that age, as well as circumstances such as bereavement, are characteristics of vulnerability¹⁶ (JLP13) [JLP Bundle/14/819-820]. It says of vulnerable customers "*We'll do our best to offer you the right level of help and the most appropriate products and services to support you*"¹⁷ (JLP13) [JLP Bundle/14/820]. However, I see little evidence that it put this theory into practice for SFV customers or that it has treated them fairly. Instead, I think it benefitted from their inertia, their difficulties in evaluating options, and the overwhelming feeling that some will have felt

¹¹ Para 3.23, CMA's [Response to a super-complaint made by Citizens Advice on 28 September 2018](#)

¹² See the CMA's summary of its roundtable discussion with Age UK on consumer vulnerability in later life (accessible [here](#)) (JLP10) [JLP Bundle/11/579-585]

¹³ Para 1.4, Ofcom's [Treating vulnerable customers fairly guide](#)

¹⁴ Page 40, Britainthinks' [Getting a good deal on a low income, Qualitative research conducted with vulnerable consumers on behalf of the Competition and Markets Authority \(CMA\)](#)

¹⁵ [Treating vulnerable customers fairly: A guide for phone, broadband and pay-TV providers](#) (JLP11) [JLP Bundle/12/586-621]

¹⁶ ["Customer vulnerability at BT" statement](#)

¹⁷ Ibid

at the complications of switching to another provider. I think it deliberately overcharged SFV customers, and I would very much like to secure compensation on behalf of them.

(v) *Compensation for lower income consumers*

55. Low income is also a contributing factor to vulnerability. The likelihood of members of the Proposed Class being vulnerable is therefore exacerbated where they suffer from financial difficulties.
56. Ofcom has stated that 35% of SFV customers live in DE socio-economic group households (Annex 5 to the Claim Form) **[CF Bundle/6/376]**.¹⁸
57. Further, as reported by Age UK in its report "Poverty in later life" (October 2020), 16% of pensioners in the UK live in poverty (JLP14) **[JLP Bundle/15/827-828]**.¹⁹ ²⁰ This rises with age (18% of those aged 80-84 and 21% of those aged 85) and other circumstances (for example, 22% of single female pensioners) (JLP14) **[JLP Bundle/15/828]**. The fact that a large number of the Proposed Class are older consumers therefore further increases the likelihood that members of the Proposed Class may be suffering from financial difficulty and therefore potentially vulnerable.
58. On the facts, it is therefore evident that people already on low incomes (and more likely to be vulnerable) are suffering from BT's overcharges on SFV services. By definition this group are likely to be particularly affected by excessive payments. Those who are long-standing BT customers could have paid £84 too much every year since as far back as 2009, and this is likely to be a highly material sum for most in this group. I would very much like to seek compensation for those on low incomes.
59. In summary, I want to represent the Proposed Class in order to secure justice for them and in particular due to the reasons I have set out above that explain why the members of the Proposed Class are so deserving of compensation.

¹⁸ Para 1.13, Ofcom's 2017 [Consultation Review of the market for standalone landline telephone services. For a fuller consideration of Ofcom's statistics on income, please refer to the Claim Form.](#)

¹⁹ Pages 4 and 5, Age UK's [Poverty in later life, October 2020](#)

²⁰ Age UK's report uses what it refers to as the most commonly used definition of poverty, which is to say that someone in the UK is in poverty if they live in a household with an income below 60% of current median (or typical) household income, taking into account the number of people living in the household. Age UK's figures are drawn from the annual DWP Households Below Average Income (HBAI) statistics.

Prospects of success

60. I have read and considered the documents in the 2017 Review and the Parker Report. On the basis of that information and Ofcom's findings in the exercise of its regulatory powers, it is clear to me that:
- (a) BT occupied a position of dominance in the provision of SFV Services;
 - (b) the prices charged to BT's customers for SFV Services were excessive and thereby unlawful;
 - (c) the excessive prices caused Proposed Class Members to sustain losses; and
 - (d) BT as much as acknowledged this by agreeing to the BT Commitments.
61. As a result, I believe that the Proposed Class Members have a real prospect of recovering damages in the Claims.

My ability to fairly and adequately act in the interests of the Proposed Class Members

62. As set out in my CV at (JLP15) **[JLP Bundle/16/834-837]** I have spent a large portion of my career focussing on issues faced by consumers within the telecoms industry. I worked at Ofcom from 2003 to 2016, during which time I held both the roles of Head of Market Intelligence and Consumer Policy and Protection Principal. Since leaving Ofcom, I have held the role of chair for the UK Mobile Number Portability Operator Steering Group, and provided my consultation services in relation to telecoms switching processes for various national regulators. This experience (which I have detailed further below) has allowed me to gain an in-depth understanding of the motivations, behaviours and difficulties faced by telecoms consumers, particularly those who are vulnerable, older or less comfortable with technology.
63. In particular, my work is focused on the things which stop people from switching from one service provider to another in order to get a better deal, including the role the providers themselves play in this. I believe this is directly relevant to the experience of SFV customers during and prior to the Claim Period. I think it enables me to understand the Proposed Class Members, and act fairly and adequately in their interests. I now set out this experience in more detail.

64. During my time as Head of Market Intelligence from 2004-2010, I directed major Ofcom publications such as the UK and International Communications Market, Broadband Speeds and Traffic Management Reports. I led or contributed market insight into many policy projects, such as the economics of online content provision, and the regulatory issues raised by cloud computing.
65. My time in this role required me to use industry data and market research to provide insight into the provision of telecommunications, broadcast and online networks and services, and the ways they are purchased and used by consumers. This included extensive analysis of the behaviours of these users, with a particular focus on the characteristics of more vulnerable consumers and the challenges they face. This gave me a strong data - and research - driven insight into the telecoms industry.
66. From 2013 to 2016, I held the role of Consumer Policy and Protection Principal. In this role, my work focussed on empowering and protecting communications consumers. As director of Ofcom's Consumer Policy switching work programme, I designed and assessed options for interventions to make it simpler and more convenient to change communications provider.
67. This involved developing an "Engage - Assess - Act" framework with the UK Regulators Network to describe the journey that consumers take when considering a switch. It meant trying to understand and overcome the barriers experienced at each stage of this journey. This work included for example:
- (a) Promoting consumer engagement, for example by requiring providers to alert consumers to the fact that they have a choice of provider when their contract ends;
 - (b) Making it easier to assess different products and services, for example by exploring options for making competing services more comparable, and examining the scope for tariff simplification; and
 - (c) Making it easier to change provider by improving switching processes. In this capacity I led numerous regulatory consultations and statements, which culminated in:
 - i. The introduction of consumer protection enhancements to the "Notice of Transfer" process for switching fixed voice and broadband services on the Openreach network.
 - ii. The introduction of a similar process for switching fixed voice and broadband services on the KCOM network in Hull.
 - iii. A first assessment of the scope to introduce a process to enable service

switching between different fixed telecoms networks.

iv. The introduction of the "Auto-switch" text-to-switch process for mobile services.

68. I was also responsible for leading a Consumer Protection programme into the activities that communications providers undertake in order to make it difficult for customers wishing to leave. This involved a major investigation into the conduct of providers suspected of breaching contract termination regulations, and identifying measures to deter similar activity in the future.
69. I also contributed to an update of Ofcom's consumer-focused regulations (within the "General Conditions of Entitlement"), including amending requirements for information and publication transparency, metering and billing, complaints handling, dispute resolutions, and sales and marketing of mobile communication services.
70. Since leaving Ofcom, I have continued my work to promote effective switching processes. I am currently the chair of the UK Mobile Number Portability Operator Steering Group, an industry forum which manages the operation of the Auto-switch process. In the summer of 2020, I helped design proposals for a new cross-network switching process (e.g. from the Openreach network to the Virgin network, or from Virgin to City Fibre), as required by EU regulations. These proposals are currently under consideration by Ofcom.
71. These roles have all been operational and / or policy-oriented in nature. They have not involved me assessing operators' pricing or how they treat their customers. In particular, they give me no inside knowledge of BT's approach to pricing for its SFV or any other customer types, beyond what I can gather from publicly available sources. They therefore do not affect my ability to be class representative.
72. Outside of the UK, within the past three years I have helped regulators across the world ensure that market conditions are suitable for the introduction of fixed and mobile switching, and have advised them on creating new number porting regulations and process implementation. This has included assignments in countries as diverse as Nepal, Brunei, Zimbabwe, the Turks and Caicos Islands, and Botswana. I am currently advising regulators in Barbados, Antigua, Zimbabwe and The Seychelles.
73. In addition to the experience I have outlined above, which I hope demonstrates my ability to act fairly and adequately in the interests of the class, I believe that the following will also aid me in representing the class in their best interests:

- (a) the experience and expertise of the professional advisers I have retained to advise, support and represent me in bringing the Proposed Collective Proceedings. In particular:
 - i. my legal advisers, Mishcon de Reya, with their significant experience of bringing group actions and complex competition law litigation;
 - ii. my counsel team, led by Ronit Kreisberger, a leading competition law QC; and
 - iii. my economic expert, David Parker, with his expertise in the use of economics in competition law cases and experience of acting as an expert in class actions, and his team at Frontier Economics;
- (b) the expertise of the advisory panel I have started to assemble to assist in running the Proposed Collective Proceedings;
- (c) the funding and insurance arrangements that my legal advisers and I have put in place for pursuing the Proposed Collective Proceedings; and
- (d) the detailed plans that I, together with my professional advisors, have prepared. In particular, the plans for:
 - i. Notifying the Proposed Class and keeping them informed of the Proposed Collective Proceedings. This plan contains procedures for governance and consultation which takes into account the size and nature of the class.
 - ii. The proper and efficient administration of the case, both in the progress to trial and for the efficient distribution of any damages awarded to the Proposed Class (exhibited to this Witness Statement at (JLPI) [JLP Bundle/2/60-149]).

My suitability to act as class representative

- 74. I understand that, if authorised as the Proposed Class Representative, I will be required to manage (with my legal advisors) a potentially complex, large-scale litigation, and to exercise control of the costs being incurred. I believe that the skills that I have acquired over my entire professional career, will enable me to do this. In particular, my experience of leading major operational projects and delivering them to budget, such as Ofcom's annual plan, and the automation of Ofcom's collection of data from communications providers, will be highly relevant.
- 75. Most notably for my role as Proposed Class Representative, from 2013 to 2016, I was a Consumer Policy and Protection Principal. As stated above, within this role I led projects

aimed at empowering and protecting communications consumers. This included leading teams of economists, lawyers, researchers and policy advisors and steering them to common policy goals. I believe these skills are applicable to the role of managing the various experts that will advise me in my role as Proposed Class Representative.

76. Over my career, I have held important public interest roles including senior positions within Ofcom, requiring me to act in defence of consumers and their interests. Exhibited to this witness statement as (JLP15) **[JLP Bundle/16/834-837]** is a copy of my CV.
77. There is no conflict of interest which prevents me from acting as Class Representative for the Proposed Class. I am not a member of the Proposed Class on whose behalf the Proposed Collective Proceedings are sought to be brought. However, my career experience demonstrates that I am committed to fairness to consumers and my interests are aligned with those of the Proposed Class that I am seeking to represent. My objectives are to obtain the best possible outcome for the Proposed Class by recovering the full losses that they have suffered.
78. Whilst I continue to hold a number of professional positions (which are set out in my CV at JLP15) **[JLP Bundle/16/834-837]** none of these positions would in any way impinge on my ability to manage the Proposed Collective Proceedings and provide instructions to my professional advisors.
79. Although I have held a number of roles at Ofcom, I was not involved in any of the matters arising out of the 2017 Review. Any project that I worked on that included discussions with BT would have involved policy discussions around switching processes, erroneous line transfers, end of contract negotiations and online copyright protection. At various points I would have seen and been responsible for gathering operator-provided data regarding volumes and revenues, but that data was never used in relation to any policy project in which I was involved.
80. I have agreed with my litigation funders for a modest amount of funds to be made available to cover my time spent and my out-of-pocket expenses. I have agreed an hourly rate of £150 to cover my reasonable, documented time spent on the case. At budgeted utilisation rates this will form only a relatively small part of my income. For example, I am currently involved in at least four other projects which are each forecast to generate more income in 2020/21 than this. As I am not a member of the Proposed Class, under no circumstances will I stand to receive any part of any damages which may be recovered for Proposed Class. I am fully committed to securing the best and swiftest possible outcome for the class.

81. In addition, as set out in the pre-action correspondence between my legal representatives and BT (which is exhibited to the Witness Statement of Robert Paul Murray at (RPM2) – (RPM9) **[RPM Bundle/3-10/25-52]**), I am very willing to enter into constructive discussions with BT to explore a timely resolution of the Claims so that Proposed Class is fairly compensated as soon as possible. However, due to the information imbalance that necessarily exists between me (in my role as Proposed Class Representative), and BT, my legal advisers have informed me that a certain level of disclosure is required to establish the true extent and level of excessive pricing causing harm to the Proposed Class. BT is in possession of all relevant facts and data regarding its own customers that purchased its overpriced services and all of the relevant facts and information in relation to the 2017 Review leading to the Provisional Conclusions and the Statement.

Advisory panel

82. Whilst I have full confidence in my ability to carry out the functions of the Class Representative, and after discussion with my legal advisers, I believe that it would be beneficial to the Proposed Collective Proceedings for me to have the ability to confer and seek advice from an advisory panel of experts. I have identified certain individuals with specific expertise and experience in consumer rights, particularly in the context of vulnerable consumer matters, to assist me on my advisory panel. This has led to the appointment of Jane Vass OBE – former Director of Policy and Research at Age UK (JLP16) **[JLP Bundle/17/838-841]** to the panel with further appointments to be made in due course.

83. Whilst all decisions will be taken exclusively by me, I believe that my decision-making during the course of the Proposed Collective Proceedings will be enhanced by the ability to take advice from this advisory panel. This will give me additional confidence that my decisions will be fair and at all times in the interests of the Proposed Class. A copy of the panel terms of reference are exhibited at (JLP17) **[JLP Bundle/18/842-850]**.

84. As a further safeguard, and to ensure that I have the full protection of the indemnity from Harbour for adverse costs, and that clause 2.3 of the Litigation Funding Agreement (as defined below) (JLP21) **[JLP Bundle/22/901-933]** is not triggered (at least without warning and an opportunity to address the concern/behaviour), I requested that further guidance be provided to me on what could amount to deliberate or reckless action(s) or omission(s) to the detriment of the chances of success of the Proposed Collective Proceedings. In this regard, the panel will provide an independent written assessment if I disagree with my legal advisers or Harbour about any concerns raised by my conduct. Harbour and I have agreed to be bound by the determination of the panel on these issues.

Plan for the Proposed Collective Proceedings

85. I will track and monitor the performance of the project, to ensure that it remains on schedule and on budget, and that all experts are working in the interests of the Proposed Class. During key work periods, I will participate in weekly project meetings at which I will require my legal representatives to present on the progress of tasks, and provide updates on costs incurred as against the budget. I will challenge and hold experts to account for the efficient and effective delivery of all workstreams. I will be involved at all key stages of the proceedings, including the CPO hearing, and will review and comment on key legal and economic documents. I have been, and will continue to be, heavily involved in the design and execution of the Notice and Administration Plan, to ensure that we reach the Proposed Class to the fullest extent possible.
86. I understand from my legal representatives that, in deciding whether a party seeking authorisation as Class Representative would act fairly and reasonably on behalf of the Proposed Class, the Tribunal will take into account whether that party has prepared an adequate Litigation Plan for the collective proceedings. Rule 78(3)(c) provides that such a plan ought to include:
- (a) A method for bringing the Proposed Collective Proceedings on behalf of represented persons and for notifying represented persons of the progress of the proceedings;
 - (b) A procedure for governance and consultation which takes into account the size and nature of the class; and
 - (c) Any estimate of, and details of arrangements as to, costs, fees or disbursements which the Tribunal orders that the Proposed Representative shall provide.
87. The Litigation Plan for the Proposed Collective Proceedings is set out at exhibit JLPI [**JLP Bundle/2/33-160**]. This document has been prepared by me alongside my legal and other professional advisers, including Case Pilots (a claims administration company) and Media Zoo (a PR agency), and sets out how we will ensure that the Proposed Collective Proceedings will be effectively and efficiently pursued in the interests of the Proposed Class, including how I will ensure that I communicate effectively with the Proposed Class.
88. A significant amount of time and consideration has (and will continue to be) given by me and my legal advisors, as to how we can effectively communicate, provide notice and ultimately administrate an aggregate award of damages, to a claimant group which includes a high

proportion of individuals who do not have internet access and/or who are older and have lower income. A considerable proportion of these individuals are likely to be considered 'vulnerable'.

89. Based on my experience of these individuals, I know that they may face additional challenges to engage with a process of this nature (which is why I also believe that opt-in proceedings are not viable). Together with my professional advisors I have designed a Notice and Administration Plan (JLPI) **[JLP Bundle/2/60-149]** which places emphasis on the fair treatment of older, lower income, and vulnerable consumers, and which has broad cross-audience appeal. The aim of the Notice and Administration Plan is not only to target the Proposed Class Members, but also their friends, family and carers who may assist them with their decision-making process, and draw to their attention issues such as this, which may affect them.
90. I have specifically identified and appointed the PR agency, Media Zoo, which has strong experience and credentials in consumer public relations, including the creation and execution of consumer-focused campaigns and the championing of consumer issues.
91. Media Zoo was co-founded in 2003 by ex-BBC consumer champion Mark Killick, who ran a number of consumer programmes including Watchdog, UK's Worst and Rogue Traders. Mark has also written on financial issues for a number of national newspapers, including The Sunday Times, The Financial Times and the Independent. A number of other senior Media Zoo figures also have extensive experience in both personal finance and consumer journalism.
92. With a proven track record in this space, I believe that Mark and his team will be able to raise the profile of the Proposed Collective Proceedings to ensure that it becomes a main-stream news item at key points of the proceedings. This will ensure that we have full coverage across, TV, radio and print media, which are the key channels of news consumption for the older/lower income/more vulnerable class demographic.
93. Media Zoo has developed a branded campaign action group – 'CALL', the Collective Action on Land Lines, which will be central to the delivery of a consistent, recognisable and ultimately trusted message to the Proposed Class Members. CALL will also have a designated website where further information about the Proposed Collective Proceedings will be available.
94. Other key elements of the Notice and Administration Plan are as follows:
 - (a) The provision of a designated website at www.callclaim.com to provide information and updates on the development of the case to Proposed Class Members. The

website will provide access to key documents and provide FAQs setting out in plain English what the claim is about and who it relates to;

- (b) A designated IVR telephone helpline for individuals to call. The current intention is that this facility will be activated after the filing of the Claim Form, playing a simple message explaining the nature of the Proposed Collective Proceedings. A fuller message will play from the date of the first CMC incorporating answers to frequently asked questions, with automated responses to enable Proposed Class Members to file an objection to the CPO application or the authorisation of the Proposed Class Representative. This will be particularly important for BT Voice Only Customers with limited internet access. I would welcome the Tribunal's guidance on this proposal;
- (c) Planned collaboration with charities and consumer champions groups such as Age UK, Independent Age, Which? and Citizen's Advice to help reach the Proposed Class Members, particularly the harder to reach and potentially vulnerable Proposed Class Members who may be digitally excluded;
- (d) Hosting local radio days and advice clinics to answer questions about the Proposed Collective Proceedings.

95. In addition to the above, I believe that there will be a significant number of individuals who if they have questions or concerns about the Proposed Collective Proceedings will approach BT directly (perhaps via its customer service centres) for guidance and information. In this regard, I trust that BT will provide accurate information in response to any queries, and to ensure that its customer representative employees are adequately trained to deal with these queries. If BT fails to support, at the very least, directing its customers to the designated website, there is a risk that it may undermine the success of a later distribution of damages to the Proposed Class. I will keep this issue under review and consider whether an order is required from the Tribunal in the future.

Litigation Funding Agreement

96. In order to fund the Proposed Collective Proceedings, I have entered into:

- (a) a litigation funding agreement with a well-known and longstanding commercial litigation funder (the "**Litigation Funding Agreement**") (JLP21) [**JLP Bundle/22/901-933**]; and

- (b) a fee agreement with my legal advisors which contains a small element of conditional fees for them.
97. The Litigation Funding Agreement is with Harbour Fund V, L.P ("**HF**"), a fund managed by Harbour Litigation Funding Limited.. Harbour Litigation Funding Limited is the largest privately-owned litigation funder in the world and is ranked in Band 1 by Chambers and Partners for UK litigation funding. Harbour Litigation Funding Limited was a founding member in November 2011 of the Association of Litigation Funders and was instrumental in establishing its Code of Conduct (JLP 18) **[JLP Bundle/19/851-856]**. Exhibited to this witness statement at (JLP21) **[JLP Bundle/22/901-933]** and (JLP19) **[JLP Bundle/20/857-887]** are confidential and non-confidential versions of the Litigation Funding Agreement.
98. Under the Litigation Funding Agreement, HF has agreed to fund my costs in relation to the Proposed Collective Proceedings up to a maximum aggregate amount of £25,654,695.36. I am informed by my legal advisers that this is more than adequate to fund the Proposed Collective Proceedings as currently envisaged. This amount covers the full litigation lifecycle that has been explained to me may be needed (including costs associated with any appeal at the CPO stage).
99. Although I am confident in the prospect of the Proposed Collective Proceedings, I am fully aware of the risk of an adverse costs award should the Proposed Collective Proceedings not succeed, and that consequently the Tribunal will wish to assess my ability to pay such costs in accordance with Rule 78(2)(d).
100. To provide for this eventuality, as part of the funding arrangements HF have agreed to pay any adverse costs award in favour of (or adverse costs that I agree to pay) BT in relation to the Proposed Collective Proceedings. See clause 2 of the Litigation Funding Agreement (JLP21) **[JLP Bundle/22/905]**.
101. In line with this obligation, HF has agreed to purchase adverse costs insurance ("**ATE Insurance**") in relation to the Proposed Collective Proceedings. Specifically, HF has already secured ATE Insurance from:
- (a) Litica Ltd of up to a £2m total limit; and
- (b) Harbour Underwriting Limited of up to a £9.9m total limit.
102. HF also intends to purchase an additional £4.6m of ATE Insurance in early 2021. This will result in total ATE Insurance cover of £16.5m, allocated as follows: (i) an inner limit of £3m

of cover for the period up to a determinative ruling on whether a CPO will be made in my favour (£2.16m of which has already been purchased), and (ii) £13.5m of cover in relation to the Proposed Collective Proceedings for the period after a CPO is made in my favour (£9.74m of which has already been purchased).

103. I am informed by my legal advisers that this level of cover should be sufficient to cover BT's recoverable costs, if ordered to do so.
104. I am also informed that policies underwritten by Litica are issued by Hiscox Underwriting Ltd on behalf of Hiscox Insurance Company Ltd, which has ratings of A (Excellent) from A.M. Best, A+ from Fitch and A (Strong) from S+P, and that policies underwritten by Harbour Underwriting Limited are issued by Hamilton Insurance DAC, which has an A- rating from A.M Best, which should provide yet further comfort.
105. If the Proposed Collective Proceedings are successful, HF's only guaranteed return is any adverse costs that the Tribunal may order BT to pay. This is very unlikely to cover the full amount of the investment made by HF, nor will it provide any return on the significant investment and risk that they have taken. In return for their provision of funding, I have therefore agreed to make an application under section 47C(6) of the Act asking the Tribunal's permission to make an order that undistributed claim proceeds be paid in respect of any unrecovered costs as well as be used to pay HF a return on its investment. I am informed by my legal advisors that such an order is permitted, subject to the Tribunal's exercise of its discretion on the conclusion of the Claims pursuant to Rule 93(4).
106. Specifically, under the Litigation Funding Agreement it is proposed that HF's return be structured as follows:
- (a) HF will receive a return (the "**HF Return**") calculated as a multiple of its investment in the Proposed Collective Proceedings.
 - (b) The multiple will be three times HF's investment (the "**HF Investment**") if "Success" (as defined in the Litigation Funding Agreement) is achieved prior to the first day of any substantive hearing on liability, and four times the HF Investment if Success is achieved at any stage after that.
 - (c) As noted above, the HF Return is payable only out of any uncollected damages.

107. I have received independent legal advice (over which privilege is not waived) in relation to the Litigation Funding Agreement, and understand that this level of return is not uncommon and is fairly standard in cases of this nature.
108. It is important for me to emphasise that HF has no influence or control over the litigation. It will not be able in any way to influence the process by which damages are achieved and/or distributed, either through settlement or by an award by the tribunal. Neither will it be able to procure that some damages remain undistributed. This is the result of the terms of the funding arrangements, and also an obligation under the Code of Conduct referred to at paragraph 97 above. Even at the distribution stage, it will be my main objective and entirely within my control to distribute the recovered damages to the Proposed Class Members. I note in this regard that under the terms of the Litigation Funding Agreement I am under an obligation to act in the best interests of the Proposed Class Members at all times.
109. Given that the HF Return will therefore not be payable out of any sums that would otherwise be paid to Proposed Class Members, I do not believe my obligation to procure payment of the HF Return creates any conflict with my duties to the Proposed Class Members.
110. Under a conditional fee arrangement (the "**CFA**"), confidential and non-confidential versions of which are exhibited to this witness statement at (JLP22) **[JLP Bundle/23/934-946]** and (JLP20) **[JLP Bundle/21/888-900]**, my legal advisors, Mishcon de Reya, have agreed to conduct the Proposed Collective Proceedings, and to defer a small proportion of their fee payable only on Success in the Proposed Collective Proceeding. I have received independent legal advice (over which privilege is not waived) in relation to this agreement, and understand that it is a conditional fee agreement within the meaning of s.58 Courts and Legal Services Act 1990.
111. Whilst I have a legal liability to pay my legal advisors the fees, costs and expenses incurred under the CFA, I have agreed with my legal advisors that my liability to pay such fees, costs and expenses will be limited to the amount of the fees, costs and expenses paid by and/or recovered from HF and/or BT and/or under the ATE Insurance purchased by HF.
112. As with the HF Return, my legal advisors' success fee will only be payable out of any undistributed claim proceeds (subject to the agreement of the Tribunal). Again, therefore, given that any success fee will not be payable out of any sums that would otherwise be paid to Proposed Class Members, I do not believe my obligation to procure payment of a success fee creates any conflict with my duties to the Proposed Class Members

Request for confidential treatment of the Investment Agreement and the CFA

- 113. The Investment Agreement and CFA contain commercially sensitive and personal information. My legal advisors have therefore written separately to the Tribunal, seeking permission for the confidential versions of these documents to be treated confidentially as between myself and the Tribunal.
- 114. I understand the importance of ensuring that BT has the opportunity to consider my funding arrangements however and my intention is to agree, subject to the Tribunal's consent, a confidentiality ring so that confidential versions of the arrangements can be shared with BT.
- 115. I also recognise that, in due course, it will be important to make the non-confidential versions of the Investment Agreement and CFA available to Proposed Class Members. I will therefore discuss with my legal advisors an appropriate procedure for making these agreements available on request to Proposed Class Members.

Conclusion

- 116. For the reasons set out above, I believe that I meet the requirements for authorisation as the Class Representative pursuant to section 47B of the Act and Rule 78 of the Rules in the light of the guidance contained at paragraphs 6.29-6.36 of the Guide. I respectfully request that the Tribunal authorises me to perform the role in respect of the Claims.

STATEMENT OF TRUTH

- 117. I believe that the facts stated in the witness statement are true, and that the opinions expressed are correct.



Signed.....

Justin Le Patourel

Date: 15 January 2021

MADE ON BEHALF OF: APPLICANT / PROPOSED CLASS REPRESENTATIVE
NAME OF WITNESS: JUSTIN LE PATOUREL
NUMBER OF STATEMENT: 1
EXHIBITS: JLP1 – JLP22
DATE: 15 JANUARY 2021

Case Number: []

IN THE COMPETITION APPEAL TRIBUNAL
BETWEEN

JUSTIN LE PATOUREL

Applicant / Proposed Class Representative

and

BT GROUP PLC

Respondent / Proposed Defendant

EXHIBIT JLP1

This is the exhibit marked "JLP1" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021

Case Number: []

**IN THE COMPETITION APPEAL TRIBUNAL
BETWEEN**

JUSTIN LE PATOUREL

Applicant / Proposed Class Representative

and

BT GROUP PLC

Respondent / Proposed Defendant

LITIGATION PLAN

I. INTRODUCTION AND SUMMARY

I.1 Unless otherwise stated, this Litigation Plan ("**Litigation Plan**") adopts the definitions used in the Collective Proceedings Claim Form (the "**Claim Form**").

I.2 Justin Le Patourel ("**the Proposed Class Representative**") has made an application (the "**Application**") for a collective proceedings order ("**CPO**"), pursuant to Rule 75 of the Competition Appeal Tribunal Rules 2015 (SI 1648/2015) ("**the Rules**") and section 47B of the Competition Act 1998 ("**the Act**") authorising him to act as the class representative in respect of proposed opt-out collective proceedings (the "**Proposed Collective Proceedings**") against the proposed defendant ("**Proposed Defendant**" or "**BT**").

I.3 This Litigation Plan has been prepared in order to explain how the Proposed Class Representative, along with his advisors, intends to ensure that the Proposed Collective Proceedings will be effectively and efficiently pursued in the interests of the estimated 2.31 million individual consumers (the "**Proposed Class Members**"), whose claims it is proposed to include in the Proposed Collective Proceedings.

I.4 This Litigation Plan is structured by reference to the requirements of Rule 78(3) of the Rules and paragraph 6.30 of the Guide. For ease of reading, the points identified in the Rules and Guide have been grouped under common headings, and will be addressed as follows:¹

I.4.1 **Overview of the Proposed Collective Proceedings and definition of the Proposed Class;**

I.4.2 **Overview and purpose of the Litigation Plan;**

I.4.3 **Method of bringing the Proposed Collective Proceedings and communication with the Proposed Class:** this section addresses:

(a) The method for bringing the Proposed Collective Proceedings on behalf of the members of the Proposed Class (Rule 78(3)(c)(i) of the Rules);

(b) The method for notifying members of the Proposed Class of the progress of the Proposed Collective Proceedings (Rule 78(3)(c)(i) of the Rules),

¹ It should be noted that this Litigation Plan does not address the ninth bullet point in paragraph 6.30 of the Guide (namely, "where only part of the claims are proposed to be covered by the CPO, if the collective proceedings are decided in favour of the class, what it is proposed should happen to the balance of the claims"), as it is not proposed that only part of the claims should be covered by a CPO.

which includes the requirements of paragraph 6.30 of the Guide, first to third bullet points;

1.4.4 Governance and consultation: this section explains the procedure for governance and consultation which takes into account the size and nature of the Proposed Class, in accordance with Rule 78(3)(c)(ii) of the Rules and paragraph 6.30 of the Guide, first to third bullet points;

1.4.5 Evidence & Witnesses: this section addresses:

- (a) The degree of disclosure likely to be required in the Proposed Collective Proceedings (paragraph 6.30 of the Guide, fourth bullet point);
- (b) Whether disclosure from individual members of the Proposed Class is likely, and if so, the intended process for collection of relevant documents from Proposed Class Members (paragraph 6.30 of the Guide, fifth bullet point);
- (c) How exchange of documents will be managed, including any issues of edisclosure (paragraph 6.30 of the Guide, sixth bullet point);
- (d) How any necessary witnesses will be identified and what steps will be taken to establish their evidence (paragraph 6.30 of the Guide, seventh bullet point); and
- (e) Whether experts will be needed, and if so, what kind and how appropriate experts will be identified and retained (paragraph 6.30 of the Guide, eighth bullet point);

1.4.6 Litigation timetable: this section provides a proposed timetable for the litigation pursuant to the eleventh bullet point of paragraph 6.30 of the Guide;

1.4.7 Damages & Costs: this section addresses:

- (a) Distribution of any aggregate award of damages (paragraph 6.30 of the Guide, tenth bullet point);
- (b) The estimate of and details of arrangements as to costs, fees or disbursements which the Tribunal orders that the Proposed Class Representative shall provide (Rule 78(3)(c)(iii) of the Rules). This covers

details as to the funding arrangements entered into by the Proposed Class Representative (including ATE insurance); and

(c) The costs budget, which is attached to this Litigation Plan at Annex 2; and

1.4.8 **Conclusion:** this summarises the bases upon which the Proposed Class Representative considers that this Litigation Plan, together with the Notice and Administration Plan, satisfies the requirements of Rule 78(3)(c) of the Rules, and demonstrates that he will act fairly and adequately in the interests of the members of the Proposed Class.

Annexes to the Litigation Plan

1.5 Attached to this Litigation Plan are the following documents:

1.5.1 **Annex 1:** the Notice and Administration Plan and attachments;

1.5.2 **Annex 2:** a costs budget (as required under Rule 78(3)(c)(iii) of the Rules and paragraph 6.30 of the Guide);

1.5.3 **Annex 3:** the proposed timetable (as required under paragraph 6.30 of the Guide); and

1.5.4 **Annex 4:** initial disclosure request.

2. BACKGROUND TO THE PROCEEDINGS AND THE PROPOSED CLASS DEFINITION

Summary background to the Proposed Collective Proceedings

2.1 The Proposed Collective Proceedings seek to combine "standalone claims" for damages under section 47A of the Act (the "**Claims**"). The Claims concern the Proposed Defendant's breaches of statutory duty in charging unfair prices to certain of its customers in breach of the Chapter II Prohibition.

2.2 In summary, BT has, throughout the Claim Period, charged excessive prices to customers supplied with certain residential landline services. Although the Claims are not "follow on" claims, they arise principally out of a review, conducted by Ofcom in 2017, of "the market for standalone landline telephone services" ("**the 2017 Review**"). Ofcom conducted the 2017 Review pursuant to its powers under the Communications Act 2003 to review communications markets for the purposes of deciding whether to impose *ex ante* regulation.

- 2.3 Ofcom found that BT had significant market power,² was a price-leader, and charged prices which were above the competitive level so as to give rise to serious consumer detriment. As Ofcom stated, “customers purchasing voice-only services – often elderly people who have remained with the same provider for many years – are getting poor value for money” whereas customers “who buy bundled services are getting more for their money than ever before” **[CF Bundle/4/260]** (“**the Statement**”), paragraph 1.2). As a result, Ofcom intended to impose direct price control to reduce monthly line rental prices by £5-7 for each customer within the scope of the proposed price control.
- 2.4 Ultimately, and presumably in order to avoid direct price control by Ofcom, BT offered voluntary commitments involving, amongst other things, a 3-year commitment to reduce line rental prices by £7 per month to around a million customers (“**The BT Commitments**”). The BT Commitments **[CF Bundle/4/284-300]** are described in further detail at paragraphs 58-62 of the Claim Form.
- 2.5 The Proposed Class Representative believes that (i) the prices for standalone residential landline services which form the subject-matter of the Claims (i.e. BT Standalone Fixed Voice Services as defined at paragraph 2.7 below) infringe the Chapter II Prohibition and (ii) the infringing prices caused the Proposed Class Members to sustain losses. By offering the BT Commitments, BT effectively acknowledged that the prices impugned by Ofcom were excessive and had to be reduced (on a forward-looking basis, either directly or through greater consumer engagement, as set out below.)

Overview of the Proposed Class and Proposed Sub-classes

- 2.6 The Proposed Class is defined as:
- 2.6.1 “all persons domiciled in the United Kingdom (except in the **Hull Area**) who, during the **Claim Period**, bought a **BT Standalone Fixed Voice Service** except for the **Excluded Services**” (referred to below as “**the Proposed Class**” or “**Proposed Class Members**” as appropriate).
- 2.7 For these purposes:

² See **[CF Bundle/6/377]** (the “**Provisional Conclusions**”), at §1.17: “BT benefits from a very high market share; over 70%, in a market where many customers are not actively engaged. This in turn has allowed BT to act as a price leader, steadily increasing the price of standalone landline services. Further, given the difficulty in winning new customers from BT, the range of choice from competing providers has declined as prices have increased.”

- 2.7.1 **BT Standalone Fixed Voice Service** (referred to below as a "**BT SFV Service**") means any residential landline calling plan service provided by BT, except for the Excluded Services, which (i) includes landline line rental and (ii) has not been sold as part of a bundle with broadband. For these purposes, a bundle refers to a contract, or two or more closely related, linked or interdependent contracts which, individually or together, include and require the purchase of broadband, as well as the landline calling plan service.
- 2.7.2 **Excluded Services** means BT Basic and BT Home Phone Saver.
- 2.7.3 **Hull Area** means the area defined as the Licence Area in the licence granted on 30 November 1987 by the Secretary of State under Section 7 of the Telecommunications Act 1984 to Kingston upon Hull City Council and Kingston Communications (Hull) plc.
- 2.8 The Proposed Class is split into two Proposed Sub-classes, namely:
- 2.8.1 **BT Voice Only Customers:** Members of the Proposed Class who, during the applicable Claim Period as defined below, bought a BT SFV Service but did not, at the same time, buy a broadband service, either from BT or any other provider.
- 2.8.2 **BT Split Purchase Customers:** Members of the Proposed Class who, during the applicable Claim Period as defined below, have bought at the same time both (i) a BT SFV Service; and (ii) a broadband service, either from BT or any other provider.
- 2.9 The **Claim Period** means:
- 2.9.1 for residential BT Voice Only Customers, between 1 October 2015 and 1 April 2018 inclusive;
- 2.9.2 for business BT Voice Only Customers, between 1 October 2015 and the date of the Tribunal's final determination of the Claims made by the Sub-class of BT Voice Only Customers or their earlier settlement (or settlement of any part thereof); and
- 2.9.3 for BT Split Purchase Customers, between 1 October 2015 and the date of the Tribunal's final determination of the Claims made by the Sub-class of BT Split Purchase Customers or their earlier settlement (or settlement of any part thereof).

- 2.10 A more detailed explanation of the Proposed Class, including the reasons for including the Proposed Sub-classes in the Proposed Collective Proceedings is provided at paragraphs 75 to 101 of the Claim Form.
- 2.11 The expert report of Mr Parker ("**the Parker Report**") [**CF Bundle/3/87-255**] provides a preliminary estimate of the size of the Proposed Class and the two Proposed Sub-classes at section 10.1 of his report. On a preliminary basis Mr Parker estimates that the size of the Proposed Class is 2.31 million, of which:
- 2.11.1 1.23 million members are in the BT Voice Only Customer Proposed Sub-class; and
- 2.11.2 1.08 million members are in the BT Split Purchase Customer Proposed Sub-class.
- 2.12 The Application for a CPO to represent the Proposed Class relates to proposed "opt-out" collective proceedings, the reasons for which are set out at Section 4 below.

3. **OVERVIEW AND PURPOSE OF THE LITIGATION PLAN**

- 3.1 In support of the Application, Mr Le Patourel has filed a witness statement [**JLP Bundle/1/3-32**] (the "**Witness Statement of the Proposed Class Representative**"), explaining the basis upon which he is suitable to act as the Proposed Class Representative. The Witness Statement of the Proposed Class Representative also addresses the requirements under Rule 78 and whether it is "*just and reasonable*" for the applicant to act as a class representative in the Proposed Collective Proceedings.
- 3.2 Among the matters that the Tribunal will consider in determining whether it is "*just and reasonable*" for an applicant to act as a proposed class representative is whether they are able to demonstrate that they would "*fairly and adequately act in the interests of the class members*" (Rule 78(2)(a)). In determining this requirement, the Tribunal will have regard to all of the circumstances, including whether the proposed class representative has prepared a plan for collective proceedings that satisfactorily includes the matters identified in the Rules and Guide.³
- 3.3 Accordingly, the Proposed Class Representative has, with the assistance of his legal advisors, a specialist notice and claims administration provider, and PR agency, prepared this Litigation Plan in support of his application for a CPO. For the avoidance of doubt, legal professional privilege is not waived.

³ Rule 78(3)(c) of the Rules and paragraph 6.30 of the Guide

- 3.4 When designing the Litigation Plan with his advisors, the Proposed Class Representative has considered the Rules and the Guide, including but not limited to Section 6 of the Guide together with Rule 4 (the "**Governing Principles**") of the Rules.

Third party assistance

- 3.5 The Proposed Class Representative has engaged Case Pilots (a specialist notice and claims administration provider) and the PR agency, Media Zoo, to assist him in conducting the notice and administration aspect of the Proposed Collective Proceedings. As explained below, a notice and administration plan (the "**Notice and Administration Plan**") has been produced by Case Pilots and Media Zoo and this is attached as **Annex I [JLP Bundle/2/60-149]**.
- 3.6 This Litigation Plan will refer to the Notice and Administration Plan and its attachments, where relevant, and the detailed provisions set out in the Notice and Administration Plan should be read as forming part of this Litigation Plan.
- 3.7 Within the Notice and Administration Plan, Case Pilots and Media Zoo have defined but complementary roles to provide a portfolio of litigation support and communications strategy services. The Notice and Administration Plan has been designed to assist the Proposed Class Representative with meeting the requirements of Rule 78 of the Rules – specifically how the class will be notified and consulted at key stages (Rule 78(3)(c)(i)). The Notice and Administration Plan also sets out how the following requirements stipulated in paragraph 6.30 of the Guide will be met:
- 3.7.1 The way the Proposed Class Representative intends to publicise the Proposed Collective Proceedings to the Proposed Class Members, including a sample notice;
 - 3.7.2 The methods proposed for communicating with and reporting to Proposed Class Members going forward; and
 - 3.7.3 How enquiries from Proposed Class Members will be dealt with.

Nature of the Proposed Class

- 3.8 The Litigation Plan has been designed with careful consideration as to how best serve the interests of the members of the Proposed Class, having regard to the specific nature of the Proposed Class (end consumers) and the characteristics and demographics of the Proposed Class Members. The Proposed Class Representative is very much alive to the fact (and indeed it is one of the reasons why he is seeking to act as a class representative **[JLP Bundle/1/12-**

14] that he is seeking to represent a class of individuals containing a large number of older and/or potentially vulnerable members, many of whom by definition do also not have access to the internet.⁴

Lack of engagement

3.9 As noted above, a large number of Proposed Class Members do not have access to the internet. In addition, only 8% of SFV customers are classified as “engaged” according to Ofcom’s Switching Tracker 2017 (see Figure 9 of Ofcom’s Consultation on end-of-contract and out-of-contract notifications dated 31 July 2018) **[CF Bundle/13/802]**. As a result, the Proposed Class Representative intends to communicate to the Proposed Class through a variety of media (including radio and television) to ensure that as many of the Proposed Class Members are reached as possible, especially given that they may not naturally otherwise engage with the subject matter of the Proposed Collective Proceedings.

Vulnerable consumers

3.10 Ofcom considers customers’ age, disability, income and geographical location to be factors that impact their vulnerability.⁵ The overall demographics of the Proposed Class are such that it will include many individuals that may be considered vulnerable.

3.11 Given the likely high number of vulnerable consumers that will fall within the Proposed Class, the Proposed Class Representative and his advisers have also taken steps to ensure that the Litigation Plan and the Notice and Administration Plan provide for the fair treatment of these individuals and reflect their different needs. To provide context on these issues, the below sections 3.12 to 3.19 set out our understanding of, and approach to vulnerable consumers.

Age

3.12 In Annex 8 to its Provisional Conclusions, Ofcom states at paragraph A8.143 that:

"S135 responses indicate that 43% of SFV customers are aged 75 years old or over (12% are aged between 75 and 79, 15% are aged between 80 and 84, and 16% are aged 85 or over). This is substantially higher than the equivalent proportion for dual-play customers (4% according to the Ofcom Technology Tracker, 2016 H2) and for the UK population over 15 years old (10% according to the ONS).

⁴ The Statement also records that Voice Only Customers “have a more limited range of tools... through which to compare service options (as they generally have less access to the internet)” (§4.6) **[CF Bundle/4/279]**.

⁵ <https://www.ofcom.org.uk/about-ofcom/what-is-ofcom/consumer-vulnerability> **[JLP Bundle/4/166-171]**.

The Ofcom Technology Tracker (2016 H2) study suggests that:

34% of SFV customers are aged 75 years old or over. This is lower than the 43% figure based on S135 responses. We rely on the 43% figure as it is based on actual customer information held by CPs, rather than on survey responses. The Technology Tracker also suggests that voice-only customers tend to be older (47% are aged 75 or over) than split-supplier customers (4% are aged 75 or over, as is the case for dual-play customers)."

- 3.13 Irrespective of the data source referenced by Ofcom, it is therefore clear that a significant number of Proposed Class Members are aged 75 or over.
- 3.14 As noted by Age UK, while "being older does not necessarily make you vulnerable", age does offer "a useful practical lens of analysis, especially as some issues can become more prevalent with age."⁶ Older individuals are more likely to face a range of challenges when navigating markets, including those arising from sensory impairment, disability and cognitive impairment⁷ According to 2018 ONS statistics, disability-free life expectancy at age 65 in England is just under 10 years. It is therefore likely that a substantial number of Proposed Class Members will suffer from some form of disability.⁸⁹ This fact increases the likelihood of members of the Proposed Class being vulnerable.
- 3.15 In addition, and as explained by Ofcom, changes in personal circumstances can also lead to individuals becoming vulnerable, highlighting bereavement as capable of having such an effect.¹⁰ Change in circumstance can be particularly acute for older people, due to the impact that it can have on their support networks.

Income

- 3.16 As noted above, low income is also a contributing factor to vulnerability. The likelihood of members of the Proposed Class being vulnerable is therefore exacerbated where they suffer from financial difficulties.
- 3.17 In Annex 8 to its Provisional Conclusions, Ofcom states at paragraph A8.143 that:

⁶ See the CMA's summary of its roundtable discussion with Age UK on consumer vulnerability in later life (accessible [here](#)) [JLP Bundle/11/579-585].

⁷ See the CMA's summary of its roundtable discussion with Age UK on consumer vulnerability in later life (accessible [here](#)) [JLP Bundle/11/579-585].

⁸ This is defined as the number of years of life expected to be spent without a disability.

⁹ Statistics as reported on pages 3 and 4 of Age UK's [Later Life in the United Kingdom 2019](#) [JLP Bundle/9/411-412].

¹⁰ Para 1.4, Ofcom's [Treating vulnerable customers fairly guide](#) [JLP Bundle/12/589].

“35% of SFV customers live in DE socioeconomic group households, which is substantially higher than the equivalent proportion for dual-play customers (20%). In terms of customer segments, the proportion of voice-only customers who live in DE socioeconomic group households (41%) is materially higher than the equivalent proportion of split-supplier customers (21%). The high proportion of DE is partially explained by the fact that pensioners are automatically classified as living in E socioeconomic group households under the National Readership Survey’s classification system.

71% of SFV customers indicated they are not working, which is materially higher than the equivalent proportion for dual-play customers (35%). In terms of customer segments, 81% of voice-only customers indicated they are not working which is markedly higher than the equivalent proportion for split supplier customers (45%).”

3.18 Further, and as reported by Age UK in its report "Poverty in later life" (October 2020), 16% of pensioners in the UK are in poverty.¹¹¹² This rises with age (18% of those aged 80-84 and 21% of those aged 85) as well as other personal circumstances (for example, 22% of single female pensioners). The fact that a large number of Proposed Class Members will be older consumers therefore increases the likelihood that Proposed Class Members may also be suffering from financial difficulty.

3.19 It is therefore highly likely, whether by virtue of circumstances relating to the ageing process, or by virtue of financial insecurity, that a very significant number of Proposed Class Members will be vulnerable. As noted above, the Proposed Class Representative and his advisers have therefore taken steps to ensure that the Litigation Plan and the Notice and Administration Plan provide for the fair treatment of these individuals and reflect their different needs. Paragraphs 4.4 to 4.7 below explain these steps in further detail.

4. METHOD OF BRINGING THE PROPOSED COLLECTIVE PROCEEDINGS AND COMMUNICATION WITH THE PROPOSED CLASS

Method of bringing the Proposed Collective Proceedings

4.1 Pursuant to section 47B of the Act, the Proposed Class Representative seeks to bring a "stand-alone" claim for damages.

¹¹ Pages 4 and 5, Age UK's [Poverty in later life, October 2020](#) [JLP Bundle/15/827-828].

¹² Age UK's report uses what it refers to as the most commonly used definition of poverty, which is to say that someone in the UK is in poverty if they live in a household with an income below 60% of current median (or typical) household income, taking into account the number of people living in the household. Age UK's figures are drawn from the annual DWP Households Below Average Income (HBAI) statistics.

- 4.2 The proposed method for bringing the Proposed Collective Proceedings is on a collective, "opt-out" basis. Specifically:
- 4.2.1 The reasons that the Proposed Collective Proceedings are suitable to be brought on a collective basis are set out in paragraphs 156 to 175 of the Claim Form; and
 - 4.2.2 The reasons that the Proposed Collective Proceedings should be brought on an "opt-out" basis are detailed in paragraphs 176 to 187 of the Claim Form.
- 4.3 In summary, and as explained in paragraphs 30 to 32 **[JLP Bundle/1/10-12]** of the Witness Statement of the Proposed Class Representative, the Proposed Class Representative considers that an opt-out collective action is by far the most suitable way for a claim dealing with the Proposed Class Members and their issues to be brought on the basis of:
- 4.3.1 The significant size of the Proposed Class.
 - 4.3.2 The amount of loss suffered by each Proposed Class Member, while significant for many of the individuals concerned, being such that each individual claim would not be capable of efficient pursuit.
 - 4.3.3 The Proposed Class being made up of a large proportion of individuals who may find it difficult to engage with an opt-in process. For example, because of a large proportion of the class:
 - (a) typically being disengaged with the process of switching / securing a better landline deal, and it being expected that they would have similar difficulties in engaging with an opt-in process;
 - (b) not having domestic internet access;
 - (c) being very loyal to BT (and so potentially reluctant to opt-in to proceedings in the context of a fairly new legal regime, and make a claim against a provider that they trust);
 - (d) potentially being vulnerable, either as a result of their age, disability or financial status, and so likely to face additional challenges and obstacles which could materially impact on their ability to successfully engage with an opt-in process.

Notifying members of the Proposed Class of the progress of the Proposed Collective Proceedings

- 4.4 The Proposed Class Representative considers that a key part of his role will be to ensure that all communications and notices to the Proposed Class will be effective and that a method for communicating and providing notice is adopted which will ensure that the greatest proportion of the Proposed Class receives the notice and/or communication.
- 4.5 All communications will be designed with the Proposed Class' particular characteristics in mind. As set out above at paragraph 3.9, the Proposed Class Representative is very much alive to the fact that a significant proportion of the Proposed Class are unlikely to be reached directly via online methods of communications. In addition, the Proposed Class Representative has worked with (and will continue to work with), a member of his advisory panel, Jane Vass OBE, who will assist with designing communications and content which will be accessible to an older and potentially more vulnerable demographic.
- 4.6 The Proposed Class Representative, together with his legal advisors, Case Pilots, Media Zoo and Jane Vass OBE, has given significant consideration to ensuring that a robust and multi-faceted plan for communication is adopted, which is both practical and proportionate to the objectives required. The plan will also be capable of being adapted depending on what is being notified, its relative importance, and the exact direction of the Tribunal. Please see the Notice and Administration Plan at **Annex I** for further details **[JLP Bundle/2/60-149]**.
- 4.7 A clear communications plan has been put in place in order to communicate with the Proposed Class, publicise the proceedings and to issue notices as required under the Rules. The communications and notice aspects anticipates the following:
- 4.7.1 the creation of a branded and easily recognised campaign – CALL – the Collective Action on Land Lines, to provide a consistent (and eventually trusted) public relations campaign;
- 4.7.2 a designated claim website at www.callclaim.co.uk which will go live when the Proposed Collective Proceedings are filed. The website will be updated during the proceedings and will contain access to important documents, FAQs, videos, narrative descriptions of the Claims and timeline, descriptions of Proposed Class Members' rights, actions they can take, and the ability to register to receive email and/or text updates throughout the proceedings;

- 4.7.3 the continued use of earned media by issuing notices and press releases regarding developments in the Proposed Collective Proceedings to the mainstream United Kingdom media (print and online), and an accompanying public relations campaign to promote media reporting on the content of the notices and press releases;
- 4.7.4 paid print publication notices (i.e. adverts in newspapers and magazines) in the United Kingdom print media to provide formal notice;
- 4.7.5 above the line, out-of-home adverts such as billboards, bus interior banners, bus backs and Post Office advertising;
- 4.7.6 social media notices via Facebook, Instagram and other channels (particularly to target carers, friends and family of Proposed Class Members);
- 4.7.7 sponsored search listings; and
- 4.7.8 collaboration with consumer organisations such as Which?, Citizens Advice, Age UK and Independent Age to help reach Proposed Class Members, particularly the harder to reach and potentially vulnerable Proposed Class Members who may be digitally excluded.

5. GOVERNANCE AND CONSULTATION

Accountability of the Class Representative actions

- 5.1 Rule 78(3)(c) of the Rules specifies that the litigation plan should include a “*procedure for governance and consultation which takes into account the size and nature of the class*”.
- 5.2 In recognition of the fact that:
 - 5.2.1 The Proposed Class is large i.e. approx. 2.3 million individuals;
 - 5.2.2 Spread out geographically across the UK; and
 - 5.2.3 Encompasses a significant number of individuals who do not have internet access;

it will not be possible to have a detailed individual dialogue between members of the Proposed Class and the Proposed Class Representative, for example either through town hall style meetings or virtual conferences, particularly given the very early stage of the Proposed Collective Proceedings and the need to manage expectations as to when individual compensation may be available. However, the Notice and Administration Plan (attached as

Annex I [JLP Bundle/2/60-149]), sets out how the Proposed Class Representative will facilitate consultation with the Proposed Class, for example, by:

- 5.2.4 Providing frequently updated FAQs via the designated website which will deal with likely questions around the progress of the proceedings and respond to commonly asked questions;
- 5.2.5 Providing a "contact us" page on the designated website. This page will also include an enquiry form as well as an info@email address to enable visitors to raise questions which may not be covered by the FAQs;
- 5.2.6 Providing an English language IVR dedicated telephone line which will respond to frequently asked questions with an option to speak directly with a live operator at the distribution stage;
- 5.2.7 Working with potential intermediaries such as Age UK, Independent Age, Citizens Advice and Which? to provide them with information and support to assist them with possible questions about the Proposed Proceedings;
- 5.2.8 Using social media platforms (Facebook and Twitter) to respond to questions from the Proposed Class at key points of the Proposed Proceedings;
- 5.2.9 Hosting local and virtual free advice clinics; and
- 5.2.10 Organising local radio days where individuals can speak directly with the Proposed Class Representative or his advisors.

Advisory Panel

- 5.3 The Proposed Class Representative has set up a consultative panel (the "**Advisory Panel**") in order to seek guidance and opinion from subject matter experts to ensure that the Proposed Class Members' interests are considered in the round and represented as fairly and effectively as possible. The Advisory Panel will ultimately consist of up to 5 individuals with extensive expertise in, for example, group litigation, consumer policy and vulnerable/older consumer rights matters.
- 5.4 At this stage of the Proposed Collective Proceedings, the Proposed Class Representative has appointed one member – Jane Vass OBE **[JLP Bundle/17/838-841]**. Ms Vass has been appointed at this very early stage because of her long-standing commitment to representing the rights of older and vulnerable consumers via her previous roles at Age UK. She is an

expert in consumer affairs, with specialist expertise in ageing, and with a wide range of skills, including advocacy, communication, policy analysis and development and research, and experience of working with business, policymakers and Parliamentarians at the highest level. In 2015, she was awarded an OBE in recognition of services to consumers of financial services.

- 5.5 Ms Vass was specifically identified by the Proposed Class Representative as the most appropriate individual to assist him at this stage. She has assisted with elements of the design of the Notice and Administration Plan, and more generally will continue to provide guidance on how to effectively communicate with the Proposed Class and to pre-empt any concerns or issues they may have.
- 5.6 While all decisions regarding the Proposed Collective Proceedings will be taken exclusively by (and are the sole responsibility of) the Proposed Class Representative, the Advisory Panel will allow the Proposed Class Representative to draw upon the members' specific expertise when taking decisions during the course of the Proposed Collective Proceedings. This ability to discuss and test his decisions with the Advisory Panel members will help to ensure that all of the Proposed Class Representative's decisions are in the best interest of the Proposed Class, and that they are adequately and appropriately represented.
- 5.7 At the request of the Proposed Class Representative, and to further ensure that the Proposed Class is always adequately and appropriately represented, the Advisory Panel will have the power to arbitrate any concerns that the Proposed Class Representative's legal advisors and/or litigation funder have over certain acts of the Proposed Class Representative. This could include, for example, any concerns over whether the Proposed Class Representative is acting in the best interests of the class. Any such assessment by the Advisory Panel must be unanimous, ensuring that this mechanism will only bite in relation to genuinely concerning behaviour and not act to influence or substitute reasonable decisions of the Proposed Class Representative. Should the Advisory Panel find that the Proposed Class Representative had not acted in the best interests of the class, the litigation funder would then be able to take certain actions. For example, it would have the right to replace the Proposed Class Representative if it deemed this an appropriate step to take, or to terminate its investment obligations.
- 5.8 Paragraphs 82 to 84 of the Witness Statement of the Proposed Class Representative **[JLP Bundle/1/24]** sets out in more detail the role of the Advisory Panel and a copy of the Advisory Panel's terms of reference are exhibited at **[JLP Bundle/18/842-850]**.

Class records

- 5.9 Rule 83(1) of the Rules states that after a CPO has been made, the class representative shall establish a register on which it shall record “the names of those class members who, in accordance with rule 82, opt in to or opt out of the proposed collective proceedings.” Further, Rule 83(2) of the Rules specifies that the class representative shall, on request, make such register available for inspection by the Tribunal or any defendant, and by such other person as the Tribunal made direct.
- 5.10 The Proposed Class Representative intends to establish class records for the Proposed Class by keeping an electronic database of persons submitting opt-out (and in relation to overseas consumers, opt-in) requests.
- 5.11 This register will be managed by Case Pilots (see paragraphs 104 to 113 of the Notice and Administration Plan **[JLP Bundle/2/87-88]**) who will work to ensure that the CPO database is securely stored. Specifically:
- 5.11.1 The CPO database will be stored on an isolated Azure Tenant and will require two factor authentication by all approved users.
 - 5.11.2 The database will be constantly monitored using a variety of Azure tools to ensure security and performance are always at their highest capabilities.
 - 5.11.3 In compliance with Microsoft’s strict data security guidelines, the database will adhere to all applicable data protection and privacy laws, and be consistent with industry standards.
 - 5.11.4 Case Pilots will ensure that both the production and backup redundant servers are in separate UK geographical locations, and conform with Microsoft recommendations to ensure all data is encrypted at rest and in transit.

6. EVIDENCE & WITNESSES

The degree of disclosure likely to be required in the Proposed Collective Proceedings

Disclosure by the Proposed Defendant

- 6.1 The Proposed Class Representative notes that BT is in possession of full facts and data regarding its customers that received the overpriced services as identified by Ofcom. There is therefore a significant information asymmetry between the parties.

6.2 Rules 60 to 65 and 89 of the Rules contain the rules that the Proposed Class Representative currently considers are likely to be relevant to the proceedings. In relation to Rule 89(a) there are two distinct areas of disclosure that fall to be considered in this Litigation Plan. First, pre-CPO disclosure and, secondly, post-CPO disclosure.

Pre-CPO Disclosure

6.3 The Proposed Class Representative does not intend to make any pre-CPO disclosure request at this stage.

Disclosure by the Proposed Defendant after the CPO is granted

6.4 The Proposed Class Representative notes that the Proposed Defendant has had full access to the confidential version of the 2017 Review. The Proposed Class Representative will therefore be seeking disclosure of this from BT after the granting of the CPO.

6.5 The Proposed Class Representative is also intending to seek BT's full customer list of all BT Voice Only Customers and BT Split Purchase Customers, and any records for these customers dating back to the beginning of the Claim Period in order to implement a direct notice campaign (see paragraphs 100, 122 and 129 of the Notice and Administration Plan).

6.6 As a result of its obligation to provide reporting information to Ofcom to allow Ofcom to monitor its compliance with the BT Commitments, BT continues to keep records of relevant information¹³. The Proposed Class Representative will seek disclosure of information from BT that will help to identify the individuals who form part of the Proposed Class, as well as information which will help Frontier to quantify the harm caused.

6.7 For the reasons explained above, there is currently an asymmetry of information between the Proposed Class Representative and the Proposed Defendant. As such, and in accordance with Rule 60(2)(a), the Proposed Class Representative intends to request that the Tribunal require that the Proposed Defendant produce a disclosure report and that a completed Electronic Disclosure Request should be filed.

6.8 Given the asymmetry of information set out above, it is currently difficult for the Proposed Class Representative to precisely itemise the categories of document that should be disclosed by the Proposed Defendant. Disclosure is however likely to be substantial. **Annex 4 [JLP**

¹³ See paragraph 3 of the BT Commitments **[CF Bundle/4/288]**.

Bundle/2/154-160] sets out an indicative list of data that has been identified by David Parker, which is needed to:

- 6.8.1 further refine the assessment of dominance and abuse; and/or
- 6.8.2 more accurately estimate class size, the quantum of total damage, and the damage for individual Class and Proposed Sub-class members; and
- 6.8.3 verify the initial conclusions as set out in the Parker Report.

Disclosure by the Proposed Class Representative

- 6.9 It is not anticipated that the Proposed Class Representative will be required to make or will be capable of making any relevant disclosure to the Proposed Defendant, given that: (i) he is not a member of the Proposed Class; and (ii) he has no direct knowledge of the Claims in these Proposed Collective Proceedings.
- 6.10 However, it is recognised that the Proposed Defendant may have an interest in obtaining information relating to the funding arrangements entered into by the Proposed Class Representative (as to which, see paragraphs 8.7-8.10 below).

Disclosure by a non-party to the Proposed Collective Proceedings to the Proposed Class Representative

- 6.11 Rule 63 of the Rules provides that the Tribunal may make a disclosure order against third parties who are not a party to the Proposed Collective Proceedings only where:
 - 6.11.1 The documents of which disclosure is sought are likely to support the case of the applicant or adversely affect the case of one of the other parties to the proceedings (Rule 63(3)(a)); and
 - 6.11.2 Disclosure is necessary in order to dispose fairly of the claim or to save costs.
- 6.12 The Proposed Class Representative does not presently intend to make any applications for disclosure by third parties as envisaged by Rule 63 of the Rules, although he will continue to keep this under review.

Disclosure from individual members of the Proposed Class

- 6.13 In general, it is not anticipated that members of the Proposed Class would be required to provide disclosure.

Exchange of documents and issues of e-disclosure

- 6.14 It follows from the above that, disclosure to the Proposed Defendant by either: (i) the Proposed Class Representative; and/or (ii) members of the Proposed Class, is considered unlikely. Therefore, it is not anticipated that there will be any substantial “exchange” of documents in these Proposed Collective Proceedings. Instead, the Proposed Class Representative considers that the vast majority of disclosure will be provided by the Proposed Defendant.
- 6.15 Therefore, the Proposed Class Representative will invite the Proposed Defendant to make any proposals necessary for the management of disclosure, including issues of e-disclosure, at the earliest possible stage in proceedings. Where necessary and appropriate, the Proposed Class Representative will respectfully invite the Tribunal to use its active case management powers under Rule 4 of the Rules in relation to disclosure in order to ensure that the Proposed Defendant fully co-operates with the Proposed Class Representative. This would be in accordance with the Tribunal’s statement at paragraph 5.87 of the Guide that “*the Tribunal will expect the parties to pay close attention to the requirement of co-operation in Rule 4(7) and to the need to devise a sensible and practicable approach to the conduct of proceedings*”.
- 6.16 In order to facilitate the disclosure process, the Proposed Class Representative will engage with MDR Discover, an experienced team of qualified eDiscovery experts, to host and process electronic documents provided by the Proposed Defendant (amongst other things). MDR Discover will be able to engage with the Proposed Defendant where necessary on e-disclosure.

Identification of witnesses and steps that will be taken to establish their evidence

- 6.17 The Proposed Class Representative anticipates that as this early stage of the proceedings that he will only need to present expert evidence.
- 6.18 The Proposed Class Representative may also wish to adduce witness evidence but it is premature to say whether this will be necessary. He does not envisage at this stage that this will involve witness evidence from individual members of the Proposed Class.

Expert Evidence

- 6.19 The Proposed Class Representative has instructed David Parker of Frontier Economics, who is an expert economist, to assist with various aspects of the Application, including market

definition, the assessment of dominance, the level of the overcharge suffered and the aggregate loss suffered by the Proposed Class.

- 6.20 If the Proposed Class Representative considers that any additional experts will be required, he will make such a proposal after the CPO has been granted and the pleadings are closed (and possibly after disclosure).
- 6.21 The Proposed Class Representative anticipates that the Proposed Defendant will instruct a similar economic expert.

7. LITIGATION TIMETABLE

- 7.1 A proposed timetable for the litigation is included at **Annex 3 [JLP Bundle/2/151-153]**. Given the early stage of the Proposed Collective Proceedings, the proposed timetable is capable of providing a range of estimates only at this stage and does not reflect any input from the Proposed Defendant.
- 7.2 As stated in the Witness Statement of the Proposed Class Representative at paragraph 81 **[JLP Bundle/1/24]**, the Proposed Class Representative would like to see the Claims settled as soon as possible so that compensation can be provided to the Proposed Class, particularly given the age demographic of the Proposed Class.

8. DAMAGES & COSTS

Distribution of an aggregate award of damages

- 8.1 Where an aggregate award of damages has been made, the Tribunal will give directions as to how each class member or represented person's entitlement is to be calculated (Rule 92(1)). Rule 92(2) gives examples of the types of directions the Tribunal may wish to make, such as specifying a formula to quantify an individual's entitlement, the provision of an interim payment, or the appointment of an independent third party to determine the claims or any disputes regarding quantification.
- 8.2 Similarly, under Rule 97(2)(d) an application for a collective settlement approval order shall specify how any sums received under the collective settlement are to be paid and distributed.
- 8.3 In relation to Rule 92, it is intended that at the appropriate time the Proposed Class Representative's experts will put forward to the Tribunal a method of calculation to quantify an individual Proposed Class Member's entitlement to any aggregate award of damages. Such

a formula will ultimately depend on the data obtained during disclosure and will be the subject of further expert work.

8.4 However, as set out in the Parker Report at paragraph 388 it is possible to adopt a similar methodology to that used to calculate the aggregate award of damages to provide an individual with compensation, which strongly correlates with the actual loss suffered. For instance, to estimate the damage incurred by a hypothetical Ms. X:¹⁴

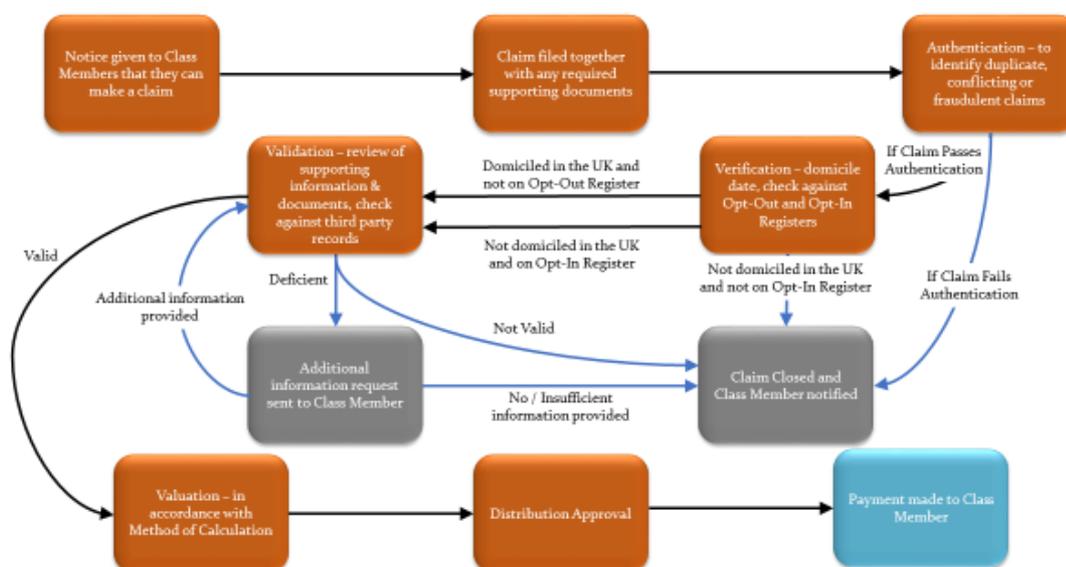
8.4.1 BT would be able to identify if she was a BT Voice Only Customer or BT Split Purchase Customer;

8.4.2 BT would also know the specific access offering she took and the specific months that she was billed for the offering;

8.4.3 Thus, her individual damage could be calculated by multiplying the excess price for her offering in the month she was billed for it, and adding across the months that she was taking the offering.

8.5 In addition, at the appropriate time in the Proposed Collective Proceedings, the Proposed Class Representative will provide to the Tribunal a detailed methodology and process for how individual Proposed Class Members can claim their share of any award of damages and how their claims will be processed, verified and paid out. An outline of the anticipated process is set out in the Notice and Administration Plan at **Annex I [JLP Bundle/2/60-149]** and summarised in the below diagram (taken from the Notice and Administration Plan).

¹⁴ As explained further in the Parker Report at paragraphs 377 to 384 and 388, in relation to VAT, interest and pass-on matters can also, to the extent applicable, be determined on an aggregate basis and applied to Proposed Class Members as relevant **[CF Bundle/3/201-202]** and **[CF Bundle/3/203-204]**.



Costs, fees and disbursements

8.6 The costs budget for the Proposed Collective Proceedings is attached to this Litigation Plan at **Annex 2 [JLP Bundle/2/150]**. Please note that this budget is subject to change as the Proposed Collective Proceedings progress.

8.7 The Tribunal is also referred to the Proposed Class Representative's litigation funding agreement and conditional fee agreement, confidential versions of which are exhibited to the Witness Statement of the Proposed Class Representative at JLP19 – JLP22 **[JLP Bundle/20-23/857-946]**. A summary of the funding arrangements (including the ATE insurance secured by the Proposed Class Representative's litigation funder) is provided at paragraphs 96 to 112 of the Witness Statement of the Proposed Class Representative.

8.8 The litigation funding agreement is a competitively and commercially sensitive document. In particular, the terms of the funding agreement are confidential to the funder vis-à-vis the public (and in particular in relation to other competing litigation funders) as it reveals the general terms and conditions upon which the funder does business. The conditional fee agreement contains information relating to the private affairs of individuals the disclosure of which could significantly harm their interests. Accordingly, the Proposed Class Representative is seeking confidentiality protection over these agreements under Rule 101 of the Rules, and requesting that the confidential versions of these documents be treated confidentially as between the Proposed Class Representative and the Tribunal.

8.9 Notwithstanding this position, the Proposed Class Representative understands that the Proposed Defendant has an interest in understanding the funding terms. The Proposed Class Representative is therefore willing to agree to the terms of an appropriate confidentiality order and confidentiality ring with the Proposed Defendant, with a view to making an application to the Tribunal, by consent, for the creation of a confidentiality ring pursuant to Rule 53(1) and 53(2)(h). The Proposed Class Representative is aware that similar provisions have been made in other CPO applications.

8.10 The Proposed Class Representative also understands that members of the Proposed Class will have an interest in understanding the funding terms and conditions. Accordingly, the Proposed Class Representative will, in due course, make non-confidential versions of the funding agreements available to the Proposed Class Members upon request via a designated website which has been established to assist with providing notice to the Proposed Class Members.

9. **CONCLUSIONS**

9.1 The Proposed Class Representative considers that the matters set out in this Litigation Plan meet all of the requirements in the Rules and Guide, and demonstrates that he will fairly and adequately act in the best interests of the members of the Proposed Class.

ANNEX I

JANUARY 2021

Notice and Administration Plan



mediazoo



In the proposed Collective Proceedings filed in accordance with Section 47A of the 1998 Competition Act for stand-alone damages under the Consumer Rights Act 2015, before the Competition Appeal Tribunal in the matter of:

**Justin Le Patourel
-and-
BT Group Plc**

Providing the expertise, technology and tools to manage collective actions



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01 Introduction

1.  Case Pilots and Media Zoo are retained by the proposed class representative, Justin Le Patourel (“**the Proposed Class Representative**”), to provide a portfolio of litigation support and communications strategy services in respect of the Proposed Class Representative’s application to the Competition Appeal Tribunal (the “**Tribunal**”) for a Collective Proceedings Order (“**CPO**”) in proposed opt-out collective proceedings against BT (the “**Proposed Collective Proceedings**”). The role of Case Pilots and Media Zoo includes providing and implementing a notice and administration Plan (the “**Notice and Administration Plan**”) in support of the application to the Tribunal for a CPO, in compliance with Rule 78(3)(c) of the Competition Appeal Tribunal Rules 2015 (the “**Rules**”).¹

2. This Notice and Administration Plan describes how Case Pilots and Media Zoo will interact with and support the Proposed Class Representative throughout the Proposed Collective Proceedings but, in particular, at three key stages of the Proposed Collective Proceedings:

- i. The CPO application (the “**Pre-CPO Stage**”) [outlined at Section 5]
- ii. The period following grant of a CPO (the “**CPO Stage**”) [outlined at Section 6]
- iii. The distribution of any damages or settlement monies (the “**Distribution Stage**”) [outlined at Section 7].

NOTICE OBJECTIVES

3. The Notice and Administration Plan is designed to demonstrate to the Tribunal how the Proposed Class Representative will satisfy certain requirements of Rule 78 – specifically how the proposed class members (the “**Proposed Class Members**”) will be notified and consulted at key

stages. It is understood that, if a CPO is made, the Notice and Administration Plan may be subject to revision as the Proposed Collective Proceedings progress.

4. As stipulated by paragraph 6.30 of the Tribunal Guide to Proceedings 2015 (the “**Guide**”), the Notice and Administration Plan sets out the below matters:
- The way the Proposed Class Representative intends to publicise the Proposed Collective Proceedings to Proposed Class Members, including a sample notice;
 - The method proposed for communicating with and reporting to Proposed Class Members going forward; and
 - How enquiries from Proposed Class Members will be dealt with.

DISTRIBUTION OBJECTIVES

5. Further, the Notice and Administration Plan sets out how an aggregate award of damages would be distributed to the Proposed Class Members.

KEY FEATURES

6. As explained further below, there is a high proportion of older individuals within the class. Further, by definition, many of the Proposed Class Members will not have access to the internet and will therefore rely on family/friends/caregivers and other organisations to support their decisions, particularly where information may be of limited availability i.e. because it is only available on a website.

¹ References to a “Rule” in this Plan are references to individual rules contained within the Rules.

01 Introduction

7. With this in mind we have developed a strategy that capitalises on the opportunity of exposure to non-Proposed Class Members in the UK who can raise awareness amongst the potentially vulnerable Proposed Class Members (i.e. friends and family who may assist Class Members, support centres etc.).
8. Broadly, the target audience of the Notice and Administration Plan can be split into the following three groups:
 - a. Group One - This group has been identified to reflect the high proportion of older (65 or over) Proposed Class Members.
 - b. Group Two - This group has been identified to reflect Proposed Class Members that fall within a slightly younger demographic and who are more likely to have internet access.
 - c. Group Three - This group has been identified to reflect the family and friends of older Proposed Class Members, who are very likely to be online, with high mobile phone usage.
9. With regards to Group One, this group is particularly likely to benefit from paid advertising in targeted consumer print and broadcast media, as over 65s are a demographic that still read print magazines and listen to radio stations without 'channel surfing' during ad-breaks. Media Zoo will mainly rely on print, broadcast and targeted consumer media to target this group.
10. With regards to Group Two, as with Group One, this group is also likely to benefit from print and broadcast targeting, but they are also likely to consume some of their media online in the form of news sites and social media (predominantly Facebook). Media Zoo will rely on an integrated approach of both print, broadcast and digital media to target this group.
11. A social media campaign will be directed at Group Three, and a focus on online channels will be key for targeting individuals within this group.

01 Introduction

KEY FEATURES

12. The table below sets out an overview of the Notice and Administration Plan, in particular by reference to the three key stages identified above:

	Pre-CPO Stage	CPO Stage	Distribution Stage
Key Rules	76(9), 76(10)(d), 76(10)(c)	81(1), 81(2)	92(1) - 92(3), 94(13), 96(15), 97(2)(d)
Objectives	Inform the Proposed Class Members that a claim has been filed, the date and time of the CPO application hearing and, in particular, provide notice to the Proposed Class Members of their rights.	Inform the Proposed Class Members of the nature of the Proposed Collective Proceedings in plain and easily understood language, explain the potential effect of a judgment on the common issues for the Proposed Class Members and set out how the Proposed Class Members can opt-out of the Proposed Collective Proceedings and the deadlines for doing so.	Should the Tribunal make an aggregate award of damages: <ul style="list-style-type: none"> • Give notice to Proposed Class Members of any relevant hearing and of their rights to make submissions at that hearing; • Notify the Proposed Class Members about the availability of the claims process; and • Establish a claim procedure designed to reflect the demographics of the Proposed Class Members. <p>Similar objectives apply in the case of any collective settlement.</p>
Method	<ol style="list-style-type: none"> 1. Earned Media <ol style="list-style-type: none"> a. Broadcast TV b. Radio c. Print and Online PR <ol style="list-style-type: none"> i. National ii. Regional iii. Targeted Consumer Media 2. Social Media – organic 3. Dedicated Website 4. Dedicated Telephone Line 5. Class Member Communications 6. Third Sector Support 	<ol style="list-style-type: none"> 1. Earned Media – as with Pre-CPO Stage 2. Paid Media 3. Social Media – organic and paid 4. Digital Ads 5. Possible Influencer Engagement 6. Dedicated Website 7. Dedicated Telephone Line 8. Dedicated PO Box 9. Class Member Communications & Direct Notice (to the extent possible) 10. Third Sector Support 	<ol style="list-style-type: none"> 1. Earned Media – as with Pre-CPO Stage 2. Paid Media 3. Social media – organic and paid 4. Digital Ads 5. Possible Influencer Engagement 6. Above The Line marketing <ol style="list-style-type: none"> a. Out-of-home adverts 7. Dedicated Website 8. Dedicated Telephone Line 9. Dedicated PO Box 10. Class Member Communications & Direct Notice (to the extent possible) 11. Third Sector Support

02 Experience And Expertise

CASE PILOTS OVERVIEW

13.  **Case Pilots** is a nationally-recognised consultancy specialising in the provision of an extensive portfolio of litigation support services in collective actions, including:

- Litigation websites incorporating the facility for stakeholders to register their interest;
- Direct Notice (within the confines of paragraph 8.9 of the Solicitors Regulation Authority *Code of Conduct for Solicitors*, RELs and RFLs) and Publication Notice;
- Class Member communications;
 - Via publicly available sources (website, social media, newspapers, magazines etc.)
 - Directly via email with consent
 - Via SMS notification with consent
 - Using postal methods, as applicable
 - By secure access to claimant portals
- Opt-outs and opt-ins;
- Collection, management, review and analysis of data, information and supporting documents;
- Claim validation and verification;
- Claim classification and group profiling;
- Distribution of damages and/or settlement proceeds according to established claim calculations;
- Collective proceedings consulting and strategy; and
- Reporting, statistics and matrices.

14. The Case Pilots team have experience of working on UK class actions, representative actions, group litigation orders and collective claims, as well as US class actions. The diversity of our experience supports a Notice and Administration Plan that is innovative, practical and suitable for the circumstances of the Proposed Collective Proceedings.

15. We take a tailored approach to administration and distribution to ensure the process is accessible to claimants in jurisdictions where the class action mechanism is unfamiliar, whilst leveraging knowledge of the process in jurisdictions with an established class action regime.

MEDIA ZOO OVERVIEW

16.  Media Zoo is an award winning integrated communications consultancy with expertise in group litigation, having previously worked for two claimant groups involved in the current FCA Insurance Test Case that is now before the Supreme Court.

17. Media Zoo was co-founded in 2003 by ex BBC consumer champion Mark Killick, who ran a number of consumer programmes including Watchdog, UK's Worst and Rogue Traders. Mark has also written on financial issues for a number of national newspapers, including The Sunday Times, The Financial Times and the Independent. A number of other senior Media Zoo figures also have extensive experience in both the personal finance and consumer journalism space.

02 Experience And Expertise

18. Media Zoo specialises in corporate and consumer public relations, including but not limited to:

- Media Relations
- Consumer Campaigns
- Book Building
- Corporate Profile Raising
- Internal Communications
- Digital Communication
- Influencer Engagement
- Messaging and Media Training
- Reputation Management

19. We take a tailored approach to all of our clients' communications strategies and develop campaigns based on the individual needs of each case.

20. We have extensive experience working with both high profile clients and high profile court cases, and our media engagement team is widely regarded as one of the best in the business.

21. An outline of Case Pilot's and Media Zoo's relevant experience is attached at **Appendix 1**.

22. **Clare Ducksbury** and **Clinton Smith** will have overall responsibility for implementation of the administrative aspect of the Notice and Administration Plan including the litigation website - their CVs are attached at **Appendix 2**. **Mark Killick** and **Emily Northcott** will have overall responsibility for implementation of the notification aspect of the Notice and Administration Plan (the "**Notice Plan**") - their CVs are attached at **Appendix 3**.

Clare Ducksbury



Clinton Smith



Emily Northcott



Mark Killick

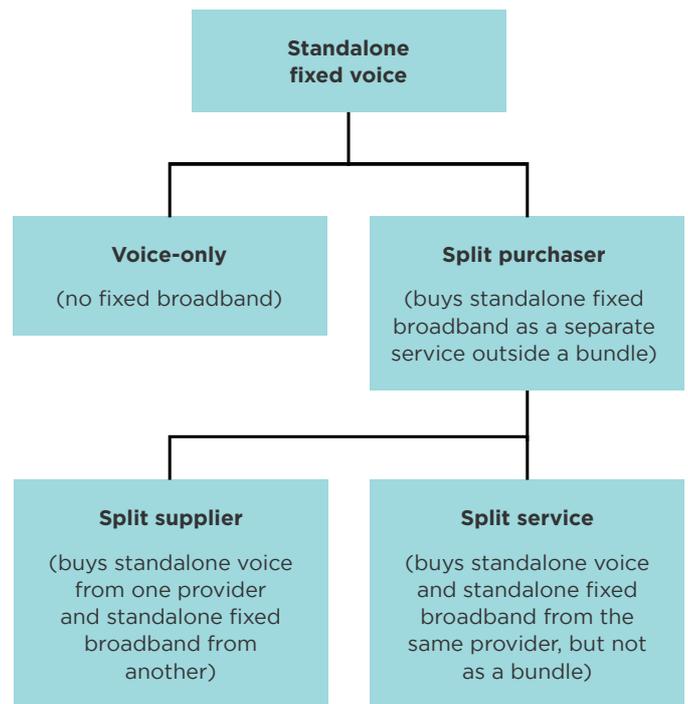


03 Class Characteristics & Target Audience Demographics

23. Proposed Class Members took a residential standalone fixed voice service (“**SFV service**”) from BT² during the following time periods:

- a. For residential BT Voice Only Customers³, between 1 October 2015 and 1 April 2018 inclusive;
- b. For business BT Voice Only Customers, between 1 October 2015 and the date of the Tribunal’s final determination of the Claims made by this Sub-class of BT Voice Only Customers or their earlier settlement (or settlement of any part thereof); and
- c. For BT Split Purchase Customers⁴, between 1 October 2015 and the date of the Tribunal’s final determination of the Claims made by the Sub-class of BT Split Purchase Customers as regards this sub-class or their earlier settlement (or settlement of any part of thereof).

Figure 1 Customer groups within SFV



Source: Ofcom’s Provisional Conclusions

2 Specifically this includes any residential landline calling plan service provided by BT, except for BT Basic and BT Home Phone Saver, which (i) includes landline line rental and (ii) has not been sold as part of a bundle with broadband. For these purposes, a bundle refers to a contract, or two or more closely related, linked or interdependent contracts which, individually or together, include and require the purchase of broadband, as well as the landline calling plan service.

3 “**BT Voice Only Customers**” are a “Sub-class” of Members of the Proposed Class who, during the relevant time periods set out above, bought a BT SFV Service but did not, at the same time, buy a broadband service, either from BT or any other provider.

4 “**BT Split Purchase Customers**” are a “Sub-class” of Members of the Proposed Class who, during the relevant time period set out above, have bought at the same time both (i) a BT SFV Service; and (ii) a broadband service, either from BT or any other provider.

03 Class Characteristics & Target Audience Demographics

24. As regards the demographics of the Proposed Class Members, Ofcom provisionally found the following in 2017 in relation to BT Voice Only Customers and BT Split Purchase Customers (together SFV Customers or standalone landline customers):
- a. "S135 responses indicate that 43% of SFV customers are aged 75 years old or over (12% are aged between 75 and 79, 15% are aged between 80 and 84, and 16% are aged 85 or over). This is substantially higher than the equivalent proportion for dual-play customers (4% according to the Ofcom Technology Tracker, 2016 H2) and for the UK population over 15 years old (10% according to the ONS);"⁵
 - b. "The Ofcom Technology Tracker (2016 H2) study suggests that: 34% of SFV customers are aged 75 years old or over. This is lower than the 43% figure based on S135 responses. We rely on the 43% figure as it is based on actual customer information held by CPs, rather than on survey responses. The Technology Tracker also suggests that voice-only customers tend to be older (47% are aged 75 or over) than split-supplier customers (4% are aged 75 or over, as is the case for dual-play customers)";⁶
 - c. "35% of SFV customers live in DE socioeconomic group households, which is substantially higher than the equivalent proportion for dual-play customers (20%). In terms of customer segments, the proportion of voice-only customers who live in DE socioeconomic group households (41%) is materially higher than the equivalent proportion of split-supplier customers (21%). The high proportion of DE is partially explained by the fact that pensioners are automatically classified as living in E socioeconomic group households under the National Readership Survey's classification system.";⁷ and
 - d. "71% of SFV customers indicated they are not working, which is materially higher than the equivalent proportion for dual-play customers (35%). In terms of customer segments, 81% of voice-only customers indicated they are not working which is markedly higher than the equivalent proportion for split supplier customers (45%)."⁸
25. The Proposed Class Representative has therefore highlighted to us that a significant proportion of the Proposed Class will be older consumers (defined as 65 and over for the purpose of this plan) and that many may also be vulnerable (either due to age related issues or by virtue of their socio-economic background). Broadly, when we have considered the issue of vulnerability, we have understood it to mean that these individuals may be:
- a. Significantly less able than a typical consumer/individual to protect or represent his or her interests; and
 - b. Significantly more likely than a typical consumer/individual to suffer detriment, or that detriment is likely to be more substantial.

5 Para A8.143, Annex 8 of Ofcom's provisional conclusions on its 'Review of the market for standalone landline telephone services'

6 Para A8.143, Annex 8 of Ofcom's provisional conclusions on its 'Review of the market for standalone landline telephone services'

7 Para A8.143, Annex 8 of Ofcom's provisional conclusions on its 'Review of the market for standalone landline telephone services'

8 Para A8.143, Annex 8 of Ofcom's provisional conclusions on its 'Review of the market for standalone landline telephone services'

03 Class Characteristics & Target Audience Demographics

26. Anyone can be vulnerable as a result of the specific market context or their personal circumstances, however it is widely accepted that certain characteristics are at a higher risk of leading to consumer vulnerability. These include age, low income, physical disability and mental health problems.



etc.). Throughout this Notice Plan we refer to the Proposed Class Members and the individuals which provide the potentially vulnerable Proposed Class Members with care and support as the “Target Audience”. Broadly, the Target Audience can be split into the following three groups:

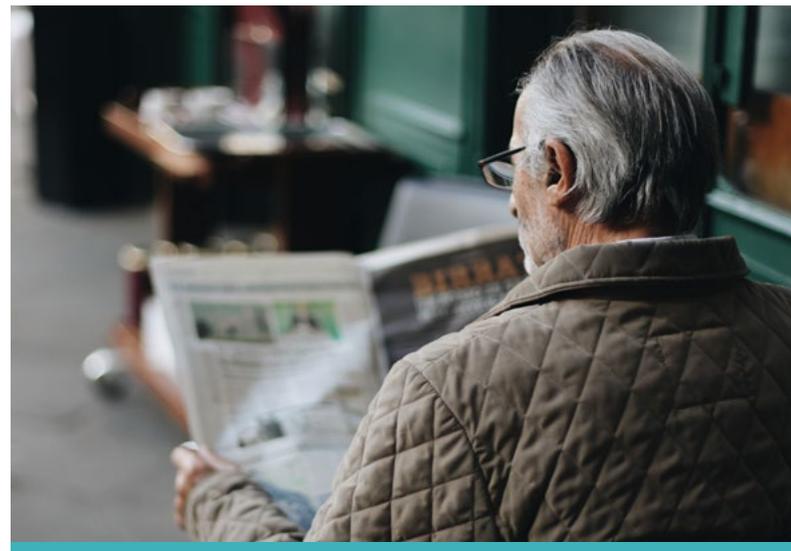
- a. **Group One** – This group has been identified to reflect the high proportion of older (65 or over) Proposed Class Members. The below statistics are drawn from Ofcom’s Adults’ Media Use & Attitudes Report 2020 and Ofcom’s News Consumption in 2020 Report:

Characteristic	65-74	75+
Uses a mobile phone	88%	75%
Use a smartphone to go online	3%	3%
Use the internet	70%	49%
Watch on-demand or streamed content	47%	23%
Have a social media profile	39%	21%
Rank BBC Services as their most valuable media source	45%	36%

27. As identified above, there is a high proportion of older individuals within the class. We understand that older people can face a range of challenges, including those arising from sensory impairment, disability and cognitive impairment. Further challenges are also posed when older people experience multiple health conditions, bereavement and/or isolation.⁹

28. By definition, many of the Proposed Class Members will not have access to the internet and will therefore rely on family/friends/caregivers and other organisations to support their decisions, particularly where information may be of limited availability i.e. because it is only available on a website. Digital exclusion and limited digital capabilities can also contribute to vulnerability and constrain the ability of older people to engage.

29. With this in mind we have developed a Notice Plan that capitalises on the opportunity of exposure to non-Proposed Class Members in the UK who can raise awareness amongst the potentially vulnerable Proposed Class Members (i.e. friends and family who may assist Class Members, support centres



⁹ See for example the CMA response to the Citizen’s Advice Super Complaint on the Loyalty penalty.

03 Class Characteristics & Target Audience Demographics

84% of over 65s use BBC One as a key source for news¹⁰. 35% of over 65s use radio 4 for news¹¹. 44% of over 65s read the Daily Mail/ Mail on Sunday for news¹². Targeted consumer media is also a key media source for this group, as it is commonly perceived as a trusted source of information and advice. This group is particularly likely to benefit from paid advertising in targeted consumer print and broadcast media, as over 65s are a demographic that still read print magazines and listen to radio stations without ‘channel surfing’ during ad-breaks. Media Zoo will mainly rely on print, broadcast and targeted consumer media to target this group.

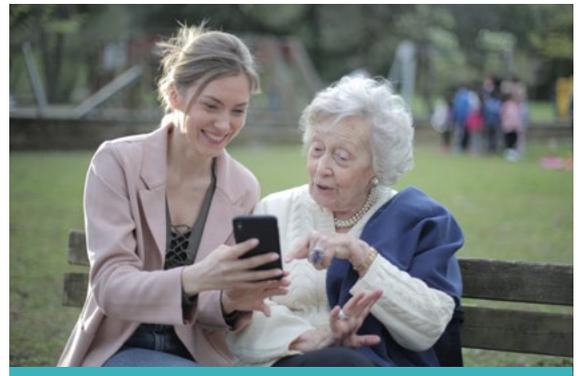
- b. **Group Two** - This group has been identified to reflect Proposed Class Members that fall within a slightly younger demographic and who are more likely to have internet access (such as BT Split Purchase Customers between the ages of 35-54). The below statistics are drawn from Ofcom’s Adults’ Media Use & Attitudes Report 2020 and Ofcom’s News Consumption in 2020 Report.

Characteristic	Age 35-54
Reads printed daily newspaper	32%
Reads news online	36%
Listens to news radio	45%
Have a social media profile	85%
Rank BBC Services as their most valuable media source	45%

This group is particularly likely to benefit from the target media identified for Group One with the addition of online news outlets and social media (predominantly Facebook). Media Zoo will rely on an integrated approach across all channels to target this group.



Group Three - This group has been identified to reflect the family, friends and care-givers of older Proposed Class Members, who are very likely to be online, with high mobile phone usage. Primarily the media campaign will be directed at this group but is also likely to highlight the issue to the remaining minority of Proposed Class Members not caught by Group One and Group Two. Ofcom identified that 45% of UK adults use social media for news. 41% of UK adults use other websites and apps for news. While the demographics highlight that radio and traditional print and broadcast media will be key channels to reach individuals within Groups One and Two, a social media campaign (using Twitter, Facebook and potentially Instagram) will be directed at Group Three, and a focus on online channels will be key for targeting individuals within this group.



10 Figure 4.4 Ofcom News Consumption Report in 2020

11 Figure 5.2 Ofcom News Consumption Report in 2020

12 Figure 6.6 Ofcom News Consumption Report in 2020

03 Class Characteristics & Target Audience Demographics

30. The Notice Plan also sets out our intentions to work with organisations such as Which?, Citizens Advice, Independent Age and Age UK to help reach the Target Audience, particularly the harder to reach and potentially vulnerable Proposed Class Members who may be digitally excluded.

31. Finally, we understand that the Proposed Class Representative's expert economist, David Parker of Frontier Economics has estimated on a preliminary basis that the Proposed Class size will consist of approximately 2.31 million individuals, split as:
 - a. 1.23 million members who are BT Voice Only Customers; and
 - b. 1.08 million members who are BT Split Purchase Customers.

32. The Proposed Class Representative recognises that the Proposed Class is sizeable and the Notice Plan therefore intentionally communicates with a broad audience.

04 Notice Plan

OVERVIEW

33. Media Zoo's Notice Plan is designed to be as extensive and effective as possible, whilst remaining both reasonable and proportionate, to reach out to the Target Audience to make them aware of the Proposed Collective Proceedings and ensure that the Proposed Class Representative is supported to enable him to act in the best interests of the Proposed Class Members throughout the three key stages:

- (i) The Pre-CPO Stage;
- (ii) The CPO Stage; and
- (iii) The Distribution Stage.

34. Media Zoo's communications strategy will work at a number of levels. At its highest level, it will seek to raise the profile of the case to the entire Target Audience. For each stage of the Notice Plan we set out the various ways and methods which we will adopt to communicate with the Target Audience, which include:

- a. Formal notices;
- b. A robust public relations ("PR") campaign designed to generate significant media attention of the Proposed Collective Proceedings and capitalise on earned media via national radio and TV shows, national and regional newspapers and consumer finance and personal finance supplements – i.e. free publicity of the Proposed Collective Proceedings gained organically through engagement with journalists, broadcasters etc.;

- c. During the CPO stage and the Distribution Stage, digital and print advertising campaigns at a local and national level will be added to the mix, plus appropriate social media; and
- d. A dedicated litigation website; and
- e. A dedicated telephone line utilising an IVR knowledge-based system.

35. The Proposed Collective Proceedings are brought on behalf of an identifiable class of persons – as set out in Section 3, Class Characteristics and Target Audience Demographics – and this Notice Plan is designed accordingly to correspond to the nature of the particular case (Rules 78(3)(c) and 79(1)).

36. The Notice Plan will remain under constant review throughout the life cycle of the Proposed Collective Proceedings and will naturally evolve depending on various factors, such as:

- a. Directions from the Tribunal;
- b. Any refinement of the definition of Proposed Class Members;
- c. The performance of prior notice efforts in the Proposed Collective Proceedings; and
- d. any additional collaborations with consumer organisations that may occur.

37. The Notice Plan describes how the Proposed Class Representative will provide Proposed Class Members with information about the Proposed Collective Proceedings to the fullest extent possible throughout the Proposed Collective Proceedings, and specifically at the following stages (should they occur):

- a. When the Tribunal makes a CPO (Rule 81);
- b. When the Tribunal issues a judgment or order in the Proposed Collective Proceedings (Rule 91(2)); and
- c. When the Tribunal intends to have a hearing to determine how to quantify individual represented persons' claims from an aggregate award of damages (Rule 92(3)).



Daily Mail



04 Notice Plan

38. Throughout the three key stages of the Proposed Collective Proceedings, Media Zoo will look to leverage all major news hooks including the case management conference, the submission of BT's defence and the start of the case itself. With the potential for the Proposed Collective Proceedings to run over a number of years, the proposed communications schedule will be constantly under review. At each stage, Media Zoo will consider the practicability, likely effectiveness and expense of giving notice, as well as the relative importance of the particular notice, and will support the Proposed Class Representative in determining the most appropriate notice methods.

39. It will be important to understand what will motivate the Target Audience to engage positively in the Notice Plan. This can be achieved, for example, by taking inspiration from comparable campaigns that have demonstrable engagement with similar demographic consumers or running small consumer focus groups.

PROPOSED NOTICE SCHEDULE

40. Media Zoo's communications strategy and Notice Plan will commence when the CPO application is filed and is designed to ensure that the Target Audience is made aware of the developing stages of the Proposed Collective Proceedings whilst recognising that a proportionate approach should be adopted to reflect the early stage of the Proposed Collective Proceedings. In addition, we understand that the Proposed Class Representative, working with a member of his advisory panel (Jane Vass OBE) is conscious that due to the length of time that these actions can take to be resolved, some Proposed Class Members (particularly the older and potentially more vulnerable groups) may need special consideration in terms of expectations, timings and support.

41. Media Zoo understands that the Notice Plan will need to be easily adapted at short notice depending on directions from the Tribunal to appropriately inform the Proposed Class of the Proposed Collective Proceedings. While there is no time limit on the strategy, it will be dialed up at appropriate moments throughout the Proposed Collective Proceedings to ensure maximum coverage and attention is given to the different stages of the case.

42. Media Zoo will aim to meet the following minimum Notice Plan KPIs through the duration of the Proposed Collective Proceedings:

- 10 national broadcast slots (TV and Radio)
- 100 national print stories
- 100 regional / local stories (print and broadcast)

We will assess these KPIs on a quarterly basis and adapt where necessary using data to inform the strategy moving forward to ensure maximum exposure and impact are achieved.

43. The Notice Plan will be constantly adapted in response to further news hooks as the campaign starts to gain momentum during the three key stages of the Proposed Collective Proceedings.

44. A core element of the Notice Plan is the notices that we anticipate will be required to be communicated to the Proposed Class Members to draw their attention to their rights in the Proposed Collective Proceedings.

45. An indicative Notice Schedule is at **Appendix 4**. A draft CPO Application and Hearing Notice (defined below) is included at **Appendix 5**.

04 Notice Plan

46. Close consideration will be given to the design of all notices to ensure they:

- Comply with the Rules, adhere to the Guide and are in accordance with directions of the Tribunal;
- Can be sized and formatted to be compatible with all chosen notice channels and Target Audience's device usage (i.e. mobile, tablet and PC);
- Are accessibility tool friendly, in the case of digital notices;
- Are written in an understandable, concise and relevant fashion in keeping with the Government Digital Service guidance on "How to write well for your audience"; and
- Draw on the Plain English Campaign guide and legal design techniques.

47. It will be made clear that all notices issued pursuant to the Rules, or as otherwise directed by the Tribunal, are legal notices and will alert the reader of this using the following text: "*This is a legal notice that has been issued at the direction of the Competition Appeal Tribunal*". Given that the CPO regime is still in its infancy it will be important to emphasise to the Target Audience that this is a formal legal process in order to ensure that they fully understand their legal rights.

05 Pre-CPO Stage

FORMAL NOTICE

48. In accordance with Rule 76(9), the Tribunal will hold a case management conference to give directions in relation to – amongst other things – setting a date for the hearing of the application (Rule 76(10) (d)) and as to the time by which any person with an interest (including any Proposed Class Members) may object to the application for a CPO or the authorisation of the Proposed Class Representative (Rule 76(10)(c)).

49. We rely on other applications made to the Tribunal for a CPO as an indicator that the Tribunal expects the Proposed Class Representative to inform the Proposed Class Members that a claim has been filed and in particular, provide notice of the date and time of the CPO application hearing and the right to object (the “**CPO Application and Hearing Notice**”). A draft CPO Application and Hearing Notice is at **Appendix 5**.

50. This section of the Notice Plan recognises the importance of the Pre-CPO Stage in providing sufficient notice to the Proposed Class Members of their rights and to encourage the Target Audience to visit the litigation website, email or call the freephone number for more information and to register for updates.

PR – EARNED MEDIA

51. Media Zoo’s blended communications campaign will begin with a series of media activations intended to make the claim as high profile as possible. We see this as a national story covered by Tier One UK TV, radio, print and online media. A Tier One media company is one that is of such stature and scope that it is considered a major voice in the industry and therefore a powerful notice channel.

52. Announcement of the claim will be accompanied by substantial profile-raising activities in the media and amongst Proposed Class Members, including:

- Building a distribution list detailing the media outlets and journalists Media Zoo will approach. The distribution list will consider geographic distribution of Proposed Class Members to ensure notice has the relevant national reach (this list can be found at **Appendix 7**);
- Issuing press releases to accompany news announcements throughout the three key stages of the Proposed Collective Proceedings (an example press release can be found at **Appendix 8**). Press releases will be succinct and informative and wherever possible, will drive the Target Audience to visit the website for further information and updates;
- Contacting media networks to enhance coverage, leveraging pre-existing relationships and building a rapport with journalists who will continue to ‘cover the story’;
- Identifying case studies to support the delivery of our story to the key audiences;
- Exploring partnership opportunities with charities and consumer advice groups such as Citizens Advice, Age UK, Independent Age and Which?;
- Developing a website search engine optimisation (“SEO”) strategy heavily guided by site content and meta tags, using Google Analytics results to adapt website content and naming of website images on a regular basis, enabling search engines to see the relationship between user terms and the website.

05 Pre-CPO Stage

- Launching of media engagement campaign when filing with the Tribunal ('Media Day'), distributing a press release followed by an aggressive sell-in with the aim of securing coverage in all the national newspapers and main broadcasters;
- Securing media partnerships, linking up with a personal finance outlets to explain the case at hand in more detail and appeal directly to the Target Audience; and
- Launching a targeted consumer media & regional campaign, including placing stories and interviews in grey media (i.e. targeted age demographic magazines), regional and local media, placing regional case studies and organising a local radio day with the Proposed Class Representative.

53. Media Zoo will be using a blended communications campaign that encompasses a number of different tactics. These will likely run across all stages (pre-CPO, CPO and Distribution). There will be additional activities on top of those mentioned in the pre-CPO Stage at both the CPO Stage and Distribution Stage but the earned media strategy will be largely the same across all stages due to the fact that the Target Audience remains the same. The specifics of the earned media campaign will also depend on the news agenda, and we will use relevant news hooks to gain more coverage and attention for the campaign. We understand that our campaign will be dialed up and down when appropriate and communications will also be subject to direction from the Tribunal.

54. Proposed activity as follows:

A. BROADCAST TV

- Media Zoo will look to secure a 'sweetheart deal' with a national broadcaster ahead of the CPO application filing. This is to ensure on the day of filing we have a guaranteed TV interview in place to discuss the Proposed Collective Proceedings. Examples of those we would approach are:

- BBC News
- SKY News
- Channel 4 News
- ITV News

Please note the above list is only indicative.



05 Pre-CPO Stage

B. RADIO

- Media Zoo will issue an advisory note after the campaign launch that targets radio stations, making editors and presenters aware of the breaking story and the chance to speak to the Proposed Class Representative live on air.
- Media Zoo will also launch a 'Radio Day' to support the initial news release, where the Proposed Class Representative or a member of his legal team, will be made available for interview with radio stations across the UK. Potential morning news shows include, but are not limited to:
 - BBC Radio 4 Today Programme
 - Nick Ferrari Breakfast Show on LBC
 - Aasmah Mir and Stig Abell Times Radio Breakfast
 - BBC Radio Good Morning Scotland
 - The Vanessa Feltz Breakfast Show on London BBC Radio
 - Talk Radio Business Breakfast with James Maxx

Please note the above list is only indicative.

- Media Zoo will pitch the Proposed Class Representative or other designated spokesperson over a number of months to specialist consumer rights programmes and phone in shows to reach the Target Audience. The shows are broadcast throughout the week, with many including live Q&A advice clinics. Potential consumer radio shows include, but are not limited to:

- Money Box with Paul Lewis on BBC Radio 4
- The Consumer Hour with Dean Dunham on LBC
- Kait Borsay, late evenings on Times Radio
- The JVS Show on BBC Three Counties
- The Stephen Nolan Show on BBC Radio 5
- The Legal Hour with Clive Bull on LBC
- Wake Up to Money on BBC Radio 5

Please note the above list is only indicative.

- Media Zoo will look to secure earned coverage in targeted consumer broadcast media, detailing the specifics of the Proposed Collective Proceedings and directing the Target Audience to the website for more information. Potential targeted consumer broadcast media includes, but is not limited to:

- Classic FM
- LBC
- Times Radio

Please note the above list is only indicative.



05 Pre-CPO Stage

C. PRINT & ONLINE PR

National:

- Media Zoo will consider approaching a national newspaper (such as the Daily Telegraph) to secure an exclusive to be published in print and online on the day of the CPO application filing. This ensures that we can both control the narrative and have an immediate national hit on the day. This article will be in-depth and will likely require an interview from the Proposed Class Representative to be as successful as possible.
- We will then issue the press release followed by an aggressive sell-in to secure additional print and online coverage in national newspapers, including but not limited to those listed in **Appendix 6**.






Regional:

- As with national papers, Media Zoo will look to secure a 'sweetheart' deal with the press association ("PA Media") who will issue their story onto the newswire the day of the CPO application filing. PA Media is picked up by around 93 regional newspapers and so will ensure our story goes far and wide on day one.
- Media Zoo will then issue press releases followed by an aggressive sell-in plus local case studies to secure regional press coverage, including but not limited to those listed in **Appendix 6**.





PRESS RELEASE EXAMPLE



8 The Boulevard
Imperial Wharf
London
SW6 2UB
T: 020 7384 698Q
F: 020 7736 9108
W: mediazoo.tv

BT FACING £500 MILLION CLAIM IN OVERCHARGING SCANDAL THAT RIPPED OFF 2.3 MILLION CUSTOMERS (12/12/20).

Today a £500 million claim against BT was filed at the Competition Appeals Tribunal by Mishcon de Reya, a leading London law firm.

The claim, on behalf of Justin Le Patourel, the Claimant Representative and founder of CALL (Collective Action on Land Lines), relates to the historic overcharging for land lines by BT, and could result in payments of up to £500 each for 2.3 million of BT's most loyal customers.

In 2017, telecoms watchdog Ofcom found that BT had been overcharging millions of landline customers since 2009. The result was that BT agreed to reduce its landline prices by £7 per month.

However, despite the huge number of customers that lost out, BT was not ordered to pay compensation for its previous eight years of overcharging. The CALL legal action intends to address this injustice.

Justin Le Patourel, the Claimant Representative and founder of CALL says, "Ofcom made it very clear that BT had spent years overcharging landline customers but did not order it to repay the money it made from this. We think millions of BT's most loyal landline customers could be entitled to compensation of up to £500 each, and the filing of this claim starts that process".

In 2017, Ofcom found that BT had been overcharging landline customers for years. Since 2009, wholesale costs of providing landlines had been falling, but the prices BT chose to charge its customers just kept on increasing every year.

This affected customers who purchased a BT landline but did not also take BT broadband. These customers were, according to Ofcom, more likely to be old, on low incomes and vulnerable.

After Ofcom's ruling, BT agreed to reduce its landline prices by £84 per year but the telephone giant did not make efforts to repay customers for the previous eight years of overcharging.

Justin Le Patourel, the Claimant Representative, and founder of CALL (Collective Action on Land Lines) is determined to put right this injustice and is today filing a claim against BT for the return of these overcharges from 2015 onwards.

In addition, Mr Le Patourel is seeking compensation for customers who took both a broadband service and a BT landline, but not together as a package (or 'bundle'). These people were excluded from BT's 2017 price cut, and so continue to be overcharged to this day.

Unfortunately, under current legal rules, it is not possible to extend the claim all the way back to the year the overcharging started in 2009. But CALL can seek damages from 2015. This makes the claim, worth over £500 million, comprising £200-£500 for each of the 2.3 million affected customers.

Natasha Pearman of Mishcon de Reya who is representing Le Patourel and CALL says, "This is a specialist claim that will be heard before the Competition Appeals Tribunal. It is a classic example of a loyalty penalty, which were the subject of a super complaint by Citizens Advice, due to their harmful effects on consumers. It will take time to gather evidence and bring it to trial, but we are very confident that eventually millions of BT's most loyal customers – many of whom are older and potentially vulnerable – will receive a significant rebate".

Justin Le Patourel and CALL are seeking authorisation by the Tribunal to act for all the BT customers who were overcharged. If they are successful, then relevant UK based customers will automatically be represented and will not need to do anything further to join the action.

Anyone who had an unbundled landline from 2015 and wants to find out more information should visit the CALL website at XXXXXX. Equally, if anyone does not want to be included in the claim, they can opt out on the same site. No fees are payable either way.

Justin Le Patourel adds, "BT customers who had a land line from 2015 and want to know more should get in touch with us, either by phoning XXXXX, emailing us at XXXXXX or by going to the CALL (Collective Action on Land Lines) website – XXXXXX".

Media Contacts:

Note To Editors:

05 Pre-CPO Stage

Targeted Consumer Media:

- Media Zoo will also look to land feature interviews in the personal finance press involving the Proposed Class Representative's legal advisors, the Proposed Class Representative and case studies (i.e. Proposed Class Members), including This is Money and Money Saving Expert.



- Media Zoo will also look to secure earned editorial coverage in targeted consumer print, online and grey media, detailing the specifics of the Proposed Collective Proceedings, and building on the reputation of targeted consumer media as a trusted source of information and advice. Potential grey media includes, but is not limited to, those listed in **Appendix 6**.

SOCIAL MEDIA

- At this stage, dedicated pages will be created on Facebook and Twitter. These pages will be branded in line with the campaign to ensure continuous market identity across all channels. A consistent tone and logo will be used in all social media platforms to encourage consumer familiarity.
- A significant benefit of social media pages is that they allow users to “like” or “share” content which means at the touch of a button the information can be disseminated to a much wider audience, enabling a post to gather significant momentum and be incredibly effective in reaching the Target Audience. Updates to the dedicated pages will then automatically circulate on the news feed of the Facebook page of the person who has “liked” or “shared” prior content.

- Care and attention will be given to the initial set up of Facebook and Twitter pages to ensure they comply with the terms of each social media platform and that they are readily identifiable as a brand of the Proposed Collective Proceedings.

DEDICATED WEBSITE

- At the time of filing the application for a CPO, the litigation website will “go live”. In consultation with the legal team, we have secured www.callclaim.co.uk as the primary domain name for the litigation website. We have purchased an additional 19 URLs encompassing other configurations that might be used to describe the Proposed Collective Proceedings. This approach has been adopted not only to support maximum reach to the Target Audience, but also to deter copycat websites and emails – thereby enhancing the overall security of the website and making it more difficult for fraudsters to operate.
- Reference to the CALL (Collective Action on Land Lines) website will be a common call-to-action theme in all notice efforts, to encourage the Target Audience to register their interest to receive future updates. Visitors will be able to provide their email address and telephone number for this purpose. Registrants will be also able to indicate whether they fall into Group One/Two (i.e. are a Class Member) or Group Three (i.e. a caregiver/family/friend of a Class Member).

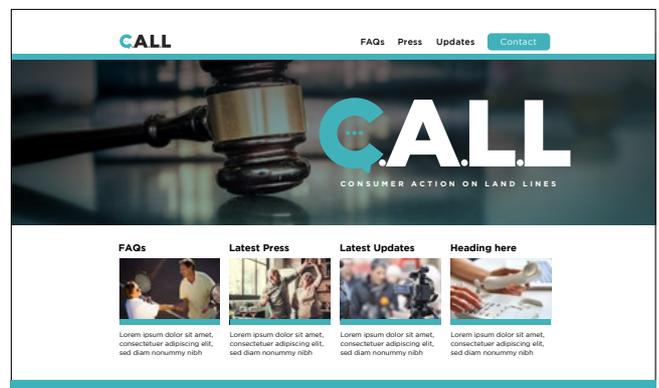


05 Pre-CPO Stage

60. In recognition of the demographics of the Proposed Class Members, the design of the website will be heavily informed by the Government Digital Service Standard recommendations, in particular:
- a. Clear, concise content;
 - b. Increased font size;
 - c. User ability to increase text;
 - d. Avoiding clustering of text, especially hyperlinks;
 - e. Screen reader friendly; and
 - f. Magnification tools accessibility.
61. Further, we have sought guidance from the Proposed Class Representative's advisory panelist, Jane Vass OBE, whose experience at Age UK on messaging and presentation to older demographics will assist in the design of content.
62. In addition to the registration function, the website will consist of the following pages which can be accessed via a series of tabs:
- a. **Home** – containing a summary of the claim in easily understood language to inform visitors as to the nature of the Proposed Collective Proceedings, to introduce the Proposed Class Representative and to explain the purpose of class actions. In addition, the Home page, being the first page most visitors will see when landing on the website, will be updated at various key stages with headline information of importance to the Proposed Class Members (i.e. when a deadline to act is in existence);
 - b. **About Us** – containing an outline of the team involved in the Proposed Collective Proceedings with biographies;
 - c. **The Claim** – where visitors can find more detailed information about the background history of the claim and steps in the Proposed Collective Proceedings. This page will likely also contain links to relevant Ofcom documentation and Tribunal webpages to reinforce the authenticity of the claim, as well as a timeline listing previous and upcoming dates.
 - d. **FAQs** – a section drafted by the Proposed Class Representative and his advisory team and in consultation with Jane Vass OBE, providing answers to frequently asked questions (“FAQs”). The FAQs will also feed into the social media campaign. This page will be regularly updated, not only to deal with likely questions arising out of progress in the Proposed Collective Proceedings but also to address questions commonly asked via the enquiry form and/or info@ email address. (a copy of draft FAQs are attached at **Appendix 9**).
 - e. **News** – containing selected press releases and media coverage, with contact details for media enquiries to support earned media efforts.
 - f. **Documents** – links to important documents with the ability for visitors to view, download and/or print them.
 - g. **Contact Us** – this page will include an enquiry form as well as an info@ email address for enquiries to enable visitors to raise questions which may not be covered by the FAQs.
 - h. **How to Use this Website** – this page will contain the ‘Website Accessibility Statement’, providing visitors with easy to follow instructions on how to change text size, text and background colours, and other display settings.
 - i. **Other features** of the website will include links to social media pages, blogs and/or video updates providing useful content to enhance the website's position as a primary channel for giving notice. Usual footer tabs will also feature on the website – the terms of use, cookies policy and privacy policy. In addition, taking into account the demographics of the Target Audience, the website will include an accessibility statement in accordance with the Equality Act 2010.
63. The website will be English language and “mobile friendly” – meaning that it can be visited not only on a desktop or laptop but also on a mobile device, such as a smartphone or tablet.

05 Pre-CPO Stage

64. The website will be maintained and updated to ensure that it accurately reflects the current status of the Proposed Collective Proceedings at any given point in time. Importantly, the website will be prominently updated to reflect significant key stages in the Proposed Collective Proceedings that impact on Proposed Class Members – the first being the CPO Application and Hearing Notice – and will highlight deadlines set by the Tribunal for objections and to opt-out. At these key stages, easily understood language will be added to the website to explain to Proposed Class Members their rights and how they can take action. In addition, we will monitor the extent to which questions are raised that are not covered by the FAQs and regularly update these with further information as required.
65. Data collected via the website will be stored using established, market-standard Microsoft software and will be hosted in a UK environment. As a Microsoft Partner, Case Pilots will utilise Microsoft Azure Infrastructure as a secure hosting and processing platform for the claim website and case database. Case Pilots ensures that both the production and backup redundant servers are in separate UK geographical regions. They also adhere to Microsoft recommendations and ensure all data is encrypted at rest and in transit using SSL certificates. In addition, to comply with Microsoft’s strict data security guidelines, the website and database security will be consistent with industry standards. The website will be constantly monitored by a variety of Azure tools to ensure security and performance are always at their highest capabilities.
66. The website will utilise ReCaptcha technology at any point where a visitor is prompted to enter information, to protect the site from spam and abuse. ReCaptcha uses an advanced risk analysis engine and adaptive challenges to keep automated software from engaging in abusive activities on a website – i.e. to establish that a computer user is human and to prevent bots. It does so without causing any interruption to valid users.
67. The litigation website will be supported by search engine optimisation methodologies and, at appropriate stages of the Proposed Collective Proceedings, sponsored search listings. Website optimisation is heavily guided by the site content and meta tags. We will be reviewing the results of Google Analytics gathered through Google Tags to adapt website content on a regular basis, and naming website image content so that images (as well as text) respond to search terms. This enables search engines to see the relationship between user terms and the site, whilst ensuring that the high frequency of keywords still feels like a natural narrative on the site. This tool will be especially useful during “high exposure” stages of the Proposed Collective Proceedings – for example the CPO Stage and the Distribution Stage – when we expect many members of the Target Audience to be searching for information about the Proposed Collective Proceedings as a result of PR activity.
68. As noted above, at time of launch the dedicated website will include a contact us form that interested parties may use to submit any questions related to the Proposed Collective Proceedings. There will also be prominently displayed on the website an info@ email address that interested parties may use to send us their queries.



CLASS MEMBER COMMUNICATIONS

05 Pre-CPO Stage

69. Following the first case management conference, emails will be sent to all those who have registered their interest in the Proposed Collective Proceedings – either via the ‘Register’ function or the ‘Contact Us’ form or by email to info@ or by telephone - advising them of the deadline to object to the CPO application or the authorisation of the Proposed Class Representative.

DEDICATED TELEPHONE LINE

70. A dedicated telephone line will be made available utilising an IVR knowledge-based system incorporating – in English language only - answers to frequently asked questions and a voice recognition database (various accents and dialects) with automated responses to enable Proposed Class Members to file an objection to the CPO application or the authorisation of the Proposed Class Representative. This facility, in particular, has in mind Proposed Class Members belonging to Group One.

71. In addition, and as explained in the Proposed Class Representative’s witness statement Annex 2, para 95, we believe that BT’s customer services and website will also be an important source of information for the Target Audience. Many of the Proposed Class Members are long-standing and very loyal customers of BT who will trust them to provide accurate information and protect their rights. With this in mind and so as to avoid confusion we would expect BT to ensure that its own call centre advisors, website and other customer service channels are appropriately trained and adapted to provide information to its customers that is consistent with the Notice Plan. In that regard, we would be happy to work with relevant teams within BT to ensure consistency of factual messages. BT’s assistance on these issues will be required through the life-time of the Proposed Collective Proceedings. We will keep BT’s actions under review in this regard and understand that the Proposed Class Representative will consider whether it is necessary to apply to the Tribunal for an Order in the future should any issues arise.

THIRD SECTOR SUPPORT

Which? is the UK’s consumer champion. As a powerful force for good with the aim of making life simpler, fairer and safer for consumers, we are in active dialogue with



Which? to explore how they could support the Proposed Collective Proceedings as part of the Notice and Administration Plan. Which? has indicated that it would in principle be happy to assist with raising the profile of the Proposed Collective Proceedings and assist with directing Class Members (and their friends, family and carers) to relevant resources.

Indicative methods of communication that the Proposed Class Representative intends to explore with Which? include:

- Editorial content in its magazine publications;
- Content on its social media channels to raise awareness of the Proposed Proceedings;
- Linking content on which.co.uk to the designated claims website; and
- Providing a platform for affected individuals to share experiences, via its Which? Conversation webpages.

Which? has helpfully informed us that currently 94,000 (out of 635,000) of its members are 75+ and that, over the last six months, Which? averaged 8.8m ‘visitors’ (i.e. non-members) to its website of which 16% were 65+, equating to around 1.4m.

In addition to the above, the Proposed Class Representative will also explore working with organisations such as Citizens Advice, Age UK and Independent Age to help reach the Target Audience, particularly the harder to reach and potentially vulnerable Proposed Class Members who may be digitally excluded.

06 CPO Stage

FORMAL NOTICE

72. Rule 81(1) stipulates that the Proposed Class Representative shall give notice (“**CPO Notice**”) of a CPO to Proposed Class Members in a form and manner approved by the Tribunal. Rule 81(2) goes on to explain that the notice shall:

- Incorporate or have annexed to it the CPO;
- Identify each defendant;
- Contain a summary in easily understood language of the collective proceedings claim form and the common issues;
- Include a statement explaining that any judgment on the common issues for the class members or any sub-class will bind represented persons in the class, or those within the sub-class;
- Draw attention to the provisions of the order setting out what a class member is required to do and by what date so as to opt-in or opt-out of the collective proceedings; and
- Give such other information as the Tribunal directs.

73. Rule 81(2)(f) provides that the Tribunal may require the Proposed Class Representative to include information in addition to that set out above in the CPO Notice.

74. The purpose of the CPO Notice in this case will be to inform Proposed Class Members of the nature of the Proposed Collective Proceedings in plain and easily understood language, explain the potential effect of a judgment on the common issues for the Proposed Class Members and to set out how the Proposed Class Members can opt-out of the Proposed Collective Proceedings and the deadlines for doing so.

75. The Tribunal will attach particular importance to the content of the CPO Notice and the method by which it will be given, since for many Proposed Class Members this may be the first they hear

of the Proposed Collective Proceedings. Case Pilots has worked closely with the Proposed Class Representative, his legal advisers and Media Zoo to prepare a draft CPO Notice (at **Appendix 5**) that is succinct, sensitive to the demographics of the Proposed Class Members and Target Audience, attractive to read and easily understood.

76. At this stage there are binding long-term implications for a Proposed Class Member depending on what action they do or do not take within a specified deadline. With that in mind, notice at this stage in the Proposed Collective Proceedings needs to be substantive and inclusive whilst remaining reasonable and proportionate. The plan for the CPO Stage reflects these requirements and is intended to raise the profile of the Proposed Collective Proceedings, and in particular the status of them, to as many Proposed Class Members as possible.

PR – EARNED, SOCIAL AND PAID

77. After the CPO application is made, Media Zoo will ramp up its media relations campaign again using the same **earned** media tactics as in the pre-CPO stage. We will also be looking to add paid media tactics to our campaign and the details of that are listed below.

78. Media Zoo will look to take the story into the weekend personal finance and consumer media before rolling it out into the regional media. At this stage we will also look to engage appropriate digital and social media to support these activations.

79. Following on from this, we will start our targeting of key audience segments of the Target Audience, identifying the best media routes to engage each audience segment (Groups One, Two and Three as mentioned above). Please note, due to the demographics in play, there is likely to be significant media overlap between each of the three audience groups.

06 CPO Stage

A. PRINT AND ONLINE MEDIA

80. Earned and paid coverage, including national, regional and targeted consumer print and online media, including but not limited to those listed in **Appendix 6**.
81. Publications will be selected at this notice stage based on their ability to reach the Target Audience due to their audience demographics and circulation figures, with the selected regionals being the most widely read in the UK. Audience demographics for each of these publications demonstrating their suitability for the Proposed Class Members and their family and friends, including average reader age, print circulation and online readers, can be found in **Appendix 6**.
82. At the CPO stage, these publications will be contacted with a view to paid media sponsorship (as well as to seek earned media attention as outlined at the Pre-CPO stage). It is anticipated that the paid UK newspaper/magazine adverts at this stage in the Proposed Collective Proceedings will feature tear off slips that may be completed by the Target Audience - in order to communicate an opt-out request or request to be kept up to date - and returned to the dedicated PO Box. This proposal is in line with the *Summary of key needs from communications to Landline-only Customers* outlined in Ofcom's July 2017 Research Report 'Enriching understanding of Standalone Voice Customers'.
83. Newspaper/magazine adverts at the CPO stage will likely be either half or quarter page appearing for a concurrent number of weeks. Print notices will be drafted using easily understood language and will use prominent techniques (bold, underlined, larger font etc) both in recognition Group One and Group Two accessibility, and to draw the Target Audience's attention at a glance. The notices will be designed to stand out next to commercial adverts, by including content pertaining to the legal proceedings and adopting legal design techniques. They will always include easily identifiable details of the litigation website and freephone number, for the Target Audience to use for further information.

B. BROADCAST MEDIA

84. Media Zoo will seek to drive coverage of the CPO on both TV and radio by re-engaging with the shows contacted at the pre-CPO stage and also approaching some additional, premium exposure shows such as Good Morning Britain, This Morning, Martin Lewis Money Show, Watchdog and Rip Off Britain. These additional shows will be included at this stage on the basis that the granting of a CPO will be of significant relevance to their viewers as members of the Target Audience (see **Appendix 6**).

C. DIGITAL AND SOCIAL

85. At the CPO Stage, Media Zoo will adopt compelling narratives on Facebook, and potentially Twitter, to turn key stakeholders into advocates for the Proposed Collective Proceedings through paid (as well as organic content). This would include:
- Creating engaging content through a deep understanding of analytics, audience segmentation and endorsement;
 - Developing a social media advertising strategy targeting children of the now older parents affected by the abusive behaviour of BT;
 - Outreach to vulnerable communities by targeting information to advice clinics via social media;
 - Generating Google Ads on Facebook and potentially Twitter to drive conversation;
 - Attempting to leverage BT related searches on engines such as Google to raise campaign awareness; and
 - Generating increased traffic to the website.
86. Audience demographics for the social media channels listed above that demonstrate their suitability for the Proposed Class Members and their family and friends, including average user age, can be found in **Appendix 6**.

06 CPO Stage

87. We will be using various analytics tools to track social post performance, including but not limited to:

- Facebook analytics
- Twitter analytics
- Google analytics

88. We will use this data to inform our social strategy moving forward and adapt where necessary to achieve maximum impact.

89. Approaching associations, churches and charities who have older members with the offer to run a free virtual Advice Clinic for Class Members, aiming to direct individuals to the dedicated claims website and create further local news stories.

90. Creating posters and content for Advice Clinics to distribute both physically and digitally to family members who may have older relatives.

D. INFLUENCER ENGAGEMENT

91. Media Zoo, together with the Proposed Class Representative will also consider whether the assistance of a paid celebrity ambassador who is well known and trusted by the demographic would assist in further raising the profile of the Proposed Collective Proceedings at the CPO stage.

DEDICATED WEBSITE

92. As explained previously, the website will be regularly updated in line with progress and next steps in the Proposed Collective Proceedings. In particular, at this stage, website content will be updated to include a copy of the CPO Notice with a clear, concise explanation of what it means and the associated deadlines. Website FAQs will be updated to include answers to frequently asked questions in relation to the CPO Notice.

93. At this stage, we also intend to update the website with a short video (or series of videos) to explain who is included in the claim, the meaning of opt-out and what action a Proposed Class Member can take and the consequences of that action to them.

CLASS MEMBER COMMUNICATIONS & DIRECT NOTICE

94. Via the dedicated website, interested parties will continue to have the ability to submit queries using the 'Contact Us' form or by email to the info@ mailbox.

95. In addition, at this stage the CPO Notice will be sent via transactional email (within the definition of The General Data Protection Regulation (EU) 2016/679 or any comparative domestic data protection provisions) to all persons who have registered their interest via the litigation website or dedicated telephone line or otherwise.

06 CPO Stage

96. Email content can be tailored depending on whether the registrant is in Group One Group Two or Group Three.
97. To ensure high email deliverability, Case Pilots' partners with recognised and reputable ESPs (Email Service Providers) and rigorously follows their recommendations. Firstly, Case Pilots get active consent at registration from the individual and send an acknowledgement and/or where necessary a confirmation email to all registrants to get further validation of their email address. Emails are assigned unique identifiers to enable reporting on Open, Blocked and Bounced statistics. Registrant email data is then classified and grouped for future communications as follows:
- Those who have successfully engaged with prior email communication will be included in the email list; and
 - Those who have something other than a Delivered/Open status are reviewed and attempts made to resolve any email data deficiencies in order to establish connection.
98. If it is not possible to establish connection then they are removed from our email list as recommended by our ESP, as continually sending to Blocked or Bounced email addresses increases the likelihood that emails addressed to valid addresses on the same email server will be scored poorly and thus be sent to recipients' 'spam' folders.
99. Case Pilots also ensures that the domain from which the email is sent is set up with SPF and DKIM records. Sender Policy Framework (SPF) ensures that the IP being used can send emails on behalf of the domain. Domain Keys Identified Email (DKIM) ensures that the emails sent do not change in the process of being sent. These measures give the receiving server the assurances that they are not receiving spam emails and that they are safe to be passed on to the recipient email address.
100. In the event that any CPO (or earlier) directions in the Proposed Collective Proceedings place a requirement on BT to provide details of customers falling within the definition of a Proposed Class Member or assist in providing notice to Proposed Class Members, a direct noticing campaign will also be initiated at this stage whereby Proposed Class Members are directly provided with – via their preferred contact method according to BT records – a copy of the CPO Notice.

CLASS MEMBER COMMUNICATIONS & DIRECT NOTICE

101. At the CPO Stage, the IVR recording on the dedicated phone line will be updated to explain who is included in the class, the meaning of opt-out and the action a Proposed Class Member can take if they do not wish to be included in the Proposed Collective Proceedings.
102. In addition, callers will be able to request that an opt-out form be sent to them either by post or email.
103. At the CPO Stage a dedicated PO Box will also be available for Proposed Class Members to submit opt-out requests by post. This facility will be especially relevant to make the opt-out process accessible to members of Group One.

06 CPO Stage

OPT-OUT AND OPT-IN REGISTERS

104. Case Pilots, on behalf of the Proposed Class Representative, will maintain an electronic register to record the names of those Proposed Class Members who, in accordance with Rule 82, opt-out or opt-in to the Proposed Collective Proceedings (Rule 83(1)).

OPT-OUT REQUESTS

105. Rule 82(1)(b)(i) provides that “a class member may on or before the time and in the manner specified in the collective proceedings order ... opt out of the collective proceedings”.

106. Proposed Class Members who wish to opt-out of the Proposed Collective Proceedings will be required to submit confirmation to the Proposed Class Representative explicitly confirming their desire to no longer be a Proposed Class Member, despite the fact that they may satisfy the class definition. This process will prominently highlight to a Proposed Class Member the consequences of opting out and will require a Proposed Class Member to provide their name, postal address and other contact details, as well as an explicit statement that they wish to opt-out of the Proposed Collective Proceedings. There will be no requirement for a Proposed Class Member to provide a reason for opting out.

107. In recognition of the demographics of the Proposed Class Members in these Proposed Collective Proceedings, we intend to make an Opt-Out Form available on the litigation website. An opt-out request will also be accepted in hard copy via post. Proposed Class Members sending opt-out requests via other methods will be redirected to the recognised opt-out channels (i.e. the PO Box or website Opt-Out Form) so they may explicitly communicate their opt-out via the formal process. We recognise the significance of an opt-out

decision, i.e. it precludes a Proposed Class Member from participating in the recovery of damages from an aggregate award. However, we believe making a website Opt-Out Form available to Proposed Class Members in these Proposed Collective Proceedings is a necessary step to make the opt-out process accessible to older and potentially more vulnerable Proposed Class Members. All necessary measures and messaging will be in place to reduce potential confusion about the nature of the act they are undertaking and to demonstrate their full intention of opting out.

108. An alternative, but less favourable approach, would be to require all Proposed Class Members to submit their opt-out request in writing either via post or a scanned letter attached to an email.
109. A defective opt-out request (for example, one that does not contain all the required information or is unsigned) will not be accepted as a valid opt-out request. This will be referred back to the sender for resolution of the deficiency. Receipt of a validly executed opt-out request will cause that Proposed Class Member to be added to the opt-out register. When a Proposed Class Member is added to the opt-out register, they will be sent confirmation that this step has occurred, they will once again be reminded of the implications of opting out, and they will be reminded of the limitation date to bring an individual claim.
110. The opt-out register will be available for inspection by the Tribunal and any defendant and by such other person as the Tribunal may direct (Rule 83(2)). The opt-out register will be held in electronic format, downloadable and printable upon request. When a Proposed Class Member's details are added to the opt-out register, a copy of their opt-out request will be attached to their electronic record. All this information will be held in the case database, hosted on an isolated Azure Tenant requiring two-factor authentication by all approved users. In compliance with Microsoft's strict data security guidelines, the database will adhere to all applicable data protection and privacy laws.

06 CPO Stage

OPT-OUT REQUESTS

111. Rule 82(1)(b)(ii) provides that “a class member may on or before the time and in the manner specified in the collective proceedings order ... if not domiciled in the United Kingdom at the domicile date, opt in to the collective proceedings”. In the Proposed Collective Proceedings it is feasible that a Proposed Class Member in Group One or Group Two could have moved overseas at some time after 1 October 2015 and are not living in the United Kingdom at the domicile date.

112. An individual wishing to opt in to the collective proceedings will be requested to provide name and contact details, together with information about when they were domiciled in the UK during the relevant period – either via the website or by post. When making a claim, Proposed Class Members on the opt-in register will be asked to provide evidence that they qualify according to Tribunal directions given at the aggregate award of damages stage or the approved collective settlement terms.

113. Consumers will be notified of the right to opt in, once a CPO is made, via the CPO Notice.

07 Distribution Stage

FORMAL NOTICE

114. In accordance with Rule 92(3), where the Tribunal makes an aggregate award of damages, a Proposed Class Representative shall give notice to represented persons - in such manner as the Tribunal directs - of any hearing to determine what directions should be given for assessment of the amount that may be claimed by individual represented persons out of that award. This notice will also advise that any represented person may apply to the Tribunal to make submissions either in writing or orally at that hearing.
115. Rule 92(2) sets out the nature of the directions that may be made by the Tribunal at an aggregate award hearing. It is anticipated that these directions will include provisions for notifying the Proposed Class Members about the availability of the claims process, as well as how the Proposed Class Representative will communicate with the Proposed Class Members during the claims process.
116. Similarly, in accordance with Rule 94(13), if the Tribunal approves a proposed collective settlement, a Proposed Class Representative shall give notice of the terms of the settlement and its approval, in a form and manner approved by the Tribunal, to represented persons (where the Tribunal approves the collective settlement after the expiry of the period specified in the CPO within which persons may opt out of the collective proceedings), or to Proposed Class Members (where the Tribunal approves the collective settlement before the expiry of the opt out period), and to any other persons the Tribunal may direct.
117. Rule 96(15) directs that a settlement representative shall give notice of the collective settlement order to Proposed Class Members in a form and manner approved by the Tribunal.
118. Whilst this section of the Notice Plan outlines the anticipated notice stages, it is appreciated that collective proceedings are a novel procedure with unique features, requiring intensive case management by the Tribunal so as to ensure that the interests of the class are adequately protected.

PR – EARNED, SOCIAL AND PAID

119. Media Zoo's blended communications strategy, incorporating print, broadcast and digital communication, will incorporate all the **earned, paid, digital and social media** methods described in the pre-CPO and CPO stages. We will also be looking to add more **paid media** with broadcasters to this crucial stage to ensure maximum reach.
120. In particular, at this stage Media Zoo will seek to secure media partnerships with personal finance TV shows (such as Watchdog, Rip Off Britain, The Martin Lewis Money Show) to explain the Proposed Collective Proceedings in more detail and appeal directly to millions of TV viewers to make a claim, as well as arrange TV broadcast interviews with the Proposed Class Representative and case studies (i.e. Proposed Class Members). Relationships with celebrity ambassadors, nurtured at the CPO stage, will be leveraged in order to secure broadcast TV interviews at the distribution stage.
121. Running advertising content with key radio stations (such as LBC, Times Radio Breakfast, Classic FM, IRN) will also be of significant importance at the distribution stage.

07 Distribution Stage

122. In addition to the earned, paid, digital and social media methods previously outlined in this Notice Plan, it is likely that additional above the line marketing techniques will be deployed at the Distribution stage in recognition of the compelling importance of this stage in the Proposed Collective Proceedings and the habits of the Target Audience (particularly Group 1). Above the line marketing refers to advertisements with large reach potential, aimed at a wider audience to raise large scale campaign awareness. In these Proposed Collective Proceedings, additional above the line marketing at the distribution stage is likely to take the form of out-of-home ('OOH') adverts such as billboards, bus interior banners, bus backs, and Post Office advertising. Royal Mail leafleting may also be considered as a further notice technique at this stage of the Proposed Collective Proceedings. The use of above the line, OOH and/or leafleting methods at this stage will be in recognition of the specific demographics of the Target Audience in these Proposed Collective Proceedings and will be scaled-up / down depending on the existence of a Direct Notice campaign.

DEDICATED WEBSITE

123. In the event of successful conclusion of the Proposed Collective Proceedings by virtue of judgment or settlement, the website will be updated with a copy of the judgment or settlement agreement, together with easily understandable information about what the conclusion means for the Proposed Class Members and the steps they need to take in order to claim their share of the aggregate award of damages.

124. At this stage, the website FAQs will also be updated in order to deal with frequently asked questions in relation to the conclusion of the Proposed Collective Proceedings – typically, in relation to level of monetary award and the length of time the process will take.

125. In addition, at the Distribution Stage the website will be updated with step-by-step instructions via video on how to file a claim.

CLASS MEMBER COMMUNICATIONS & DIRECT NOTICE

126. As with all other steps throughout the course of the Proposed Collective Proceedings, at the Distribution Stage the facility will continue to exist for interested parties to submit any questions in relation to the judgment/settlement, or otherwise, either via the website 'Contact Us' form or by email to the info@ address.

127. Importantly, at the Distribution Stage, Case Pilots will also send out hard copy or electronic claim forms – via post or email - to all registrants who have expressed an interest in being kept up to date. To the extent possible, the claim forms will be pre-populated with any information already provided by the Proposed Class Member so as to reduce the burden of submitting a claim and to avoid repetition of information.

128. It may also be appropriate at this stage to consider what level of involvement BT should have in assisting its customers to make a claim. As discussed previously in this Plan, as a minimum we believe that BT should ensure that it is providing its customers (past and current) with accurate information on the process and the legal rights that are available to the Proposed Class Members. We anticipate that the Tribunal may wish to explore these issues in greater detail at a more relevant point in time.

07 Distribution Stage

129. Further, in the event that any judgment or settlement (or earlier directions) in the Proposed Collective Proceedings, place a requirement on BT to provide details of customers falling within the definition of a Proposed Class Member or to assist in providing notice to Proposed Class Members, a direct noticing campaign will also be initiated at this stage whereby Proposed Class Members are directly provided with – via their preferred contact method according to BT records – a copy of the claim form.

DEDICATED TELEPHONE LINE

130. At this stage, the IVR recorded message will be updated in order to provide information regarding the judgment/settlement and how to request a claim form via post or email. Live operators will also be available during the Distribution Stage to answer any Proposed Class Member’s queries and to assist them in submitting a claim.

08 Making A Claim

131. Where an aggregate award of damages has been made, the Tribunal will give directions as to how each Proposed Class Member or represented person's entitlement is to be calculated (Rule 92(1)). Rule 92(2) gives examples of the types of directions the Tribunal may wish to make, such as specifying a formula to quantify an individual's entitlement, the provision of an interim payment or the appointment of an independent third party to determine the claims or any disputes regarding quantification.
132. Similarly, under Rule 97(2)(d) an application for a collective settlement approval order shall specify how any sums received under the collective settlement are to be paid and distributed.
133. The exact process for filing of a claim form and distribution will not be finalised until the Proposed Collective Proceedings result in an aggregate award of damages or settlement sum. Case Pilots has been providing consultancy advice, technical infrastructure and litigation support in UK and pan European collective actions over the course of the past 20 years. The diversity of that experience allows Case Pilots to offer exceptional project management skills, devise suitable protocols for the handling of data, develop rules for processing claim data that are in line with the intentions of the aggregate award of damages or collective settlement, and deploy technical solutions to underpin the goals of the Distribution Stage. We will work closely with the Proposed Class Representative to assist the Tribunal by proposing appropriate directions and to ensure that the method proposed by the Proposed Class Representative is fair and in the interests of all Proposed Class Members.

FILING A CLAIM

134. In the event of an aggregate award of damages being made or a collective settlement approved, a claim form and claims process will be made available for all Proposed Class Members that have not opted out. The claim procedure will take place online, by post and by telephone. The demographics of the Proposed Class Members in the Proposed Collective Proceedings indicate that a significant portion will be unfamiliar or uncomfortable with online submission alone.
135. Close consideration will be given to the design of the claim form in order to ensure that:
- It is succinct and user friendly, adopting the use of easily understood language;
 - Is least burdensome as possible for Proposed Class Members;
 - Sufficient information and/or supporting documentation is collected from Proposed Class Members in one step;
 - Its content facilitates a determination on damages entitlement in line with the Tribunal's judgment and enables payment to be made in the event of a successful claim; and
 - It prominently informs Proposed Class Members of the deadline to file a claim.
136. The online claims filing process will adopt content and format controls to reduce deficient claims – i.e. text characters will not be accepted in a numerical field, the use of drop down lists will be used wherever possible, free text fields will not exist and it will not be possible to submit a claim without supporting documentation, if required.
137. Visitors engaging in the online claim process will be encouraged to assist any friends and/or family members who are Proposed Class Members to file their claim.

08 Making A Claim

138. A hard copy claim form, identical in content and requirement to the online form, will also be made available to Proposed Class Members.

CLAIM DATA

139. The case database, using Case Pilots' sophisticated proprietary system, will be hosted on an isolated Azure Tenant and will require two-factor authentication by all approved users. The database will be constantly monitored using a variety of Azure tools to ensure security and performance are always at their highest capabilities. In compliance with Microsoft's strict data security guidelines, the database will adhere to all applicable data protection and privacy laws and be consistent with industry standards. Case Pilots ensure that both the production and backup redundant servers are in separate UK geographical locations and conform with Microsoft recommendations to ensure all data is encrypted at rest and in transit.

CLAIM VALIDATION

140. There are a significant number of – currently unknown – factors that will impact on the claim validation process. Case Pilots' construction of the validation process will rely on close consultation with the Proposed Class Representative and his advisers to design business rules and data management principles that accurately reflect the intention of the parties in an efficient and effective manner.

141. The claim validation process will take into account the information and/or documentation that may be available to Proposed Class Members, as well as the existence and/or availability of suitable third-party data.

142. We will also look to provide detailed guidance to Proposed Class Members on how they can source any documentation or information required to validate their claim, providing worked examples to reflect the various situations that individual Proposed Class Members may find themselves in.

143. Typical claim validation methodologies that may be applied are:

- De-duplication;
- Data exception workstreams;
- Sample 'know-your-client' checks (“KYC”);
- Claim classification and profiling;
- Comparison against opt-out register;
- Workflows that auto-generate claim status updates;
- Matching against third-party records using a hash key system, for validation purposes (such as BT customer records);
- Template email communications to Proposed Class Members;
- Follow up routines;
- Establishing a Proposed Class Member portal for the submission of additional information;
- Prompts to Proposed Class Members who have not filed a claim: and
- Reminders to all affected persons of the deadline in which to file a claim and/or the deadline to resolve deficient claims.

08 Making A Claim

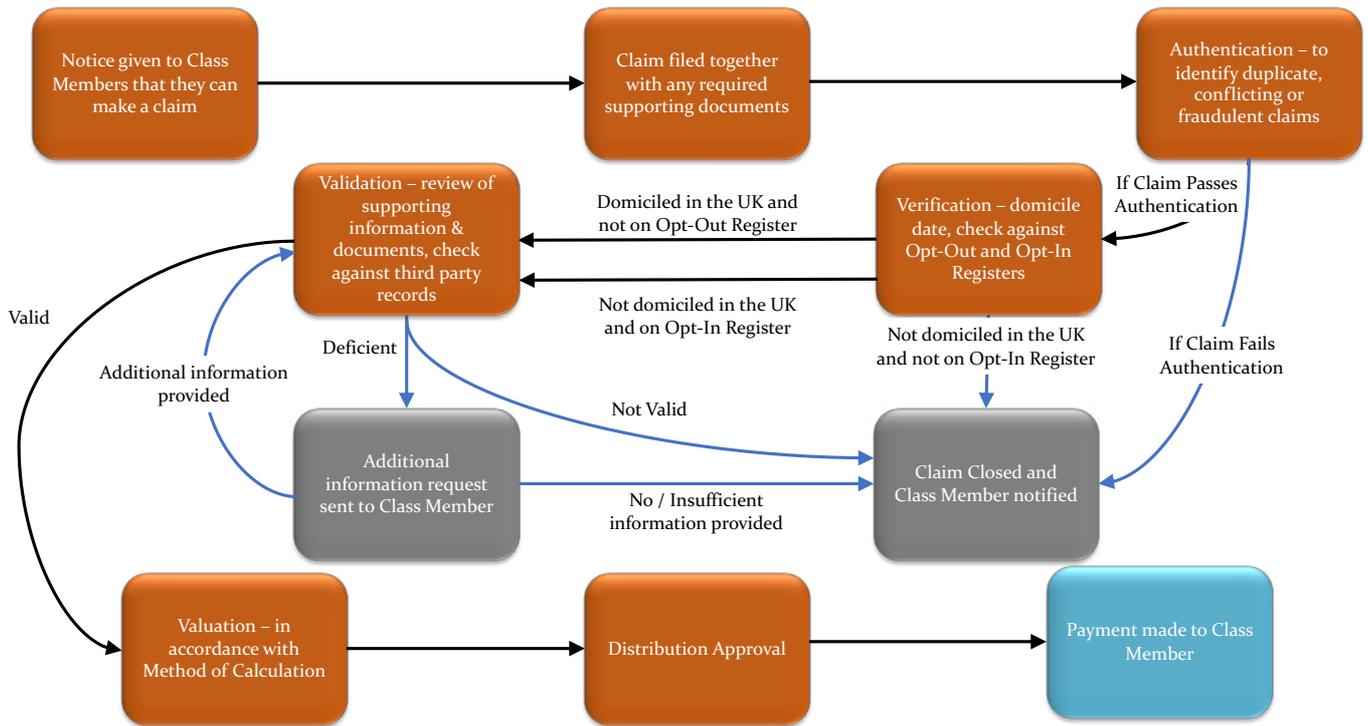
UNSUCCESSFUL CLAIMS

144. If a submitted claim fails at first pass because of a deficiency (i.e. there is insufficient information or missing supporting documentation, rendering it impossible to make a determination), applicable processes will be in place to seek to obtain the missing criteria from the Proposed Class Member. At this stage, the Proposed Class Member will be fully notified of the implication of not responding. A stipulated number of follow ups will be sent to the Proposed Class Member to remind them of the requirement to submit additional information and to make them aware of the deadline in which to do so.
145. If a submitted claim fails because it does not fulfil the Proposed Class Member criteria, the claim file will be closed and the individual will be duly notified. It is not anticipated that an appeals process will exist.
148. Case Pilots will assist the Proposed Class Representative in notifying the Tribunal by a particular date of any damages which have not been claimed (Rule 93(3)(b)).
149. At the heart of all Case Pilots' distribution services are quality control measures and regular reporting. Real time dashboard reporting is available via secure login to the case database.

PAYMENT FROM THE AGGREGATE AWARD

146. It is expected that payments to Proposed Class Members for successful claims will be made on a chronological, rolling basis so as to reduce the lapse of time between submission of claim form and payment being made, and in order to use up-to-date payment information. This approach will also serve the purpose of ensuring Proposed Class Members receive their compensation at the earliest opportunity.
147. The amount of payment being made to Proposed Class Members will strictly adhere to pre-determined valuation of claim calculations. We anticipate offering a variety of distribution methods. In the Proposed Collective Proceedings, payments are likely to be made via bank transfer, open banking or cheque.

09 Distribution Diagram



10 Summary

150. It is expected that payments to Proposed Class Members for successful claims will be made on a chronological, rolling basis so as to reduce the lapse of time between submission of claim form and payment being made, and in order to use up-to-date payment information. This approach will also serve the purpose of ensuring Proposed Class Members receive their compensation at the earliest opportunity.
- Identify how to provide Proposed Class Members and the wider Target Audience with information about the claim;
 - Appropriately notify Proposed Class Members of stages in the Proposed Collective Proceedings and keep them up to date of significant developments; and
 - Implement a robust and secure method for Proposed Class Members to receive a payment from any aggregate award of damages or settlement.
151. It is recognised that the Notice and Administration Plan is a ‘work in progress’ that can be revised depending on performance analysis and/or at the request of the Tribunal and/or as directed by the Proposed Class Representative. Naturally, latter stages of the Notice and Administration Plan will be informed by steps in the Proposed Collective Proceedings as they evolve.
152. At each stage in the Proposed Collective Proceedings where notice is given, Media Zoo will monitor the success and performance of the chosen notice channels via a suite of analytics tools both in respect of the source of visitors to the website and those registering their interest in the Proposed Collective Proceedings, and the number of pieces of coverage and volume/demographics of readership.
153. The monitoring as outlined above will inform later notice stages in the Proposed Collective Proceedings so the campaign is constantly being optimised to reach the Target Audience.
154. The Notice Plan will also be adjusted, as necessary, to reflect changes in the Target Audience’s media habits over the course of the Proposed Collective Proceedings as a result of market factors (for example, Covid-19) or the emergence of new media channels and technologies. This analysis will be informed by third-party resources such as UKOM’s (UK Online Measurement industry) digital market overviews on media usage in the UK and PAMCo data (The Publishers Audience Measurement Company).
155. Case Pilots and Media Zoo will provide ongoing input and reporting, as well as testimony if required, in respect of the Notice and Administration Plan during the life cycle of the Proposed Collective Proceedings.

Appendix 1 – Relevant Experience

CAR DELIVERY CHARGES

Retained as claims administrator by proposed class representative, Mark McLaren Class Representative Limited, in Tribunal opt-out proceedings. Working closely with the legal team at Scott+Scott LLP in respect of all aspects of providing and implementing the notice and distribution plan in support of the application for a CPO on behalf of UK consumers and businesses for loss suffered as a result of a cartel in deep-sea car carriage of new motor vehicles.

MARRIOTT INTERNATIONAL DATA BREACH CLAIM

Engaged by Hausfeld & Co LLP on behalf of representative claimant, Martin Bryant, to provide life cycle litigation support in the UK data breach representative action against Marriott including in relation to the litigation website, notice, consulting expertise, portal database, claimant communications and distribution. The case seeks compensation from Marriott International on behalf of millions of affected hotel guests domiciled in England & Wales following a major data breach.

MARINE HOSE ANTITRUST LITIGATION

Post-settlement distribution in the ground-breaking Parker ITR s.r.l Worldwide Settlement. Appointed jointly by the parties as claims administrator to implement the settlement agreement terms, including identifying direct, indirect and co-operation claims, sending out the settlement notice, maintaining a registration website, deploying a case management database, validating and valuing the claims. Administering the end-to-end claims process and distribution of a €7.7m settlement fund to non-US purchasers.

BA/VIRGIN AIR PASSENGER PRICE FIXING LITIGATION

Working in close collaboration with claimant counsel, Kinsella Media and Rust Consulting in devising the notice plan in Re International Air Transportation Surcharge Antitrust Litigation (MDL No 1793 United States District Court for the Northern District of California) in respect of a £73,531,076 settlement for the UK class. Designing associated litigation website and establishing a rapid response mechanism for non-US victims – handling claim enquiries and dealing with associated information gathering, following international press release coverage of the settlement.

CONVERIUM SECURITIES LITIGATION

Advising Garden City Group (GCG) and co-Counsel (SKRW and BLBG) in respect of settlement bailiff responsibilities for service/notice of hearing announcement on non-US exchange purchaser class action members, relating to a petition filed with the Amsterdam Court of Appeal of the Netherlands. In particular, acting as agent for GCG to facilitate service in accordance with the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters and advising GCG on all aspects relating thereto.

CLAIMS RESOLUTION TRIBUNAL OF THE HOLOCAUST VICTIM ASSETS LITIGATION, SWITZERLAND

Administering over 33,000 complex claims and an additional 40,000 initial questionnaires from Nazi victims or heirs to their assets. In total, this related to 29,670 dormant accounts and the Swiss Bank settlement of \$1.25 billion. The case involved receipt of claims from 27 countries and in 20 different languages, with a total amount awarded of \$515.6 million.

Appendix 1 – Relevant Experience

THE CLAIMS CONFERENCE PROGRAM FOR FORMER SLAVE AND FORCED LABORERS, NEW YORK

Administration of German government DM 10 billion fund. Working with a team to design systems that managed over 265,000 complex claims resulting in payments to victims of over \$5 billion. Most complex program ever administered by Claims Conference entailing levels of technology, staffing and international coordination unprecedented in the organisation's history.

PR CAMPAIGN FOR HAG (HISCOX ACTION GROUP) CLAIMANT GROUP

Creating and overseeing the communications strategy for HAG, an action group created to address and challenge the blanket denials of valid Business Interruption insurance claims by Hiscox Insurance. Developed a robust and blended communications strategy, securing interview opportunities for the class representative in tier 1 publications and broadcast shows. HAG is involved in the current FCA Insurance Test Case which is now before the Supreme Court.

UNISON MEMBER PART-TIME PENSION CLAIMS

Processing in excess of 22,000 union member claims to the Employment Tribunal Service. Complex claims process resulting from 11 years of litigation with claims backdated to as early as 1976. Design and management of the pension claims evaluation system. Questionnaire and document review in order to determine the merits of each claim, liaising with members in respect of merits determination, detailed electronic submissions on behalf of members with valid claims to defendant employers and the Employment Tribunal.

PR CAMPAIGN FOR HIGA (HOSPITALITY INSURANCE GROUP ACTION) CLAIMANT GROUP

Leading the communications strategy for HIGA, launched on behalf of hospitality sector businesses against insurers who refused to pay losses flowing from the Government's lockdown during COVID-19. The campaign involved a blended communications strategy to secure coverage in print, broadcast and digital platforms with an integrated social media campaign. On judgement day over 57 pieces of coverage were secured in tier 1 print and online publications and broadcast shows, including BBC channels, Sky, Bloomberg, and ITV, with print coverage in the Financial Times and the Daily Telegraph. HIGA is involved in the current FCA Insurance Test Case which is now before the Supreme Court.

Appendix 2 – Case Pilots CVs



PROFILE

Case Pilots is led by Clare DUCKSBURY whose skills and experience lend themselves to the successful, efficient and cost-effective notice & administration of collective actions.

Over the course of 20+ years, Clare has been instrumental in the outreach program and distribution in various high profile cases.

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CLARE DUCKSBURY

Founder & Chief Executive Officer

Clare comes with a wealth of experience in the collective action space. Her vision for Case Pilots has always been to provide a comprehensive, service for cases involving mass claims, that focuses on the interests of the claimants. Her passion for this work began in 1998 when she joined the inception team in Switzerland to set up the Claims Resolution Tribunal for Dormant Accounts in Switzerland – to administer the US\$1.25 billion settlement agreement in the *Holocaust Victim Assets Litigation*.

After four years heading up the administration function of the Tribunal, Clare spent a year in the United States working on US Class Action notice and administration matters - specifically working closely with Special Master Judah Gribetz, the Jewish Claims Conference and the German Federal Government - before returning to London to focus on notice and administration in UK and European cases, as a partner at Forensic Risk Alliance and then an independent consultant, before setting up Case Pilots.

SELECTED PROFESSIONAL EXPERIENCE

- Mark McLaren Class Representative Limited v MOL (Europe Africa) Ltd and Others – Competition Appeal Tribunal 1339/7/7/20
- Martin Bryant v Marriott International (UK High Court 19.6 representative action)
- Claims Resolution Tribunal of the Holocaust Victim Assets Litigation (Switzerland, \$1.25 billion settlement)
- Program for Former Slave and Forced Laborers (New York)
- German Foundation “Remembrance, Responsibility and the Future” (New York)
- Parker ITR s.r.l Worldwide Settlement (non-US purchasers, predominantly Italy)
- International Criminal Court (The Hague, working group on the participation of victims in proceedings before the ICC)
- Abdulla & Ors v Birmingham City Council (landmark UK ruling allowing collective Equal Pay claims in the civil courts)

Appendix 2 – Case Pilots CVs

SELECTED PROFESSIONAL EXPERIENCE

- Converium and Vivendi Dutch Settlements (advising in respect of non-US class members)
- In re: International Air Transportation Surcharge Antitrust Litigation (Case No. M:06-CV-01793-CRB) - BA / Virgin Air Passenger Price Fixing Litigation (£73.5m settlement for the UK class)
- Emerald Supplies Ltd and others v British Airways plc [2017] EWHC 2420, Air Cargo competition claims (UK)
- Equilib Netherlands B.V. v Koninklijke Luchtvaartmaatschappij N.V, Martinair Holland N.V and others, Air Cargo competition claims (the Netherlands)
- UNISON member part time pension claims (UK)

CREDENTIALS

Certified Legal Project Practitioner - Institute of Legal Project Management

Institute of Legal Executives – Part I: Law 1 & II, Practice I & II: Civil Litigation Procedure, Contract Law, Law of Tort, Employment Law

RECENT SPEAKING ENGAGEMENTS

09/2018 – Group litigation: how to manage the non-legal aspects of your case

11/2017 – UK group litigation: a class of its own

Appendix 2 – Case Pilots CVs



PROFILE

A Microsoft Certified Professional with a wealth of experience designing technical solutions and case management databases for mass claim administration in the UK and Europe.

Clinton's excellent and innovative technical skills have also been deployed in the development of advertising applications. His combined experience in both sectors is invaluable in designing notice and administration programs that are accessible to class members and drive participation.

CONTACT

Phone:
+44 (0)7962 303971

Website:
www.casepilots.com

Email:
clinton@casepilots.com

CLINTON SMITH

Founder & Chief Executive Officer

Clinton is an accomplished developer with over 15 years' experience designing, developing and maintaining robust technical solutions and workflows to support collective actions – including development of case management applications, information gathering web interfaces, sophisticated quantum calculation programs and document management/review tools.

In addition to providing litigation support services to law firms, Clinton has worked with advertising and marketing executives handling high-through-put applications delivering location-based advertising and reporting. Clinton has also worked with corporate clients and their lawyers analysing extensive, fragmented data sets from various sources in support of multi-party actions.

He has over 5 years' cloud computing knowledge specialising in Microsoft's Azure Platform, with a focus on data protection and security.

SELECTED PROFESSIONAL EXPERIENCE

- Mark McLaren Class Representative Limited v MOL (Europe Africa) Ltd and Others – Competition Appeal Tribunal 1339/7/7/20
- Martin Bryant v Marriott International (UK High Court 19.6 representative action)
- Parker ITR s.r.l Worldwide Settlement (non-US purchasers, predominantly Italy)
- Abdulla & Ors v Birmingham City Council (landmark UK ruling allowing collective Equal Pay claims in the civil courts)
- In re: International Air Transportation Surcharge Antitrust Litigation (Case No. M:06-CV-01793-CRB) - BA / Virgin Air Passenger Price Fixing Litigation (£73.5m settlement for the UK class)
- Emerald Supplies Ltd and others v British Airways plc [2017] EWHC 2420, Air Cargo competition claims (UK)
- Equilib Netherlands B.V. v Koninklijke Luchtvaartmaatschappij N.V, Martinair Holland N.V and others, Air Cargo competition claims (the Netherlands)
- UNISON member part time pension claims (UK)

Appendix 2 – Case Pilots CVs

CREDENTIALS

University of East London: Bachelor of Arts – BA, European Studies with French, 2.1

Microsoft Certified Professional: C# Web Development

Microsoft Dynamics 365 CRM – Customisation and Configuration, Customer Engagement Online Deployment

Proclaim Management Software – Technical Level 4

Appendix 3 – Media Zoo CVs



MARK KILLICK

Co-Founder and Creative Director

Mark is the Co-Founder and Creative Director of Media Zoo, a creative communications agency in London that was founded in 2003. Mark has over 35 years experience in PR and journalism working for some of the UK's most respected outlets, from the FT to the BBC, and has also published two books, both of which were serialised.

SELECTED PROFESSIONAL EXPERIENCE

Co-Founder & Creative Director of Media Zoo

Media Zoo is one of London's leading Film, PR and Online Learning companies employing over 100 multi-media professionals with offices in England, Scotland, Switzerland, USA and Hong Kong. The company has won over 100 awards in the last five year and was named as the UK fastest growing communications agency in 2019 and featured in the Sunday Times Top Track list of the UK fastest growing companies in 2020.

Creative Director, BBC TV

Mark set up and ran the BBC's consumer group of prime-time TV shows for five years including Watchdog, Rogue Traders and UK's Worst. When he left the BBC, all three were listed in the factual top twenty of most watched shows.

Editor, BBC Watchdog & Weekend Watchdog

Mark was bought in to beef up the consumer flagship's journalism and to arrest its ratings slide. When he left, Watchdog had regained its position as the most watched consumer show on British television.

Senior Reporter / Producer BBC Panorama

Mark worked on Panorama for eight years and produced numerous headline grabbing programmes. Mark won the programme both the Royal Television Society award for Best Current Affairs programme and the Broadcasting Press Guild award for best single documentary.

Print Journalism

Mark has worked for numerous national newspapers including the Financial Times, The Sunday Times and the Independent.

Appendix 3 – Media Zoo CVs



EMILY NORTHCOTT

Account Director

Emily is an Account Director specialising in consumer media at Media Zoo. Emily has almost 10 years experience in communications and public relations including running the press office for the longest-running jury hearing in British legal history during her time at the Hillsborough Inquests Secretariat. She has also worked in the public sector for a major police investigation. Emily's agency experience spans big name clients including Getty Images, Global Outdoor, Crabbies Ginger Beer, Celebrity Cruises, INEOS and Travis Perkins.

SELECTED RELEVANT EXPERIENCE

Account Director - Media Zoo

Key clients:

- INEOS
- The Daily Mile
- Tandem Bank
- Globe Invest
- Party Casino

Junior Account Manager - Democracy PR

Key clients:

- Carwow
- Travis Perkins
- Crabbie's Ginger Beer
- Zip World

Senior Communications Officer - Operation Resolve

Key responsibilities:

- Stakeholder engagement
- Family Liaison
- Dissemination of key facts around the case
- Court attendance for internal and external reporting purposes

Communications Officer - Hillsborough Inquests Secretariat

Key responsibilities:

- Media liaison: publication of evidence, breaches of protocol, contempt of court warnings, distributing files
- Daily publication of transcripts and evidence on to the website and weekly witness list creation and publication
- Control over social media
- Implementing appropriate media protocol
- Press briefings

Appendix 4 – Indicative Notice Schedule

PRE-CPO STAGE

	Formal Notice	Website	PR	Social Media	Google Ads	Charity & consumer advice group engagement	Paid Media
Week 1	Claim Filed with CAT Notice Claim Filed with CAT Notice	Launch and update to reflect claim has been filed with option to register interest	Pitch broadcast interviews and distribute press release	Facebook/ Twitter ORGANIC		Identification of suitable charity and consumer advice groups	
Week 2			Follow up with journalists	Facebook/ Twitter ORGANIC		Reach out to suitable charity and consumer advice groups for potential partnerships	
Week 3				Facebook/ Twitter ORGANIC			
Week 4		Update with summary of case from Tribunal Website		Facebook/ Twitter ORGANIC			
Week 5			Pitch broadcast interviews and distribute press release	Facebook/ Twitter ORGANIC			
Week 6			Follow up with journalists	Facebook/ Twitter ORGANIC			
Weeks 7-#		Continue to update with any further developments in the proceedings and update FAQ in response to queries received					
After first CMC	Application and Hearing Notice	Update with Application and Hearing Notice	Pitch broadcast interviews and distribute press release				
Weeks #-#		Update with any stay information	Follow up with journalists				

Appendix 4 – Indicative Notice Schedule

CPO STAGE

	Formal Notice	Website	PR	Social Media	Google Ads	Charity & consumer advice group engagement	Paid Media
Week 1	CPO Approval Hearing Notice	Update to reflect CPO and CPO Notice. Update FAQs.	Press release distribution and broadcast interview pitching	Facebook/ Twitter ORGANIC & PAID	Explore Google Ads opportunities	Liaising with suitable charity and consumer advice groups	Explore national advertisement possibilities
Week 2			Follow up with journalists	Facebook/ Twitter ORGANIC & PAID			Explore regional advertisement opportunities
Week 3				Facebook/ Twitter ORGANIC & PAID			Explore online advertisement opportunities
Week 4				Facebook/ Twitter ORGANIC & PAID			
Week 5				Facebook/ Twitter ORGANIC & PAID			
Week 6				Facebook/ Twitter ORGANIC & PAID			
Weeks 7-#				Facebook/ Twitter ORGANIC & PAID			
	Notice on Tribunal Judgement	Update to reflect tribunal judgement. Update FAQs.	Press release distribution and broadcast interview pitching	Facebook/ Twitter ORGANIC & PAID			
Weeks #-#			Follow up with journalists	Facebook/ Twitter ORGANIC & PAID			
			Press release distribution and broadcast interview pitching	Facebook/ Twitter ORGANIC & PAID			
Weeks #-#			Follow up with journalists	Facebook/ Twitter ORGANIC & PAID			

Appendix 4 – Indicative Notice Schedule

CPO STAGE

	Formal Notice	Website	PR	Social Media	Google Ads	Charity & consumer advice group engagement	Paid Media
			Follow up with journalists	Facebook/ Twitter ORGANIC & PAID			
Weeks #-#			Follow up with journalists	Facebook/ Twitter ORGANIC & PAID			
	Tribunal CPO Judgement Notice	Update to reflect tribunal CPO judgement. Update FAQs	Press release distribution and broadcast interview pitching	Facebook/ Twitter ORGANIC & PAID			
Weeks #-#			Follow up with journalists	Facebook/ Twitter ORGANIC & PAID			
	Second CMC Notice	Update with further material relating to the proceedings	Press release distribution and broadcast interview pitching	Facebook/ Twitter ORGANIC & PAID			
Weeks #-#			Follow up with journalists	Facebook/ Twitter ORGANIC & PAID			
	Third CMC Notice	Update with further material relating to the proceedings	Press release distribution and broadcast interview pitching	Facebook/ Twitter ORGANIC & PAID			
Weeks #-#			Follow up with journalists	Facebook/ Twitter ORGANIC & PAID			
	Tribunal Judgement Notice	Update to reflect tribunal judgement. Update FAQs	Follow up with journalists	Facebook/ Twitter ORGANIC & PAID			
Weeks #-#			Follow up with journalists	Facebook/ Twitter ORGANIC & PAID			

Appendix 4 – Indicative Notice Schedule

DISTRIBUTION PHASE

	Formal Notice	Website	PR	Social Media	Google Ads	Charity & consumer advice group engagement	Paid Media
Week 1	CMC Distribution Notice	Update with further material relating to the proceedings	Press release distribution and broadcast interview pitching	Facebook/ Twitter	Explore Google Ads opportunities	Liaising with suitable charity and consumer advice groups	Explore ATL National advertisement possibilities including OOH advertising
Week 2			Follow up with journalists	Facebook/ Twitter			Explore broadcast partnership opportunities
Week 3				Facebook/ Twitter			Explore regional advertisement opportunities
Week 4				Facebook/ Twitter			Explore online advertisement opportunities
Week 5				Facebook/ Twitter			
Week 6				Facebook/ Twitter			
Weeks 7-#				Facebook/ Twitter			
	Hearing on Distribution Notice	Update with further material relating to the proceedings	Press release distribution and broadcast interview pitching	Facebook/ Twitter			
Weeks #-#			Follow up with journalists	Facebook/ Twitter			
	Judgement on Distribution Notice	Update to reflect judgement on distribution. Update FAQs	Press release distribution and broadcast interview pitching	Facebook/ Twitter			
Weeks #-#	Distribution of Damages Notice	Update to reflect procedure on distribution. Update FAQs	Follow up with journalists	Facebook/ Twitter			

Appendix 5(a) – Draft CPO Application and Hearing Notice

NOTICE OF THE COLLECTIVE PROCEEDINGS APPLICATION AND HEARING:

This is a legal notice that has been issued at the direction of the Competition Appeal Tribunal

In Case No 0000/0/0/21

IF YOU HAD A RESIDENTIAL LANDLINE ('HOME PHONE') SERVICE FROM BT ANY TIME FROM OCTOBER 2015 TO DATE, YOU COULD BENEFIT FROM A PROPOSED COLLECTIVE ACTION.

HEARING DATE: [DATE]

- This notice contains information about the proposed collective action and steps you can take.
- The proposed collective action has been filed on behalf of certain people who had a residential landline service from BT in the UK between October 2015 and now, who may have a claim against BT for compensation.
- The proposed collective action relies on a review in 2017 by Ofcom, the UK's telecoms regulator, which found that BT had overcharged some of their residential landline customers.
- The proposed collection action has been brought by Justin Le Patourel, a former Ofcom employee, seeking compensation for BT customers who were overcharged for their landline service as a result of BT's breach of the law.
- If you are one of these people, and you lived in the UK on [insert date], then you are a class member which means you will be automatically included in Mr Le Patourel's claim and will be bound by the Tribunal's judgment deciding the outcome of the case, unless you chose to opt out. If you are one of these people but did not live in the UK on that date, then you will only become a class member and be bound by the outcome if you chose to opt in.

- **A hearing has been set for [insert date]** to decide whether Mr Le Patourel's proposed collective action should proceed. The hearing will take place at the Competition Appeal Tribunal.
- To read more about the Competition Appeal Tribunal and/or the proposed collective action, visit www.callclaim.co.uk or www.catribunal.org.uk.

A SUMMARY OF YOUR RIGHTS AND CHOICES:

Please read this notice carefully.

Your legal rights may be affected whether you act or you don't act.

YOU MAY	YOUR LEGAL RIGHTS AND CHOICES EXPLAINED	DEADLINE
Object to the application or the class representative	Any person with an interest (including any proposed class member) may object to the Collective Proceedings Order application or the authorisation of Justin Le Patourel as the class representative. For further information on how to do this, see section 11 below.	[Date]
Apply to make oral or written submissions to the tribunal	Any proposed class member may ask to make submissions to the Competition Appeal Tribunal (either verbally or in writing) at the hearing. Any third party with a legitimate interest may also ask to make submissions to the Competition Appeal Tribunal (either verbally or in writing) at the hearing	[Date]

Further details on how to sign up for updates, object or apply to make submissions are available at www.callclaim.co.uk. You may also call the freephone number 0333 212 1617 to receive more information.

Appendix 5(a) – Draft CPO Application and Hearing Notice

GENERAL INFORMATION

1. WHY HAS THIS NOTICE BEEN ISSUED?

The Competition Appeal Tribunal has directed that this notice be issued by Mr Le Patourel following his application for a Collective Proceedings Order made on [date]. The Order requests this claim to proceed as a collective action on behalf of all eligible BT customers.

The Competition Appeal Tribunal is being asked to:

- Approve the claim as suitable to proceed as a collective action on behalf of all eligible BT customers;

And

- Approve Mr Le Patourel to act as the class representative.

To read the full Order, visit www.callclaim.co.uk.

The purpose of this notice is to inform you of important legal rights you have related to Mr Le Patourel's application – in particular, the right to object to the Collective Proceedings Order or object to Mr Le Patourel acting as the class representative. This notice explains what the claim is about, who is included, your right to object, what action you need to take (if any) and the deadlines that apply.

Please read this notice carefully.

2. WHAT IS A COLLECTIVE ACTION?

A law called the Consumer Rights Act 2015 allows for a class representative to bring a collective claim on behalf of a group of individuals who are alleged to have suffered a common loss. Individuals within the group are known as “class members”. Class members do not each need to bring an individual claim to obtain compensation for their loss. Instead, they may all receive compensation through a single collective claim brought on their behalf by the class representative.

The class representative's duty is to act fairly and adequately in the interests of all of the consumers who are part of the class of affected people.

3. WHO IS THE PROPOSED COLLECTIVE ACTION AGAINST?

This Claim is against BT Group Plc (“BT”).

4. WHAT IS THIS PROPOSED COLLECTIVE ACTION ABOUT?

CALL is the Collective Action on Land Lines. CALL is led by the proposed class representative, Mr Justin Le Patourel. CALL is seeking compensation from BT on behalf of 2.3 million residential landline (‘home phone’) customers who were overcharged between October 2015 and now.

3. WHY HAS THIS CLAIM BEEN BROUGHT?

Mr Le Patourel applied for this proposed collective action following a review in 2017 by Ofcom, the UK's telecoms regulator, which found that BT had overcharged residential customers who purchased a BT landline service and either did not also take a broadband service (Landline-Only Customers) or did take broadband, but did not ‘bundle’ this with their landline in a single, discounted package (Unbundled Customers). This overcharging had gone on since at least 2009.

Ofcom believed BT was able to overcharge in this way because it had a position of power in the telecoms market. In addition, BT knew that few of its Landline-Only Customers and Unbundled Customers, many of whom are older and/or vulnerable, were likely to switch away.

As a result, Ofcom said BT should reduce its charges for its Landline-Only Customers. In April 2018, BT reduced these charges by £7 per month (£84 per year). Ofcom is currently running a consultation regarding its intention to continue to limit the prices BT can charge its Landline-Only Customers for their landlines.

Appendix 5(a) – Draft CPO Application and Hearing Notice

Importantly however, BT did not offer to compensate either:

1. Landline-Only Customers for the excessive prices they had paid from 2009 to April 2018; or
2. Unbundled Customers (and certain Landline-Only Customers that use their landline for business purposes), who we believe are still being overcharged today.

6. WHO IS THE PROPOSED CLASS REPRESENTATIVE?

The proposed class representative is Mr Justin Le Patourel, a former Ofcom employee. During his career, Mr L Patourel has worked to help consumers get good deals from their telecoms providers and make it easier for them to switch provider when they're unhappy or want to take advantage of a better deal elsewhere.

As class representative, Mr Le Patourel's job is to lead the collective action and act fairly and adequately in the interest of the class members. He will instruct the lawyers and experts, make decisions on the conduct of the claim and, in particular, will decide whether to present any offer of settlement to the Tribunal for its approval.

Mr Le Patourel is responsible for communicating with affected BT customers and for issuing formal notices, such as this notice.

He is supported by his legal team which is led by Mishcon de Reya. Mishcon de Reya is one of the UK's leading law firms with significant experience of bringing group actions and complex competition law litigation. You will not be charged for any legal (or other) fees.

7. WHO IS "THE CLASS" IN THIS CLAIM AND THE EXCEPTIONS?

Who?	Which telecoms service did I take?	When?	Exceptions
BT residential customers	1. Landline-Only Customers Customers who had a BT landline service but did not receive a broadband service (from BT or any other provider)	Any time between Oct 2015 - Apr 2018 (Oct 2015 - today for certain business customers)	<ul style="list-style-type: none"> • Certain BT business customers (see "What if I used my landline for my business?" below) • BT Basic or BT Home Phone Saver customers • Customers in the Hull area
	2. 'Unbundled Customers Customers who had a BT landline service and also a broadband service (from BT or any other provider), but where those services were not packaged together as part of a landline/broadband bundle	Any time between Oct 2015 - today	

The proposed class representative is Mr Justin Le If you were a Landline-Only Customer or an Unbundled Customer during the relevant periods and none of the exceptions listed apply to you, then in legal terms you are known as a 'Class Member'.

If you are not sure what type of account or service you have or had, we suggest that you call BT on 0800 800 150 (or +44 150 174 7714 from outside the UK) for confirmation.

Remember, our claim does not include:

- a. Customers who used a BT landline service aimed at business users.
- b. Customers who took BT Basic or BT Home Phone Saver (as BT priced these products separately).
- c. Individuals living in the Hull area (as BT does not provide telecom services here).
- d. BT's overcharging prior to October 2015 (as the legal process in the UK does not allow for claims prior to this date)

Appendix 5(a) – Draft CPO Application and Hearing Notice

8. WHAT IF I USED MY LANDLINE FOR MY BUSINESS?

If at any time from October 2015 to today you used a BT landline service aimed at residential users for business purposes, you are still included in the claim.

However, if you used a BT landline service aimed at business users, unfortunately you are excluded from our claim.

If you used a BT landline service aimed at residential users for business purposes, and you are a Landline-Only Customer, then the period in which you need to have been a subscriber is extended. Customers in this category are in the class if they were a subscriber at any time between October 2015 and now.

If you are not sure what type of service you have or had, we suggest that you call BT on 0800 800 150 (or +44 150 174 7714 from outside the UK) for confirmation.

9. HOW IS THIS PROPOSED COLLECTIVE ACTION BEING PAID FOR?

Harbour Litigation Funding ('Harbour') – one of the world's leading litigation funders – has agreed to fund the claim in full. As a result, there is nothing for affected BT customers to pay even if the case does not win.

If the claim is successful, the class representative will seek permission from the Competition Appeal Tribunal for Harbour to be remunerated out of any unclaimed compensation, to reflect the investment it has made to help bring the case to court. Importantly, this means Harbour's remuneration will not have any impact on the amount of compensation that each affected customer is entitled to.

Harbour will seek to recover its legal costs directly from BT.

10. WHAT IS THE COMPETITION APPEAL TRIBUNAL?

The Competition Appeal Tribunal is a specialist court based in London that covers the whole of the UK and hears disputes such as these. The Tribunal publishes its Rules and Guidance, together with information about what it does, on its website www.catribunal.org.uk. A summary of this claim can be found on the Tribunal's website.

HOW TO OBJECT TO THE APPLICATION OR THE CLASS REPRESENTATIVE

11. CAN I OBJECT AND WHAT CAN I OBJECT TO?

Any person with an interest (including any proposed class member) may object to the Collective Proceedings Order application or the authorisation of Justin Le Patourel as the class representative.

If you wish to file an objection, you must write to the Tribunal stating your reasons for objecting and send it by post, or fax, **so it is received by no later than [date]** to the following address:

The Registrar
Competition Appeal Tribunal
Salisbury Square House
8 Salisbury Square
London ECC4Y 8AP
Fax: 020 7979 7978

When writing to the Tribunal you must include reference to **"Proposed collective claim (Justin Le Patourel) against BT Group Plc, Case No. 0000/0/0/21"**.

Appendix 5(a) – Draft CPO Application and Hearing Notice

DEADLINE TO OBJECT: [Date]

Any proposed class member may ask to make submissions to the Competition Appeal Tribunal (either verbally or in writing) at the hearing of the application for a Collective Proceedings Order, in addition to making written objections.

Any third party with a legitimate interest who is not a proposed class member may also ask to make submissions to the Competition Appeal Tribunal (either verbally or in writing) at the hearing of the application for a Collective Proceedings Order, in addition to making written objections.

Any such request to make submissions must be sent to the Tribunal in writing to the address above, supported by reasons.

DEADLINE TO REQUEST TO MAKE SUBMISSIONS AT THE HEARING: [Date]

WOULD LIKE MORE INFORMATION?

12. HOW CAN I STAY UPDATED ON THE PROGRESS OF THE CLAIM?

There are a number of ways that you can receive updates:

- You can visit www.callclaim.co.uk and register
- You can call 0333 212 1617 and provide your contact details
- You can follow our social media channels [\[insert details\]](#)

13. HOW CAN I GET MORE INFORMATION?

This notice summarises the Application for a Collective Proceedings Order. To read the full Application and see other information about the claim, visit www.callclaim.co.uk.

Appendix 5(b) – Draft CPO Notice

NOTICE OF THE COLLECTIVE PROCEEDINGS ORDER:

This is a legal notice that has been issued at the direction of the Competition Appeal Tribunal

In Case No 0000/0/0/21

IF YOU HAD A RESIDENTIAL LANDLINE ('HOME PHONE') SERVICE FROM BT ANY TIME FROM OCTOBER 2015 TO DATE, YOUR RIGHTS MAY BE AFFECTED BY A COLLECTIVE ACTION.

- This notice contains information about the collective action that may affect you.
- The collective action has been filed on behalf of certain people who had a residential landline service from BT in the UK between October 2015 and now, who may have a claim against BT for compensation.
- At this stage, it is important that you understand your legal rights related to this claim. Your legal rights may be affected by this action whether you act or you don't act, so please read this notice carefully for information about your rights and the deadlines to act.
- This notice explains what the collective action is about, who might be eligible to receive a payment, your rights as an affected customer of BT, what action you need to take (if any), and the deadlines that apply.
- To read the Competition Appeal Tribunal's full Collective Proceedings Order which allows the collective action to go ahead, visit www.callclaim.co.uk.

SUMMARY OF NOTICE

This notice contains information about a court case that may affect you. Your legal rights may be affected whether you act or you don't act, so please read this notice carefully.

The Competition Appeal Tribunal (the "Tribunal") has made a collective proceedings order authorising Mr Justin Le Patourel, to proceed with a collective action against BT Group Plc ("BT"). The terms of the collective proceedings order are set out later in this notice. In a

collective action, a claim is brought by a representative (called a class representative) on behalf of a large number of individuals who group together to seek compensation for their losses. Together the group of people make up a class.

In these collective proceedings, Mr Le Patourel has been appointed to act as the class representative for certain people who had a residential landline ('home phone') service from BT in the UK at any time between October 2015 and now (please see paragraph 7 of the General Information section of this notice for further details), who may have a claim against BT for compensation.

If you are one of these people, and you lived in the UK on [insert date], then you are a class member and will be bound by the Tribunal's judgment deciding the outcome of the case, unless you opt out. If you are one of these people but did not live in the UK on that date, then you will only become a class member and be bound by the outcome if you choose to opt in.

This collective action has been brought on the basis that BT has abused a position of dominance and charged its customers excessive prices for the landline services, in breach of the Competition Act 1998. The action brought by Mr Le Patourel is about seeking compensation for BT customers who were overcharged for their landline services as a result of BT's breach of the law.

If the case results in a judgment against BT or a settlement, members of the class may be eligible to receive compensation. If compensation becomes available, details on how to get it and how it will be calculated will be provided at that time. Whatever the outcome of the case, class members will not have to pay anything.

It will be for the Tribunal to decide whether BT has overcharged class members and if so, by how much. Unless you opt out, if the Tribunal makes a judgment on these issues you will be bound by it and the amount of compensation that you are entitled to will be limited to what the Tribunal decides, and no more. If the Tribunal decides that class members are not entitled to any compensation, and you have not chosen to opt out, then you will not be able to seek compensation from BT by any other route.

Therefore, you may want to opt out if you would prefer to bring a separate claim against BT to seek compensation for the overcharges.

Appendix 5(b) – Draft CPO Notice

A SUMMARY OF YOUR RIGHTS AND CHOICES:

Please read this notice carefully.

Your legal rights may be affected whether you act or you don't act.

YOU MAY	YOUR LEGAL RIGHTS AND CHOICES EXPLAINED	DEADLINE
<p>Do nothing and remain in the collective action</p>	<p>You do not need to do anything if you were living in the UK on [domicile date] and you:</p> <p>Had a BT landline service at any time between October 2015 and April 2018*, but did not receive a broadband service (from BT or any other provider) - Landline-Only Customers¹</p> <p>or</p> <p>Had a BT landline service and also a broadband service (from BT or any other provider), at any time between October 2015 and today, but these services were not packaged together as part of a landline/broadband bundle - Unbundled Customers²</p> <p>*Note: different dates apply if you are a Landline-Only Customer who used your landline for business purposes. Please see below FAQs for further information.</p> <p>You are excluded if you are a:</p> <ul style="list-style-type: none"> • BT customer who took a landline service aimed at business users • BT Basic or BT Home Phone Saver customer • Any individual living in the Hull area as this area is supplied by KCOM Group Limited and not BT <p>By doing nothing at this time, you will be included in the collective action and may benefit from any eventual money/compensation which results from this collective action. You will not be liable for any costs.</p> <p>However, you will also give up the right to make your own claim against BT in respect of the legal claims in this collective action and you agree to be bound by judgments issued by the Tribunal in this case.</p> <p>Although you do not need to contact us to be included in the action, we recommend that you get in touch to provide your contact details so that we can keep you informed about the progress of the case.</p>	<p>None</p>

1 Also known as "Voice Only Customers"

2 Also known as "Split Purchase Customers"

Appendix 5(b) – Draft CPO Notice

YOU MAY	YOUR LEGAL RIGHTS AND CHOICES EXPLAINED	DEADLINE
<p>Opt Out of the collective action</p>	<p>If you were living in the UK on [domicile date] and you:</p> <p>Had a BT landline service at any time between October 2015 and April 2018*, but did not receive a broadband service (from BT or any other provider) - Landline-Only Customers</p> <p>or</p> <p>Had a BT landline service and also a broadband service (from BT or any other provider), at any time between October 2015 and today, but these services were not packaged together as part of a landline/broadband bundle - Unbundled Customers</p> <p>*Note: different dates apply if you are a Landline-Only Customer who used your landline for business purposes. Please see below FAQs for further information.</p> <p>You are excluded if you are a:</p> <ul style="list-style-type: none"> • BT customer who took a landline service aimed at business users • BT Basic or BT Home Phone Saver customer • Any individual living in the Hull area as this area is supplied by KCOM Group Limited and not BT <p>Then you have the right to request to be excluded from the claim (to decide to “opt out”). By opting out you keep the right to make your own separate claim against BT, but you will not be able to claim a share of any money that becomes available as a result of this collective action.</p> <p>Requests to optout must be received by [insert date].</p>	<p>[Date]</p>
<p>Opt In to the Claim</p>	<p>If you were living outside of the UK on [domicile date] and you:</p> <p>Had a BT landline service at any time between October 2015 and April 2018*, but did not receive a broadband service (from BT or any other provider) - Landline-Only Customers</p> <p>or</p> <p>Had a BT landline service and also a broadband service (from BT or any other provider), at any time between October 2015 and today, but these services were not packaged together as part of a landline/broadband bundle - Unbundled Customers</p> <p>*Note: different dates apply if you are a Landline-Only Customer who used your landline for business purposes. Please see below FAQs for further information.</p> <p>You are excluded if you are a:</p> <p>BT customer who took a landline service aimed at business users BT Basic or BT Home Phone Saver customer Any individual living in the Hull area as this area is supplied by KCOM Group Limited and not BT</p> <p>Then you must take steps if you want to be included in the claim (i.e. elect to “opt in”). You are NOT automatically included. You can complete an Opt-In Form by visiting www.callclaim.co.uk or by calling the freephone number 0333 212 1617 to receive more information. Requests to opt in must be received by [insert date].</p> <p>If you opt in then you will be in the same position as those class members who live in the UK and are part of the class.</p>	<p>[Date]</p>

Details on how to sign up for updates, opt in or opt out are available at www.callclaim.co.uk. You may also call the freephone number 0333 212 1617 to receive more information.

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GENERAL INFORMATION

1. WHY HAS THIS NOTICE BEEN ISSUED?

The Competition Appeal Tribunal has directed that this notice be issued by the class representative (Mr Justin Le Patourel) following a Collective Proceedings Order made on [date]. The Order allows this claim to proceed as a collective action on behalf of eligible BT customers. To read the full Order, visit www.callclaim.co.uk.

The purpose of this notice is to inform you of important legal rights you have related to this collective action. Exercising these rights could affect your ability to get a payment in the future if the case is won and money becomes available. This notice explains what the claim is about, who might be eligible to receive a payment, your rights, what action you need to take (if any) and the deadlines that apply.

Please read this notice carefully as your decisions about this claim will have legal consequences.

2. WHAT IS A COLLECTIVE ACTION?

A law called the Consumer Rights Act 2015 allows for a class representative to bring a collective claim on behalf of a group of individuals who are alleged to have suffered a common loss. Individuals within the group are known as “class members”. Class members do not each need to bring an individual claim to obtain compensation for their loss. Instead, they may all receive compensation through a single collective claim brought on their behalf by the class representative.

The class representative’s duty is to act fairly and adequately in the interests of all of the consumers who are part of the class of affected people.

3. WHO IS THE COLLECTIVE ACTION AGAINST?

This Claim is against BT Group Plc (“BT”).

4. WHAT IS THIS COLLECTIVE ACTION ABOUT?

CALL is the Collective Action on Land Lines. CALL is led by the class representative, Mr Justin Le Patourel. CALL is seeking compensation from BT on behalf of 2.3 million residential landline (‘home phone’) customers who were overcharged between October 2015 and now.

5. WHY HAS THIS CLAIM BEEN BROUGHT?

The claim has been brought by Justin Le Patourel, a former Ofcom employee, who the Tribunal has authorised to act as the “Class Representative”, having been satisfied that he will act in the best interests of the group of affected customers and has the relevant skills, experience and financial capability to do so.

Mr Le Patourel applied for this collective action following a review in 2017 by Ofcom, the UK’s telecom’s regulator, which found that BT had overcharged residential customers who purchased a BT landline service and either did not also take a broadband service (Landline-Only Customers) or did take broadband, but did not ‘bundle’ this with their landline in a single, discounted package (Unbundled Customers). This overcharging had gone on since at least 2009.

Ofcom believed BT was able to overcharge in this way because it had a position of power in the telecoms market. In addition, BT knew that few of its Landline-Only Customers and Unbundled Customers, many of whom are older and/or vulnerable, were likely to switch away.

As a result, Ofcom said BT should reduce its charges for its Landline-Only Customers. In April 2018, BT reduced these charges by £7 per month (£84 per year). Ofcom is currently running a consultation regarding its intention to continue to limit the prices BT can charge its Landline-Only Customers for their landlines.

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Importantly however, BT did not offer to compensate either:

- Landline-Only Customers for the excessive prices they had paid from 2009 to April 2018; or
- Unbundled Customers (and certain Landline-Only Customers that use their landline for business purposes), who we believe are still being overcharged today.

The role of CALL – led by Justin Le Patourel – is to seek compensation for all consumers who were overcharged by BT (except those who opt out). Justin will instruct the lawyers and experts, make decisions on the conduct of the claim and, in particular, will decide whether to present any offer of settlement to the Tribunal for its approval.

Throughout the claim, CALL – on behalf of Justin Le Patourel – is responsible for communicating with affected consumers and for issuing formal notices, such as this notice. CALL will post updates about the claim on the website www.callclaim.co.uk.

6. WHO IS THE CLASS REPRESENTATIVE?

The class representative is Mr Justin Le Patourel. During his career, Justin has worked to help consumers get good deals from their telecoms providers and make it easier for them to switch provider when they're unhappy or want to take advantage of a better deal elsewhere.

As class representative, Mr Le Patourel's job is to lead the collective action and act fairly and adequately in the interest of the class members.

Justin is supported by his legal team which is led by Mishcon de Reya. Mishcon de Reya is one of the UK's leading law firms with significant experience of bringing group actions and complex competition law litigation. You will not be charged for any legal (or other) fees.

7. WHO IS “THE CLASS” IN THIS CLAIM AND THE EXCEPTIONS?

This Claim is against BT Group Plc (“BT”).

Who?	Which telecoms service did I take?	When?	Exceptions
BT residential customers	1. Landline-Only Customers Customers who had a BT landline service but did not receive a broadband service (from BT or any other provider)	Any time between Oct 2015 - Apr 2018 (Oct 2015 - today for certain business customers)	<ul style="list-style-type: none"> • Certain BT business customers (see “What if I used my landline for my business?” below) • BT Basic or BT Home Phone Saver customers • Customers in the Hull area
	2. ‘Unbundled Customers Customers who had a BT landline service and also a broadband service (from BT or any other provider), but where those services were not packaged together as part of a landline/broadband bundle	Any time between Oct 2015 - today	

8. WHAT IF I USED MY LANDLINE FOR MY BUSINESS?

If at any time from October 2015 to today you used a BT landline service aimed at residential users for business purposes, you are still included in the claim. However, if you used a BT landline service aimed at business users, unfortunately you are excluded from our claim.

If you used a BT landline service aimed at residential users for business purposes, and you are a Landline-Only Customer, then the period in which you need to have been a subscriber is extended. Customers in this category are in the class if they were a subscriber at any time between October 2015 and now.

If you are not sure what type of service you have or had, we suggest that you call BT on 0800 800 150 (or +44 150 174 7714 from outside the UK) for confirmation.

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9. WHAT IS AN OPT-OUT PROCEEDING? WHAT IS THE “DOMICILE DATE”?

The claim is proceeding as an opt-out case. In simple terms, if you were living in the UK on [domicile date] (which is known as the “domicile date”) and you satisfy the class definition, you are included in the class. You do not need to do anything unless you wish to be excluded from the class. This is called ‘opting out’ of the class.

If you were not living in the UK on [domicile date], you satisfy the class definition and you want to participate in this claim, then you must ‘opt into’ the class (see section 16 below on how to do this).

All class members who stay in the class or opt into the class will be bound by any Tribunal judgment. As a class member, you will not be able to bring an individual claim against BT raising the same issues included in this claim.

This notice explains how to opt out or opt into the class.

10. HOW DO I GET A PAYMENT?

No money is available now and there is no guarantee that money will be available in the future. The case will have to be won in the Tribunal unless a settlement can be agreed with BT before it gets to a hearing. This process can take time, so please be patient. We recommend that you sign up for updates on the progress of the case on our website, www.callclaim.co.uk. If, and when, money becomes available, class members will be notified about how to obtain a payment.

11. WHEN WILL THE TRIBUNAL HEAR THE CASE?

The date has not yet been decided. Please sign up to receive updates about the case and you will be notified of any significant developments such as hearings. Details of how to receive updates are set out below. You should also regularly check the case website at: www.callclaim.co.uk for updates.

12. WHAT IS THE COMPETITION APPEAL TRIBUNAL?

The Competition Appeal Tribunal is a specialist court based in London that covers the whole of the UK and hears disputes such as these. The Tribunal publishes its Rules and Guidance, together with information about what it does, on its website www.catribunal.org.uk. A summary of this claim can be found on the Tribunal’s website.

WHO IS IN THE CLASS?

13. WHAT DOES IT MEAN TO BE A CLASS MEMBER?

As a class member, if money becomes available, you will be eligible to receive a payment to compensate you for your loss. You will also be legally bound by all Tribunal judgments with respect to this claim. If a payment becomes available, details on how to receive it and how the amount will be calculated will be provided at that time. These details will not be known and are not known until that time.

You will not be liable for any costs of the claim.

Whether Justin Le Patourel wins money for the class or not, unless you opt out, you will never be able to make your own claim against BT in respect of the claims included in this case.

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14. HOW DO I KNOW IF I'M A CLASS MEMBER?

If you were a Landline-Only Customer or an Unbundled Customer (see definition at question 7) during the relevant periods and none of the exceptions listed apply to you, then in legal terms you are known as a 'Class Member'. Justin Le Patourel is seeking compensation for Class Members.

If you are not sure what type of account or service you have or had, we suggest that you call BT on 0800 800 150 (or +44 150 174 7714 from outside the UK) for confirmation.

Remember, our claim does not include:

- a. Customers who used a BT landline service aimed at business users.
- b. Customers who took BT Basic or BT Home Phone Saver (as BT priced these products separately).
- c. Individuals living in the Hull area (as BT does not provide telecom services here).
- d. BT's overcharging prior to October 2015 (as the legal process in the UK does not allow for claims prior to this date)

Members of different sub-classes may be entitled to different amounts of compensation if the claim succeeds.

HOW TO OPT OUT OR OPT IN

15. I AM AN AFFECTED CONSUMER AND I WANT TO COME OUT OF THE CLASS

If you are an affected consumer and you were living in the UK on [domicile date] and you want to come out of the class, you must take steps to opt out.

Visit www.callclaim.co.uk and complete the Opt-Out Form on the website. On the Opt-Out Form you will be asked to confirm the following statement **"I want to opt out of the collective claim against BT Group Plc, Case No. 0000/0/0/21"** and provide your full name, postal address, email address and telephone number.

If you prefer, you may also opt out by post by sending a letter with the information listed in the previous paragraph. To assist you in submitting an Opt-Out by post, a sample Opt-Out Letter is available at www.callclaim.co.uk. If you would like to be sent a stamped addressed envelope ("SAE") to submit your Opt-Out, please send an email with your postal address to SAE@callclaim.co.uk. Please send your letter to:

CALL Claim Opt-Outs
PO Box XXX
LONDON
XXX XXX

To be considered, your Opt-Out Request must be received or postmarked by [date]. Once your Opt-Out Request is received and processed, we will send you an acknowledgment by email if you have provided an email address, or by post if not.

By opting out, you will not be able to receive a payment from this claim if money becomes available. However, you may be able to bring your own separate claim against BT for the same issues.

IMPORTANT CONSIDERATION: Please note, if you opt out and then wish to bring a claim on your own against BT, you must do so within six months of the date on which you opt out. If you do not file an individual claim against BT within this timeframe, your claim will be time barred (meaning the time permitted for you to bring an individual claim will have passed).

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16. I AM AN AFFECTED CONSUMER NOT LIVING IN THE UK ON [DATE] AND I WANT TO JOIN THE CLASS

We believe there may be small proportion of affected consumers not living in the UK on [date] (even if they were before). If you are one of those, you must take steps to opt into the class if you want to be a part of the claim and be eligible to receive a payment in the future.

Visit www.callclaim.co.uk and complete the Opt-In Form on the website. On the Opt-In Form, you will be asked to provide your full name, postal address, email address and telephone number. You will also be asked to provide information about when you were living in the UK.

If you prefer, you may also opt in by post by sending a letter with the information listed in the previous paragraph. To assist you in submitting an Opt-In by post, a sample Opt-In Letter is available at www.callclaim.co.uk. If you would like to be sent a stamped addressed envelope (“SAE”) to submit your Opt-In, please send an email with your postal address to SAE@callclaim.co.uk. Please send your letter to:

CALL Claim Opt-Outs
PO Box XXX
LONDON
XXX XXX

To be considered, your Opt-In Request must be received or postmarked by [date]. Once your Opt-In Request is received and processed, we will send you an acknowledgement by email if you have provided an email address, or by post if not.

IMPORTANT CONSIDERATION: Please note, if you are an affected consumer not living in the UK on [date] and you decide not to opt in and then subsequently wish to bring a claim on your own, you must do so within six months of [date] or your claim will be time barred (meaning the time permitted for you to bring an individual claim will have passed).

17. WHAT HAPPENS IF I AM AN AFFECTED CONSUMER NOT LIVING IN THE UK ON [DATE] AND I DON'T OPT IN BY [DATE]

Under the rules of the Tribunal, if you are an affected consumer not living in the UK on [date], you are required to submit an Opt-In Request by [date] to be part of the class (see previous question). If you do not opt in by [date] and money later becomes available, the only way for you to be eligible to receive a payment is for the Tribunal to give you permission to opt in at a later date. There is no guarantee this permission will be given so you should opt in by [date] if you want to be eligible to get a payment.

18. HOW CAN I STAY UPDATED ON THE PROGRESS OF THE CLAIM?

There are a number of ways that you can receive updates:

- You can visit www.callclaim.co.uk and register
- You can call 0333 212 1617 and provide your contact details
- You can follow our social media channels [\[insert details\]](#)

If, and when, money becomes available, you will be contacted with information on how to claim your share if you have registered for updates.

19. HOW CAN I GET MORE INFORMATION?

This notice summarises the Collective Proceedings Order. To read the full Order and see other information about the claim, visit www.callclaim.co.uk.

Appendix 6 – Media Targets

Audience Overview

PRINT MEDIA

- **The Daily Mail:** Reach higher among older adults compared to 15 to 34-year-olds. The Daily Mail's main target audience is lower-middle-class British women. As of April 2019, the Daily Mail had a circulation of almost 1.2 million newspapers, the second highest in the United Kingdom (Statista). The average age of the Daily Mail reader is 60, with a 2.3 million daily readership. Ofcom states that 44% of readers are 65+ (Ofcom News Consumption Report).
- **Daily Mail Supplements:** YOU magazine has a 1.6 million weekly readership, with an average reader age of 55. Weekend magazine has a 2.7 million weekly readership, with 60 being the average reader age (Mail Metro website).
- **The Daily Express:** 13% of readers are 65+ (Ofcom News Consumption Report). Print circulation is 537,743, with an average reader age of 59. 64% of readers are 55+. Readership is 1,192,000 (Daily Express Media Pack 2013).
- **The Sunday Express:** Print circulation is 486,147, with a readership of 1,226,000 (Daily Express Media Pack 2013). Average reader age is 58, with 60% aged over 55+.
- **The Mirror:** Reach is higher among adults aged over 35 years than it was among 15 to 34-year-olds. Between July 2018 and June 2019, the Daily Mirror had the third highest reach among men and women in Great Britain in both its print and digital forms (Statista).
- **The Times:** The average print reader age is 52, with a daily audience of 1,194,000 (News UK).
- **The Sunday Times:** Ofcom states that 14% of readers are 65+, the highest ranking alongside the Daily/Sunday Telegraph (Ofcom News Consumption Report). The average age of the Sunday Times print reader is 49 and the average reading time is 58 minutes, the highest in the industry, leading to greater engagement with print advertisements. Daily audience of 2,458,000 (News UK).
- **Sunday Times Supplements:** Most read quality newspaper supplement in the UK with 1.16 million readers (circulation 758,000). The Sunday Times' 12 sections are read for an average of 58 minutes, meaning readers have high engagement with the magazine (News UK).
- **Daily Telegraph:** Readers who are 65+ constitute 58.4% of total readers (Roxhill). The average reader age is 61 (Telegraph Media Pack 2013). 113,000 readers come from a DE social background (NRS). Readership is 1,192,000 (NRS), with 460,813 print and digital subscriptions in April 2020 (Roxhill).
- **Sunday Telegraph:** The average reader age is 58 (Telegraph Media Pack 2013), with a print circulation of 220,000 (Roxhill).
- **The Evening Standard:** 70% have acted upon advertising in the Evening Standard, with a reach of 1,151,000 readers. 63% of readers are male. Print circulation is 512,000 copies. Median age is 41 (ES Media Kit).
- **Manchester Evening News:** Print circulation of 29,613 (ABC).
- **South Wales Echo:** Readership is 50,659, with a print circulation of 16,446. 35% are aged 55+ (Media Wales).
- **The English Home:** AB readers are aged 35–65 years and 91% of them are female, with a total readership of over 250,000. Total circulation is 72,746 (ABC Jan-Dec 2019) (English Home Media Pack, 2021).
- **Reader's Digest:** The average reader is aged 54, with a readership of 210,000. More than 65,000 copies printed every month. Home ownership of readers is 87% (Reader's Digest Media Pack, 2021).
- **Radio Times Magazine:** Average reader age is 57, with a print circulation of 622,000. 1.8 million readers per week and 266,000 subscriptions (Radio Times website).
- **Yours:** Yours is the UK's best-selling fortnightly lifestyle magazine and website targeting women aged 50 and over. The average reader age is 68. 68% are retired and 72% with grandchildren (Yours website).

Appendix 6 – Media Targets

Audience Overview

- **Which?:** Print circulation of 550,000 (Roxhill).
- **SAGA:** The Saga reader is over 50, with a print circulation: 233,746 (SAGA media pack 2019)
- **The Lady:** Print circulation is 25,067 (Roxhill).
- **Candis:** 40-65 year-old core readership, with a readership of 200,000 and 90,686 subscribers (Candis media pack).
- **The People's Friend:** Average reader age is 59, with 53% retired and 80% female. Weekly circulation is 179,640 and weekly readership is 338,000 (The People's Friend Media Pack).
- **The English Home:** 250,000 Average monthly readership, with 18,000 UK subscribers (English Home Media Pack, 2021).
- **Reader's Digest:** An average of 350,000 users read content online every month (40% mobile, 53% desktop, 7% tablet). Over 22,000 subscribers keep up-to-date with the best stories every week via email (Reader's Digest Media Pack, 2021).
- **Radio Times:** 15m Monthly Web Users. Average reader age is 41. 7 out of 10 readers access it via mobile (Radio Times website).
- **Yours:** Online readers are 93% Female (Yours website).
- **Which?:** 3,130,866 online unique users (Similarweb, May 2019).
- **SAGA:** Unique digital users: 325,000 (SAGA media pack 2019).
- **The Lady:** Online unique users: 11,652 (Similarweb, May 2019).
- **Candis:** 31,748 newsletter subscribers and 144,712 page impressions per month. 81% do not read other magazines (Candis media pack).
- **The People's Friend:** Monthly page views is 49,752 and unique monthly users is 9,163 (The People's Friend Media Pack).

ONLINE MEDIA:

- **Mail Online:** Reaches 8.2 million households with children, with 630,000 daily unique users. High amount of female users, with 38% women readers aged 25-54 (Mail Online website).
- **Daily Mile Supplements:** 14,513 unique online users (Similarweb, May 2019).
- **The Daily Express:** 3,156,130 unique visitors, with 9,532,835 page views.
- **The Times:** Web browser readers is 159,096, with an average age of 53. iPad app readers is 73,000, with an average age of 51. iPhone app readers is 17,529, with an average age of 46 (News UK).
- **The Telegraph:** 20,020,000 online users (Source: PAMco / Comscore July 2019). The average reader age of the Telegraph website is 39, the average reader of the Mobile Web is 35 and the average reader of the Telegraph iPad is 50 (Telegraph Media Pack 2013).
- **Evening Standard:** 9.9 million page impressions and 1.7 million unique users (Evening Standard website).
- **Manchester Evening News:** The Manchester Evening News is the most popular regional press website, with an average of 652,881 unique browsers per day (Press Gazette).
- **South Wales Echo:** Online unique users is 1,112,396 (Similarweb, May 2019).

BROADCAST MEDIA:

Divided into TV and radio, including but not limited to:

- **Classic FM:** Core listeners typically range from 35 - 54 years of age. The UK's fourth biggest commercial radio station, with 6.1 million listeners tuning in each week. 59% of listeners are 55+, with 2.4 million unique online users (Classic FM website).
- **Times Radio:** Kait Borsay, late evenings on Times Radio / Aasmah Mir and Stig Abell Times Radio Breakfast. Just launched.

Appendix 6 – Media Targets

Audience Overview

- **Today Programme / Money Box with Paul Lewis on BBC Radio 4:** BBC Radio 4 has 11.55 million adults listening to Radio 4 each week, 21.2% of the population. Radio 4's share of listening is 12.3%, or one in every 8 minutes of all radio consumed. Radio 4 attracts 1.8 million unique browsers to its site each week, the biggest of any BBC Radio station. Of this 1.8m, 68% of these are on mobile or tablet. The average age of the Radio 4 listener is 56 years old and skews towards an older audience. Its target audience of 35-54 ABC1 makes up 24% of the audience (BBC Radio 4 website).
- **The JVS Show on BBC Three Counties:** BBC Three Counties has a weekly audience of 137,000 listeners and a 4.6% share as of December 2018 (RAJAR).
- **The Stephen Nolan Show/ Wake Up to Money on BBC Radio 5:** Share of BBC Radio 5 listening is 5%, with 83% male. 18% of listeners listen every day (BBC Radio 5 website).
- **The Legal Hour with Clive Bull/ The Consumer Hour with Dean Dunham/ Nick Ferrari Breakfast Show on LBC:** LBC reaches 2.3 million every week. LBC is aimed at upmarket, mature, intelligent ABC1 consumers. The average listeners are aged 35-54 and the average LBC listener tunes in for nearly 10 hours every week.
- **This Morning/ Good Morning Britain / Martin Lewis Money Show (ITV):** ITV reaches 38.5m viewers a week – 64% of all TV viewers.
- **Watchdog/ Rip Off Britain on BBC One:** BBC One remains the single most-viewed broadcast channel, attracting 22% of all daily viewing. Over-54s now account for more than half of broadcast TV viewing in the UK, and over 60% of viewing of BBC One (Ofcom's annual report on the BBC).
- **BBC Radio Good Morning Scotland:** Total listeners per week is 767,000, holding a market share of 5.8%. 4,111,000 hours per week is listened (Media Info).
- **The Vanessa Feltz Breakfast Show on London BBC Radio (BBC Local Radio):** BBC Local Radio reaches 15.5% of adults in England, with 2.3 million people tuning in to BBC Local Radio, but no other BBC station (34% of listeners). The majority of the audience for BBC Local Radio is over 50, which is the station's stated target audience. 58% of BBC Local Radio listeners are over 55 (BBC Local Radio website).
- **Talk Radio Business Breakfast with James Maxx:** Talk Radio has 433,000 listeners a week, amounting to a total of 2,495,000 hours listened per week (Media Info).

SOCIAL MEDIA:

- **Facebook:** Facebook is arguably the largest social media platform with two billion users, 1.2 billion of which are active every day (LSE report). As of October 2020, 9.4 percent of global active Facebook users are women between the ages of 18 and 24 years, and male users between the ages of 25 and 34 years constituted the biggest demographic group of Facebook users (Statista).
- **Twitter:** Twitter has around 317 to 328 million active users, of which around 16 million are in the UK. The largest demographic group of Twitter users are between the ages of 18 and 29 (37%). 25% of users are between 30 and 49 years old (LSE report).

Appendix 7 – Media List

NATIONALS

Job Title	Outlet
Senior Broadcast Journalist	BBC News Groups (circulation 1,032,281,608)
Social Affairs Correspondent	BBC News Groups (circulation 1,032,281,608)
News Producer	BBC News Groups (circulation 1,032,281,608)
Education Correspondent	BBC News Groups (circulation 1,032,281,608)
Personal Finance Reporter	BBC News Groups (circulation 1,032,281,608)
Broadcast Journalist	BBC News Groups (circulation 1,032,281,608)
Assignment Editor	BBC News Groups (circulation 1,032,281,608)
Business Reporter	BBC News Groups (circulation 1,032,281,608)
Reporter	BBC News Groups (circulation 1,032,281,608)
Journalist	BBC News Groups (circulation 1,032,281,608)
Journalist	BBC News Groups (circulation 1,032,281,608)
Consumer Affairs Correspondent	BBC News Groups (circulation 1,032,281,608)
Journalist	BBC News Groups (circulation 1,032,281,608)
Editorial Assistant	BBC News Groups (circulation 1,032,281,608)
Communities Reporter	BBC News Groups (circulation 1,032,281,608)
Local Democracy Reporter	BBC News Groups (circulation 1,032,281,608)
BBC Local Democracy Reporter	BBC News Groups (circulation 1,032,281,608)
Social Affairs Correspondent	Daily Express (online circulation 12,700,000)
News Reporter	Daily Express (online circulation 12,700,000)
Business and Consumer Editor	Daily Express, Sunday Express (online circulation 12,700,000)
Deputy Briefings Editor	Daily Mail (online circulation 29,600,000)
Consumer Affairs Editor	Daily Mail (online circulation 29,600,000)
Social Affairs Correspondent	Daily Mail (online circulation 29,600,000)
Editorial Assistant & Staff Journalist	Daily Mail (online circulation 29,600,000)
Chief Reporter	Daily Mirror (online circulation 25,490,000)
Senior Features Writer	Daily Mirror (online circulation 25,490,000)
Personal Finance Correspondent	Daily Mirror (online circulation 25,490,000)
Special Correspondent	Daily Mirror (online circulation 25,490,000)
Reporter	Daily Mirror (online circulation 25,490,000)
Consumer Editor	Daily Mirror (online circulation 25,490,000)
Reporter	Daily Mirror (online circulation 25,490,000)
Associate Editor	Evening Standard (online circulation 26,340,000)
Senior News Reporter	Daily Star (online circulation 7,100,000)
News Reporter & Columnist	Evening Standard (online circulation 26,340,000)
Online Reporter	Evening Standard (online circulation 26,340,000)
Consumer Business Editor	Evening Standard (online circulation 26,340,000)
Showbusiness Reporter	Evening Standard (online circulation 26,340,000)
Contributing Editor & Columnist	Financial Times (online circulation 42,349,397)
UK News Editor	Financial Times (online circulation 42,349,397)
Consumer Editor	LBC, Money Clinic (Financial Times), Financial Times
UK Senior Online News Reporter	Daily Mail (online circulation 29,600,000)
Knowledge and Product Editor	Daily Mail (online circulation 29,600,000)
Money Reporter	Daily Mail (online circulation 29,600,000)
Editor	Mail on Sunday (online circulation 29,600,000)
Deputy Editor	Mail on Sunday (online circulation 29,600,000)

Appendix 7 – Media List

NATIONALS

Job Title	Outlet
Lifestyle Editor	Metro UK (online circulation 19,479,000)
Editor	Metro UK (online circulation 19,479,000)
Deputy News Editor	Metro UK (online circulation 19,479,000)
News Editor	Metro UK (online circulation 19,479,000)
Home Affairs Editor	Scottish Daily Mail (circulation 107,416)
Features Editor	Scottish Daily Mail (circulation 107,416)
Reporter	Scottish Daily Mail (circulation 107,416)
Reporter	Scottish Daily Mail (circulation 107,416)
Editor	Scottish Sunday Express (online circulation 186,189,834)
News Editor	Scottish Sunday Express (online circulation 186,189,834)
News Editor	Sunday Express (online circulation 186,189,834)
Social and Religious Affairs Editor	The Daily Telegraph (online circulation 20,020,000)
Consumer Affairs Editor	The Daily Telegraph, The Sunday Telegraph, Moral Money Podcast (The Daily Telegraph) (online circulation 20,020,000)
Deputy Editor	The Daily Telegraph, The Telegraph Magazine (supplement), Stella (Sunday Telegraph supplement) (online circulation 20,020,000)
Social Affairs Writer	The Guardian (online circulation 25,000,000)
Deputy Editor	The Guardian (online circulation 25,000,000)
Contributing Editor	The Guardian (online circulation 25,000,000)
Public Services Editor	The Guardian (online circulation 25,000,000)
Senior Reporter	The Guardian (online circulation 25,000,000)
Money Editor	The Guardian (online circulation 25,000,000)
Columnist	The Guardian (online circulation 25,000,000)
Data Journalist	The Guardian (online circulation 25,000,000)
Society, Health and Education Policy Editor	The Guardian (online circulation 25,000,000)
Social Affairs Correspondent	The Guardian (online circulation 25,000,000)
Senior Commissioning Editor	The Guardian (online circulation 25,000,000)
Editor	The Guardian (online circulation 25,000,000)
Head of Editorial	The Guardian (online circulation 25,000,000)
Editor	The Guardian (online circulation 25,000,000)
Columnist	The Guardian (online circulation 25,000,000)
Consumer Writer	The Guardian (online circulation 25,000,000)
Commissioning Editor	The Guardian (online circulation 25,000,000)
Freelance Journalist	The Guardian (online circulation 25,000,000)
Global Development Reporter	The Guardian (online circulation 25,000,000)
Staff Writer	The i (online circulation 10,200,000)
Consumer Affairs Correspondent	The i (online circulation 10,200,000)
Digital News Executive	The i (online circulation 10,200,000)
Reporter	The Independent (online circulation 10,200,000)
Contributor	The Independent (online circulation 10,200,000)
Social Affairs Correspondent	The Independent (online circulation 10,200,000)
Senior News Reporter	The Mail on Sunday (online circulation 29,600,000)
Columnist	The Mail on Sunday, Mail Online (online circulation 29,600,000)
Lead Feature Writer	The Observer, The Guardian (online circulation 25,000,000)
Consumer Affairs Correspondent	The Observer, The Guardian (online circulation 25,000,000)
Columnist	The Observer, The Guardian (online circulation 25,000,000)

Appendix 7 – Media List

NATIONALS

Job Title	Outlet
Consumer Affairs Correspondent	The Scotsman, Scotland On Sunday (online circulation 4,000,000)
Digital Consumer Reporter	The Sun (online circulation 110,860,000)
Consumer Editor	The Sun (online circulation 110,860,000)
Columnist	The Sun (online circulation 110,860,000)
Digital Deputy Consumer Editor	The Sun (online circulation 110,860,000)
Senior Digital Consumer Reporter	The Sun (online circulation 110,860,000)
Reporter	The Sun (online circulation 110,860,000)
Digital Consumer Editor	The Sun (online circulation 110,860,000)
Consumer Champion	The Sunday Telegraph, The Daily Telegraph (online circulation 20,020,000)
Social Affairs Correspondent	The Sunday Times (online circulation 94,802)
Consumer Affairs Editor	The Sunday Times (online circulation 94,802)
Consumer Affairs Correspondent	The Times (online circulation 5,570,000)
Commissioning Editor	The Times (online circulation 5,570,000)
Social Affairs Editor	The Times (online circulation 5,570,000)
Senior News Reporter	The Times (online circulation 5,570,000)
Associate Features Editor	The Times (online circulation 5,570,000)
News Editor	City AM (online circulation 1,200,000)
Editor	City AM (online circulation 1,200,000)
Reporter	City AM (online circulation 1,200,000)

NATIONAL SUPPLIMENTS

Job Title	Outlet
Acting Deputy Editor	ES Magazine (circulation 363,000)
Features Director	ES Magazine (circulation 363,000)
Contributing Editor	ES Magazine (circulation 363,000)
Editor	Evening Standard (online circulation 26,340,000)
Features Editor	Evening Standard (online circulation 26,340,000)
Assistant Editor	Fabulous (Sun on Sunday supplement) (circulation 1,052,465)
Newsdesk	Fabulous (Sun on Sunday supplement) (circulation 1,052,465)
Contributing Editor	Fabulous (Sun on Sunday supplement) (circulation 1,052,465)
Digital Editor	Fabulous (Sun on Sunday supplement) (circulation 1,052,465)
Editor	Fabulous (Sun on Sunday supplement) (circulation 1,052,465)
Commissioning Editor	Fabulous (Sun on Sunday supplement) (circulation 1,052,465)
Editorial Assistant	FT How To Spend It (circulation 150,000)
Deputy Editor	FT How To Spend It (circulation 150,000)
Assistant Editor	FT How To Spend It (circulation 150,000)
Editor	FT How To Spend It (circulation 150,000)
Contributing Editor	FT How To Spend It (circulation 150,000)
Contributor	Stella (Sunday Telegraph supplement) (circulation 257,034)
Editor	Stella (Sunday Telegraph supplement) (circulation 257,034)
Deputy Editor	Stella (Sunday Telegraph supplement) (circulation 257,034)
Deputy Editor	Stella (Sunday Telegraph supplement) (circulation 257,034)
Features Journalist	Stella (Sunday Telegraph supplement) (circulation 257,034)

Appendix 7 – Media List

NATIONAL SUPPLIMENTS

Job Title	Outlet
Chief Sub-Editor	Stella (Sunday Telegraph supplement) (circulation 257,034)
Assistant Editor	The Observer Magazine (supplement) (circulation 165,868)
Editor	The Observer Magazine (supplement) (circulation 165,868)
Newsdesk	The Observer Magazine (supplement) (circulation 165,868)
Deputy Editor	The Observer Magazine (supplement) (circulation 165,868)
Newsdesk	The Observer Magazine (supplement) (circulation 165,868)
Contributor	The Observer Magazine (supplement) (circulation 165,868)
Editor	The Observer Magazine (supplement) (circulation 165,868)
Columnist	The Observer Magazine (supplement) (circulation 165,868)
Features Writer	The Observer Magazine (supplement) (circulation 165,868)
Reporter	The Observer Magazine (supplement) (circulation 165,868)
Digital Writer	Fabulous (Sun on Sunday supplement) (circulation 1,052,465)
Deputy Editor	Fabulous (Sun on Sunday supplement) (circulation 1,052,465)
Deputy Editor	Fabulous (Sun on Sunday supplement) (circulation 1,052,465)
Digital Editor	The Sunday Times Magazine (supplement) (circulation 727,079)
Editor	The Sunday Times Magazine (supplement) (circulation 727,079)
Deputy Editor	The Sunday Times Magazine (supplement) (circulation 727,079)
Commissioning Editor	The Sunday Times Magazine (supplement) (circulation 727,079)
Newsdesk	The Sunday Times Magazine (supplement) (circulation 727,079)
Newsdesk	The Sunday Times Magazine (supplement) (circulation 727,079)
Feature Writer / Columnist	The Sunday Times Magazine (supplement) (circulation 727,079)
Newsdesk	The Telegraph Magazine (supplement) (circulation 400,000)
Newsdesk	The Telegraph Magazine (supplement) (circulation 400,000)
Deputy Editor	The Telegraph Magazine (supplement) (circulation 400,000)
Features Editor	The Telegraph Magazine (supplement) (circulation 400,000)
Associate Editor	The Telegraph Magazine (supplement) (circulation 400,000)
Digital Editor	You Magazine (Mail on Sunday supplement) (circulation 978,062)

BUSINESS / FINANCE NATIONALS

Job Title	Outlet
Business & Economics Editor	BBC Northern Ireland, BBC News Groups (circulation 1,032,281,608)
Business Producer	BBC Radio 5 Live, BBC News Groups (circulation 1,032,281,608)
Senior Broadcast Journalist & Radio Announcer	BBC World News, BBC News Groups (circulation 1,032,281,608)
Broadcast Business Journalist	BBC World Service Radio, BBC News Groups, BBC World News, Marketplace (US), Marketplace Morning Report (US) (circulation 1,032,281,608)
Reporter	City AM (online circulation 1,200,000)
City Editor	Daily Mail (online circulation 29,600,000)
City Reporter	Daily Mail (online circulation 29,600,000)
Personal Finance Reporter	Daily Express (online circulation 12,700,000)
Senior Personal Finance Reporter	Daily Express (online circulation 12,700,000)
Personal Finance Editor	Daily Express (online circulation 12,700,000)
Social Affairs Correspondent	Daily Express (online circulation 12,700,000)
Business and Consumer Editor	Daily Express (online circulation 12,700,000)
Freelance Personal Finance Journalist	Daily Express (online circulation 12,700,000)

Appendix 7 – Media List

BUSINESS / FINANCE NATIONALS

Job Title	Outlet
Chief Reporter	Daily Mail (online circulation 29,600,000)
Deputy Money Editor	Daily Mail (online circulation 29,600,000)
Money Reporter	Daily Mail (online circulation 29,600,000)
Reporter	Daily Mail (online circulation 29,600,000)
Money Editor	Daily Mail (online circulation 29,600,000)
Personal Finance Correspondent	Daily Mirror (online circulation 25,490,000)
Money Section Editor	Daily Mirror (online circulation 25,490,000)
Personal Finance Editor	Daily Mirror (online circulation 25,490,000)
Senior City Correspondent	Evening Standard (online circulation 26,340,000)
FTfm Reporter	Financial Times (online circulation 42,349,397)
Chief UK Corporate Correspondent	Financial Times (online circulation 42,349,397)
ETF News Editor	Financial Times (online circulation 42,349,397)
Deputy Editor	Financial Times (online circulation 42,349,397)
City Editor	Financial Times (online circulation 42,349,397)
FTfm Editor	Financial Times (online circulation 42,349,397)
Editor	Financial Times (online circulation 42,349,397)
Asset Management Reporter	Financial Times (online circulation 42,349,397)
Editor FT Money & FT Wealth	Financial Times (online circulation 42,349,397)
News Editor	Mail Online (online circulation 29,600,000)
Business Reporter	Mail Online (online circulation 29,600,000)
Business Reporter	Mail Online (online circulation 29,600,000)
City Reporter	PA Media (previously Press Association) (online circulation 155,998)
Deputy City Editor	PA Media (previously Press Association) (online circulation 155,998)
Senior Business Reporter	The Daily Telegraph (online circulation 20,020,000)
Banking Editor	The Daily Telegraph (online circulation 20,020,000)
Business Reporter	The Daily Telegraph (online circulation 20,020,000)
Business Reporter	The Daily Telegraph (online circulation 20,020,000)
Economics Editor	The Daily Telegraph (online circulation 20,020,000)
Contributing Editor	The Guardian (online circulation 25,000,000)
Financial Reporter	The Guardian (online circulation 25,000,000)
Deputy Business Editor	The Herald (Scotland) (online circulation 1,800,000)
Business Reporter	The Independent (online circulation 10,200,000)
City Correspondent	The Mail on Sunday (online circulation 29,600,000)
City Reporter	The Mail on Sunday (online circulation 29,600,000)
Money Reporter	The Mail on Sunday, Mail Online, Freelancers (online circulation 29,600,000)
Digital Consumer Editor	The Sun (online circulation 110,860,000)
City Editor	The Sunday Times (online circulation 94,802)
Business Reporter	The Times (online circulation 5,570,000)
Retail Editor	The Times (online circulation 5,570,000)
Senior City Correspondent	The Times (online circulation 5,570,000)
Banking Editor	The Times (online circulation 5,570,000)
Property and Professional Services Correspondent	The Times (online circulation 5,570,000)
Financial Editor	The Times (online circulation 5,570,000)
Chief Leader Writer	The Times (online circulation 5,570,000)

Appendix 7 – Media List

BUSINESS / FINANCE NATIONALS

Job Title	Outlet
Scottish Business Editor	The Times (online circulation 5,570,000)
Reporter	The Wall Street Journal (Europe) (online circulation 122,800,794)
Finance Reporter	The Wall Street Journal (Europe) (online circulation 122,800,794)
Financial Reporter	The Wall Street Journal (Europe) (online circulation 122,800,794)
Reporter	The Wall Street Journal (Europe) (online circulation 122,800,794)
Editor	The Wall Street Journal (Europe) (online circulation 122,800,794)
Senior Editor	The Wall Street Journal (Europe) (online circulation 122,800,794)
Columnist	The Wall Street Journal (Europe) (online circulation 122,800,794)
City Editor	The Wall Street Journal (Europe) (online circulation 122,800,794)
Journalist & Podcast Host	The Wall Street Journal (Europe) (online circulation 122,800,794)

CONSUMER TITLES & GREY MEDIA

Job Title	Outlet
Newsdesk	AboutMyGeneration.com (online circulation 146,285)
Newsdesk	AboutMyGeneration.com (online circulation 146,285)
Editor	AboutMyGeneration.com (online circulation 146,285)
Newsdesk	Asda Good Living (circulation 1,774,500)
Editor	Asda Good Living (circulation 1,774,500)
Features Writer	Asda Good Living (circulation 1,774,500)
Personal Finance Blogger	Be Clever With Your Cash (online circulation 299,305)
News Researcher	Consumer Watch Foundation (online circulation 133,904)
Editor	Consumer Watch Foundation (online circulation 133,904)
Founding Editor	Fab After Fifty (online circulation 106,470)
Newsdesk	Fab After Fifty (online circulation 106,470)
Senior Consumer Editor	Good Housekeeping (UK) (circulation 428,771)
Finance Editor	Good Housekeeping (UK) (circulation 428,771)
Newsdesk	Gransnet (online circulation 315,705)
Editor	Gransnet (online circulation 315,705)
Editor	HuffPost UK (online circulation 13,882,781)
Newsdesk	Laterlife.com (204,962)
Features Editor	Laterlife.com (204,962)
Newsdesk	Life & Living (online circulation 156,342)
Editorial Operations Director	Life & Living (online circulation 156,342)
Newsdesk	Life & Living (online circulation 156,342)
Writer	MoneySavingExpert.com (online circulation 18,075,187)
Editor	myageingparent.com (online circulation 151,864)
Newsdesk	myageingparent.com (online circulation 151,864)
Newsdesk	Olderiswiser.com (online circulation 725,456)
Newsdesk	Retirement Today (online circulation 149,648)
Editor	Retirement Today (online circulation 149,648)
Digital Editor	Saga Magazine (online circulation 1,244,130)
Deputy Editor	Saga Magazine (online circulation 1,244,130)
Editor	Saga Magazine (online circulation 1,244,130)
Features Assistant	Yours Magazine (circulation 191,893)

Appendix 7 – Media List

CONSUMER TITLES & GREY MEDIA

Job Title	Outlet
Associate Editor	Yours Magazine (circulation 191,893)
Deputy News Editor	Yours Magazine (circulation 191,893)
Reader Care Editor	Yours Magazine (circulation 191,893)
Editor	Yours Magazine (circulation 191,893)
Editor At Large	Yours Magazine (circulation 191,893)
Newsdesk	Yours Magazine (circulation 191,893)
Digital Writer	Yours Magazine (circulation 191,893)
Digital Group Editor	Yours Magazine (circulation 191,893)

NEWSDESKS

Broadcast Outlets - Newsdesks	Print Outlets - Newsdesks
5 Live	BBC News Online
BBC Breakfast	BBC News Online Scotland
BBC Breakfast	The Daily Express - Business
BBC Breakfast Planning	The Daily Express - News
Business News ITV	The Daily Mail - Business
Business Scotland	The Daily Mail - News Desk
Channel 5 Planning	The Sun - News
BBC Today Show	The Sun - Exclusives
Channel 4 News	The Sun - Features
Smooth Radio News	I News - Business
Sky News Radio	PA - Business
LBC	Evening Standard
BBC Newsround	Daily Star
BBC News Watch	The Scotsman - Business
Capital FM News	PA Media (previously Press Association)
Central FM News	Financial Times - News Desk
ITV London News	The Guardian
London Newsquest	Daily Mirror
BBC Online News	Metro UK
LBC News	Metro Scotland
ITV London Planning	Daily Mail
LBC Newsroom	Daily Star
ITV Planning	Evening Standard
ITN News	The Scotsman
BBC London Planning	The Independent - Business
BBC Online News	The Independent
BBC London News	PA
BBC Your London News	The Scottish Express
Sky News Planning	Daily Mail Scotland
Bloomberg News Desk	BBC Planning Scotland
BBC Newsbeat	The Scottish Sun - News Desk
Sky News	Reuters - Online UK News Desk
STV	BBC UK News Planning

Appendix 7 – Media List

NEWSDESKS

Broadcast Outlets - Newsdesks	Print Outlets - Newsdesks
The One Show	Metro - Online Newsdesk
AP TV News	Huffington Post
BBC Drive Time	The Herald (Scotland)
Global Scotland	Daily Telegraph
Channel 5 News	Sunday Telegraph
ITV Business	The Guardian - Business/Finance Desk
BBC Business	CityAM
	I News
	The Guardian
	Bloomberg
	Daily record
	BBC Business
	BBC
	PA
	Business Insider

NEWSWIRES

Job Title	Outlet
Senior Reporter	Bloomberg (online circulation 116,700,029)
Breaking News Editor	Bloomberg (online circulation 116,700,029)
Digital News Editor	Bloomberg (online circulation 116,700,029)
Chief Reporter	PA Media (previously Press Association) (online circulation 155,998)
Scotland Editor	PA Media (previously Press Association) (online circulation 155,998)
Scotland News Reporter	PA Media (previously Press Association) (online circulation 155,998)
Social Affairs Correspondent	PA Media (previously Press Association) (online circulation 155,998)
Consumer Affairs Correspondent	PA Media (previously Press Association) (online circulation 155,998)
Senior Correspondent	Reuters (circulation 4,920,000)
Senior Market Analyst	Reuters (circulation 4,920,000)
Senior Correspondent	Reuters (circulation 4,920,000)
Editor-at-large	Reuters (circulation 4,920,000)
Correspondent	Reuters (circulation 4,920,000)

REGIONALS

Job Title	Outlet
Local Democracy Reporter	BBC News Groups (circulation 1,032,281,608)
BBC Local Democracy Reporter	BBC News Groups (circulation 1,032,281,608)
Live News Reporter	Daily Mirror (online circulation 25,490,000)
Deputy Digital Editor	Belfast Newsletter (Northern Ireland) (online circulation 587,036)
Local Democracy Reporter	Belfast Telegraph (online circulation 3,400,000)
Community Reporter	Birmingham Mail (online circulation 4,411,929)
Reporter	Derry Journal (Northern Ireland) (online circulation 185,735)
Reporter	Derry Journal (Northern Ireland) (online circulation 185,735)
Social Media Editor & Journalist	Derry Journal (Northern Ireland) (online circulation 185,735)

Appendix 7 – Media List

REGIONALS

Job Title	Outlet
Reporter	Edinburgh Evening News (online circulation 95,158)
Journalist & Live Reporter	Edinburgh Evening News (online circulation 95,158)
Senior Reporter	Lancs Live (online circulation 491,323)
Contributor	Liverpool Echo (6,520,699)
Local Democracy Reporter	Liverpool Echo (6,520,699)
Reporter	Manchester Evening News (online circulation 11,901,898)
Money-Saving and Shopping Editor	Manchester Evening News (online circulation 11,901,898)
Social Affairs Correspondent	The Journal (Newcastle) (online circulation 2,856,229)
Reporter	Yorkshire Live (online circulation 319,923)
Freelance Money Journalist	Yorkshire Post (online circulation 522,546)

BROADCAST

Job Title	Outlet
Home Affairs Correspondent	BBC News Groups (circulation 1,032,281,608)
Business & Economics Editor	BBC Northern Ireland, BBC News Groups (circulation 1,032,281,608)
Home Affairs Researcher	BBC One, BBC News Groups, BBC Two (circulation 1,032,281,608)
Home Affairs Correspondent	BBC Radio Cornwall, BBC Radio Devon, BBC South West (circulation 96,000)
Business News Presenter	BBC Scotland (circulation 1,032,281,608)
Home Affairs Correspondent	BBC Wales (1,032,281,608)
Home Affairs Correspondent	Channel 4 (23,233,827)
Senior Home Affairs Producer	Channel 4 (23,233,827)
Home Affairs Producer	Channel 4 (23,233,827)
Home Affairs Producer	Channel 4 (23,233,827)
Senior Home Affairs Correspondent	Channel 4 (23,233,827)
Correspondent	CNBC Europe (EMEA) (5.7 million viewers)
Reporter	CNBC Europe (EMEA) (5.7 million viewers)
Economics Producer	ITV (24,090,068)
Correspondent	Sky News (25 million viewers / month)
UK News Editor	Sky News (25 million viewers / month)
Business Producer	Sky News (25 million viewers / month)
Home News Editor	Sky News (25 million viewers / month)
Assistant Editor	Sky News (25 million viewers / month)
Specialist Producer	Sky News (25 million viewers / month)
Home Affairs Correspondent	Sky News (25 million viewers / month)

RADIO

Job Title	Outlet
Presenter	Absolute Radio (2,416,000 Listener Reach)
Newsreader	Absolute Radio (2,416,000 Listener Reach)
Podcast Editor	Absolute Radio (2,416,000 Listener Reach)
Producer	Absolute Radio (2,416,000 Listener Reach)
Co-Host	Absolute Radio (2,416,000 Listener Reach)

Appendix 7 – Media List

RADIO

Job Title	Outlet
Content Director	Absolute Radio (2,416,000 Listener Reach)
Deputy Content Director	Absolute Radio (2,416,000 Listener Reach)
Broadcast Journalist	BBC Coventry & Warwickshire (85,000 Listener Reach)
Newsdesk	BBC Coventry & Warwickshire (85,000 Listener Reach)
Producer / Broadcast Assistant	BBC Coventry & Warwickshire (85,000 Listener Reach)
Broadcast Journalist	BBC Coventry & Warwickshire (85,000 Listener Reach)
Presenter	BBC Coventry & Warwickshire (85,000 Listener Reach)
Digital Content Editor	BBC Coventry & Warwickshire (85,000 Listener Reach)
Journalist	BBC Coventry & Warwickshire (85,000 Listener Reach)
News Editor	BBC Coventry & Warwickshire (85,000 Listener Reach)
Journalist	BBC Coventry & Warwickshire (85,000 Listener Reach)
Presenter	BBC Radio 1 (8,915,000 Listener Reach)
Station Head	BBC Radio 1 (8,915,000 Listener Reach)
Reporter	BBC Radio 1 (8,915,000 Listener Reach)
Newsdesk	BBC Radio 1 (8,915,000 Listener Reach)
Producer	BBC Radio 1 (8,915,000 Listener Reach)
Editor	BBC Radio 1 (8,915,000 Listener Reach)
Producer	BBC Radio 1 (8,915,000 Listener Reach)
Radio Presenter	BBC Radio 1 (8,915,000 Listener Reach)
Newsdesk	BBC Radio 1 (8,915,000 Listener Reach)
Producer	BBC Radio 2 (14,362,000 Listener Reach)
Presenter	BBC Radio 3 (1,980,000 Listener Reach)
Producer	BBC Radio 3 (1,980,000 Listener Reach)
Assistant Producer	BBC Radio 3 (1,980,000 Listener Reach)
Newsdesk	BBC Radio 3 (1,980,000 Listener Reach)
Journalist and Producer	BBC Radio 4 (10,754,000 Listener Reach)
Broadcast Journalist	BBC Radio 4 (10,754,000 Listener Reach)
Producer	BBC Radio 4 (10,754,000 Listener Reach)
Broadcaster/Presenter	BBC Radio 4 (10,754,000 Listener Reach)
Radio Producer	BBC Radio 4 (10,754,000 Listener Reach)
Assistant Producer	BBC Radio 4 (10,754,000 Listener Reach)
Editor	BBC Radio 4 (10,754,000 Listener Reach)
Broadcast Assistant	BBC Radio 5 Live (5,219,000 Listener Reach)
Radio Journalist	BBC Radio 5 Live (5,219,000 Listener Reach)
Producer	BBC Radio 5 Live (5,219,000 Listener Reach)
Broadcast Journalist	BBC Radio 5 Live (5,219,000 Listener Reach)
Assistant Editor	BBC Radio 5 Live (5,219,000 Listener Reach)
Radio Presenter	BBC Radio Berkshire (93,000 Listener Reach)
Broadcaster	BBC Radio Berkshire (93,000 Listener Reach)
Presenter	BBC Radio Bristol (111,000 Listener Reach)
News Editor	BBC Radio Bristol (111,000 Listener Reach)
Producer	BBC Radio Bristol (111,000 Listener Reach)
Broadcast Journalist	BBC Radio Cambridgeshire (88,000 Listener Reach)
Presenter	BBC Radio Cambridgeshire (88,000 Listener Reach)
Presenter / Producer	BBC Radio Cambridgeshire (88,000 Listener Reach)

Appendix 7 – Media List

RADIO

Job Title	Outlet
Producer	BBC Radio Cornwall (96,000 Listener Reach)
Radio Presenter	BBC Radio Cornwall (96,000 Listener Reach)
Presenter	BBC Radio Cornwall (96,000 Listener Reach)
Communities Journalist	BBC Radio Cornwall (96,000 Listener Reach)
Radio Presenter	BBC Radio Cumbria (96,000 Listener Reach)
Presenter / Producer	BBC Radio Cumbria (96,000 Listener Reach)
Presenter	BBC Radio Cymru (119,000 Listener Reach)
Broadcast Journalist	BBC Radio Cymru (119,000 Listener Reach)
Presenter	BBC Radio Cymru (119,000 Listener Reach)
Editor	BBC Radio Devon (172,000 Listener Reach)
Radio Presenter	BBC Radio Devon (172,000 Listener Reach)
Presenter, Reporter & Producer	BBC Radio Devon (172,000 Listener Reach)
Radio Presenter	BBC Radio Devon (172,000 Listener Reach)
Radio Presenter/Producer	BBC Radio Devon (172,000 Listener Reach)
Journalist	BBC Radio Essex (173,000 Listener Reach)
Newsdesk	BBC Radio Essex (173,000 Listener Reach)
Radio Presenter	BBC Radio Essex (173,000 Listener Reach)
Senior Broadcast Journalist	BBC Radio Gloucestershire (83,000 Listener Reach)
Presenter	BBC Radio Gloucestershire (83,000 Listener Reach)
Newsdesk	BBC Radio Guernsey (15,000 Listener Reach)
Radio Presenter	BBC Radio Guernsey (15,000 Listener Reach)
Radio Producer	BBC Radio Guernsey (15,000 Listener Reach)
Presenter	BBC Radio Hereford & Worcester (91,000 Listener Reach)
Presenter	BBC Radio Hereford & Worcester (91,000 Listener Reach)
Broadcast Journalist	BBC Radio Hereford & Worcester (91,000 Listener Reach)
Broadcast Journalist & Producer	BBC Radio Humberside (152,000 Listener Reach)
Presenter	BBC Radio Humberside (152,000 Listener Reach)
Newsdesk	BBC Radio Humberside (152,000 Listener Reach)
Presenter	BBC Radio Jersey (26,000 Listener Reach)
Newsdesk	BBC Radio Jersey (26,000 Listener Reach)
Radio Presenter	BBC Radio Jersey (26,000 Listener Reach)
Presenter / Producer	BBC Radio Jersey (26,000 Listener Reach)
Contributor	BBC Radio Kent (215,000 Listener Reach)
Senior Producer	BBC Radio Kent (215,000 Listener Reach)
Assistant Editor / Executive Editor	BBC Radio Kent (215,000 Listener Reach)
Broadcast Journalist	BBC Radio Lancashire (148,000 Listener Reach)
Broadcast Journalist	BBC Radio Lancashire (148,000 Listener Reach)
Presenter	BBC Radio Leeds (196,000 Listener Reach)
Producer	BBC Radio Leeds (196,000 Listener Reach)
Newsdesk	BBC Radio Leeds (196,000 Listener Reach)
Radio Presenter	BBC Radio Leicester (148,000 Listener Reach)
Journalist	BBC Radio Leicester (148,000 Listener Reach)
Newsdesk	BBC Radio Leicester (148,000 Listener Reach)
Producer	BBC Radio Lincolnshire (97,000 Listener Reach)
Newsdesk	BBC Radio Lincolnshire (97,000 Listener Reach)

Appendix 7 – Media List

RADIO

Job Title	Outlet
Presenter	BBC Radio Lincolnshire (97,000 Listener Reach)
Station Producer	BBC Radio Lincolnshire (97,000 Listener Reach)
Senior Broadcast Journalist	BBC Radio London (399,000 Listener Reach)
Assistant Producer	BBC Radio London (399,000 Listener Reach)
Producer	BBC Radio London (399,000 Listener Reach)
Journalist	BBC Radio London (399,000 Listener Reach)
Newsdesk	BBC Radio Manchester (203,000 Listener Reach)
Radio Presenter	BBC Radio Manchester (203,000 Listener Reach)
Producer	BBC Radio Manchester (203,000 Listener Reach)
Editor	BBC Radio Manchester (203,000 Listener Reach)
Radio Presenter	BBC Radio Manchester (203,000 Listener Reach)
Radio Producer	BBC Radio Manchester (203,000 Listener Reach)
Radio Presenter	BBC Radio Newcastle (218,000 Listener Reach)
Radio Presenter	BBC Radio Newcastle (218,000 Listener Reach)
Newsdesk	BBC Radio Newcastle (218,000 Listener Reach)
Journalist	BBC Radio Newcastle (218,000 Listener Reach)
Radio Presenter & Broadcaster	BBC Radio Newcastle (218,000 Listener Reach)
Broadcast Journalist	BBC Radio Newcastle (218,000 Listener Reach)
Radio Presenter	BBC Radio Newcastle (218,000 Listener Reach)
Radio Producer	BBC Radio Newcastle (218,000 Listener Reach)
Radio Presenter	BBC Radio Newcastle (218,000 Listener Reach)
Assistant Editor	BBC Radio Norfolk (163,000 Listener Reach)
Newsdesk	BBC Radio Norfolk (163,000 Listener Reach)
Radio Presenter	BBC Radio Norfolk (163,000 Listener Reach)
Producer	BBC Radio Norfolk (163,000 Listener Reach)
Newsdesk	BBC Radio Northampton (87,000 Listener Reach)
Radio Presenter	BBC Radio Northampton (87,000 Listener Reach)
Journalist	BBC Radio Nottingham (169,000 Listener Reach)
Radio Presenter	BBC Radio Nottingham (169,000 Listener Reach)
Broadcast Journalist & Producer	BBC Radio Nottingham (169,000 Listener Reach)
Presenter	BBC Radio Oxford (73,000 Listener Reach)
News Editor	BBC Radio Oxford (73,000 Listener Reach)
Producer	BBC Radio Oxford (73,000 Listener Reach)
Broadcast Journalist	BBC Radio Scotland (825,000 Listener Reach)
Radio Producer	BBC Radio Scotland (825,000 Listener Reach)
Producer	BBC Radio Scotland (825,000 Listener Reach)
Journalist & Reporter	BBC Radio Sheffield (173,000 Listener Reach)
Newsdesk	BBC Radio Sheffield (173,000 Listener Reach)
Presenter	BBC Radio Sheffield (173,000 Listener Reach)
Presenter	BBC Radio Shropshire (100,000 Listener Reach)
Newsdesk	BBC Radio Shropshire (100,000 Listener Reach)
News Editor	BBC Radio Shropshire (100,000 Listener Reach)
Newsdesk	BBC Radio Suffolk (98,000 Listener Reach)
Producer	BBC Radio Suffolk (98,000 Listener Reach)
Radio Presenter	BBC Radio Suffolk (98,000 Listener Reach)

Appendix 7 – Media List

RADIO

Job Title	Outlet
Radio Presenter	BBC Radio Tees (111,000 Listener Reach)
Broadcast Journalist & Presenter	BBC Radio Tees (111,000 Listener Reach)
Newsdesk	BBC Radio Tees (111,000 Listener Reach)
Newsdesk	BBC Radio Ulster (Northern Ireland) (510,000 Listener Reach)
Producer	BBC Radio Ulster (Northern Ireland) (510,000 Listener Reach)
Radio Producer	BBC Radio Ulster (Northern Ireland) (510,000 Listener Reach)
Producer	BBC Radio Wales (344,000 Listener Reach)
News Producer	BBC Radio Wales (344,000 Listener Reach)
Senior Journalist	BBC Radio Wales (344,000 Listener Reach)
Broadcaster	BBC Radio York (72,000 Listener Reach)
Radio Producer	BBC Radio York (72,000 Listener Reach)
Presenter / Producer	BBC Radio York (72,000 Listener Reach)
Presenter	BBC Somerset (46,000 Listener Reach)
Newsdesk	BBC Somerset (46,000 Listener Reach)
Journalist	BBC Somerset (46,000 Listener Reach)
News Editor	BBC Sussex & Surrey (237,000 Listener Reach)
Senior Reporter	BBC Sussex & Surrey (237,000 Listener Reach)
Senior Broadcast Journalist	BBC World Service Radio (1,346,000 Listener Reach)
Broadcast Journalist	BBC World Service Radio (1,346,000 Listener Reach)
Producer	BBC World Service Radio (1,346,000 Listener Reach)
Producer	BBC World Service Radio (1,346,000 Listener Reach)
Producer	Classic FM (5,484,000 Listener Reach)
Presenter	Classic FM (5,484,000 Listener Reach)
Head of Programmes / Presenter	Jazz FM (566,000 Listener Reach)
Radio Presenter	Jazz FM (566,000 Listener Reach)
Newsdesk	Jazz FM (566,000 Listener Reach)
Planning Producer	LBC (2,780,000 Listener Reach)
Digital Managing Editor	LBC (2,780,000 Listener Reach)
Producer	LBC (2,780,000 Listener Reach)
Senior Digital News Editor	LBC (2,780,000 Listener Reach)
Digital News Editor	LBC (2,780,000 Listener Reach)
Presenter	Magic Radio (3,329,000 Listener Reach)
Newsdesk	Magic Radio (3,329,000 Listener Reach)
Deputy Content Director	Magic Radio (3,329,000 Listener Reach)
Presenter	Mellow Magic (590,000 Listener Reach Figure)
Newsdesk	Mellow Magic (590,000 Listener Reach Figure)
Assistant Producer	talkRADIO (424,000 Listener Reach)
Producer	talkRADIO (424,000 Listener Reach)
Assistant Producer	talkRADIO (424,000 Listener Reach)
Co-Presenter	Times Radio (N/a)
Journalist	Times Radio (N/a)
Presenter	Times Radio (N/a)
Assistant Producer	Times Radio (N/a)

Appendix 7 – Media List

LEGAL PRESS

Job Title	Outlet
Legal Correspondent	BBC News Groups (circulation 1,032,281,608)
Online Reporter	BBC News Groups (circulation 1,032,281,608)
Editor and Producer	BBC News Groups (circulation 1,032,281,608)
Newsdesk	Briefing Magazine (online circulation 140,836)
Co-CEO	Briefing Magazine (online circulation 140,836)
Reporter	City AM (online circulation 1,200,000)
Law Courts Correspondent	Financial Times (online circulation 42,349,397)
Legal Correspondent	Financial Times (online circulation 42,349,397)
Legal Commentator	Financial Times (online circulation 42,349,397)
Legal Editor	Financial Times (online circulation 42,349,397)
Newsdesk	Legal Business (online circulation 170,098)
Managing Editor	Legal Business (online circulation 170,098)
City Editor	Legal Business (online circulation 170,098)
Senior Reporter	Legal Business (online circulation 170,098)
Freelance Contributor	Legal Business (online circulation 170,098)
Associate Editor	Legal Futures (online circulation 190,374)
Newsdesk	Legal Futures (online circulation 190,374)
Associate Editor	Legal Futures (online circulation 190,374)
Commercial Director	Legal Futures (online circulation 190,374)
Editor	Legal Futures (online circulation 190,374)
Features Writer	Legal Practice Management (online circulation 140,836)
Staff Writer	Legal Practice Management (online circulation 140,836)
Editor	Legal Practice Management (online circulation 140,836)
Editor-in-Chief	Legal Practice Management (online circulation 140,836)
Operations Manager	Legal Week (online circulation 182,647)
Reporter	Legal Week (online circulation 182,647)
Senior Analyst	Legal Week (online circulation 182,647)
Deputy News Editor	Legal Week (online circulation 182,647)
Newsdesk	Legal Week (online circulation 182,647)
Reporter	Legal Week (online circulation 182,647)
Reporter	Legal Week (online circulation 182,647)
Reporter	Legal Week (online circulation 182,647)
Editor-in-Chief	Legal Week (online circulation 182,647)
News Editor	Legal Week (online circulation 182,647)
Senior Reporter	Metro UK (online circulation 19,479,000)
Editorial Columnist	Modern Law Magazine (online circulation 106,453)
Editorial Columnist	Modern Law Magazine (online circulation 106,453)
Project Manager	Modern Law Magazine (online circulation 106,453)
Newsdesk	Modern Law Magazine (online circulation 106,453)
Editorial Columnist	Modern Law Magazine (online circulation 106,453)
Owner / Editor	Modern Law Magazine (online circulation 106,453)
Legal Affairs Correspondent	The Guardian (online circulation 25,000,000)
Commissioning Editor	The Guardian (online circulation 25,000,000)
Business Reporter	The Independent (online circulation 10,200,000)
Web Content Editor	The Law Society Gazette (online circulation 648,457)

Appendix 7 – Media List

LEGAL PRESS

Job Title	Outlet
Features Editor	The Law Society Gazette (online circulation 648,457)
Reporter	The Law Society Gazette (online circulation 648,457)
Deputy News Editor	The Law Society Gazette (online circulation 648,457)
Reporter	The Law Society Gazette (online circulation 648,457)
Editor-in-Chief	The Law Society Gazette (online circulation 648,457)
Columnist	The Law Society Gazette (online circulation 648,457)
Freelance Journalist	The Law Society Gazette (online circulation 648,457)
News Editor	The Law Society Gazette (online circulation 648,457)
Data Reporter	The Lawyer (online circulation 473,744)
Editor	The Lawyer (online circulation 473,744)
Senior Reporter	The Lawyer (online circulation 473,744)
Reporter	The Lawyer (online circulation 473,744)
Senior Writer	The Lawyer (online circulation 473,744)
Reporter	The Lawyer (online circulation 473,744)
Deputy Editor	The Lawyer (online circulation 473,744)
News Editor	The Lawyer (online circulation 473,744)
Newsdesk	The Lawyer (online circulation 473,744)
Newsdesk	The Lawyer (online circulation 473,744)
International Editor	The Lawyer (online circulation 473,744)
Legal Columnist	The Scotsman (online circulation 4,000,000)
Freelance Journalist	The Times (online circulation 5,570,000)

PERSONAL FINANCE

Job Title	Outlet
Personal Finance Reporter	BBC News Groups (circulation 1,032,281,608)
Senior Radio Producer	BBC News Groups (circulation 1,032,281,608)
Presenter	BBC News Groups (circulation 1,032,281,608)
Business Correspondent	BBC News Groups (circulation 1,032,281,608)
Newsdesk	Best Advice (online circulation 142,785)
Editor	Best Advice (online circulation 142,785)
Senior Reporter	Bloomberg (online circulation 116,700,029)
Personal Finance Journalist	Bloomberg (online circulation 116,700,029)
Supervising Producer	Bloomberg (online circulation 116,700,029)
Reporter	CNBC Europe (EMEA) (5.7 million viewers)
Blogger	Confused.com (online circulation 5,811,639)
Newsdesk	Confused.com (online circulation 5,811,639)
Writer	Confused.com (online circulation 5,811,639)
Deputy Personal Finance Editor	Financial Times (online circulation 42,349,397)
Editor FT Money & FT Wealth	Financial Times (online circulation 42,349,397)
Newsdesk	Good Housekeeping (UK) (circulation 428,771)
Senior Consumer Editor	Good Housekeeping (UK) (circulation 428,771)
Finance Editor	Good Housekeeping (UK) (circulation 428,771)
Founder	Good With Money (online circulation 159,592)
Reporter	Good With Money (online circulation 159,592)
Founder	Good With Money (online circulation 159,592)

Appendix 7 – Media List

PERSONAL FINANCE

Job Title	Outlet
Editor	loveMONEY.com (online circulation 733,970)
Deputy Editor	loveMONEY.com (online circulation 733,970)
Newsdesk	loveMONEY.com (online circulation 733,970)
Editor-in-Chief	loveMONEY.com (online circulation 733,970)
Lifestyle Writer	loveMONEY.com (online circulation 733,970)
Money Reporter	Daily Mail (online circulation 29,600,000)
Money Reporter	Daily Mail (online circulation 29,600,000)
Money Reporter	Daily Mail (online circulation 29,600,000)
Assistant Editor	Daily Mail (online circulation 29,600,000)
Editor	Daily Mail (online circulation 29,600,000)
Newsdesk	Money Clinic (Financial Times) (online circulation 42,349,397)
Content Producer	MoneyAdviceService.org.uk (online circulation 2,029,078)
Digital Editor	MoneyAdviceService.org.uk (online circulation 2,029,078)
Senior Digital Editor	MoneyAdviceService.org.uk (online circulation 2,029,078)
Online Reporter	MoneyFacts (online circulation 1,195,025)
Editor	MoneyFacts (online circulation 1,195,025)
Newsdesk	MoneyFacts (online circulation 1,195,025)
Blogger	MoneyFacts (online circulation 1,195,025)
Newsdesk	MoneyFacts (online circulation 1,195,025)
Finance Expert	MoneyFacts (online circulation 1,195,025)
Head of Savings	MoneyFacts (online circulation 1,195,025)
Personal Finance Specialist	MoneyFacts (online circulation 1,195,025)
Deputy Editor	MoneyFacts (online circulation 1,195,025)
Senior Reporter	MoneyFacts (online circulation 1,195,025)
Editor	MoneyMagpie 50+ Blog (online circulation 468,044)
Editor	MoneyMagpie 50+ Blog (online circulation 468,044)
Newsdesk	MoneyMagpie 50+ Blog (online circulation 468,044)
Newsdesk	MoneyMagpie 50+ Blog (online circulation 468,044)
Staff Writer	MoneySavingExpert.com (online circulation 18,075,187)
Senior Money Writer	MoneySavingExpert.com (online circulation 18,075,187)
Senior News Reporter	MoneySavingExpert.com (online circulation 18,075,187)
Financial Analyst	MoneySavingExpert.com (online circulation 18,075,187)
Energy & Utilities Editor	MoneySavingExpert.com (online circulation 18,075,187)
Lead Writer	MoneySavingExpert.com (online circulation 18,075,187)
Deals Researcher and Writer	MoneySavingExpert.com (online circulation 18,075,187)
Newsdesk	MoneySavingExpert.com (online circulation 18,075,187)
News Reporter	MoneySavingExpert.com (online circulation 18,075,187)
Deals Researcher	MoneySavingExpert.com (online circulation 18,075,187)
Writer	MoneySavingExpert.com (online circulation 18,075,187)
News & Investigations Editor	MoneySavingExpert.com (online circulation 18,075,187)
Insurance Analyst / Writer	MoneySavingExpert.com (online circulation 18,075,187)
Newsdesk	MoneySavingExpert.com (online circulation 18,075,187)
Web Editor	MoneyWeek (online circulation 365,719)
Newsdesk	MoneyWeek (online circulation 365,719)
Executive Editor	MoneyWeek (online circulation 365,719)

Appendix 7 – Media List

PERSONAL FINANCE

Job Title	Outlet
Content Editor	Netmums Blog (online circulation 96,827)
Editor & Blogger	Netmums Blog (online circulation 96,827)
Newsdesk	Netmums Blog (online circulation 96,827)
SEO Editor	Netmums Blog (online circulation 96,827)
Consumer Editor	Netmums Blog (online circulation 96,827)
Personal Finance Correspondent	PA Media (previously Press Association) (online circulation 155,998)
Newsdesk	Retirement Planner (online circulation 270,764)
Newsdesk	retiremove.co.uk (online circulation 231,290)
Founder / Editor	retiremove.co.uk (online circulation 231,290)
Staff Writer	Tesco Magazine (circulation 17,754,869)
Editorial Manager	Tesco Magazine (circulation 17,754,869)
Deputy Editor	Tesco Magazine (circulation 17,754,869)
Editor	Tesco Magazine (circulation 17,754,869)
Newsdesk	Tesco Magazine (circulation 17,754,869)
Money Reporter	The Daily Telegraph (online circulation 20,020,000)
Senior Personal Finance Reporter	The Daily Telegraph (online circulation 20,020,000)
Senior Personal Finance Reporter	The Daily Telegraph (online circulation 20,020,000)
Personal Finance Reporter and Columnist	The Daily Telegraph (online circulation 20,020,000)
Personal Finance Editor	The Daily Telegraph (online circulation 20,020,000)
Deputy Personal Finance Editor	The Daily Telegraph (online circulation 20,020,000)
Head of Personal Finance	The Daily Telegraph (online circulation 20,020,000)
Money Editor	The Guardian (online circulation 25,000,000)
Personal Finance Reporter	The Guardian (online circulation 25,000,000)
Money Editor	The Guardian (online circulation 25,000,000)
Deputy Personal Finance Editor	The Guardian (online circulation 25,000,000)
Financial Reporter	The Observer Magazine (supplement) (circulation 165,868)
Money and Business Editor	The i (online circulation 10,200,000)
Personal Finance Correspondent	The Mail on Sunday (circulation 878,880)
Deputy Personal Finance Editor	The Mail on Sunday (circulation 878,880)
Acting Deputy Finance Editor	The Mail on Sunday (circulation 878,880)
Personal Finance Editor	The Mail on Sunday (circulation 878,880)
Money Reporter	The Mail on Sunday (circulation 878,880)
Chief Money Reporter	The Sunday Times (online circulation 94,802)
Senior Money Reporter	The Sunday Times (online circulation 94,802)
Money Reporter	The Sunday Times (online circulation 94,802)
Money Editor	The Sunday Times (online circulation 94,802)
Assistant Money Editor	The Times (online circulation 5,570,000)
Deputy Money Editor	The Times (online circulation 5,570,000)
Money Reporter	The Times (online circulation 5,570,000)
Newsdesk	This is Money Podcast (Mail Online)
Executive Editor	The Times (online circulation 5,570,000)
Money Writer	The Times (online circulation 5,570,000)
Money Editor	The Times (online circulation 5,570,000)
Senior Writer	Which? (online circulation 9,840,115)
Digital Writer	Which? (online circulation 9,840,115)

Appendix 7 – Media List

PERSONAL FINANCE

Job Title	Outlet
Money Journalist	Which? (online circulation 9,840,115)
Senior Digital Writer	Which? (online circulation 9,840,115)
Newsdesk	Which? (online circulation 9,840,115)
Senior Researcher and Writer	Which? (online circulation 9,840,115)
Editor	Which? (online circulation 9,840,115)
Presenter / Producer	Which? (online circulation 9,840,115)
Deputy Editor	YourMoney.com (online circulation 100,911)

Appendix 8 – Example Press Release



8 The Boulevard
Imperial Wharf
London
SW6 2UB

T: 020 7384 6980
F: 020 7736 9108
W: mediazoo.tv

BT FACING £500 MILLION CLAIM IN OVERCHARGING SCANDAL THAT RIPPED OFF 2.3 MILLION CUSTOMERS (12/12/20).

Today a £500 million claim against BT was filed at the Competition Appeals Tribunal by Mishcon de Reya, a leading London law firm.

The claim, on behalf of Justin Le Patourel, the Claimant Representative and founder of CALL (Collective Action on Land Lines), relates to the historic overcharging for land lines by BT, and could result in payments of up to £500 each for 2.3 million of BT's most loyal customers.

In 2017, telecoms watchdog Ofcom found that BT had been overcharging millions of landline customers since 2009. The result was that BT agreed to reduce its landline prices by £7 per month.

However, despite the huge number of customers that lost out, BT was not ordered to pay compensation for its previous eight years of overcharging. The CALL legal action intends to address this injustice.

Justin Le Patourel, the Claimant Representative and founder of CALL says, **"Ofcom made it very clear that BT had spent years overcharging landline customers but did not order it to repay the money it made from this. We think millions of BT's most loyal landline customers could be entitled to compensation of up to £500 each, and the filing of this claim starts that process"**.

In 2017, Ofcom found that BT had been overcharging landline customers for years. Since 2009, wholesale costs of providing landlines had been falling, but the prices BT chose to charge its customers just kept on increasing every year.

This affected customers who purchased a BT landline but did not also take BT broadband. These customers were, according to Ofcom, more likely to be old, on low incomes and vulnerable.

After Ofcom's ruling, BT agreed to reduce its landline prices by £84 per year but the telephone giant did not make efforts to repay customers for the previous eight years of overcharging.

Justin Le Patourel, the Claimant Representative, and founder of CALL (Collective Action on Land Lines) is determined to put right this injustice and is today filing a claim against BT for the return of these overcharges from 2015 onwards.

In addition, Mr Le Patourel is seeking compensation for customers who took both a broadband service and a BT landline, but not together as a package (or 'bundle'). These people were excluded from BT's 2017 price cut, and so continue to be overcharged to this day.

Unfortunately, under current legal rules, it is not possible to extend the claim all the way back to the year the overcharging started in 2009. But CALL can seek damages from 2015. This makes the claim, worth over £500 million, comprising £200-£500 for each of the 2.3 million affected customers,

Natasha Pearman of Mishcon de Reya who is representing Le Patourel and CALL says, **"This is a specialist claim that will be heard before the Competition Appeals Tribunal. It is a classic example of a loyalty penalty, which were the subject of a super complaint by Citizens Advice, due to their harmful effects on consumers. It will take time to gather evidence and bring it to trial, but we are very confident that eventually millions of BT's most loyal customers – many of whom are older and potentially vulnerable – will receive a significant rebate"**.

Justin Le Patourel and CALL are seeking authorisation by the Tribunal to act for all the BT customers who were overcharged. If they are successful, then relevant UK based customers will automatically be represented and will not need to do anything further to join the action.

Anyone who had an unbundled landline from 2015 and wants to find out more information should visit the CALL website at XXXXXX. Equally, if anyone does not want to be included in the claim, they can opt out on the same site. No fees are payable either way.

Justin Le Patourel adds, **"BT customers who had a land line from 2015 and want to know more should get in touch with us, either by phoning XXXXX, emailing us at XXXXXX or by going to the CALL (Collective Action on Land Lines) website – XXXXXX"**.

Media Contacts:

Note To Editors:

Appendix 9 – Draft website FAQs

SUGGESTED FAQs OUTLINE

WHAT IS THE CALL CLAIM ABOUT?

CALL is the Collective Action on Land Lines. CALL is seeking compensation from BT on behalf of 2.3 million residential landline ('home phone') customers who were overcharged between October 2015 and April 2018. We are also seeking additional compensation for some of these customers that we believe are still being overcharged today. In total, we think the entire claim could be worth over £500 million.

COULD I BE ENTITLED TO COMPENSATION?

CALL is seeking compensation for both of the following types of BT residential customers:

1. **'Landline-Only Customers'**. These are customers who had a BT landline service between October 2015 and April 2018, **but did not receive a broadband service (from BT or any other provider)**.

AND

2. **'Unbundled Customers'**. These are customers who had a BT landline service and also a broadband service (from BT or any other provider), any time between October 2015 and today, **but who did not 'bundle' these services together** into a single, discounted package.

If you are not sure what type of account or service you have or had, we suggest that you call BT on 0800 800 150 (or +44 150 174 7714 from outside the UK) for confirmation.

ARE THERE ANY EXCEPTIONS?

Unfortunately, our claim does not include any of the following:

1. BT business customers.
2. Customers who took BT Basic or BT Home Phone Saver (as BT priced these products separately).
3. Customers in the Hull area (as BT does not provide telecom services here).
4. BT's overcharging prior to October 2015 (as the legal process in the UK does not allow for claims prior to this).

Note, you could still be eligible to be part of the CALL claim even if you are no longer a BT customer, as long as you were a BT customer:

1. between October 2015 and April 2018 (Landline-Only Customers).
2. any time since October 2015 (Unbundled Customers).

WHAT IS A COLLECTIVE ACTION?

CALL is using a legal process called a 'collective action'. This is a fairly new feature of UK law. It allows a large number of individuals to group together to seek compensation for their losses.

Collective actions can be brought against companies that breach competition law and harm consumers. This might be because they conspire with their competitors, or because they abuse their market power to set excessively high prices for their products.

The group of affected customers is called the 'Class', and all individuals within the group are 'Class Members'.

Appendix 9 – Draft website FAQs

WHAT IS A 'CLASS MEMBER'?

If you were a Landline-Only Customer or an Unbundled Customer, during the relevant periods, and none of the exceptions listed above apply to you, then in legal terms you are known as a 'Class Member'. We are seeking compensation for Class Members.

Summary of Class Members

Who?	Which telecoms service did I take?	When?	Exceptions
BT residential customers	1. Landline-Only Customers Customers who had a BT landline service but did not receive a broadband service (from BT or any other provider)	Oct 2015 - Apr 2018	<ul style="list-style-type: none"> • BT business customers • BT Basic or BT Home Phone Saver customers • Customers in the Hull area
	2. Unbundled Customers Customers who had a BT landline service and also a broadband service (from BT or any other provider), but who did not 'bundle' these services together into a single, discounted package	Oct 2015 - today	

need to provide certain information in order to receive their compensation. We will update the CALL website and make it publicly known if and how we require this information from Class Members.

If you would like further information about the legal process, your eligibility, or how to claim if the case is successful, please register with us and we will keep you up to date with what is happening ([link to Register page](#)). **However, you do not need to register in order to be eligible for compensation.**

If you are not sure if you are eligible, please contact us at info@callclaim.co.uk with any queries. If you are visiting this website on behalf of someone (for example a family member, or someone who is not online) who you think may be entitled to compensation, you can register for updates on their behalf.

WHAT IF I LIVE OUTSIDE OF THE UK?

If you think that you were a Class Member at any time from October 2015, but currently live outside of the UK, you will need to 'opt in' in order to join the CALL claim and be eligible for any compensation secured by CALL. The opportunity to opt in will occur at a later date. Please register with us and we will let you know when that time comes. ([link to Register page](#)).

HOW MUCH COULD I BE ENTITLED TO?

Depending on how long you have been or were a BT Landline-Only Customer or Unbundled Customer, you could be looking at compensation of up to £500.

HOW MUCH WILL THIS LEGAL ACTION COST ME?

There is **nothing** for Class Members to pay. Whether we win or lose the case, all costs are paid by Harbour Litigation Funding, one of the world's leading litigation funders.

WHAT DO I NEED TO DO NOW?

Nothing.

Class Members do not need to do anything in order to be included in the claim (unless they currently live abroad – see 'What if I live outside of the UK?' below). However, if the claim is successful, Class Members will

Appendix 9 – Draft website FAQs

WHEN WILL I GET MY COMPENSATION?

We are encouraging BT to settle this claim as soon as possible. However, if they refuse, it could be several years before we can secure compensation for BT customers. In the meantime, we will provide regular updates via this website and by email to those who have registered their interest.

If you are suffering hardship or have financial concerns, either as a result of your landline or otherwise, further resources and information are available on the websites of [Citizens Advice](#), [Age UK](#) and [Carers' UK](#). Independent Age also has a helpline which can be accessed on 0800 319 6789.

If you are concerned about the price that you currently pay to BT for your BT landline you may be eligible to switch to a lower tariff, such as BT's basic package - [see here](#).

WHAT IF I DON'T WANT TO BE PART OF THIS CLAIM?

We intend the CALL claim to proceed on an “opt-out” basis. “Opt-out” means that every “Class Member” is automatically included in the claim unless they choose to opt out.

If you believe you are a Class Member (see ‘What is a Class Member?’ above), and do not want to join us, you will have the opportunity to opt out at a later date. Please register with us and we will let you know when that time comes. ([link to Register page](#)).

It is important to consider that if you opt out of the claim you will not be included in any future potential compensation that is secured by CALL.

If you are unsure at this stage about being included, please feel free to contact us ([link to Contact Us page](#)) with any queries ([link to Register page](#)). Alternatively, you can register for updates here. A deadline for you to opt out will be set by the Competition Appeal Tribunal (the designated court for these types of actions). When the opt-out process is available, we will update this website with the relevant date from the Competition Appeal Tribunal, ensuring that Class Members have plenty of notice.

IS THE CALL CLAIM LIKELY TO BE SUCCESSFUL?

CALL believes that BT's behaviour was and continues to be illegal under the Competition Act 1998. This is on the basis that BT abused its market power and charged its most loyal customers excessive prices.

[Include a ‘see more’ button here]

In 2017, [Ofcom](#), the UK's telecoms regulator, found that BT had overcharged residential customers who purchased a BT landline service and either did not also take a broadband service (Landline-Only Customers) or did take broadband, but did not ‘bundle’ this with their landline in a single, discounted package (Unbundled Customers). This overcharging had gone on since at least since 2009. Ofcom's review can be accessed [here](#).

Ofcom believed BT was able to overcharge in this way because it had a position of power in the telecoms market. In addition, BT knew that few of its Landline-Only Customers and Unbundled Customers, many of whom are older and/or vulnerable, were likely to switch away.

As a result, Ofcom said BT should reduce its charges for its Landline-Only Customers. In April 2018, BT reduced these charges by £7 per month (£84 per year). Ofcom is currently running a consultation regarding its intention to continue to limit the prices BT can charge its Landline-Only Customers for their landlines.

Importantly however, BT did not offer to compensate either:

1. Landline-Only Customers for the excessive prices they had paid from 2009 to April 2018; or
2. Unbundled Customers, who we believe are still being overcharged today.

Appendix 9 – Draft website FAQs

WHO IS BRINGING THE CALL CLAIM?

In a collective action, the Class Members' interests are represented by an individual 'Class Representative', who files a claim with the Competition Appeal Tribunal (the designated court for these types of actions). Before allowing a Class Representative to go ahead, the Competition Appeal Tribunal will assess the suitability of the Class Representative to ensure that he/she will act in the best interests of the Class Members and has the relevant skills, experience and financial capability.

CALL is led by Justin Le Patourel, a former [Ofcom](#) employee, and the 'Class Representative' in these proceedings. During his career, Justin has worked to help consumers get good deals from their telecoms providers and make it easier for them to switch away when they're unhappy, or want to take advantage of a better deal elsewhere.

Justin's legal team is led by Mishcon de Reya. Mishcon de Reya is one of the UK's leading law firms with significant experience of bringing group actions and complex competition law litigation.

(link to About Us page)

WHO IS THE CLAIM AGAINST?

The claim is against BT Group plc.

CAN I RECEIVE COMPENSATION ON BEHALF OF SOMEONE ELSE?

At this stage, we do not know whether it will be possible to receive compensation on behalf of someone else e.g. a family member who has passed away. This is one of the matters that we will raise with the Competition Appeal Tribunal (the designated court for these types of actions) and that they will need to decide on.

If you are in this situation, we suggest that you register for updates and let us know about your circumstances. Any personal information that you provide to us will only be used to communicate with you and will not be shared with anyone outside of the CALL team.

WILL I NEED TO PROVIDE ANY DOCUMENTS?

Please do not send any documents to us at this stage. We will only ask you for documents if the Competition Appeal Tribunal (the designated court for these types of actions) tells us to do this. Your personal and financial information - including your BT bill and account number - can be valuable to fraudsters so please keep them safe and do not share them with anyone claiming to be part of the CALL claim at this time. We will update the CALL website and make it publicly known if and how we require any documents from you.

Our aim is to make life easier for people who may be eligible for compensation by asking BT to provide us with its customer records once the claim has been successful. However, to be on the safe side, you should keep any bills received from BT since 2015 or take copies of them. Please also keep hold of any letters received from BT - particularly a letter sent to some customers in 2018 entitled "We need to check your eligibility".

WILL BT STOP PROVIDING ME SERVICES OR START CHARGING ME MORE IF I AM INCLUDED IN THE CALL CLAIM?

No. We will continue to hold BT to account, and if we have any concerns about BT's treatment of its customers as a result of the CALL claim, we will immediately draw these to the attention of [Ofcom](#), the UK's telecoms regulator, as well as the Competition Appeal Tribunal (the designated court for these types of actions).

Appendix 9 – Draft website FAQs

WHAT CAN I DO IF I SUSPECT I HAVE BEEN CONTACTED BY A SCAMMER?

If you are a victim of a scam or attempted scam, please do report this. The information you provide could form part of a bigger picture and help to protect others in a similar position to you. For information on who can help with various types of scam, please see:

<https://www.citizensadvice.org.uk/consumer/scams/reporting-a-scam/> or, in Scotland, <https://www.citizensadvice.org.uk/scotland/consumer/scams/reporting-a-scam/>.

The quickest way to report scams or attempted scams is through Action Fraud, the UK's national reporting centre for fraud and internet crime. You can make reports via their [website](#), or by phoning them on 0300 123 2040.

HOW IS THE CALL CLAIM BEING FUNDED?

Harbour Litigation Funding ('Harbour') - one of the world's leading litigation funders - has agreed to fund the CALL claim in full. As a result, there is nothing for BT customers to pay even if CALL lose the case.

If the claim is successful, we will seek permission from the Competition Appeal Tribunal (the designated court for these types of actions) for Harbour to be remunerated out of any unclaimed compensation, to reflect the investment it has made to help bring the case to court. Importantly, this means Harbour's remuneration will not have any impact on the amount of compensation that each affected customer is entitled to.

Harbour will seek to recover its legal costs directly from BT.

JANUARY 2021

Thank You.

Please contact us for more information

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[e: natasha.pearman@mishcon.com]

Emily Northcott: Media Zoo
[e: emily.northcott@mediazoo.tv]

Clare Dicksbury: Case Pilots
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ANNEX 3

PROPOSED LITIGATION TIMETABLE¹

ESTIMATED DATE/RANGE	STAGE IN PROCEEDINGS	RELEVANT RULE ²
w/c 11 January 2021	Proposed Class Representative to file the Collective Proceedings Claim Form (“ CPCF ”) and application for a Collective Proceedings Order (“ the CPO Application ”) along with all supporting evidence and documents, pursuant to Section 47B of the Competition Act 1998 and Rule 75 of the Tribunal Rules.	75
Late January/ Early February 2021	The Registrar of the Tribunal shall acknowledge receipt and direct that the Proposed Class Representative serve the CPCF on the Proposed Defendant.	76(1)
	The Registrar’s direction for service may specify any matter that the Registrar considers appropriate with regard to service of the CPCF, including those specified in Rule 76(3) (including, inter alia, the time and method for service and information to be provided to the Registrar concerning the date of service and the calculation of the time limit for acknowledging service).	76(3)
	Proposed Class Representative to serve the CPCF on the Defendant and provide a copy to the CMA.	76(6)
February 2021	Defendant to file acknowledgment of service. ³	76(4)
February 2021	The Registrar to notify the Proposed Class Representative of the receipt of acknowledgements of service	76(7)
	The Registrar to publish a summary of the CPCF on the Tribunal website and in any other manner the President may direct.	76(8)

¹ This timetable contains estimated timeframes. The Proposed Class Representative has had no input from the Defendants at this stage.

² References to Rules are to the Competition Appeal Tribunal Rules 2015.

³ Where the collective proceedings claim form is served on a defendant domiciled in the United Kingdom, the defendant shall within seven days of receipt of the copy of the collective proceedings claim form file an acknowledgment of service of the claim in the form provided by the Registrar.

February/ March 2021	Tribunal to hold first Case Management Conference ("CMC"), at which the Tribunal may give directions relating to: (i) the time by which the Proposed Defendants are to respond to the application for a CPO; (ii) the time by which any person with an interest (including any class member) may object to the CPO Application and/or the authorisation of the proposed class representative; (iii) the hearing of the CPO Application ("CPO Application Hearing"); and (iv) any stay pending any alternative dispute resolution procedures.	76(9), 76(10)
	During the CMC a request for disclosure of Ofcom documents will be made.	60, 89
After the first CMC	Immediately following the CMC, the Proposed Class Representative to publicise: (i) the date and location of the CPO Application Hearing; and (ii) the date for any objections to the CPO Application and/or the authorisation of the Proposed Class Representative.	
April 2021	The Defendant serves its response.	76(11)
	If disclosure of Ofcom documents has been granted at the CMC, the Proposed Class Representative will need to amend claim form.	32(1)
June/ July 2021	Proposed Class Representative serves reply.	
December 2021/ January 2022	CPO Approval Hearing ⁴	79
April/ May 2022	Tribunal to issue a judgment on the CPO application.	91
December 2023/ January 2024	Tribunal to issue CPO judgment	91

⁴ This assumes that no applications by interested parties are made at the CPO Stage.

February/ April 2024	Reply due.	
May - July 2024	Tribunal to hold second CMC, at which the Tribunal will give directions relating to: (i) timetabling; and (ii) disclosure.	76(9), 76(10)
September - November 2024	Disclosure.	60, 89
December 2024	Tribunal to hold third CMC.	76(9), 76(10)
December 2024 - February 2025	Witness statements to be exchanged.	55
February - April 2025	Expert reports to be exchanged.	27, 55
August 2025	Pre-hearing review	
November 2025	Trial on all issues.	
March/ April 2026	Tribunal to issue a judgment.	91, 92
June/ July 2026	CMC (distribution)	76(9), 76(10)
August 2026	Written submissions on distribution.	93
November 2026	Hearing on distribution	93
January 2027	Judgment on distribution	91, 93
Q1 2027	Distribution of damages to the Class Representative for distribution to class members.	93
	Application and hearing on payment of the class representative's unrecovered costs and disbursements from any undistributed damages.	93(4)

ANNEX 4

1. DATA REQUIREMENTS AND AVAILABILITY

- 1.1 This note consolidates the additional data set out in the Parker Report needed by Mr. Parker to:
- 1.1.1 further refine the assessment of dominance and abuse; and/or
 - 1.1.2 more accurately estimate class size, the quantum of total damage, and the damage for individual Proposed Class and Proposed Sub-class members.
- 1.2 References have been provided to the relevant paragraphs within the Parker Report where the specific data requirements have been set out.
- 1.3 Mr Parker's current assessment of damage is from 1 October 2015 to 31 October 2020. However, given that the damage is on-going for some Proposed Sub-class members, this assessment will subsequently need to be updated depending on the timing of these proceedings. While Mr. Parker's methodology will be largely the same even as the time period is extended, the data needs will expand as time progresses.
- 1.4 Accordingly, while the time-period for which Mr. Parker would need the data has been indicated, it will only be possible able to identify the exact period for which data is required subsequently.
- 1.5 At present, the data is restricted to the data BT is expected to hold, either because it relates to BT information, may be available to BT Group through market or competitor research undertaken by BT Retail, or available to BT Group through the wholesale activities of Openreach. Given that it serves the vast majority of this market, Mr. Parker anticipates that the data BT will likely be able to provide should be sufficient to refine the relevant analysis. If this expectation is not correct, third party requests may need to be considered.

2. DATA RELEVANT TO FACTUAL BACKGROUND

- 2.1 Full, monthly, price lists for the following BT offerings offered to BT **Voice Only Customers** – BT Standard Line Rental, BT Line Rental Plus and BT Line Rental Saver. The price lists should cover each month in the Claim Period.¹
- 2.2 Full, monthly, price lists for the following BT SFV access products offered to BT **Split Purchase Customers** – BT Standard Line Rental, BT Line Rental Plus and BT Line Rental Saver. The price lists should cover each month during the Claim Period.²

3. DATA RELEVANT TO THE DOMINANCE ASSESSMENT

Market for SFV services to Voice Only Customers

Market shares – access component

- 3.1 Data to estimate monthly BT market shares by volume for SFV access from Q2 2017. In particular:³

¹ Parker Report, (para. 63.1)

² Parker Report, (para. 63.2)

³ Parker Report, (para. 208)

- 3.1.1 Monthly volume of the access component of SFV Services i.e. number of lines (specifically for Standard Line Rental, Line Rental Saver, Line Rental Plus and Home Phone Saver) sold to BT Voice Only Customers by BT from 1 April 2017 to 1 April 2018.
- 3.1.2 Monthly volume of the access component of SFV Services i.e. number of lines sold to Voice Only Customers by rivals from 1 April 2017 to 1 April 2018, or estimates thereof.
- 3.2 Data to estimate BT market shares by revenue for SFV access (excluding BT Basic):
 - 3.2.1 Annual revenues from BT Voice Only Customers for the SFV access component (excluding BT Basic) from 2015 to 2018.⁴
 - 3.2.2 Annual revenues from rivals' Voice Only Customers for the SFV access component from 2015 to 2018.⁵

Market shares – calls component

- 3.3 Data to estimate monthly BT market shares by volume for SFV calls by Voice Only Customers (excluding customers of BT Basic) from 2015 to 2018:
 - 3.3.1 Annual volume (number of minutes) of calls made by BT Voice Only Customers (excluding customers of BT Basic) from 2015 to 2018.⁶
 - 3.3.2 Annual volume (number of minutes) of calls made by Voice Only Customers of rivals from 2015 to 2018.⁷
- 3.4 Data to estimate BT market shares by revenue for voice-only SFV calls from 2015 to 2018 (excluding calls by BT Basic customers):
 - 3.4.1 Annual revenues from BT Voice Only Customers for the SFV calls component (excluding BT Basic) from 2015 to 2018.⁸
 - 3.4.2 Annual revenues from rivals' Voice Only Customers for the SFV access component from 2015 to 2018.⁹

Pricing and profitability

- 3.5 Total revenues and total volumes of calls made by Voice Only Customers of SFV Services for each year between 2015 to 2018, for both BT (excluding BT Basic) and rivals.¹⁰
- 3.6 BT's annual gross margins from 2015 to 2018 for:¹¹

⁴ Parker Report, (para. 217.3)

⁵ Parker Report, (para. 217.4)

⁶ Parker Report, (para. 217.1)

⁷ Parker Report, (para. 217.2)

⁸ Parker Report, (para. 217.5)

⁹ Parker Report, (para. 217.6)

¹⁰ Parker Report, (para. 238)

¹¹ Parker Report, (para. 243)

3.6.1 the access component of SFV services sold to BT Voice Only Customers by product (excluding BT Basic); and

3.6.2 the calls component of SFV services for BT Voice Only Customers by product (excluding BT Basic).

4. MARKET FOR SFV SERVICES TO SPLIT PURCHASE CUSTOMERS

Market shares – access component

4.1 Data to estimate monthly BT market shares by volume for the access component of SFV services:¹²

4.1.1 Volumes (as measured by the number of lines) for the access component of SFV services by product (specifically, for Standard Line Rental, Line Rental Saver, Line Rental Plus and Home Phone Saver) sold to BT Split Purchase Customers by BT from 1 April 2017 to 1 April 2018, on a monthly basis.

4.1.2 Volumes (as measured by the number of lines) of the access component of SFV services sold to Split Purchase Customers by rivals from 1 April 2017 to 1 April 2018, on a monthly basis.

4.2 Data to estimate BT market shares by revenue for SFV access products sold to Split Purchase Customers from 2015 (excluding BT Basic):

4.2.1 Annual revenues from BT Split Purchase Customers of the SFV access component (excluding BT Basic) from 2015 to 2020.¹³

4.2.2 Annual revenues from rivals' Split Purchase Customers of the SFV access component from 2015 to 2020.¹⁴

Market shares – calls

4.3 Annual volume (number of minutes) of calls made by BT Split Purchase Customers (excluding customers of BT Basic) from 2015 to 2020.¹⁵

4.4 Annual volume (number of minutes) of calls made by Split Purchase Customers of rivals from 2015 to 2020.¹⁶

4.5 Annual revenues from BT Split Purchase Customers of the SFV calls component (excluding BT Basic) from 2015 to 2020.¹⁷

4.6 Annual revenues from rivals' Split Purchase Customers of the SFV access component from 2015 to 2020.¹⁸

¹² Parker Report, (para. 253)

¹³ Parker Report, (para. 259.3)

¹⁴ Parker Report, (para. 259.4)

¹⁵ Parker Report, (para. 259.1)

¹⁶ Parker Report, (para. 259.2)

¹⁷ Parker Report, (para. 259.5)

¹⁸ Parker Report, (para. 259.6)

Pricing and profitability

- 4.7 Total revenues and volumes of calls made by BT Split Purchase Customers of SFV services (excluding BT Basic) for each year between 2015 to 2020.¹⁹
- 4.8 BT's annual gross margins from 2015 to 2020 for:²⁰
 - 4.8.1 SFV access component options sold to BT Split Purchase Customers (excluding BT Basic).
 - 4.8.2 the calls components of SFV services for the BT Split Purchase Customers (excluding BT Basic).

5. DATA RELEVANT TO ABUSE AND OVERCHARGE

Price data

- 5.1 Full, monthly, price lists for 2008 and 2009 for the following BT offerings offered to BT Voice Only Customers – BT Standard Line Rental, BT Line Rental Plus and BT Line Rental Saver. The price lists should cover each month during the Claim Period.²¹
- 5.2 Full, monthly, price lists for 2008 and 2009 for the following BT SFV access products offered to BT Split Purchase Customers – BT Standard Line Rental, BT Line Rental Plus and BT Line Rental Saver. The price lists should cover each month during the Claim Period.²²

Cost data

- 5.3 Estimates for the non-WLR variable cost per line, on a robust and verifiable methodology, for provision of the following BT SFV access offerings:²³
 - 5.3.1 Standard Line Rental;
 - 5.3.2 Line Rental Saver; and
 - 5.3.3 Line Rental Plus

This data should be provided on a monthly basis for 2008 and 2009, and from 1 October 2015 to date.²⁴

- 5.4 Gross margin for the above products in 2008 and 2009. The data should be provided separately for BT Voice Only and Split Purchase Customers if the costs of provision to the two groups differ.²⁵

¹⁹ Parker Report, (para. 268)

²⁰ Parker Report, (para. 269)

²¹ Parker Report, (para. 293.1)

²² Parker Report, (para. 293.2)

²³ Parker Report, (para. 298)

²⁴ Parker Report, (para. 299)

²⁵ Parker Report, (para. 300)

Potential rebalancing between access and calls

- 5.5 Data on revenues and volumes of calls made by BT Voice Only Customers of Standard Line Rental, Line Rental Saver and Line Rental Plus for each year between 2015 to 2018.²⁶
- 5.6 Data on revenues and volumes of calls made by BT Split Purchase Customers of Standard Line Rental, Line Rental Saver and Line Rental Plus for each year between 2015 to 2020.²⁷
- 5.7 BT's annual gross margins from 2015 to 2018 for:²⁸
- 5.7.1 SFV access offerings sold to BT Voice Only Customers, in particular:
- (a) Standard Line Rental;
 - (b) Line Rental Saver; and
 - (c) Line Rental Plus.
- 5.7.2 the calls components of SFV services for the BT Voice Only Customers of the above offerings.
- 5.8 BT's annual gross margins from 2015 to 2020 for:²⁹
- 5.8.1 SFV access offerings sold to BT Split Purchase Customers, in particular:
- (a) Standard Line Rental;
 - (b) Line Rental Saver; and
 - (c) Line Rental Plus.
- 5.8.2 the calls components of SFV services for the BT Split Purchase Customers of the above offerings.

6. DATA RELEVANT TO DAMAGE ASSESSMENT

- 6.1 For each month between October 2015 and March 2018 (both inclusive), the number of BT Voice Only Customers on each of the following BT SFV access component offerings:³⁰
- 6.1.1 Standard Line Rental;
- 6.1.2 Line Rental Plus; and
- 6.1.3 Line Rental Saver.

²⁶ Parker Report, (para. 345.1)

²⁷ Parker Report, (para. 345.2)

²⁸ Parker Report, (para. 345.3)

²⁹ Parker Report, (para. 345.4)

³⁰ Parker Report, (para. 374.1)

For each offering, the number of known business users of these offering should be provided separately for each month. To the extent that BT has any information on whether these customers were VAT registered, this should be provided as well.

6.2 For each month from (and including) October 2015 to date, the number of BT Split Purchase Customers on each of the following BT SFV access component offerings:³¹

6.2.1 Standard Line Rental;

6.2.2 Line Rental Plus; and

6.2.3 Line Rental Saver.

Again, for each offering, the number of known business users of these offerings should be provided separately for each month. To the extent that BT has any information on whether these customers were VAT registered, this should be provided as well.

7. DATA RELEVANT TO CLASS SIZE

7.1 BT Voice Only Customers Sub-class –The total number of **unique BT Voice Only Customers** that purchased the following BT access offerings between 01/10/2015 up till 31/03/2018 (both inclusive):³²

7.1.1 Standard Line Rental;

7.1.2 Line Rental Plus; and

7.1.3 Line Rental Saver.

7.2 Split Purchase Customers Sub-class – The total number of **unique BT Split Purchase Customers** that purchased the following BT access offerings product from 01/10/2015 to date:³³

7.2.1 Standard Line Rental;

7.2.2 Line Rental Plus; and

7.2.3 Line Rental Saver.

8. ADDITIONAL DATA

8.1 The following additional information is also needed by Mr. Parker to assess and verify the initial conclusions as set out in his Report.³⁴

8.1.1 BT confidential versions of the key Ofcom documents;

8.1.2 “The review of the market for standalone landline telephone services, Provisional conclusions”, Consultation, Ofcom, February 2017 (non-confidential version);

³¹ Parker Report, (para. 374.2)

³² Parker Report, (para. 428)

³³ Parker Report, (para. 430)

³⁴ Parker Report, (para. 219)

- 8.1.3 “The review of the market for standalone landline telephone services – Annexes Provisional conclusions”, Consultation, Ofcom, February 2017 (non-confidential version);
 - 8.1.4 “Review of the market for standalone landline telephone services”, Statement, Ofcom, October 2017 (non-confidential version); and
 - 8.1.5 “Review of the market for standalone landline telephone services, Evidence supporting the Statement”, Ofcom, October 2017 (non-confidential version).
 - 8.1.6 “Consultation: Protecting voice-only landline telephone customers”, Ofcom, December 2020.
- 8.2 BT’s s.135 submissions referred to by Ofcom in the above documents;
 - 8.3 Any correspondence relating to BT seeking to alter the BT Commitments; and
 - 8.4 BT’s unredacted consultation responses and correspondence with Ofcom.

MADE ON BEHALF OF: APPLICANT / PROPOSED CLASS REPRESENTATIVE
NAME OF WITNESS: JUSTIN LE PATOUREL
NUMBER OF STATEMENT: 1
EXHIBITS: JLP1 – JLP22
DATE: 15 JANUARY 2021

Case Number: []

IN THE COMPETITION APPEAL TRIBUNAL
BETWEEN

JUSTIN LE PATOUREL

Applicant / Proposed Class Representative

and

BT GROUP PLC

Respondent / Proposed Defendant

EXHIBIT JLP2

This is the exhibit marked "JLP2" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021

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- [Bills cut for BT landline-only customers from Sunday](#)

Bills cut for BT landline-only customers from Sunday



29 March 2018

BT customers who have only a landline – without any broadband – will see their monthly phone bill cut by £7 from Sunday, following work by Ofcom.

Ofcom investigated rising prices for landline-only services last year. In October, we [announced \(https://www.ofcom.org.uk/consultations-and-statements/category-1/review-of-landline-telephone-services\)](https://www.ofcom.org.uk/consultations-and-statements/category-1/review-of-landline-telephone-services) that BT had agreed to reduce monthly bills for these customers.

From Sunday 1 April, their monthly line rental will fall by 37% – from £18.99 to £11.99. The change will save these customers £84 a year. Many of these customers are elderly. As part of the agreement, BT will also cap line rental and call charges, which means they will increase by no more than inflation, for three years.

Landline-only customers have not received the same value for money as those who buy bundles of landline, broadband or pay-TV services. Two-thirds of landline-only purchasers are over 65, and three-quarters have never switched provider.

Ofcom's analysis showed that all major landline providers had increased their line rental charges significantly in recent years – by between 23% and 47%. This is despite them benefitting from a 27% fall in how much it costs them to provide the service.

Of the UK's 1.5 million landline-only customers, two-thirds are with BT. This had allowed BT to increase prices without much risk of losing customers, and other providers followed BT's lead.

Post Office, the second largest landline-only provider, will offer a new price of £11.50 from May. We now want to see other providers follow suit.

Jonathan Oxley, Ofcom's Competition Group Director, said: "We had serious concerns about soaring bills for loyal landline customers. This was hurting people who rely on their landline, many of whom are elderly.

"We're pleased that BT has cut prices, which means these customers get a fairer deal, and they'll be protected from price rises in the coming years."

What BT's landline-only customers need to do

This week, BT has written to nearly 900,000 of its landline-only customers.

More than 700,000 of these customers don't have to do anything to get this price cut. It will appear on their next bill automatically.

The discount is intended to apply to BT landline customers who don't buy broadband from any provider. So, BT has also written to 190,000 of its landline customers who have chosen to receive paperless bills, asking them to confirm that they don't have broadband. Customers who confirm this will be eligible for the price cut.

A further 200,000 customers on BT's 'Home Phone Saver' package could also qualify. They can choose to stay on their current package, or move to the standard product being discounted, depending on which is the best deal for them.

Customers who access the internet on their mobile, or via satellite broadband, will be eligible. Those who have fixed broadband will not be.

Securing the best deal

Ofcom also wants to help people who buy their telephone service and broadband separately. Now is a good time for these customers to consider whether they could save money by purchasing their landline and broadband services as part of a bundle.

The agreement requires BT to help these customers take advantage of the deals on offer in the market, by explaining that they could get a better deal if they buy as a bundle.

Separately, Ofcom is examining measures to [help people shop around](https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2017/helping-people-to-shop-around-and-secure-the-right-deal) (<https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2017/helping-people-to-shop-around-and-secure-the-right-deal>), with more confidence, so they can take full advantage of the wide choice of competitive services.

Addressing landline prices is one of a series of measures by Ofcom to help telecoms customers. We are also ensuring that people receive [automatic compensation](https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2017/automatic-compensation) (<https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2017/automatic-compensation>), when things go wrong; get [better information on broadband speeds](https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2018/better-information-broadband-speeds) (<https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2018/better-information-broadband-speeds>), before entering a contract; and can [switch mobile provider](https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2017/switch-mobile-provider-with-a-free-text) (<https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2017/switch-mobile-provider-with-a-free-text>), easily.

For more information on how to manage your landline costs, [see our guide](https://www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/costs-and-billing/managing-your-costs-landlines) (<https://www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/costs-and-billing/managing-your-costs-landlines>).

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New regulations to allow use of mobile phone repeaters (<https://www.ofcom.org.uk/about-ofcom/latest/features-and-news/new-regulations-to-allow-use-of-mobile-phone-repeaters>)

22 March 2018

Advice for Businesses

A starter pack for businesses (<https://www.ofcom.org.uk/advice-for-businesses/inexperienced-digital-users>)

Knowing your rights (<https://www.ofcom.org.uk/advice-for-businesses/knowning-your-rights>)

Disabled business customers (<https://www.ofcom.org.uk/advice-for-businesses/help-for-disabled-business-customers>)

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MADE ON BEHALF OF: APPLICANT / PROPOSED CLASS REPRESENTATIVE
NAME OF WITNESS: JUSTIN LE PATOUREL
NUMBER OF STATEMENT: 1
EXHIBITS: JLP1 – JLP22
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Case Number: []

IN THE COMPETITION APPEAL TRIBUNAL
BETWEEN

JUSTIN LE PATOUREL

Applicant / Proposed Class Representative

and

BT GROUP PLC

Respondent / Proposed Defendant

EXHIBIT JLP3

This is the exhibit marked "JLP3" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021

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Consumer vulnerability



What is consumer vulnerability?

Some people's ability to participate in communications markets and society is affected by factors such as their age, disability, income or geographical location. Life events such as bereavement or illness can temporarily reduce people's ability to participate in society and/or increase their dependence on certain communications services.

Vulnerability is about people's circumstances, which can change over time. In relation to communications, it can have a range of negative consequences:

- People may suffer financial detriment, for example if they are a victim of mis-selling or if they are unable to access the best deals
- They may become isolated if they are unable to keep in touch with family and friends
- They may not be able to participate as fully in society as they would wish.

Legal framework

Ofcom has specific [to take account of particular groups of citizens and consumers who may be vulnerable to harm. These include the requirement for Ofcom to have regard to the needs and interests of those who are disabled, elderly, on low incomes or living in rural areas, as well as to the vulnerability of any others whose circumstances appear to put them in need of special protection. Examples of where Ofcom has intervened to promote participation and address consumer vulnerability of such consumers include:](#) (<http://www.legislation.gov.uk/ukpga/2003/21/section/3>).

- [Ensuring that communication providers offer services for disabled consumers such as](#) (<http://www.legislation.gov.uk/ukpga/2003/21/section/3>) [text relay](http://www.textrelay.org) (<http://www.textrelay.org>) for deaf people, free directory enquiries for blind people and priority fault repair for people who depend on the phone because of disability. On [1 October 2018, these measures](#) (<https://www.ofcom.org.uk/phones-telecoms-and-internet/information-for-industry/telecoms-competition-regulation/general-conditions-of->

entitlement), were extended to cover disabled people's broadband service as well as landline and mobile services.

- Improving the rules to require all UK communications providers **to have clear, effective policies and procedures for identifying vulnerable customers** – such as people with learning or communication difficulties or those suffering physical or mental illness or bereavement – to ensure they are treated fairly and appropriately. The changes came into effect on 1 October 2018.
- Ensuring the provision of subtitling, sign language and audio description on television (<https://www.ofcom.org.uk/tv-radio-and-on-demand/broadcast-codes/tv-access-services/code-tv-access-services-2013>), so that people with hearing or visual impairments can understand and enjoy television.
- Requiring (under the Universal Service Obligation (<https://www.ofcom.org.uk/phones-telecoms-and-internet/information-for-industry/telecoms-competition-regulation/general-authorisation-regime/universal-service-obligation>)) consumers to be given connection to landline telephone services on reasonable request at uniform prices, irrespective of geographical location
- Requiring social tariffs to be available for people on low incomes (Recently BT and KCOM added a basic broadband offering to their landline social tariff)
- Penalising companies guilty of making silent and abandoned calls (<https://www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/problems/tackling-nuisance-calls-and-messages/abandoned-and-silent-calls>).

Ofcom also has a duty to promote media literacy under Section 11 of the Communications Act 2003, and carries this out predominantly through research that addresses, among other areas, the differences in media use and attitudes by age and socio-economic group, highlighting to stakeholders where they might best target their resources. Our media literacy research (<https://www.ofcom.org.uk/research-and-data/media-literacy-research/media-literacy>) is a vehicle to enable stakeholders to target their resources effectively, using our research as a core source of information about the changing media landscape and the relative levels of participation among particular demographic groups.

Ofcom works to ensure vulnerable people are protected and can participate in the communications sector

Examples of our work include:

- Ensuring consumers making calls over broadband can make emergency calls in the event of a power cut at their premises. Traditional landline telephone service uses power provided over the copper line that connects to the telephone exchange. When there is a power cut, it is still possible for people using a corded phone to make emergency calls from their landline. However, for customers using 'Voice over Internet Protocol' (VoIP) technology, which allows people to make landline calls over a broadband connection, this facility is not available without additional protection measures being put in place.
- Understanding why some consumers may face difficulties engaging in communications markets and identifying, developing and implementing solutions that help consumers to engage. The initial focus is on "end of contract notifications" – whereby providers would proactively inform customers when they are approaching or are at the end of their minimum contractual term.
- Consulting on capping directory enquiry (118) call costs as we have found that as charges have been increasing, there has been a decrease in the advertising of directory enquiry services and their associ

prices. This has resulted in poor price transparency and consumers paying much more than they expect.

- Publishing guidance on
 - [Power of attorney](https://www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/problems/power-of-attorney/) (<https://www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/problems/power-of-attorney/>).
 - [how to manage debt](https://www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/costs-and-billing/disputing-a-bill/) (<https://www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/costs-and-billing/disputing-a-bill/>).
 - [how communications providers should handle complaints](https://www.ofcom.org.uk/phones-telecoms-and-internet/information-for-industry/codes-of-practice/) (<https://www.ofcom.org.uk/phones-telecoms-and-internet/information-for-industry/codes-of-practice/>), with particular requirements in respect of disabled consumers and that a reasonable complaints escalation process should include procedures for frontline staff to identify and treat appropriately complaints from consumers 'that are vulnerable in any way'.
 - Protecting vulnerable consumers from [fixed line mis-selling](https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2008/new-consumer-advice-on-mis-selling-and-silent-calls-twin-scourges-of-the-communications-sector/) (<https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2008/new-consumer-advice-on-mis-selling-and-silent-calls-twin-scourges-of-the-communications-sector/>), through regulation that states it would be inappropriate for sales representatives to take advantage of vulnerable customers – we give the examples of those who are elderly or whose first language is not English.
 - [nuisance calls](https://www.ofcom.org.uk/phones-telecoms-and-internet/how-to-report-a-complaint/nuisance-calls-and-messages/) (<https://www.ofcom.org.uk/phones-telecoms-and-internet/how-to-report-a-complaint/nuisance-calls-and-messages/>) in an [Easy Read](https://www.ofcom.org.uk/_data/assets/pdf_file/0012/27300/easy-read-nuisance-calls-guide.pdf) format (https://www.ofcom.org.uk/_data/assets/pdf_file/0012/27300/easy-read-nuisance-calls-guide.pdf) as we are mindful that certain groups of consumers may be more vulnerable to nuisance calls.
- Collecting and analysing data about [complaints to our contact centre](https://www.ofcom.org.uk/about-ofcom/latest/features-and-news/telecoms-paytv-complaints-june-2017/) (<https://www.ofcom.org.uk/about-ofcom/latest/features-and-news/telecoms-paytv-complaints-june-2017/>) and carrying out research designed to increase our understanding of consumer vulnerability. Communications services are increasingly essential for citizens and consumers. People in vulnerable circumstances may particularly depend on certain communications services, for example if they cannot easily leave their homes because of disability or illness. The [Access and Inclusion](https://www.ofcom.org.uk/research-and-data/multi-sector-research/accessibility-research/access-and-inclusion/) (<https://www.ofcom.org.uk/research-and-data/multi-sector-research/accessibility-research/access-and-inclusion/>) report presents a range of data on the availability, take-up, use and affordability of communications services.
- Requiring a range of measures to be in place to ensure that no one is prevented from making an emergency call because of their circumstances. For example, so people can call the emergency services over other available mobile networks when out of range of their home network and deaf and speech-impaired people can use [text relay](http://www.textrelay.org/) (<http://www.textrelay.org/>) or [emergency SMS](http://www.emergencysms.org.uk) (<http://www.emergencysms.org.uk>) to call 999 or 112.

External links

To share and improve our knowledge and understanding of consumer vulnerability we engage with a range of stakeholders including government, consumer groups and other regulators. We worked with UK Regulators' Network (UKRN) to prepare a [leaflet about services](http://www.ukrn.org.uk/wp-content/uploads/2018/06/UKRN-accessibility-leaflet.pdf) (<http://www.ukrn.org.uk/wp-content/uploads/2018/06/UKRN-accessibility-leaflet.pdf>) for older and disabled customers in regulated sectors. Ofcom is an affiliate member of the [Essential Services Action Network \(ESAN\)](http://www.esan.org.uk) (<http://www.esan.org.uk>). ESAN's purpose is to seek to ensure that essential services meet the needs of consumers, particularly those in vulnerable circumstances.

See also...

GPS jamming exercises (<https://www.ofcom.org.uk/spectrum/information/gps-jamming-exercises>)

04 January 2021

The Ministry of Defence conduct occasional tests on military systems which may result in some loss of service to civilian users of the Global Positioning System (GPS) including in-car navigation devices and networks which rely on GPS signals.

Market structure, investment and quality in the mobile industry (<https://www.ofcom.org.uk/research-and-data/economics-discussion-papers/mobile-market-consolidation>)

22 December 2020

Ofcom's research and data collection programme (<https://www.ofcom.org.uk/research-and-data/about-ofcoms-research>)

Why and how Ofcom carries out its research and data collection programme.

Ongoing projects - UHF: 700 MHz (<https://www.ofcom.org.uk/spectrum/spectrum-management/ongoing-projects>)

21 December 2020

See all results ([/search?query=Consumer vulnerability](/search?query=Consumer+vulnerability))

Advice for Businesses

A starter pack for businesses (<https://www.ofcom.org.uk/advice-for-businesses/inexperienced-digital-users>)

Knowing your rights (<https://www.ofcom.org.uk/advice-for-businesses/knowning-your-rights>)

Disabled business customers (<https://www.ofcom.org.uk/advice-for-businesses/help-for-disabled-business-customers>)

Read all our advice for businesses (<https://www.ofcom.org.uk/advice-for-businesses>)

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MADE ON BEHALF OF: APPLICANT / PROPOSED CLASS REPRESENTATIVE
NAME OF WITNESS: JUSTIN LE PATOUREL
NUMBER OF STATEMENT: 1
EXHIBITS: JLP1 – JLP22
DATE: 15 JANUARY 2021

Case Number: []

IN THE COMPETITION APPEAL TRIBUNAL
BETWEEN

JUSTIN LE PATOUREL

Applicant / Proposed Class Representative

and

BT GROUP PLC

Respondent / Proposed Defendant

EXHIBIT JLP4

This is the exhibit marked "JLP4" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021

Communications Consumer Panel and ACOD response to Ofcom's consultation on its review of the market for standalone landline telephone services

The Communications Consumer Panel (the Panel) and the Advisory Committee for Older and Disabled People (ACOD) welcome the opportunity to respond to this consultation on Ofcom's review of the market for standalone landline telephone services.

The Panel works to protect and promote people's interests in the communications sector, including the postal sector. We are an independent statutory body set up under the Communications Act 2003. The Panel carries out research, provides advice and encourages Ofcom, governments, the EU, industry and others to look at issues through the eyes of consumers, citizens and microbusinesses.

The Panel pays particular attention to the needs of older people and people with disabilities, the needs of people in rural areas and people on low incomes, and the needs of micro businesses, which have many of the same problems as individual consumers.

Members of the Panel also represent the interests of consumers in England, Northern Ireland, Scotland and Wales respectively. National Members liaise with the key stakeholders in the Nations to understand the perspectives of consumers in all parts of the UK and input these perspectives to the Panel's consideration of issues. Following the alignment of ACOD with the Panel, the Panel is more alert than ever to the interests of older and disabled consumers and citizens.

Response

The Panel believes that action needs to be taken to remedy proven market failures that have impacted on the 2.9 million households (approx.)¹ that take standalone landline telephone services. We support the strong and appropriate actions that Ofcom proposes to take, following the initial conclusions of its review of the retail market. It is vital that the regulator is able to protect consumers that are unable to benefit from competition and choice in the market. In this case, it seems clear that the very opposite has happened - and that these customers have experienced real long term dis-benefit as a result of systematic and unfettered unjustified enrichment by certain providers within this particular market segment.

Ofcom's proposals to reduce BT's retail price by £5-7 per month should provide tangible benefits to disempowered consumers and small businesses, for many of whom they play an essential role. In practice we would like to see the costs reduced further than the £5-7 proposed, by CPs adjusting their prices to a reasonable level for the service being delivered, taking into account the money they are saving on wholesale costs.

¹ https://www.ofcom.org.uk/__data/assets/pdf_file/0030/97806/Consultation-Review-of-the-market-for-standalone-landline-telephone-services.pdf

We have a further area of concern in that this situation has persisted for some years, and we believe that there is evidence of consumer detriment over a long period - where prices have far outstripped costs in a non competitive market, and no action has been proposed until now. We therefore believe that there is a case for retrospective analysis of the sum of the consumer detriment experienced thus far (pre any price control implementation) and we would urge Ofcom to consider how to address this. Long standing single line customers could perhaps qualify for a one-off rebate reflecting the level overpayment that they have already made.

Consumers in vulnerable circumstances

We believe the reasons for re-introducing price controls in this defined market are well set out in the consultation document - that is, consumers affected by the increase in retail prices, against a backdrop of decreasing wholesale prices, tend to be:

- older;
- on lower incomes;
- habitually less likely to consider switching provider;
- less likely to be digitally confident; and
- more likely to be disabled.

The Panel commissioned research in 2015² to look into the experiences of people whose additional communications needs meant they became more vulnerable when contacting their communications providers (CPs). We found that while for some the importance of a landline was decreasing, for others it offered a sense of security - and access to vital safety services. Some people simply could not contemplate being without one - for others they provided an essential means of accessing support or assistance. For example, “Alexander” aged 70, who lives in rural Wales said: *“Your landline is your... passport to the outside world.”*

We note that Ofcom’s review found that 30% of consumers in the standalone fixed line market did not have a mobile phone and that the greater proportion of this market - about 1.7 million “voice only” consumers - do not purchase fixed broadband.

Ofcom’s review also found that 70% of standalone landline customers have never switched provider or considered doing so. In principle we welcome the trials that Ofcom and BT are going to take to improve consumer engagement, although we would like to know more about them.

We also note BT’s work in improving its BT Basic package - and its promotion of that package - as well as BT’s work with StepChange and the Money Advice Trust to provide consumers with clear advice on managing their budget.³ This is welcome and we would encourage all CPs to provide consumers with information to help them to find the right tariff to prevent consumers from getting into debt.

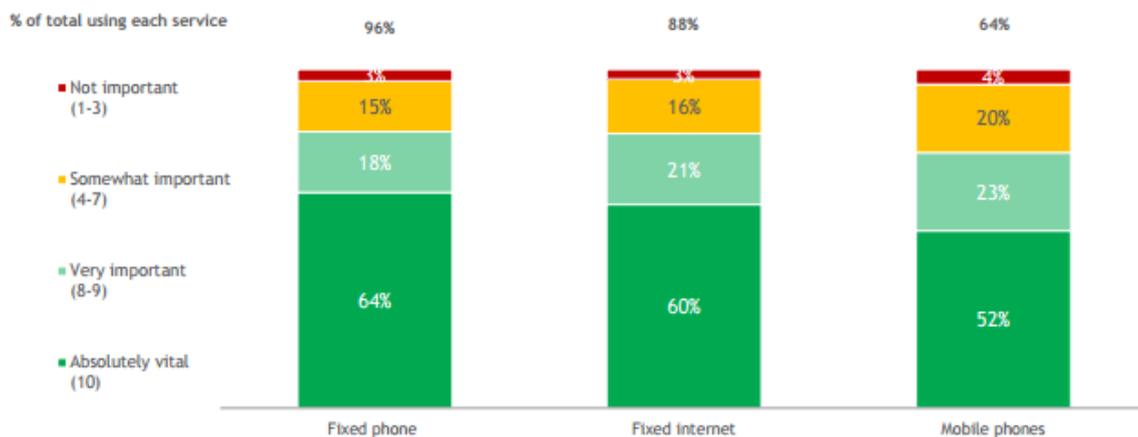
²<http://www.communicationsconsumerpanel.org.uk/downloads/were-not-all-the-same---final-report-171215.pdf>

³http://btplc.com/inclusion/HelpAndSupport/DocumentsandDownloads/Communicationchoices/Forpeoplemanagingabudget/Communication_Choices_Managing_Budget.pdf

SMEs

We are pleased to see that small and medium enterprises (SMEs) fall within scope of Ofcom’s defined market for standalone fixed line services. We would highlight that Ofcom’s recent research report ‘The SME experience of communications services’ showed that 28% of SMEs were less than satisfied in terms of the value for money of their landline service (72% were satisfied, vs. 78% in 2014). But SMEs depend on having a landline, so they have no choice but to pay the cost. Over two thirds (64%) of all of the SMEs surveyed said they viewed their landline as “absolutely vital”, to the extent that their business could not carry on without it.

Figure 31: Importance of communication services currently used



Source: QA1a/b Which of the following communications services does your organisation use for business purposes? QF6. Thinking about each of the communication services your organisation uses, how important is each of these to your organisation? Please use a scale of 1 to 10 where 1 is not at all important, it would be inconvenient but you could live without it and 10 is absolutely vital - your business could not carry on without it. Base: all users of each service (fixed phone n=1440, fixed internet n=1367, mobile phones n=1014)

The Panel’s remit includes the protection of micro businesses - SMEs with 10 or fewer employees. Micro businesses formed 95.5% of Ofcom’s SME sample above.

When participants in the Panel’s 2014 research⁴ on micro businesses’ use of communications services were asked (unprompted) what was essential to the running of their business, 37% answered that it was their landline, second only to their mobile (41%) and ahead of broadband (25%).

One participant highlighted the importance of having a landline in demonstrating to customers the credibility and trustworthiness of their business - a price that needed to be paid: *“Landlines I am not so keen on because I think it is a bit of a waste of money, nobody seems to use the landlines now, but if you have a website, and you have a*

⁴ <http://www.communicationsconsumerpanel.org.uk/research-and-reports/realising-the-potential-micro-businesses--experiences-of-communications-services>

business card, and you don't have a landline contact, I think people would be sceptical to order from you". (IT support company, Urban England).

We would suggest including SMEs - and especially micro businesses - in the trial of improving consumer engagement, not least to raise awareness of Ofcom's small business portal (28% of participants in Ofcom's SME research, published January 2017⁵, were aware of the portal).

Summary

- We strongly support the proposed price control on BT covering both line rental and calls as well as ancillary services for standalone landline telephone services - and the block on any further increase in charges for line rental and calls beyond the rate of inflation;
- We urge all CPs to go beyond the level of reduction proposed in Ofcom's consultation;
- We welcome, in principle, Ofcom and BT's consumer engagement trials and would like more detail on these;
- We welcome the inclusion of SMEs within the scope of the standalone fixed services market and believe they should receive the same reduction in costs. We would also welcome their inclusion in consumer engagement trials.

⁵ https://www.ofcom.org.uk/__data/assets/pdf_file/0030/96348/Ofcom-SME-consumer-experience-research-2016-Report.pdf

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and

BT GROUP PLC

Respondent / Proposed Defendant

EXHIBIT JLP5

This is the exhibit marked "JLP5" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021

The cost of loyalty

Exploring how long-standing customers pay more for essential services



Temi Ogunye, Caroline Rogers,
Lizzie Greenhalgh and Barney McCay



Citizens Advice: exploring the loyalty penalty in essential markets

This report is part of a programme of work examining how essential markets, including energy, telecoms and financial services, exploit consumer loyalty. Providers frequently tempt new customers in with cheaper deals and then raise prices over time, taking advantage of the fact that consumers have busy lives and won't get round to switching. As a result, loyal customers often end up on uncompetitive deals, paying far more for a service than a new customer would.

Our series of briefings on the loyalty penalty is a call to action for government and regulators. The loyalty penalty is not only unfair because it affects vulnerable people the most. This report also suggests that competitive pressures do not apply to significant sections of essential markets - making them inefficient and unproductive.

Acknowledgements

We would like to thank Citizens Advice staff and volunteers who offered their insights in the Network Panel. We would also like to thank members of the public who responded to our survey.

Finally, we would like to thank the Behavioural Insights Team who provided valuable contributions to both the drafting and recommendations of the report.

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Summary

Loyalty is often seen as something to be encouraged, even rewarded. When a customer is loyal to a supermarket or coffee shop, for example, they often receive discounts or special offers from the business in return.

But when it comes to essential service markets - such as energy, mobile, broadband and financial services - things are different. Instead of being rewarded, long-standing customers often pay more. While this cost has been acknowledged in the energy market, it has not been widely recognised in other markets such as broadband. This research shows how people face a 'loyalty penalty' across essential markets and could be overpaying by as much as £987 - more than 4 months' worth of food for the average household. And it's often vulnerable consumers who pay the most.

The loyalty penalty is not only unfair, it is bad for the economy too. Markets which are well-functioning are powered by choice. People proactively choose the products and services they buy. And fierce competition by companies for those choices drives down prices and fuels innovation and efficiency. This research finds that essential service providers undermine consumer choice, using processes which take advantage of people's behavioural biases. This suggests that, even in ostensibly competitive markets, firms may lack strong enough incentives to develop innovative new products and improve customer service. Both consumers and the wider economy lose out.

Choice is hindered at three key stages of the consumer journey, leaving many on poor value deals:

- **Choosing a good deal: finding the best value contract is often difficult and many people don't spot the loyalty penalty.** Two in five (39%) consumers are unaware of the loyalty penalty in essential markets and over a third (35%) say it's too hard to shop around. Providers hide the loyalty penalty deep in terms and conditions where few people will find it.
- **Choosing to stick with the same deal: prompts to inform people when their fixed deal is expiring are often ineffective.** Three quarters (75%) of broadband customers are not aware of ever being informed by their provider that they could save money by moving to a cheaper deal. And in the mortgage market, providers rely on post to communicate with customers rather than allowing people to choose their preferred method of communication.

- **Choosing to exit a contract: barriers deter people from switching.** A quarter (25%) of people think it's difficult to exit an essential service contract. And many who choose to stay mistakenly think they are on the best deal available.

Regulators and government should seize opportunities to address the loyalty penalty. They should adopt measures that promote choice, increase competition, and protect vulnerable consumers across essential markets:

- **Regulators should introduce targets for providers to reduce the loyalty penalty.** They should monitor how many people are affected, how badly they are affected, and set targets to reduce the penalty's impact.
- **The Competition and Markets Authority (CMA) should investigate possible solutions to the loyalty penalty for vulnerable consumers.** Ofgem is consulting about whether to extend its price cap for vulnerable consumers. The CMA, in taking forward its work on vulnerable consumers, should look at the loyalty penalty and the case for tackling it systematically across essential markets
- **Regulators and the Advertising Standards Authority (ASA) should improve framing of information across markets.** For example, in the mortgage market, the 'standard variable rate' label should be changed to the 'expired rate' to better describe the nature of the contract.
- **Providers should be required to send much more effective, timely nudges.** The Financial Conduct Authority (FCA) has recently introduced new rules in the insurance market and other regulators should follow suit. Consumers should also be able to choose how their provider alerts them when their initial deal ends.
- **Providers and regulators should remove barriers to exiting a contract, making switching more straightforward and hassle-free.** For instance, suppliers should commit to ensuring the same method used to enter a contract is available to customers who want to exit.
- **Regulators should encourage the use of data and digital tools which help consumers to get a better deal.** New technology can play a big role in addressing the loyalty penalty. Government and regulators should focus on how new tools can be supported to scale up and meet the needs of vulnerable consumers.

The public's faith that markets can deliver has been shaken. The government has opportunities in its Industrial Strategy and Consumer Green Paper to set out a positive vision for how they can work better for everyone. This report outlines the size of that challenge. The aim should not be to eliminate the loyalty penalty - competitive pressures can drive good outcomes - but the dial needs to shift

back in the favour of consumers. The Green Paper should reaffirm that markets should be judged by what they achieve for consumers, not by theoretical notions of what a market should or shouldn't look like.

The government has shown a willingness to act. Just as they have committed to intervening in the energy market, they should be willing to take practical action in other markets where too many consumers are getting a bad deal and those least able to pay are often charged more.

Background

When it comes to people's living standards, spending is as important as income. Britain's consumers spend £1.3 trillion on goods and services each year.¹ When consumer markets work well, this spending is a powerful force for good. But the importance of consumers markets for our lives also means that, when they fail, that failure carries a heavy price, resulting in rip-off deals, scams and shoddy services. And often, it's the vulnerable who are hit hardest of all. With Brexit on the horizon and prices already rising, it is crucial that spending leads to good outcomes for consumers in the coming years.²

Rooted in data from the 778,000 consumer problems we help solve every year, Citizens Advice has unparalleled insights into consumer detriment. Our previous research has shown that consumer problems ruin lives and cost us £23 billion a year.³ One common problem we see is people paying high prices for essential services when they are loyal to a provider. Traditional economic theory holds that consumers, as 'rational' actors, will shop around so they are on the best deal. But in essential markets this often doesn't happen. Across energy, telecoms and financial services, large numbers of long-standing customers are on poor value deals.

Behavioural insights help explain why. One of the strongest forces in consumer behaviour is inertia, also known as the status quo bias.⁴ This describes people's tendency to stick with a previous decision. As a result, the way choices are designed can have a big impact on consumer behaviour, even when the economic incentives for a consumer are clear. Providers of essential services exploit this to charge steep prices to long-standing customers.

In recent years, there has been a focus on improving the 'choice architecture' for consumers by making it easier and simpler for them to switch. For example, in the retail banking sector, the Current Account Switching Service (CASS) was launched to reduce frictions switching for Personal Current Accounts, Charities and Business Current Accounts.⁵ Encouraging consumers to consider their options and simplifying the switching process can help people to access better deals and also drives competition in the market. But there is growing evidence of the limitations of interventions focused on driving switching.

¹ Sum of past four quarters of [ONS consumer trends data](#). Quarterly household final consumption expenditure total (£ billion), seasonally adjusted, Q4 2016 to Q3 2017.

² ONS, [UK consumer price inflation](#), December 2017.

³ Citizens Advice, '[Consumer detriment: Counting the cost of consumer problems](#)', September 2016

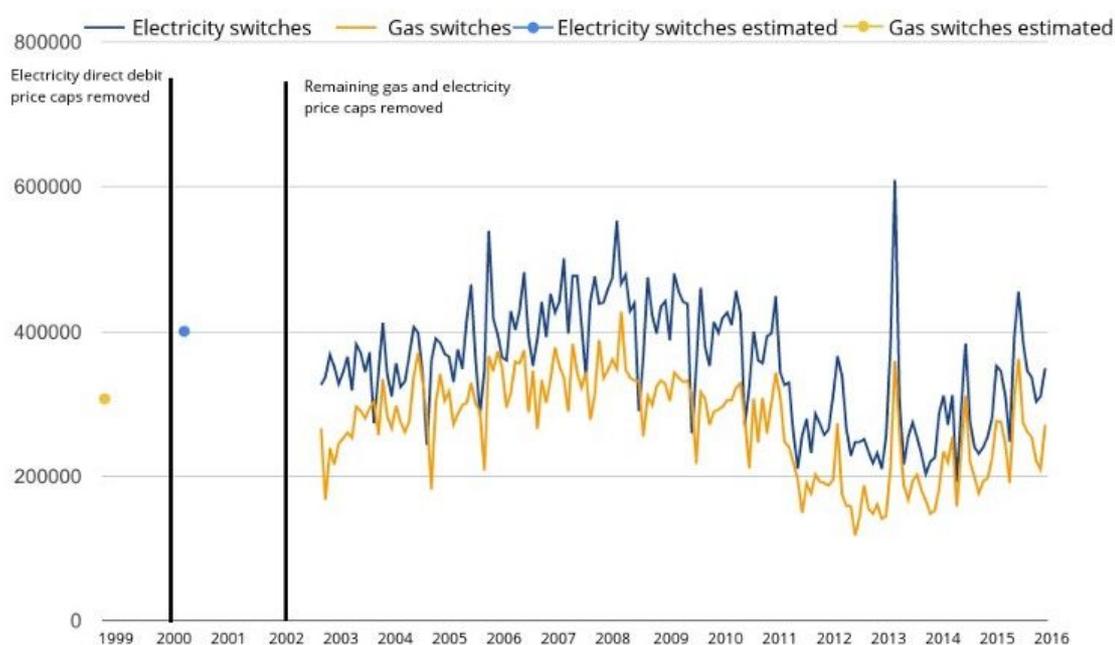
⁴ Samuelson, W. and Zeckhauser, S., 'Status quo in decision making', 1988.

⁵ Behavioural Insights Team for Citizens Advice, '[Applying behavioural insights to regulated markets](#)', May 2016.

Despite the introduction of simpler choices in the energy market, levels of consumer engagement have not increased substantially. As the chart below shows, switching rates were actually higher when energy price caps were in place around the turn of the century compared with switching rates over the past six years. This suggests that ‘rational’ economic incentives are not always driving consumer behaviour.

Chart 1: Switching rates were higher when energy price caps were in place in the early 2000s compared with switching rates over the past 6 years

Number of electricity and gas switches, monthly, 1999-2016



Source: Department for Business, Energy & Industrial Strategy, *Transfer statistics in the domestic gas and electricity markets in Great Britain. Pre-2003 estimates from National Audit Office*

Recent regulation has focused on the time it takes to switch from one supplier to another. But the length of time it takes to decide whether and where to switch is likely to be at least as important as how long the switch itself takes.⁶ The focus assumes that shopping around more is always a positive thing. In fact, our recent research shows consumers actually feel less satisfied when they spend a ‘good’ amount of time reaching a decision.⁷

⁶ The Behavioural Insights Team, [Behavioural Insights Team response to Energy market investigation: Notice of possible remedies](#), 2015.

⁷ Citizens Advice, [‘Against the clock’](#), November 2016.

To date, there has been far less scrutiny of provider behaviour. This presents an opportunity for policymakers to broaden their approach to tackling the loyalty penalty.

Research method

This report uses a variety of different research methods to gain insight into how the loyalty penalty affects people across essential markets. These are summarised below with further details set out in the Appendix.

Citizens Advice researchers audited behaviour across major providers in each market using desk-based research, including contacting providers by live web-chat and telephone. These providers were identified by size and market share. Further details can be found in the Appendix.

This was supplemented with insights from two nationally representative online surveys run in January and June 2017. Populus ran two surveys of 3,196 and 3,070 people respectively in the energy, telecoms and financial services markets. Data were weighted to be representative of the UK population. Data about the respondent's gender, age, household income, level of education, mental health, region, housing tenure and ethnic group were also recorded. Populus is a founder member of the British Polling Council and abides by its rules.

The report also includes insights from the Citizens Advice Network Panel. This is a monthly survey sent to over 800 staff and volunteers across England and Wales, asking about their experiences of and views on policy issues.

When calculating the size of the loyalty penalty and the groups likely to pay it, we tailored our methodology to the specific market in question. Full details of our approach can be found in the Appendix to this report.

Qualitative evidence can be found throughout this report. This comes from an open text question in our January 2017 survey, from our Network Panel survey and from adviser casenotes. Where unattributed, quotations come from members of the public who responded to our survey. All case studies come from evidence forms completed by local Citizens Advice offices, and have been anonymised to maintain client confidentiality.

Finally, we would also like to thank the Behavioral Insights Team for the advice and suggestions they provided for this report.

1. What is the loyalty penalty?

The loyalty penalty is the cost of being a long-standing customer, compared to a new customer receiving the same product or service. In markets such as energy, broadband and home insurance, this occurs when loyal customers default onto a more expensive 'standard' tariff once their original contract comes to an end. In markets such as savings accounts and fixed-rate mortgages, it means providers moving people onto poorer value interest rates instead. In the mobile handset market, the loyalty penalty involves providers continuing to charge people the same amount even after they have paid off the full cost of the handset.⁸ Whilst the design of the loyalty penalty varies from market to market, its impact is the same - loyal customers pay more for the same service than new customers. Table 1 below shows the cost of experiencing the loyalty penalty for one year in all 6 markets focused on for this report.

Table 1: The cost of paying the loyalty penalty for one year in six markets

Market	Penalty
Energy	£110 ⁹
Mobile (including handset)	£264 ¹⁰
Broadband	£113 ¹¹
Home insurance	£13 ¹²
Fixed rate mortgage	£439 ¹³
Savings account	£48 ¹⁴
Total penalty	£987

⁸ While SIM-only contracts make up a substantial proportion of the market, contracts including both mobile service and the cost of the handset make up around two-thirds of the post-pay mobile service market. Ofcom, [Pricing trends for communication services in the UK](#), March 2017.

⁹ This is the average difference between each supplier's standard variable tariff and the cheapest deal for a medium dual fuel user paying by direct debit, weighted to reflect the number of customers the supplier has on the standard variable tariff. The suppliers included are those that Ofgem publishes data on number of SVT accounts for. The rest of this report is based on analysis of the 'big six' energy suppliers.

¹⁰ Citizens Advice, [Mobile phone networks overcharging loyal customers by up to £38 a month](#), 2017.

¹¹ Citizens Advice, [Exploring the loyalty penalty in the broadband market](#), 2017.

¹² This is the amount overpaid on a combined policy renewed after 1 year. In a nationally representative survey of UK households, 57% of respondents had a combined policy. This figure was calculated using data from the FCA and the AA British Insurance Premium Index. Further details in the Appendix.

¹³ Citizens Advice, [Exploring the loyalty penalty in the mortgage market](#), 2017.

¹⁴ This refers to the loyalty penalty for cash ISAs. Given the range of different savings accounts available, this report focuses on cash ISAs because they are a type of savings account that many people have and about which there is robust data. See Appendix for an explanation of how this figure was calculated.

The numbers of people who face the loyalty penalty in different essential service markets are large. 12 million UK households are on standard variable tariff accounts in the energy market.¹⁵ In the home insurance market, 12.9 million households auto-renew after 1 year, meaning they pay more expensive premiums.¹⁶ Around 1.2 million mortgage holders on standard variable rates would be better off switching to a cheaper deal.¹⁷ As the table above shows, those who face the loyalty penalty in all 6 markets focused on in this research could be paying as much as £987 per year for being a long-standing customer in essential service markets. This is equivalent to over 4 months' worth of food for the average household.¹⁸

Figure 1: Many people are paying the loyalty penalty in essential service markets



Vulnerable customers are more likely to face the loyalty penalty

“Loyal customers are seen as cash cows. Anybody that is not on the internet, is elderly, sick or poor gets charged a lot more than new customers and on pay as you go customers pay even more.”

“Older people particularly with no knowledge of the internet and comparison sites are more likely to stick with the same providers and just accept the charges.”

¹⁵ Ofgem, [Dermot Nolan Speech at the Future of Energy Supply conference](#), September 2017.

¹⁶ According to the FCA report [Occasional Paper No. 22](#), September 2016, insurance premiums rise by an average of 8% when renewed after 1 year. More details can be found in the Appendix.

¹⁷ Citizens Advice, [Exploring the loyalty penalty in the mortgage market](#), 2017.

¹⁸ ONS, [Family Spending in the UK: financial year ending March 2016](#), released February 2017.

Often those least able to pay the loyalty penalty are the most likely to experience it. This is because vulnerable groups are more likely to stay in their contracts for longer. Traditional economic theory assumes that people will exercise choice in markets and this in turn drives competition. But as this research shows, some groups of people struggle to exercise choice, especially in complex markets.

Compared to 18-64 year olds, people who are 65 and over are more likely to pay a higher price for the same service in all of the markets focused on in this report. Findings from psychology may help to explain why. We know that cognitive functioning declines with age,¹⁹ and that having too many options to select from can leave people less happy not more.²⁰ Evidence also shows that older people are less likely to make optimal decisions when faced with many options,²¹ and are more likely to defer choices when faced with complexity.²² It may be that those aged 65 and over are more likely to face the loyalty penalty because they are less able to choose the best deal and more likely to stick with the status quo in complex essential service markets.

Figure 2: Older people are more likely to pay the loyalty penalty

Compared to 18-64 year olds, people aged 65 and over are:



¹⁹ Zelinski E.M. and Burnight KP., 'Sixteen-year longitudinal and time lag changes in memory and cognition in older adults', Psychology and Ageing, 1997.

²⁰ Schwartz, B, The Tyranny of Choice. Scientific American, 1 December 2004.

²¹ Besedes, T. et al., 'Age Effects and Heuristics in Decision Making', Review of Economics and Statistics, 2012.

²² Chen, Y. et al., 'Age Differences in Trade-off Decisions: older adults prefer choice deferral', Psychology and Ageing, 2011.



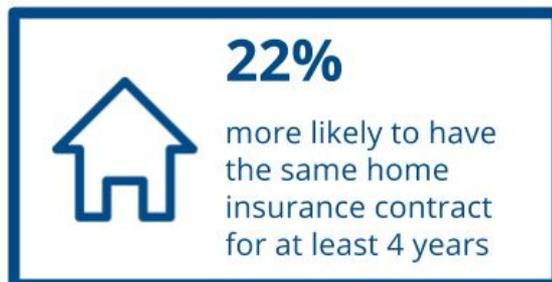
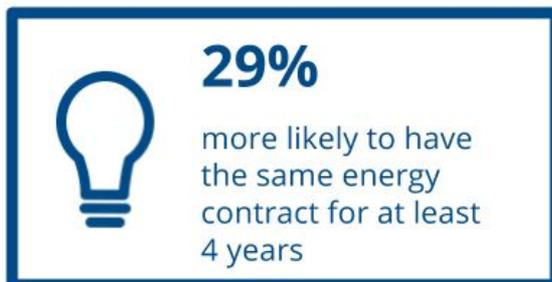
Beth, a 71 year old pensioner without computer access, came to Citizens Advice for help when her energy contract was coming to an end. Beth was keen to stay with her provider, who had supplied her energy for 10 years. However, her new tariff would cost £100 more each year than her previous deal, which she couldn't afford to pay.

After searching for a quote on the provider's website, Beth's adviser found an energy tariff £200 cheaper than the amount her provider had quoted - and £100 cheaper than her current deal.

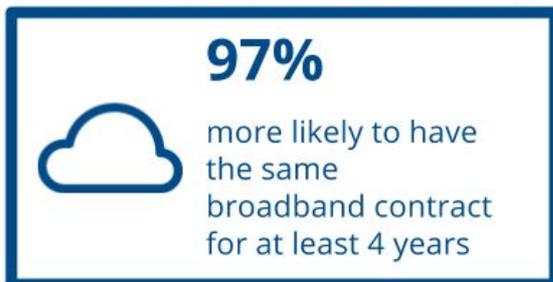
People on lower incomes²³ are also more likely to pay the loyalty penalty in a range of essential service markets. Those on low incomes may be failing to switch due to the effects of the 'scarcity mindset': the tendency for those who are worried about their financial situation to have less cognitive capacity to devote to other areas of their life.²⁴ The scarcity mindset may also explain why social renters are 32% more likely to face the loyalty penalty in the energy market compared to owner occupiers, and 77% more likely compared to private renters.

Figure 3: People in low incomes are more likely to pay the loyalty penalty

Compared to the average, people on lower incomes are:



Compared to those on the highest incomes, people on lower incomes are:



Finally, across a range of essential markets, people without a university degree are more likely to face the loyalty penalty. Evidence suggests that adults with

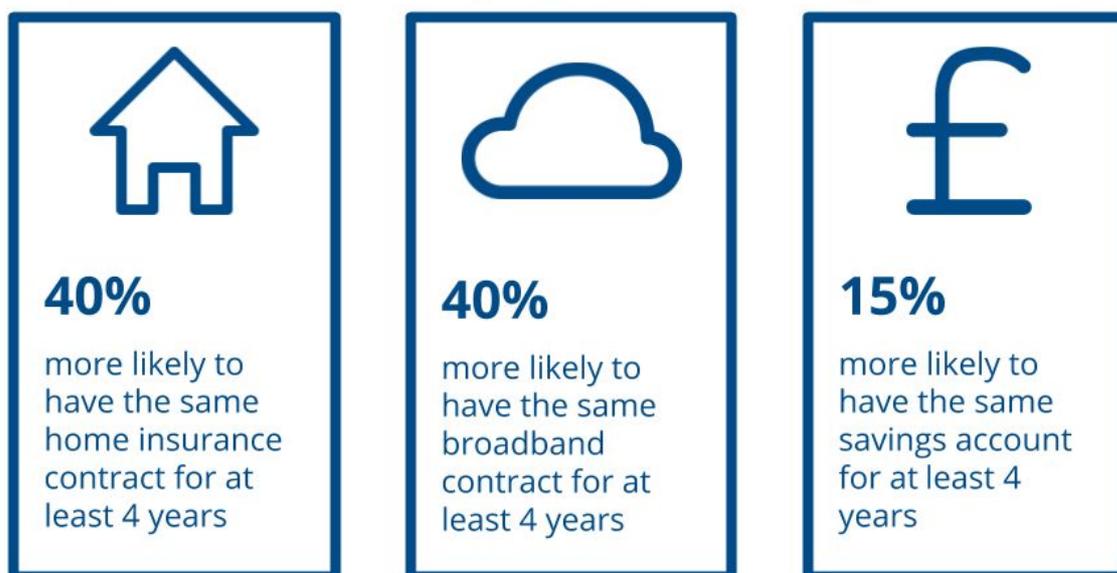
²³ People on lower incomes are defined as those with a combined annual household income of up to £7,000. The highest income bracket is £83,001 or more.

²⁴ Mullainathan, S. Shafir, Scarcity: The true cost of not having enough. 2014.

degrees tend to perform better in complex tasks compared to those who are less well educated.²⁵ It may be that people who did not go to university are less active in essential service markets because they have lower levels of confidence dealing with complex processes and products.

Figure 4: People who didn't go to university are more likely to pay the loyalty penalty

Compared to those with a degree, people who didn't go to university are:



The groups this research identifies as being more likely to face the loyalty penalty mirror those the Competition and Markets Authority (CMA) investigation into the energy market found to be less likely to have switched energy supplier between 2011 and 2014.²⁶

There are policies which recognise that greater protections are necessary for vulnerable consumers. For example, water companies' social tariffs reduce bills for those on low incomes, and Ofgem's cap on energy bills for those on prepayment meters addresses the lack of effective competition in the prepay market, whose users are primarily low income. Likewise, Ofcom's cap for landline-only customers cuts costs for a group of people who are often elderly or on low incomes.²⁷ The fact that the same vulnerable consumers are less likely to switch and drive competition across a range of essential services - and are more likely to pay more for the same service as a result - suggests that greater protections may be necessary.

²⁵ Tun, P. and Lachman, M., '[Age Differences in Reaction Time and Attention](#)', *Developmental Psychology*, 2008.

²⁶ CMA, '[Energy market investigation: Final report](#)', 2016.

²⁷ Ofcom, '[BT's landline-only customers set for cheaper bills](#)', February 2017.

2. Why do people experience the loyalty penalty?

The loyalty penalty is the cost of being a long-standing customer, compared to a new customer receiving the same product or service. But why do people face it? This research examines people's experiences at each stage of the consumer journey, and finds essential service providers exploit people's behavioral biases in ways that hinder choice. The specific behavioural biases effective at each stage are highlighted at the beginning of each section below.

a. Choosing the best deal

"Even as an adviser with 7 years experience, [it can be] very difficult to work out which deal is best"

Citizens Advice Adviser

Key behavioural biases at this stage of the consumer journey

Choice overload²⁸

When presented with a large number of options, consumers can become 'paralysed' and are likely to either opt for the default, delay a decision or choose badly.²⁹ Studies also show that creating additional or more complex choices leads to higher prices.³⁰

Anchoring

When people make decisions along a numerical scale, seemingly trivial or irrelevant information can 'anchor' them and shift behaviour.³¹ For example, increasing the minimum payment displayed on credit card statements raises the average payment amount.

²⁸ Lyengar, S. S., & Lepper, M. R. When choice is demotivating, *Journal of Personality and Social Psychology*, 2000.

²⁹ Tversky, A., & Shafir, E. Choice under conflict, *Psychological science*, 1992; Gourville, J. T., & Soman, D. Overchoice and Assortment Type, *Marketing Science*, 2005; Wilson, C., et al. *Irrationality in consumers' switching decisions*, 2005.

³⁰ Carlin, B. I. Strategic price complexity in retail financial markets. *Journal of Financial Economics*, 2009; Kalayci, K. *Price Complexity and Buyer Confusion in Markets*, 2011; Kalayci, K., & Potters, J. Buyer confusion and market prices. *International Journal of Industrial Organization*, 2011.

³¹ Tversky, A., & Kahneman, D. Judgment under Uncertainty, *Science*, 1974.

Framing effects

Preferences shift depending on how choices are framed.³² When consumers search for deals, the framing of costs or terms and conditions can be crucial. Presenting a mobile handset contract as '£50 a month with £250 upfront' makes it seem less attractive than '£50 a month with a half price handset'.

Present bias

People tend to focus on the benefits of present consumption and discount future costs.³³ A US trial found that people were 13% more likely to choose a credit card offer with a low introductory interest rate that would be more expensive overall, compared to offers with no introductory deal.³⁴

Competitive markets rely on consumers exercising choice. This drives down prices and fuels innovation. However, this research finds that providers across essential markets make it difficult for people to make informed choices when selecting a deal. A third (35%) of respondents think it is not straightforward to find a good deal in essential service markets.

This chapter highlights how many people do not realise loyalty is penalised in these markets, before considering two key reasons why.

People often don't realise there is a penalty

It can be difficult for people to understand that loyalty is rewarded in some markets, but penalised in others. More than 9 in 10 (96%) respondents to this research think providers of essential services should charge loyal customers the same or less than new customers - and 39% think they already do.

"A service is a service. A product is a product. I wouldn't expect to pay any more or any less for the same loaf of bread from a supermarket based on how often I bought the same item from the same place."

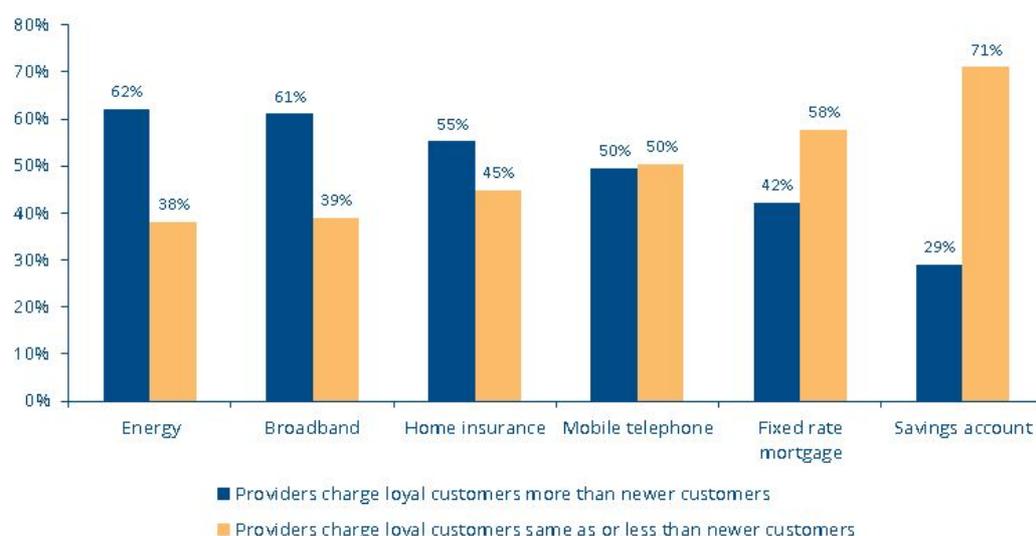
People's awareness of the loyalty penalty varies between markets. As Chart 2 shows, people are less likely to expect it in financial services, like bank accounts and mortgages, than in markets like energy.

³² Tversky, & Kahneman. The framing of decisions and the psychology of choice. Science, 1981.

³³ Barber, B. M. et al., *Out of Sight, Out of Mind*, Journal of Business, 2006; Liebman, J. B. *Schmeduling*, Harvard University and NBER, 2004; Laibson, D., Golden Eggs and Hyperbolic Discounting. The Quarterly Journal of Economics, 1997; Samuelson, W., & Zeckhauser, R. Status quo bias in decision making. Journal of Risk and Uncertainty, 1988; Thaler, R. H. 'Some Empirical Evidence on Dynamic Inconsistency'. Quasi Rational Economics, 2001.

³⁴ Shui, H., & Ausubel, L. M. *Time inconsistency in the credit card market*. 14th Annual Utah Winter Finance, 2004.

Chart 2: People are less likely to expect the loyalty penalty in financial services



Source: Citizens Advice analysis of Populus data³⁵

This may be because the penalty presents itself slightly differently in financial services. Consumers are less likely to view interest rate changes as a ‘cost’ similar to higher prices, and the long-term nature of products like mortgages means some people will be protected from interest rate ‘shocks’. It could also be because the energy loyalty penalty has been widely publicised in recent years, while similar practices elsewhere have received comparatively little attention.

Across essential markets, some common trends and behavioural biases help explain why people struggle to anticipate the loyalty penalty.

Complex pricing structures undermine choice

“There is an awful lot of confusing competition out there - people just want an easy to manage and understandable set up without always having to shop around for better deals.”

To make the right choice about a product or service, people need clear and appropriate information about the cost of the service they are signing up for. An audit of essential service providers’ advertising practices shows how many fail to provide this.³⁶ Combined with natural behavioural biases, these advertising practices make it difficult for people to access information about the loyalty penalty before making a choice.

³⁵ Question: ‘For the following services, do you think long-standing customers are likely to pay more or less than newer customers?’ Bases vary by market and exclude those who answered ‘Don’t know’.

³⁶ For each market, we examined the behaviour of those providers with the largest proportion of market share, since their practises impact the largest number of consumers. More detail can be found in the Appendix to this report.

Key information is often patchy or hidden

Across essential markets, people are rarely provided with clear, upfront information about the loyalty penalty. In some cases, such as in the broadband and mortgage markets, it is at least possible to discover the price after the initial deal expires. But often this can only be found deep in terms and conditions.

What's more, spotting the loyalty penalty often requires a good understanding of the market. For instance, while broadband providers include specific details about the default tariff, mortgage providers typically only list the future interest rate - meaning people have to calculate the price impact themselves. This is significant, since people have 'widespread misunderstanding and unrealistic expectations about how much variable rates could change'.³⁷

The labelling used in some markets could be actively impeding consumer understanding. Four of the six main energy providers give no indication that their standard variable tariff (SVT) is likely to be the most expensive option. Indeed, the description of tariffs and interest rates as 'standard' in the energy and mortgage markets may imply to consumers that these deals are the 'normal' options. And while 3 of the 7 main mobile handset contract providers display the cost of the handset upfront, 3 providers offer no accessible information to help consumers break down the total price. Not only does this make it difficult for consumers to compare deals, it also makes it hard to understand what is the cost of the mobile service, and what is the cost of the technology.

In the home insurance market, it is difficult to find any price information without searching for a specific quote. It is also difficult to understand what is driving future price changes. Research shows premiums are likely to increase, regardless of claims made or changes in circumstance.³⁸



Ellen, a 72 year old widow, came to Citizens Advice after receiving an unexpectedly high energy bill. When she had taken out her energy contract, Ellen believed her provider was supplying the electricity at their best rate. However, after receiving an unexpectedly high bill, Ellen realised she was actually on the provider's 'cheapest standard tariff' - in practice, the most expensive tariff offered by that provider. Ellen was very upset by this, since she believed the provider had placed her on their cheapest deal.

³⁷ FCA, [Cash Savings Market Study](#), 2015.

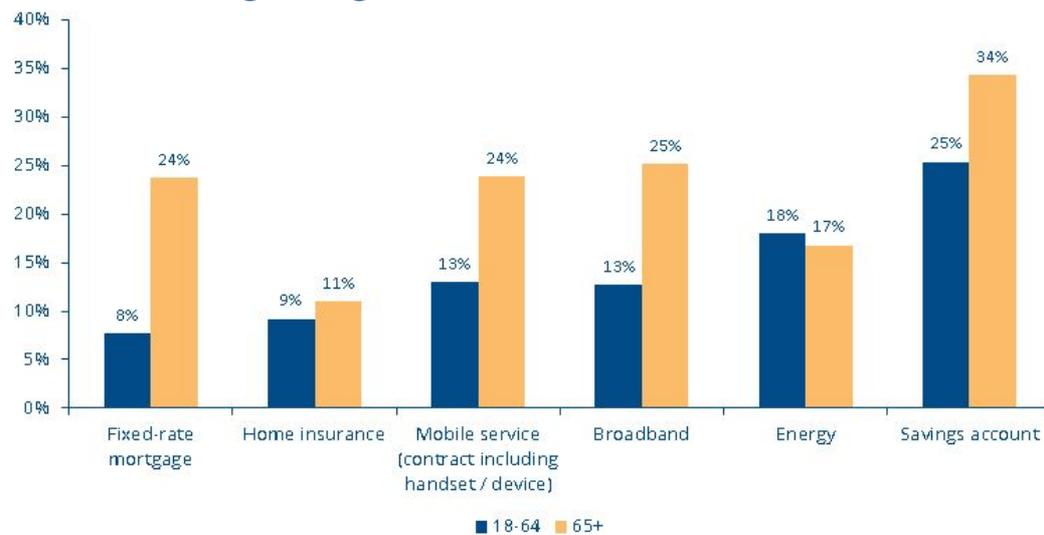
³⁸ FCA, [Price Discrimination and Cross-subsidy in Financial Services](#), 2016.

As a result, many struggle to choose the best deal

All this means that even when people try to shop around, they can end up feeling overloaded by complex and confusing information. Previous Citizens Advice research found that consumers are less inclined to shop around in complex essential service markets.³⁹ In the face of such complexity, people either resort to inaccurate ‘rules of thumb’, or they stick with the default option.

Vulnerable people are particularly likely to find this process difficult - and as a result, many disengage. This research finds that 41% of those who currently have a mental health problem think it’s not straightforward to find a good deal in essential service markets, compared to 31% of those who have never experienced a mental health problem. And as Chart 3 shows, people who are 65 or over are more likely to have done no shopping around before entering a contract than those aged 18-64.

Figure 3: Older people are more likely to have done no shopping around before entering a range of essential market contracts



Source: Citizens Advice analysis of Populus data⁴⁰

This trend is also present among those with lower education levels. Those without a university degree are more likely to have done no shopping around before entering an essential service contract than those with a degree.

³⁹ Citizens Advice, *Against the Clock*, 2016.

⁴⁰ Question: ‘Before entering your current contract for any of the following essential services, how much shopping around did you do, if any, to examine the various options in the market?’ Bases vary by market.

Shopping around is time-consuming and difficult

Consumers shopping around to assess the different deals offered by providers will always be central to a well-functioning market. But people also lead complex, busy lives, often juggling work and caring commitments. This research finds that 39% of consumers would like to spend more time shopping around. This falls to 27% among those aged 65 and over and 31% among people with annual household incomes of £7,000 or less. Previous Citizens Advice research found that not only do older people and those who are financially vulnerable do less shopping around than average, but they are also less responsive to prompts encouraging them to do more.⁴¹

Time is a key barrier to consumer engagement. In order to make well-informed decisions in essential service markets, consumers would need to almost double the amount of time they spend shopping around. One reason why consumers tend to engage less in essential service markets may be because they find the experience of engaging less enjoyable.⁴² This research finds that even among those who would like to spend more time shopping around for essential services, only 2 in 5 say they have the time (16% of consumers overall).

Figure 5: Most of those who would like to do more shopping around don't have the time to do so



Together, these findings suggest that shopping around in essential service markets needs to be made much simpler and more straightforward. In addition, special attention needs to be paid to those who are struggling to engage and drive competition at all.

⁴¹ Citizens Advice, [Against the Clock](#), 2016.

⁴² Citizens Advice, [Against the Clock](#), 2016.

b. Choosing to stick with a deal

“I think most providers charge less for new customers to get them to use their products, but once they hook you in, the prices are raised by a lot each year because they hope you won't have enough time to look for something better.”

Key behavioural biases at this stage of the consumer journey

Inertia/Status quo bias

This describes people's tendency to stick with a previous decision or the default despite there being benefits from switching.⁴³ Inertia is one of the strongest forces in consumer behaviour, and it means that for some, switching will always be less preferable - even if it would save them money.

Overconfidence and optimism

People tend to overestimate their abilities and knowledge, leading to overconfidence and risky decision-making.⁴⁴ Those with least knowledge tend to be most overconfident.⁴⁵ Optimism leads people to overestimate the likelihood of a positive outcome and underestimate that of a negative one.⁴⁶ Around 30% of consumers overestimate their credit score. Consumers also tend to overestimate their ability to regularly pay off loans.^{47, 48}

Temporal effects

Reminders are powerful, but timing is crucial.⁴⁹ Studies have found that individuals save more if reminded to at timely moments.⁵⁰ A recent study found that very high savings anchors were not very effective unless sent when people had just received bonuses, which increased savings rates.⁵¹ People are also more likely to act at the start of a new month or year, or on a meaningful date like a birthday.⁵²

⁴³ Samuelson & Zeckhauser, 1988; Wilson et al., 2005.

⁴⁴ Kahneman, D., & Tversky, A. On the reality of cognitive illusions. *Psychological Review*, 1996; Ho, C. M., Does Overconfidence Harm Individual Investors? *Asia-Pacific Journal of Financial Studies*, 2011.

⁴⁵ Lichtenstein, S., & Fischhoff, B. 'Do those who know more also know more about how much they know?' *Organizational Behavior and Human Performance*, 1977.

⁴⁶ Shepperd, J. A. et al., Exploring the causes of comparative optimism. *Psychologica belgica*, 2002.

⁴⁷ Perry, V. G. Is Ignorance Bliss? Consumer Accuracy in Judgments about Credit Ratings. *The Journal of Consumer Affairs*, 2008.

⁴⁸ Heidhues, P., & Hozzegi, B. Exploiting naivete about self-control in the credit market. *The American Economic Review*, 2010.

⁴⁹ Madrian, B. C. [Matching contributions and savings outcomes: a behavioral economics perspective](#). NBER Working Paper, 2012.

⁵⁰ Karlan, D. et al., Getting to the top of mind: How reminders increase saving. *Management Science*, 2016.

⁵¹ Choi, J. et al., [Small cues change savings choices](#). National Bureau of Economic Research, 2012.

⁵² Dai, H. et al., The Fresh Start Effect. *Management Science*, 2014.

Entering into a contract is not the only opportunity people have to exercise choice. There is also an opportunity for people to choose whether or not they stick with a provider. In competitive markets, this decision is proactive rather than one based on inertia. But this chapter highlights how providers take advantage of people's tendency to not shop around after they have taken out a contract by sending ineffective notifications which allow customers to automatically roll onto more expensive tariffs.

Energy, telecoms, and financial services contracts typically auto-renew or default onto a 'standard' tariff once the initial contract period has ended. This means that people do not need to shop around or make a decision in order to keep receiving the service. The benefit to consumers is that they are guaranteed continuous provision of essential services. The disadvantage is that consumers are not required to make the active choices that encourage competitive pricing, improved customer service, and innovative product development.



Jo came to Citizens Advice seeking help with her finances after the death of her father who had been ill for 25 years, and during which time Jo had helped with his care.

When examining Jo's documents, the adviser noticed that Jo's father had been paying £170 per month for buildings and contents insurance - £3,040 each year. The adviser thought this amount seemed unusually high compared to other household expenses and, upon investigating the policy, could find no reason for this.

Due to her own caring duties, Jo had not previously had the time to closely monitor ongoing contracts, or to shop around every time prices changed. She felt that her situation, and her father's ill health, had left them both vulnerable to being overcharged.

Limited time prevents people from shopping around after entering a contract

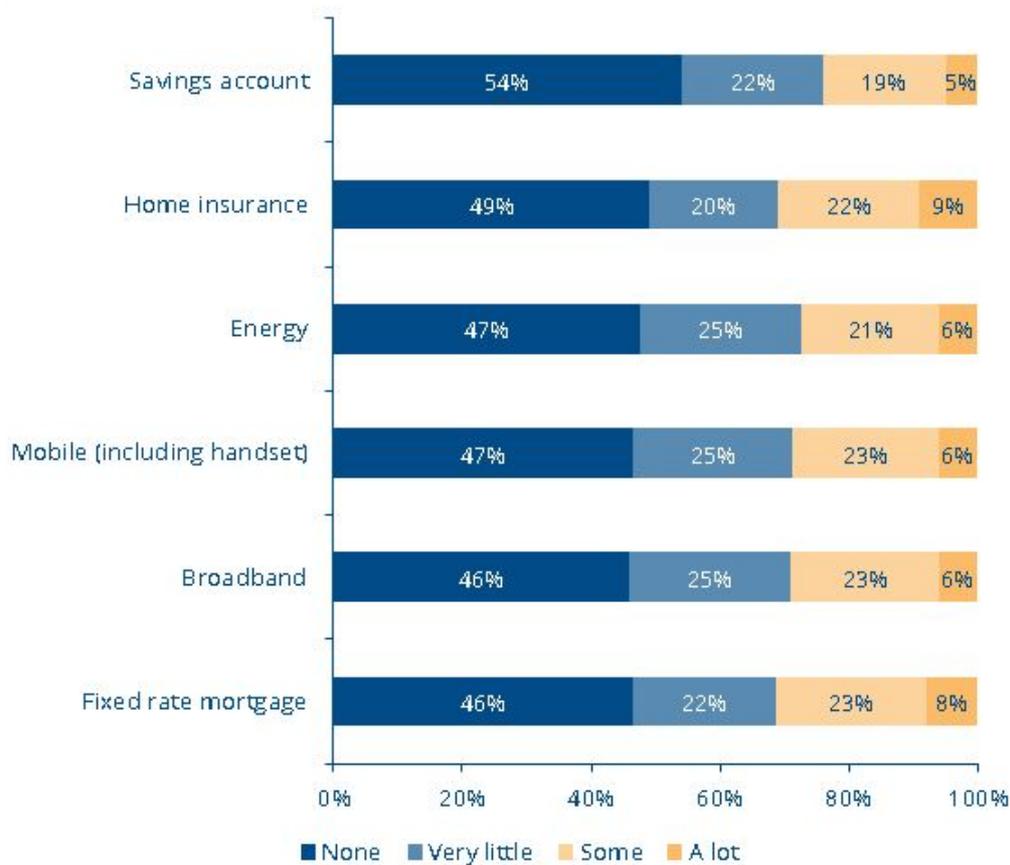
"The companies know we don't have the time to shop around so don't bother to give us the best deals."

Of course, making an active, informed choice to be a loyal customer would still help to drive competition. If people shopped around while in essential service contracts, companies would need to offer good value service in order to retain existing business. But inertia undermines competition because companies lose

incentives to offer good value services to existing customers who they know are unlikely to move.

The previous chapter highlighted that many people do little or no shopping around before entering into an essential services contract. Chart 4 below shows that people are even less likely to explore the market once they have entered into a contract. This should not come as a great surprise. Previous Citizens Advice research has shown that time is a key barrier to engagement, especially in essential service markets.⁵³ There is no reason why this should change after a consumer enters a contract. Having to do even more shopping around when you have already spent time picking the deal can feel even more frustrating.

Chart 4: Most people do little or no shopping around while in essential service contracts



Source: Citizens Advice analysis of Populus data⁵⁴

⁵³Citizens Advice, *Against the Clock*, 2016.

⁵⁴ ‘Since you began your current contract for the following essential services, how much shopping around did you do, if any, to examine the various options in the market?’ Bases vary by market.

Notifications when initial deals expire are often ineffective

“I believe that long-standing customers are taken for granted and that these providers do not do enough to tell customers when better deals are available.”

Essential service providers can help people make active, informed choices to be loyal by sending their customers effective notifications to inform them when their initial deal is due to expire. This would prompt people to make the decision to remain with their current essential service provider or switch in search of a better deal.

An audit of providers shows that, when it comes to sending notifications, good practice is not consistent across essential services. Many providers don't notify their customers more than once or take steps to increase the effectiveness of their prompts. For example, in the home insurance and mortgage markets, letters are still used as the method of notification, and people are not invited to choose their preferred method of communication.



Saumya came to Citizens Advice after experiencing difficulty when her home insurance came up for renewal. She received a letter saying her yearly premium was being increased to £252 per year- an increase of over £200 from the previous year. Saumya rang her provider asking for an explanation of the increase. The provider could not provide an explanation, but offered to reduce the premium to £192 per year. Saumya said this was still too large an increase and that she would switch insurers. The provider then reduced the premium to £39 per year with a £50 excess, which Saumya accepted. Had she been away when the renewal letter arrived, she could have found herself renewing automatically at the new rate.

Table 2: How essential service providers inform their customers that their initial contract is due to end⁵⁵

Market	Method	Notice	Frequency
Broadband: 4 of the 5 main providers remind customers their contract is due to expire ⁵⁶	3 out of 5 send email only; 1 also calls	1 month	1 notification
Energy: It is mandatory for providers to notify customers when their prices are about to change. ⁵⁷	Range of methods ⁵⁸	4-7 weeks	1-2 notifications ⁵⁹
Home insurance: it is now mandatory for insurance firms to notify customers before renewal ⁶⁰	Letter and email	At least 3 weeks ⁶¹	1 notification
Mobile (including handset): 4 of the 7 main providers notify their customers that their contract is due to end. ⁶²	Email and text	30-60 days	1-2 notifications
Mortgage: It is mandatory for mortgage providers to give notice of interest rate changes. ⁶³	Letter	30-90 days	1 notification
Savings: All 6 main providers contact their customers before end of fixed rate period. ⁶⁴	Letter ⁶⁵	7-14 days	1-2 notifications

⁵⁵ See Appendix for explanation of how we selected the providers to audit.

⁵⁶ Citizens Advice, [Exploring the loyalty penalty in the broadband market](#), 2017.

⁵⁷ When asked via live chat, 1 provider told us they "cannot guarantee that this will happen".

⁵⁸ 2 of 5 send letters as default, unless customer has opted for paperless billing. 1 provider sends an email. Only 1 provider uses the mode of communication preferred by the customer, including a text option. 1 provider does not specify a notification method.

⁵⁹ 1 provider sends 2 notifications, and also sends an alert that appears on customers online accounts, remaining there for a month. 1 provider sends one notification, and also notifies customers when they have been moved to the SVT. The other 3 send one notification.

⁶⁰ The FCA recently proposed that firms disclose last year's premium on retail general insurance policies, and that customers who have been with an insurance provider for 5 years be prompted with a message encouraging them to shop around.

⁶¹ Our researchers contacted 9 of the largest insurance providers in the UK and asked how they notify customers. All said they do so by letter, and all but one (who did not specify) said this would happen at least 21 days before the end of the contract. None of the providers mentioned other communication methods.

⁶² 3 of the 7 main providers notify customers by email and text. 1 notifies customers on their online account. 2 automatically move customers to a cheaper tariff once their contract ends.

⁶³ [FCA Handbook](#). Mortgage providers must also provide an annual statement detailing payments due and made over the last year. All must be provided in a 'durable medium'.

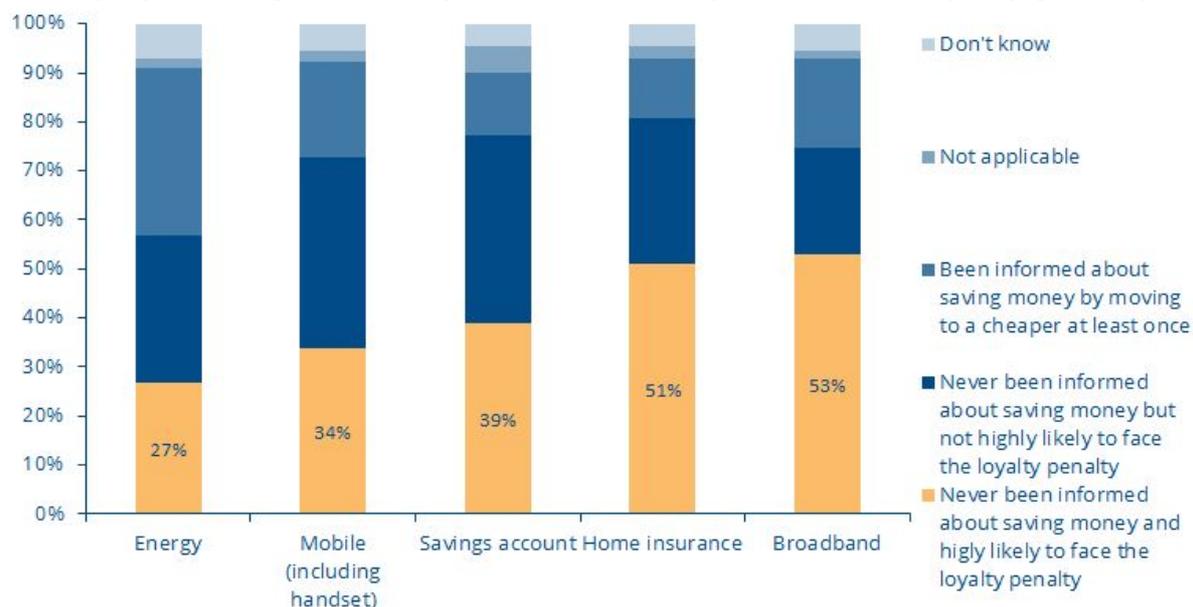
⁶⁴ 5 of 6 outline reinvestment options in communications.

⁶⁵ 3 out of 6 send letters; 3 out of 6 don't specify.

Providers' patchy and ineffective notifications have implications for consumers. Since people lead busy, complicated lives, they may not remember the exact dates they entered into contracts for the various essential services they receive. If a firm fails to remind its customers when their contracts are due to expire or informs them using ineffective communication methods, it is less likely that consumers will make a proactive choice to remain with their current provider or switch to another.

This research finds that, across essential services, most consumers are not aware of ever having been informed that they could save money by moving to a cheaper deal. More than half (57%) of consumers in the energy market and three quarters (75%) of broadband customers, for example, are not aware of ever being notified by their current provider. Not all of these people will have been in contracts for long enough to save money by moving to a cheaper deal. However, using a conservative estimate, many of those who have never been informed that they could save money are likely to face the the loyalty penalty, as Chart 5 below shows.

Chart 5: Many of those not aware of being informed that they could save money by moving to a cheaper deal are likely to face the loyalty penalty⁶⁶



Source: Citizens Advice analysis of Populus data⁶⁷

⁶⁶ We have not included the figures for fixed-rate mortgages because calculating the loyalty penalty in this market is more complicated (see Citizens Advice, [Exploring the loyalty penalty in the mortgage market](#), 2017). See Appendix for more detail on this conservative approach to identifying those likely to face the loyalty penalty.

⁶⁷ 'Since you began your current contract for the following essential services, how often, if at all, have you been informed by your provider that you could save money by moving to a different deal?' Base sizes vary by market. 'Not applicable' is intended to capture cases where the respondent has a contract in the relevant market but can't move because, for example, they are in over £500 of prepayment meter debt.

“I have never been offered any rewards, reductions or improved benefits after staying with suppliers for more than 50 years and at my age (82) I am worried about making changes as I do not trust what is on offer from other suppliers.”

This does not necessarily mean that providers are failing to inform most of their customers that cheaper tariffs are available. In markets such as energy, this is mandatory.⁶⁸ But it does suggest that, even when firms are notifying consumers, their communications are often ineffective.

c. Choosing to exit a contract

“Service providers offer lower introductory offers for new customers, but poorer offers for existing customers, relying on the hassle of changing contracts to make more money out of us. Even if you move, you'll end up feeling that there are always better offers available elsewhere.”

Key behavioural biases at this stage of the consumer journey

Friction costs

Seemingly small barriers like tedious search processes, setting up a new account or calling your provider to cancel a contract can affect an individual's decision to follow through with a task - and may deter those in greatest need from completing it.⁶⁹ Every additional step required creates friction that might deter consumers from switching to a better deal.

Competition depends on consumers being able to move if they are not being provided with the best value service. However, at the moment, there are both financial and non-financial barriers to exiting essential service contracts. These frictions can encourage people to stay loyal even when they are penalised for it, leading to firms facing reduced incentives to improve products and services. What's more, our research finds that a significant proportion of those who list positive reasons for not exiting a contract, such as the belief they are on the best available deal, are likely to face a loyalty penalty.

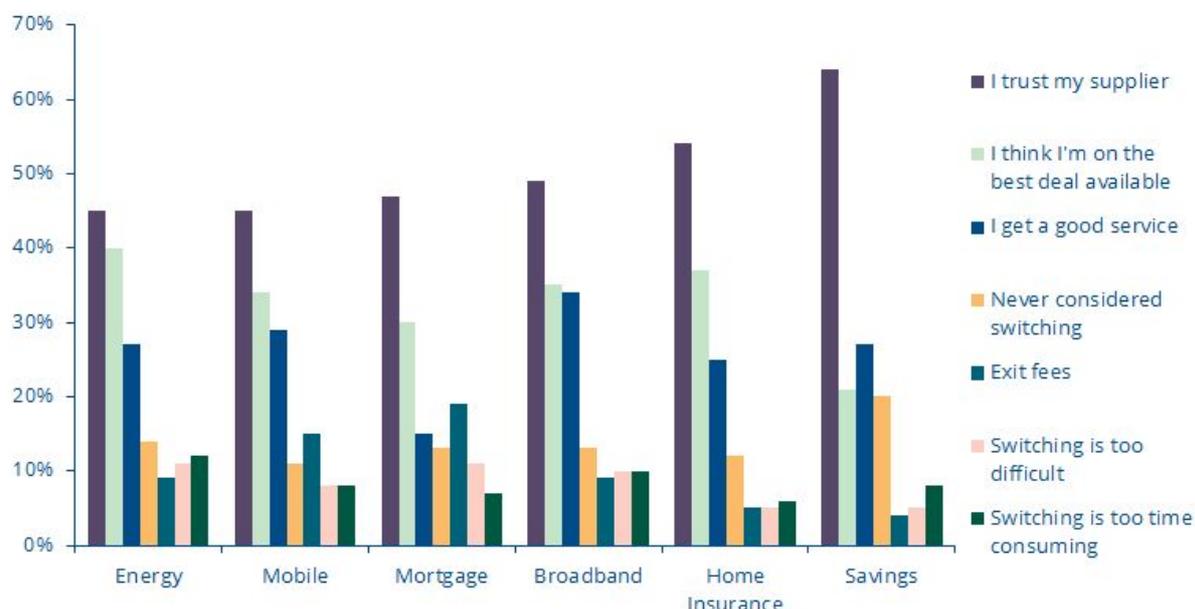
⁶⁸ Ofgem, 'From October energy suppliers must tell customers if their cheapest deal is marketed under a different brand', 2015. In the energy market, there are in fact 2 key requirements. The cheapest tariff message which appears on every bill, and the end of fixed term contract notification which only goes to people who have a fixed term contract. The way that these messages are presented is currently highly regulated by Ofgem, but work is being done to improve their effectiveness.

⁶⁹ Bettinger, E. P. et al., The Role of Application Assistance and Information in College Decisions. The Quarterly Journal of Economics, 2012; Currie, J. The Take Up of Social Benefits. National Bureau of Economic Research, 2004.

Many people stay with their provider for positive reasons

The Competition and Markets Authority has found that people tend to trust their own banks and energy suppliers more than they trust others, and this may be a barrier to switching.⁷⁰ This report finds that trust is a barrier to leaving contracts across essential services. As Chart 6 shows, the most popular reason respondents chose for remaining on their current contract was ‘I trust my provider’, followed by ‘I think I’m on the best deal available’.

Chart 6: Trust is the most popular reason people give for staying in an essential service contract



Source: Citizens Advice analysis of Populus data⁷¹

But this loyalty is often misplaced

Since 2 in 5 people aren’t aware of the loyalty penalty, it’s perhaps unsurprising that trust and being on the best deal are two of the most common reasons listed by respondents. However, in many cases such perceptions may be misplaced. While 1 in 3 mobile handset customers stayed because they think they are on the best deal available, 61% of these people have been in their contract for longer than 2 years, and are therefore likely to be paying a loyalty penalty.⁷²

⁷⁰ GfK for the CMA, [Personal Current Account Investigation](#) and [Energy Market Investigation](#), 2015.

⁷¹ Question: ‘You said you have been in your contract for a year or more. Why have you stayed with each of the following essential service contracts?’ Respondents could select more than one option. Base sizes vary by market.

⁷² We have used 2 years as the timescale here because the longest handset contract our researchers could find in this market was a 24 month contract. It is therefore very likely that anyone who has had a mobile handset contract for longer this is being overcharged. See Appendix for details.

Figure 6: Many people stay in their mobile handset contracts because they mistakenly think that they are on the best deal available



In fact, 1 in 3 people who are likely to face the loyalty penalty in the energy, mobile handset, broadband or home insurance markets, believe they are on the best deal available.⁷³ This suggests people don't have good reason to trust their supplier. Of the 49% of people who have remained in their current broadband contract because they trust their provider, 4 in 5 are likely to be paying a loyalty penalty.

Figure 7: Most broadband customers who stay with their supplier because they trust them are likely to be paying the loyalty penalty



⁷³ In the savings market, 16% of those who are likely to pay the loyalty penalty think they are on the best deal available. The sample size for the mortgage market was too small to be reliable.

Difficulty and time taken to move are also factors

“I have the impression that they charge long-standing customers more than newer ones. But I'm too busy to change providers and worry that something will go wrong if I do.”

“I understand that special offers to attract new customers are an integral part of the marketing process, but sometimes it seems hard to stomach when you have been a loyal customer for many years and get no chance to enjoy these offers. Switching can be a hassle and I am reluctant to switch for a good offer as it means changing details e.g. mobile number or email address.”

Negative reasons were also cited by a significant minority of respondents. 1 in 5 respondents selected at least one negative reason for remaining on their energy, broadband or mobile handset contract.⁷⁴ And 18% of respondents cited ‘moving is too difficult’ as a reason for staying in at least one essential service contract.

The government has suggested principles that should inform the design of switching processes in essential service markets. These principles include speed, ease and the importance of the gaining provider leading the process.⁷⁵ Overall, 10% of respondents with a broadband contract and 8% of those with a mobile handset contract said they had stayed in part because moving was too time-consuming. This suggests that existing efforts to reduce switching frictions in telecoms markets have not been wholly successful.



Sam came to Citizens Advice for help reducing his energy bills. He didn't want to switch suppliers, or change to dual status with either of his current suppliers. His adviser contacted both suppliers to ask if he could go on a cheaper tariff. While the adviser was able to negotiate cheaper tariffs in both gas and energy, the amount of time taken to do so was over an hour for each supplier.

Sam is diabetic, and was getting hungry, thirsty and frustrated as the process went on. Had he not been supported by the adviser, it would have been very difficult for him to negotiate comparable deals.

⁷⁴ Negative reasons were ‘moving is too time consuming’, ‘moving is too difficult’ or ‘I don't want to pay an exit fee’.

⁷⁵ BIS, [Switching Principles: Next steps - action plan](#), May 2016.

Table 3 below shows the variety of financial and non-financial barriers that customers face across a range of essential service markets when exiting their deal after their initial deal expires. Where appropriate, we have clarified between switching deals and switching providers.

Table 3: A range of barriers make it difficult to leave contracts even after the initial deal expires

Market	Financial barriers⁷⁶	Non-financial barriers
Energy	No exit fees after initial deal expires	Time taken to find new deal Difficulty using price comparison websites
Broadband	Paying for a new router (if switching providers)	Loss of service Some companies require you to cancel over the phone
Mobile (including handset)	No exit fees after initial deal expires Handset unlocking fees have also been abolished	Hassle of unlocking phone and porting number Some companies require you to cancel over the phone ⁷⁷ Risk of changing coverage (if switching providers)
Mortgages	Remortgaging fees - £0-£1,000	Remortgaging can be a lengthy and stressful process Difficult to secure a mortgage in the current climate
Home insurance	Consumers may lose their no-claims discount (if switching providers)	Different deals may offer different coverage, which could leave consumers unprotected Some people struggle to use price comparison websites unaided
Savings	No exit fees after initial deal expires	Hassle of setting up account (if switching providers)

⁷⁶ We chose not to include exit fees among financial barriers because these apply to the initial contracts people enter, not the 'standard' contracts they default onto. This report focuses on the cost of these default contracts and this chapter focuses on barriers to exiting them.

⁷⁷ [Ofcom's upcoming switching proposals](#) will require companies to allow text and online cancellation.

These barriers are likely to be felt most keenly by vulnerable people. While 1 in 5 (22%) of those without a mental health condition think it's difficult to exit an essential service contract, this rises to 31% among those currently experiencing a mental health condition. This, together with the earlier finding about difficulties shopping around, suggests that experiencing a mental health problem makes it harder to navigate complex essential service markets.⁷⁸

⁷⁸ For evidence showing the negative impact poor mental health has on financial capability, see The Money and Mental Health Policy Institute, [‘Seeing through the fog’: How mental health problems affect financial capability](#), 2017.

5. What does the loyalty penalty mean for the wider economy?

This report has focused primarily on the impact that the loyalty penalty has for consumers. But the fact that essential service providers are benefiting from people's behavioural biases also has important implications for the wider economy.

At the heart of the government's proposed industrial strategy is the ambition to create an environment in which challenger firms can grow, driving up innovation, productivity and competitiveness within their sectors.⁷⁹ This chapter shows that essential service providers are often heavily reliant on long-standing customers on expensive default tariffs, many of whom they know are unlikely to switch. This market structure favours incumbents rather than challengers and may reduce the incentives that firms have to innovate.

Essential markets are dominated by large companies

Across essential markets, a small number of providers hold a large proportion of the overall market share.⁸⁰ These providers tend to dominate where services have previously operated under monopolies, such as telecoms and energy services, though the market share of incumbent suppliers is declining. And even in the savings account market where there are over 100 providers, over two thirds of the market is controlled by just 6 providers.

This research finds that people are likely to remain with the essential service provider they trust. It also highlights the power of behavioural biases which lead to difficulties shopping around, and steer people towards sticking with the status quo. Our audit of provider behaviour suggests that many dominant suppliers are exploiting these traits to ensure consumers remain loyal, thereby protecting their market share from competition.

These companies are heavily reliant on loyal customers

Across essential markets, large numbers of people are paying more for the same product or service because they have remained loyal to their provider. For example, 12.9 million households auto-renew their home insurance after one

⁷⁹ BEIS, [Building our Industrial Strategy](#), January 2017.

⁸⁰ See Appendix for more details. Each of the six markets explored in this research have Herfindal-Herschman Index scores of 1,000 or more which mean that they can be classified as 'concentrated', according to SMF, [Concentration not competition: the state of UK consumer markets](#), 2017

year, meaning they pay more expensive premiums. 12 million households are on the SVT in the energy market, accounting for 44%⁸¹ of the market.

There is evidence to suggest that dominant essential service providers use their disproportionately high number of loyal customers to increase profits without having to compete. For example, the FCA has observed that '[insurance] providers have tried to increase profitability by...introducing dual pricing'.⁸² This means that rather than competing through innovation or low prices, insurance providers are charging different prices to different customers for the same product.

Similar trends are also present in other essential service markets. In the energy market, a customer on an SVT is likely to be with the historical incumbent supplier. Average revenue from customers on the SVT is around 11% and 15% higher than average revenue from fixed electricity and gas tariffs across the Big Six.⁸³ And the FCA notes that in 2013, 17% of large providers' Cash ISA balances were held in accounts opened more than 5 years ago (compared to 5% for small and medium banks).⁸⁴ They also note that on average, the 4 largest current account providers pay lower interest rates on Cash ISA accounts than smaller providers.

Dominant providers may be profiting without innovating - and their ability to do so is likely to grow

Well-functioning markets depend on companies competing to offer innovative new products, improved services and lower prices in order to keep and attract customers. In essential service markets, competition for those consumers who switch regularly can be fierce, especially on price. However, when a large portion of firms' profits come from loyal customers sitting on poor value deals, the competitive pressures companies face are undermined. Developing new products and attracting new customers becomes less important. Instead, companies find ways to charge long-standing consumers more in order to maximise the profits they generate. As a result, innovation, efficiency and productivity all suffer. Worse still, this problem may be set to increase. The advent of big data means price strategies are rapidly becoming more sophisticated.

⁸¹ This is number of households on the SVT as a proportion of all households in the UK according to the ONS, [Families and Household in the UK](#), 2016.

⁸² [FCA sector views 2017](#).

⁸³ CMA, [Energy Market Investigation](#), 2016.

⁸⁴ FCA Cash Savings Market Study. 'Large providers' refers to the six providers with 68% market share. This trend is also present for easy access accounts. 33% of large providers' easy access balances were held in accounts opened more than 5 years ago, compared to 27% of small and medium banks' balances, and 23% of building societies' balances.

Switching customers should help keep prices down for everyone - providers have to treat every customer well in case they are a 'switcher'. But as larger providers, in particular, are increasingly able to target attractive prices at certain customers whilst keeping others on uncompetitive deals, the competitive pressures created by switchers increasingly do not bring benefits for everyone. By targeting advertising and collecting cookies, providers can gain huge levels of insight into individuals' willingness to pay and likelihood to switch.⁸⁵

This trend does not just mean that those least able are likely to end up paying more.⁸⁶ It also further increases the power of incumbents with large market shares and prevents challengers from entering the market or growing their market share. Large, established providers are better able to engage in personalised pricing, keeping loyal customers on poor value deals while tempting 'switchers' with attractive prices. When this happens, even ostensibly competitive markets - with numerous suppliers offering a range of deals - may be failing.

This raises a number of pressing questions for regulators. How do competitive pressures apply when there is no longer one fixed price - or even several - but instead pricing is personalised according to people's characteristics? How can regulators encourage innovation while also protecting the vulnerable?

⁸⁵ The Atlantic, ['How online shopping makes suckers of us all'](#), May 2017.

⁸⁶ For example, in the US there is evidence that auto-insurers use people's marital status to determine the increase in their renewal, hiking up prices for widows even though there is no evidence this is linked to risk. See Consumer Federation of America, ['New research shows that most major auto insurers vary prices considerably depending on marital status'](#), July 2015.

6. Conclusion

When consumer markets work well, people's spending can be a powerful force for good. But when consumer markets fail, these failures carry a heavy price. People experience rip-off deals, shoddy services, and scams that waste their time and money. And often it's the vulnerable who are hardest hit.

This report highlights how essential markets are not working effectively. Well-functioning markets run on choice - this is what drives competitive pressures. But this research shows how providers undermine consumer choice at each stage of the consumer journey, using processes which take advantage of people's behavioural biases. When companies profit from a lack of choice, this can lead to inefficiencies in the market.

But the loyalty penalty is not just inefficient, it's also unfair. Across a range of essential markets, time and time again, it is vulnerable people who are disproportionately stung. Older customers, those in lower income groups, and people without a university degree are more likely to face a loyalty penalty. And people with mental health problems are more likely to report difficulty accessing good deals. All of this is undermining faith in whether markets can deliver the right outcomes for consumers.

What can be done to address this problem? Since the early 2000s, UK regulators have developed and implemented a number of market remedies designed primarily to enhance competition by improving consumer decision-making. Over this period there has been a gradual shift in approach with regulators incorporating a more sophisticated understanding of behavioural science into their work,⁸⁷ and moving from 'empowering' consumers with information and other tools towards 'engaging' consumers by targeting the behavioural barriers that impede searching and switching.

Essential service markets are at varying points of experimentation with regulation designed to engage consumers and improve competition and consumer outcomes. These range from lighter touch remedies (for example, including cheapest tariff messaging on energy bills) to bolder market interventions that require significant changes from providers (for example, introducing a safeguard tariff for energy consumers on prepayment meters to protect them from overpaying due to weak competition).

⁸⁷ Behavioural Insights Team for Citizens Advice, '[Applying behavioural insights to regulated markets](#)', May 2016.

This report sets out a number of opportunities to improve how essential service markets work for loyal consumers. The solutions are not necessarily the same for each market and instead reflect specific market characteristics, as well as the level and history of detriment.

1. Improve support and protections, especially for vulnerable customers:

- **Regulators should introduce targets for providers to reduce the loyalty penalty.** A bloated loyalty penalty in most markets is a sign of dysfunction. Regulators should monitor the size and breadth of the penalty in each market. They should then set providers targets for reducing its size and prevalence. Ofcom, for example, should require broadband companies to report how many of their customers are out of contract, how long they've been out of contract, and how much extra on average they are paying compared to in contract customers.⁸⁸ This data should be broken down by different demographic groups, including age and income. Gathering this information would ensure that policymakers are able to monitor the extent of the loyalty penalty in the the broadband market, and supply a substantial evidence base if further regulatory intervention becomes necessary.
- **Regulators should consider safeguard tariffs and investigate 'best deal' defaults for vulnerable customers.** Evidence shows that some groups struggle to shop around and drive competition. They need to be protected from extreme detriment. In the energy market, Ofgem have now recognised this and brought forward plans to protect a million low income vulnerable consumers this February. It plans to widen this to a larger group of vulnerable consumers by next winter, ahead of the whole market cap coming into place. Ofcom's intention to introduce price controls for standalone landline telephone services shows that it is also alive to this issue.⁸⁹ But compared to energy, the loyalty penalty in the broadband market represents a much steeper rise from the initial contract price, and the same vulnerable groups are likely to pay it.⁹⁰ Ofcom should therefore investigate ways to address the loyalty penalty in the broadband market. Solutions should reflect the evolving nature of the market but one option could be the possibility of introducing requirements on providers to offer vulnerable customers their most competitive deal. The FCA should also investigate how this could apply to

⁸⁸ The Digital Economy Act 2017 significantly strengthened Ofcom's ability to monitor these problems. The Act gives the regulator the power to require telecoms companies to gather and share specific forms of information about their business.

⁸⁹ Ofcom, [Review of the market for standalone landline telephone services](#), 2017.

⁹⁰ Citizens Advice, [Exploring the loyalty penalty in the broadband market](#), 2017.

other financial services, looking in particular at the insurance and mortgage markets where vulnerable consumers experience high levels of detriment.⁹¹

- **Regulators should work together to develop a common approach to ensuring vulnerable groups do not end up on bad deals across essential markets.** Vulnerability can take many forms, some of which will be transient in nature (e.g. bereavement). But this research finds that there are some characteristics which are associated with a greater risk of facing the loyalty penalty across essential markets. It is possible to identify these traits while also recognising that there are additional forms of vulnerability that are less fixed. This will help ensure a coherent approach. Regulators should follow the example set by Ofgem and Ofwat, and think about tackling vulnerability in a joined-up way. The National Audit Office's recent report on vulnerable consumers⁹² provides a good opportunity for regulators to reflect and work together on this, ideally via the UK Regulators Network. If regulators identify that common solutions are appropriate across markets - like safeguard tariffs - data sharing should not be a barrier to protecting consumers.
- **Regulators should investigate limiting the amount of time that consumers can be penalised for their loyalty.** Ofcom should require mobile phone providers to automatically move all customers on a postpay mobile handset contract to a cheaper tariff once they have paid for the cost of their phone. This is already done by O2 and Virgin Mobile as a matter of course, showing both that this is possible and that markets are already moving towards such a system. Other regulators should investigate the possibility of time limitations to the loyalty penalty. This could involve putting a consumer on a provider's most competitive deal, after they have stayed with the provider for two years after the end of their initial contract.
- **The Competition and Markets Authority should investigate the cross-cutting impacts of and solutions to the loyalty penalty, with a focus on vulnerable consumers.** Many of the recommendations in this report can be addressed by individual regulators or government departments. Given the cross-cutting nature of the loyalty penalty - with bespoke solutions needed in each market - the Competition and Markets Authority (CMA) should investigate how an approach to the loyalty penalty can be built more systematically into regulation of essential markets. If

⁹¹ Chartered Institute of Insurers, '[Consumer Vulnerability - how well is insurance responding?](#)', 2015.

⁹² National Audit Office, '[Vulnerable consumers in regulated industries](#)', 2017.

regulators lack the power or the remit to tackle the loyalty penalty, this should be addressed.

2. Providers must improve the way they present information in their advertising. The Advertising Standards Authority (ASA), working with essential service regulators, should build on their success banning misleading broadband adverts by ensuring good practice across markets. This should apply across channels and be informed by the following principles:

- **Adverts should never be knowingly misleading.** The language that providers use can lead consumers to form an inaccurate impression of the product or service they are signing up for. This may not be intentional but once made aware of it providers should amend as appropriate. For example, variable tariffs should be renamed to reflect the fact that they do not represent the best value. In the mortgage market, the 'standard variable rate' label should be changed to better describe the nature of the contract. Changing the name, for instance to 'expired rate', could encourage mortgage holders to engage in the market. The same should be explored in relation to end-of-initial-contract deals in other markets including energy, telecoms, and financial services. The labelling should be consistent across markets and be user tested to ensure it is effective. Furthermore, regulators should investigate how language is used in communications across essential service markets to discourage consumer engagement. For example, testing whether the use of the label 'renewal date' leads to poor consumer outcomes by establishing loyalty as the default.
- **Pricing should be displayed in a transparent way.** Consumers should be able to see the full cost of their tariff, both in- and out-of-contract. For instance, the FCA should require mortgage lenders to include clear, upfront and standardised information about SVRs before agreeing a contract with a new customer. This should include the losses incurred when rolling onto an SVR and the possible gains from switching to a different deal.
- **Adverts should enable time-efficient decision-making.** Attention has rightly been paid to reducing the length of time it takes for essential services to be switched from one provider to another. But there has been less focus on the time required to find the right deal. Regulators should identify how long it should take for consumers to make a good decision about an essential service contract. Companies, including price

comparison websites and other intermediaries, should display these times prominently on their websites.

- **Information in adverts should reflect how consumers live and behave.** For example, given that broadband customers surveyed said they had been with their provider for 4 years on average, price comparison websites should make it easier for people to understand the likely costs of a contract over its lifetime. Similarly, official complaints data could be included to help consumers make better purchasing decisions. Regulators should test different display options to optimise effectiveness and keep complexity to a minimum.

3. Providers should be required to work with regulators to test timely nudges and send customers effective prompts and notifications:

- **It should be mandatory for providers to send clear notifications when a contract is due to end.** Consumers should be able to choose the mode of communication providers use. Providers should also have multiple notifications as the default setting, allowing customers who do not wish to receive many reminders to opt out. As timing is crucial, notifications should be sent so that consumers are still able to switch if they want to, and regulators should conduct tests to identify when exactly prompts are most effective in each market. When notifying consumers that their contract is due to end, providers should build on this timely moment and send along a personalised 'best offer' and outline clearly how it differs from the old contract. The offer should also build on past usage patterns of the individual consumer. For example, if a mobile customer has consistently not used their full data allowance then a cheaper deal should be offered in line with their usage.
- **Providers should be required to send consumers periodic notices disclosing how prices have changed.** From April 2017, all firms in the general insurance market must disclose last year's premium at renewal, and send customers who have renewed four consecutive times an additional message reminding them that they could save money by shopping around. There is evidence that some providers are obscuring this information from consumers,⁹³ so the FCA should continue to act to ensure compliance across the insurance market. Regulators should examine how other markets, such as broadband or savings accounts, could adopt similar practices, and whether an element of market comparison should be included so consumers can see price trends across

⁹³ BBC, [Insurers 'burying price rises' in renewal letters](#), November 2017

the market. Because not all markets have 'renewal' dates, the frequency of notifications should be tested to identify the most effective form of disclosure. The format (e.g. graphs, monetary values, percentage changes) and pricing period (e.g. monthly, yearly, average lifetime of contract) should also be tested for effectiveness.

4. Providers and regulators need to make it much easier for people to exit deals across essential markets:

- **Providers should commit to ensuring the same method used to enter a contract is available to customers who want to exit.** Some essential service providers require consumers to cancel their contract over the phone, even though they may have been able to sign up online. This adds friction to the switching process. Regulators should encourage the adoption of this 'easy exit' practice and monitor how many providers take it up.
- **Ofcom should introduce provider-led switching in the mobile handset market.** This is already standard practice for financial services like savings and current accounts, and should apply more consistently across essential service markets. This is particularly important in telecoms markets where slow switching processes cause a high level of detriment.
- **Providers should automatically unlock mobile phones once the customer is outside of the initial contract period.** Having to unlock a mobile at the end of the initial contract period adds friction to the process of switching provider. The practice is especially hard to justify given that the consumer will have paid off the cost of the phone by that time. The government recently came to agreement with providers to scrap phone unlocking charges, but Ofcom should encourage providers to go further to ensure healthy competition in the market.
- **Regulators should investigate other barriers to switching.** Regulators should consider whether factors such as lengthy service outages and complicated sign-up processes discourage switching. If evidence exists, appropriate action should be taken. In addition, the FCA should research how the complexity of remortgaging fees deters people. The complexity can make it difficult for mortgage holders to exercise choice in the market, leading them to stay in uncompetitive deals.

5. Regulators should encourage the use of data and digital tools which help consumers to get a better deal:

- **Providers should be required to publish data showing the prices their customers pay by the length of time they have been in their contract.** The FCA recently found that consumers who have been with the same home insurer for 5 years pay on average 70% more than a new customer. Making equivalent data available across essential services would increase transparency for the consumer and provide an incentive for providers to improve their service, by making efforts to increase the proportion of customers on good value deals.
- **Providers should be required to make available secure machine-readable consumer data to help consumers find products that are best for their usage.** The CMA have recently introduced this in the retail banking market via the Open Banking Initiative, but it should apply across essential markets. Ideally this would be through Application Programming Interfaces (API) which any application or service could access with permission. This enables intermediaries to give consumers more personalised, low cost advice across a range of markets. The infrastructure for this was put in place through the midata initiative.⁹⁴
- **Regulators should monitor the development of third parties which could take much of the hassle out of finding and switching to a better deal.** As well as price comparison websites, these include sites such as Cheap Energy Club which allows consumers to sign up to be notified if there is a better deal available for them, or Flipper which is a paid for automatic switching service. Regulators should explore whether, and if so how, this model could be supported and applied across essential markets. In addition, government and regulators should investigate what needs to be done to ensure those consumers who could most benefit from these services are able to use them.⁹⁵ This could include additional support both through investment and in supporting organisations like Citizens Advice to allow these tools to reach scale.

The aim of this report is not to end the loyalty penalty. In a competitive market, people should be given incentives to switch. But it shows the extent to which the playing field is tilted away from consumers. If people are to regain faith in markets, we need to change how we judge a 'well functioning' market.

⁹⁴ BIS, [The midata vision of consumer empowerment](#), 2011.

⁹⁵ For more on how to increase the take-up of automatic switching services, see Citizens Advice, [Why we're spending £2 billion more than we need to on everyday services](#), August 2017.

The government should continue monitoring the detriment loyal customers experience across essential markets. Just as the government has asked Ofgem to take action in the energy market and signalled that it is willing to legislate if necessary, the government should be willing to take action in other markets if practices do not substantially improve.

The challenge is one for the broader economy, not just individual consumers. The presence of dominant providers with large proportions of loyal customers in a range of essential markets may suggest that a few firms are wielding outsized market power. With technology increasing the potential for personalised pricing, the government should remain vigilant as to whether the loyalty penalty is a symptom of an economy in which incumbents lack sufficient incentives to innovate and challengers are unable to thrive.

Appendix

Calculating the loyalty penalty

Market	Penalty	Definition
Energy	£110 ⁹⁶	Average gap between the standard variable tariff (SVT) and the cheapest deal for a medium user on dual fuel, weighted in line with the number of SVT dual fuel accounts
Mobile (including handset)	£264 ⁹⁷	Amount overpaid when people remain on a contract after they have paid for the handset, if paying the average monthly penalty
Broadband	£113 ⁹⁸	Difference between the cheapest basic broadband contract and the price customers pay after the initial contract period ends
Home insurance	£5 for contents insurance £13 for combined ⁹⁹	Average difference between the initial price a customer pays, and the price offered on renewal after 1 year. This penalty increases over time.
Mortgages	£439 ¹⁰⁰	Difference between the amount an average customer pays after they are moved from a 2 year fixed mortgage to a Standard Variable Rate (SVR), and the amount they would pay as a new customer with a fixed rate
Savings	£48 ¹⁰¹	Difference between interest earned on a 1 year fixed rate cash ISA taken out in March 2016, and the interest earned when moved to a variable rate in March 2017.

⁹⁶ Calculated by Citizens Advice using [Ofgem price data](#) (British Gas, SSE, EON, NPower, Scottish Power, EDF, Co-operative, Ovo and Utility Warehouse), and information request data.

⁹⁷ Citizens Advice, [Mobile phone networks overcharging loyal customers by up to £38 a month](#), 2017.

⁹⁸ Citizens Advice, [Exploring the loyalty penalty in the broadband market](#), April 2017.

⁹⁹ Calculated by Citizens Advice using data requested from the FCA study, [Occasional Paper No. 22](#), September 2016, together with the [AA British Insurance Premium Index](#), Q3 2017.

¹⁰⁰ Calculated by Citizens Advice. Full outline of methodology can be found in our mortgage loyalty penalty policy note.

¹⁰¹ Calculated by Citizens Advice using average variable and 1 year fixed cash ISA monthly interest rates from March 2017, as published by the [Bank of England](#), and the average balance in ISA accounts as published by [HMRC](#).

Identifying those likely to face a loyalty penalty

A Citizens Advice researcher attempted to find the longest fixed term contract available in each of the markets assessed in this report. Where many different contract lengths were available, the longest period was chosen, even if many providers only offer shorter length contracts.

This is a conservative approach to estimating the scale of the penalty. Some people will have taken out contracts that are shorter than the maximum available in a particular market, and will subsequently have defaulted onto a poor value deal. These people are not identified by this report's calculations.

Market	Maximum contract length (years)	Details
Energy	4	Npower had the longest fixed tariff contract length our researcher could find
Mobile (including handset)	2	Regulatory requirement under the EU telecoms package: no consumer contracts can be more than 24 months. ¹⁰²
Broadband	2	Longest basic broadband contract length
Home insurance	1	Searched for quotes on price comparison websites. All quotes received were for 1 year contracts.
Mortgage	10	Although 2 year fixed and 5 year fixed mortgages are more common, it is possible to get 10 year fixed mortgages.
Savings account	10	Most common fixed term period across the main banking providers is a 2 year fixed rate cash ISA.

¹⁰² European Commission, [Digital single market: user's rights](#), accessed 22/08/2017.

Auditing provider information and behaviour

To audit provider behaviour and advertising of the loyalty penalty, we looked at how the price of essential service contracts after the initial period is advertised on providers' websites. For the purposes of this research, we audited the behaviour of the dominant providers across markets, as outlined in the table below.¹⁰³

For providers across the 6 markets, we looked at the webpage where the out-of-contract price is displayed, the number of times a customer has to click to get there from the page where the initial price is first advertised. We also looked for information regarding provider behaviour when tariffs come to an end.

Market	Dominant providers	% market share
Broadband	5	91% ¹⁰⁴
Mobile (including handset)	4	86% ¹⁰⁵
Energy	6	82% ¹⁰⁶
Savings	6	69% ¹⁰⁷
Mortgages	6	69% ¹⁰⁸
Insurance	5	57% ¹⁰⁹

¹⁰³ The exception to this is the mobile contract (including handset) market. While 4 providers have the largest proportion of market share, for the purposes of this investigation we audited the 7 largest mobile service providers in the UK as included in Ofcom's complaints bulletin. This was to ensure comprehensive cover of the market in line with best practice.

¹⁰⁴ Ofcom, [The Communications Market Report](#), 2016. This is share of residential and SME broadband services. The providers are Virgin Media, EE, BT, Talk Talk and Sky.

¹⁰⁵ Ofcom, [The Communications Market Report](#), 2016. This is share of retail mobile subscriptions. The providers are Vodafone, O2, EE and Three.

¹⁰⁶ Ofgem, [Electricity supply market shares by company](#), 2017.

¹⁰⁷ CMA retail banking market investigation, 2016.

¹⁰⁸ Council of Mortgage Lenders, 2015.

¹⁰⁹ Statista, [Market share of five leading general insurance companies based on gross written premiums value in selected lines of insurance business in the United Kingdom \(UK\) in 2013 and 2014](#).

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MADE ON BEHALF OF: APPLICANT / PROPOSED CLASS REPRESENTATIVE
NAME OF WITNESS: JUSTIN LE PATOUREL
NUMBER OF STATEMENT: 1
EXHIBITS: JLP1 – JLP22
DATE: 15 JANUARY 2021

Case Number: []

IN THE COMPETITION APPEAL TRIBUNAL
BETWEEN

JUSTIN LE PATOUREL

Applicant / Proposed Class Representative

and

BT GROUP PLC

Respondent / Proposed Defendant

EXHIBIT JLP6

This is the exhibit marked "JLP6" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021

Enriching understanding of Standalone Voice Customers

RESEARCH REPORT

Prepared for:

Ofcom



Prepared by:

Ian Sparham, Richard Fincham, Charlotte Jones,
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Date

July 2017

www.optimisaresearch.com

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1 EXECUTIVE SUMMARY

1.1 Introduction

Ofcom (Office of Communications) is the regulator for the UK communications industries, with responsibilities across TV, radio, and video-on-demand sectors, fixed line telecoms, mobiles and postal services, plus the airwaves over which wireless devices operate.

This qualitative research was commissioned to support Ofcom's **Review of the Market for Standalone Landline Telephone Services** (RMSLTS). The RMSLTS project is reviewing competition in the retail markets for standalone fixed voice access and calls (for consumers that do not purchase fixed broadband and/or other services in a bundle with their fixed voice services). Telephone line rental prices have risen between 25-49% between December 2009 and 2016 while the actual cost of providing these services has fallen by up to 26%. As a result, there was concern that Standalone Voice Customers may not be benefitting from competition and paying significantly above cost.

This research focused on the following two groups of decision-making consumers who make up the Standalone Voice Customer¹ market:

- **'Landline-only' customers**² who have a landline, but no fixed broadband (c.12% of landline homes)³.
- **'Split-purchaser' customers** who buy standalone landline and a separate package including broadband, usually with different suppliers (c.5% of landline homes)⁴

The main aim of this research was to gain a rich understanding of **Standalone Voice Customers' usage and attitudes towards their landline provider**. Ofcom wanted to understand their attitudes towards switching provider/tariff, identify influencers on customers' switching consideration, and explore what (if anything) will encourage them to engage with the market and consider switching.

Ofcom also wanted to **explore the effectiveness of various potential test communications messages** which were shown to participants in the research sessions. These were created as four different letter communications that varied in terms of sender, tone, presentation of

¹ Standalone Voice - Also referred to as 'Standalone Landline Telephone Services' or 'Standalone Fixed Voice' by Ofcom

² Landline Only – Also referred to as 'Voice Only' by Ofcom

³ Ofcom Technology Tracker, H2 2016 https://www.ofcom.org.uk/data/assets/pdf_file/0032/93596/Ofcom-Technology-Tracker-H2-2016.pdf

⁴ Ofcom Technology Tracker, H2 2016

information on savings, information on the switching process, as well as prompts and mechanisms to act and respond to information.

To fulfil these objectives we conducted research with three audiences across Great Britain and Northern Ireland:

- Landline-only Customers⁵ – no fixed broadband
 - This audience is typically older so the sample was split by those who were over and under 75 years old
- Split-purchasers – standalone landline and a separate package including broadband with different providers⁶
 - Split by those who were over and under 55 years old
- Recent Converts – formerly inactive Standalone Voice⁷ Customers who had been active in the market in the last 5 years (switching deal or provider). The aim was to understand what triggered action and whether this could inform communication messaging for the Standalone Voice Customer market.

We conducted mini-group discussions and household sessions with these audiences as well as a series of short follow-up telephone interviews in order to fully understand their situation and experiences.

1.2 Key findings

Q. What are the key characteristics of Standalone Voice Customers?

Two factors were central to profiling all Standalone Voice Customers and their propensity to switch deals and/or providers. These were:

1. **Level of independence in decision-making about switching deal and/or providers** – This was linked to confidence with technology and using the internet to research their choices; with older customers typically less confident and more reliant on help from others
2. **Level of engagement with the telecoms market** – There was a range of awareness across customers; with those who were more engaged, typically having explored the

⁵ Landline Only – Also referred to as ‘Voice Only’ by Ofcom

⁶ In this study, for reasons of identification, just those split-purchasers with split suppliers were targeted.

⁷ Standalone Voice - Also referred to as ‘Standalone Landline Telephone Services’ or ‘Standalone Fixed Voice’ by Ofcom

suitability of their deals in the past and/or switched deal or provider which in turn impacted levels of concern and openness to communication messages.

When we plotted these two key factors in a matrix, Standalone Voice Customers typically clustered in two very separate customer groups as shown in figure 1.

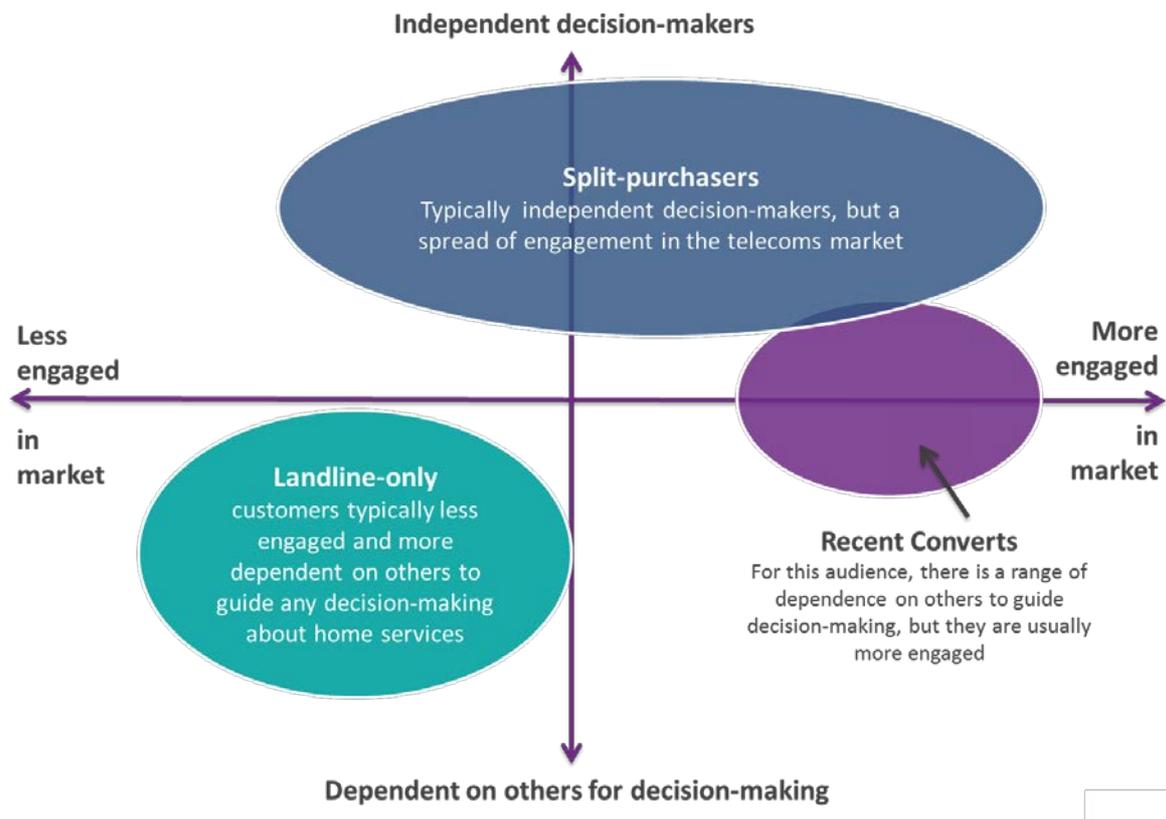


Figure 1: Matrix of key defining characteristics defining Standalone Voice customers

The key implication from this is that any communications strategy needs to approach the two core audiences as very different entities.

Q. What are the key characteristics of Landline-only Customers and what implications does this have for Ofcom’s communication strategy with this customer group?

Landline-only Customers were

- **A more homogenous group than Split-purchasers**, but likely to be harder to engage.
- **Frequently the least engaged in the market and most dependent on others** to guide decision-making about home services
- **Often referring to their landline as their ‘lifeline’** with high dependency on it for contacting and feeling connected to family and friends. Few were actively using a mobile phone and instead relying on the home phone.

- **Fairly aware of specific elements of the deal they were on** i.e. they wanted evening calls because that was the time they call the majority of their contacts, or they wanted specific international calls covered
- **Less aware of the wider market in terms of other providers and typical costs.** As a result, they often felt unable to comment on whether their product was good value, but were fairly satisfied it covered them for what they needed

The key considerations for Ofcom in terms of developing a communication strategy are:

- **Engaging family and friends** to help in the majority of their home service decision-making and this has implications for signposting and calls to action
- **They were content with the status quo** – they were largely happy or ‘not dissatisfied’ with the service they received from their current provider and therefore there’s no strong push factors to encourage change
- **They were not switchers by nature** – typically they had never switched provider for key household services
- **They were ‘information poor’** – they lacked awareness about other providers within the market and the absence of the internet contributed to this

Q. What are the key characteristics of Split-purchaser Customers and what implications does this have for Ofcom’s communication strategy with this customer group?

Split-purchaser Customers in this sample were:

- **More open to communications**, but their priorities differed in terms of what switching messages engaged them.
- **More independent** - more readily able to access resources to help them make decisions about their services if they wished to
- **More comfortable with switching per se** - Many had switched deals and/or providers in other markets (e.g. energy) and were more comfortable with the process of switching
- **Very mixed in terms of market engagement** - some being more apathetic, legacy customers and others more deliberate and conscious in their choices.
- **Fairly disengaged with their landline deal.** Some would have been open to ending their landline contract entirely if this was an option, because they rarely, if ever, used their landline phone

The key considerations for Ofcom in terms of developing a communication strategy are:

- **Addressing their assumptions they were on a good deal already** – although able to use the internet to explore alternative deals, they were unlikely to prioritise this or believe it is necessary

- **The role of broadband/TV packages was more key than the landline** – the landline was often the secondary consideration, and as such the importance of TV and/or broadband needs to be considered in engaging them
- **There will be a need to disrupt their current behaviour** – communications need to grab their attention with more direct language (e.g. about overpaying) and prompt customers to rethink the value of their current set-up
- **Although not as concerned about switching as Landline-only customers, there are some residual doubts.** Often their main barrier to the process was the perceived time it would take to negotiate the process in the first instance, or just seeing it as a low priority cost.

Q: What made Recent Converts take action to switch deal/provider?

For recent converts, **‘push’ triggers such as poor service with their provider or a family member pointing out their bills were very high**, had often driven Recent Converts’ decision to switch deal/provider, rather than being ‘pulled’ by an attractive offer or price saving.

The key implications for Ofcom in terms of the communication strategy are:

- **Role of family as key influencers** was vital to customers taking action and switching – a few claimed they would not have switched without that encouragement.
- **Changing circumstances were also a catalyst to switching** - some ex-Split-purchasers had been waiting for better broadband options before changing their set-up.
- **‘Easy’ was a key buzz word that needed reinforcing in communications** – with Recent Converts quick to praise the ease of the process of switching, how easy providers had been to deal with (on both sides), and the ease with which they now managed and budgeted with one bill (ex-Split-purchasers).

Q. How important are expectations, perceptions and experiences of switching as a barrier to action?

Landline-only customers’ lack of experience of switching home services meant concerns about the process of switching had often remained unchallenged:

- **How easy would it be to keep the same number?**
- **How long would the process take?** They perceived it would take a number of days and there was therefore the potential to ‘take away their lifeline’ for a period of time;
- **Why would they risk making a change from ‘what they knew’ to something uncertain and unfamiliar?** They justified this by arguing any switch was likely to be disruptive.

In contrast, **Split-purchasers** were not as concerned about switching, having had some experience of switching in other service markets. However, they did still welcome reassurances that the process was quick to arrange and not too disruptive.

Therefore, providing reassurances about the ease and timescale of switching will be hugely important to get across to all audiences.

Q. What does the communications strategy need to bear in mind to successfully engage Landline-only customers?

A set of ‘rules of thumb’ emerged for communicating with Landline-only customers:

- **In terms of getting their attention:**
 - **Landline-only customers were more likely to read correspondence from their current provider** –Letters from ‘less familiar’ providers or organisations (including Ofcom) were less likely to be given the same level of attention.
 - **Headline needed to engage, but not worry** –Very assertive language, especially if couched negatively, could worry and ultimately be rejected.
- **In terms of imparting information:**
 - **Prominent reassurances about the process of switching** –Landline-only customers wanted reassurances that they could keep their current phone number and experience no loss of service.
 - **Ensure product suggestions were like-for-like** – they were often wedded to particular elements of their deal and wanted to know that any new deal matched their current deal.
 - **Inform about other market providers** –more likely to default to bigger, trusted providers; need to educate/familiarise Landline-only customers with the available options.
- **To encourage action:**
 - **Switching deal is much more likely than switching provider** – overall, it felt more achievable, involving less upheaval and dealing with their current provider.
 - **Encourage them to talk to family** – a key ‘push’ factor will be encouraging them to speak to others and offering the option for family/friends to act as ‘proxy’ for older relatives.
 - **Consider a strategy to specifically engage a ‘proxy’ decision-maker (e.g. family/friend)** – it was recognised that it can be difficult to act as a proxy decision-maker, so ways of engaging other family members directly were sought. For example, messages in bills (“do you know anyone on a landline-only deal?”).

- **A ‘disruptive’ message might provoke action?** - messages which can confuse (such as being told be an existing provider that they can get a better deal elsewhere) can be dismissed, but conversely may increase inclination to show to family member and/or read in more detail.

Q. What does the communications strategy need to bear in mind to successfully engage Split-purchaser customers?

A set of ‘rules of thumb’ emerged for communicating with Split-purchaser customers.

- **In terms of getting their attention:**
 - **Lead with the broadband and/or TV deal (not the landline)** –the broadband (and often TV bundle) were the key products. Encouraging to move their landline deal to their current broadband provider seemed more achievable, given interest was led by the quality of the broadband (i.e. higher internet speeds).
 - **Deploy a stand out headline** - A direct message e.g. ‘You are overpaying’ had more emotional impact ; needs to stand out from ‘junk mail’ headlines.
 - **Avoid junk mail ‘feel’** –often looking for a reason to disengage with letters; overtly sales-like headlines or generic case studies more likely to be dismissed.
- **In terms of imparting information:**
 - **Compare details of the broadband** –more details of its specific capabilities (e.g. speed, capacity) were needed to ensure relevance and meeting their needs
 - **For many, but not all, bundling with TV packages was more interesting or important than the landline** –with no mention of TV in the communications they appeared more likely to disengage
 - **Simplify the switching process** – ensuring information on the speed and simplicity of the process was prominent in any communication.
- **To encourage action:**
 - **Direct customers to a more detailed, tailored view of their options online** - looking for the opportunity to review and compare their options online (as per price comparison sites for other services). This also gave them greater flexibility to control and tailor products/bundles to suit specific needs; mechanics such as tear-off slips were typically too protracted.

Q. What, if any, common learnings are there across all potential Standalone Voice Customer groups in terms of effectively communicating with them

A few rules for effective communication emerged across Standalone Voice Customers, irrespective of current set-up or demographics:

- **Short, succinct communications** – use of graphics and avoid more detailed ‘standard’ letter formats, especially from less familiar senders.
- **Personalised savings** – addressing their situation (‘you are paying x’) rather than more generic stats (e.g. ‘save up to 40%’) that lack relevance.
- **Direct, clear comparisons** – ‘before and after’ comparisons drew their attention, felt tangible and meant the impact was more comprehensible.
- **Simple bullets reassuring about switching process** – addressing the three key issues; keeping their number, lack of interruption to their service and no need for visits.
- **‘Softer’ options for next steps** – a clear desire to be able to call current provider(s) first for more details. Encouraging speaking to or engaging other family members was also important for more dependent decision-makers.

Q. What role should Ofcom be playing in the communications strategy?

Currently, there was little awareness of who Ofcom was or its role in the telecoms market; the default view being to assume it was a provider. Participants frequently did not take on board the explanation of Ofcom’s role when reading the letter, often being drawn to other details.

When participants did read a sentence or two about Ofcom’s role it aided understanding (and clarified why their current provider might be forced to write to them to recommend they change to better value deal with another provider). Therefore, there is an opportunity for Ofcom to take to a more prominent role when encouraging customers to engage in communications about switching.

2 BACKGROUND, OBJECTIVES & METHODOLOGY

2.1 Research Background

Fifty-nine per cent of homes now buy a bundle including a landline telephone service and a broadband service. People who buy bundled services are getting more for their money than before. Average broadband speeds have increased over time from 8 Mbit/s in 2011 to 29 Mbit/s in 2015. Similarly, average broadband data use has increased from 8GB per connection in 2008 to 97GB in 2015. Over the same period, bundles have been expanded to include on-demand television and related content services, often at little or no extra cost.

However, customers that do not take bundled services have not benefited from competition in the same way. Ofcom is particularly concerned about people who only buy a landline from a provider – either because they do not want broadband or pay-TV, or because they take these services separately, usually from different companies. Ofcom’s concerns are that relative to those who purchase services in a bundle, these consumers have less choice of suppliers, are not benefiting from strong price competition or promotional offers and their loyalty to their suppliers is leading to ever higher prices. From December 2009 to December 2016 telephone line rental prices have risen between 25% and 49% in real terms whilst the wholesale cost of providing these services has fallen by up to 26% in real terms.

In February 2017, Ofcom publicised their provisional conclusions of their review⁸ of standalone landline telephone services in a consultation highlighting their proposals to cut bills by at least £5 a month for BT customers that only have a landline, which would result in prices returning to 2009 levels. This change would result in 2.9 million people (a mix of Landline-only and Split-purchasers) seeing a reduction in their monthly landline bill.

Ofcom required this research to better understand Standalone Voice market customers’ key drivers for engagement and their perceptions of switching landline and/or broadband providers; with the overall aim of encouraging engagement and competition in the market.

Ofcom’s review of the markets for standalone landline telephone services described these two groups as Voice Only (which we will refer to as Landline-only customers) and Split-purchasers.

- **Landline-only** customers do not have broadband at home. These are more likely to be older consumers who have remained with the same telephone provider for many

⁸ 2017 Ofcom press release - <https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2017/bts-landline-only-customers-set-for-cheaper-bills>

decades (most commonly BT). They are likely to have low understanding or awareness of alternative offers or providers.

- **Split-purchasers** are consumers who buy Standalone Voice and a separate package including broadband (usually with different suppliers). These consumers are typically younger, are more likely to be aware and understand options available to them but are often disengaged. They are particularly likely to be disengaged with their landline provider, as this is not regarded as a priority product.

2.2 Research Purpose

Research was required to gain greater understanding of Standalone Voice Customers; to identify their current behaviours and usage, their attitudes towards switching, and the effectiveness of potential switching messaging. This study was designed to support Ofcom's Review of the Market for Standalone Landline Telephone Services (RMSLTS), which is reviewing competition in this retail market. It will also inform future development of engagement remedies. This project is in keeping with Ofcom's overall long-term goals of promoting competition for the benefit of consumers and preventing them from harm.

2.3 Research Objectives

The four core objectives of this study were to:

- **Enrich understanding about the current profile of Standalone Voice Customers (i.e. Landline-only and Split-purchasers)**
 - Reveal current needs, interests and priorities
 - Identify other service bundle purchases and experiences within the home.
 - Understand levels of engagement with the wider market and drivers to this
 - Unpick product engagement, understanding and usage
 - Understand the role of loyalty
 - Understand what motivates current standalone voice set up and current choice of provider(s)
 - Evaluate the extent to which the current products meet their needs and perceived value for money
 - Explore levels of engagement and satisfaction with their current provider(s)
 - Explore awareness of providers in the landline market (and the fixed broadband market)
 - Understand perceptions around different brands/prices.
- **To explore perceptions and experience of the switching process**
 - Explore attitudes and experiences of the switching process
 - Unpick barriers and motivations to switching (in the communications market and other markets)

- Explore levels of awareness and understanding of the switching process
 - Identify the switching consideration journey; needs to be met and information sources
 - Uncover any gaps or unmet needs in the switching consideration journey
 - Ascertain levels of recall of communications encouraging them to switch tariff or supplier.
- **To identify influencers on customers' switching consideration**
 - Explore factors that promote engagement with the market
 - Understand role of family and friends in the decision-making process
 - Understand factors that reassure customers about the switching process
 - Explore understanding, engagement and perceived impact of potential broad switching message themes (i.e. cost savings, ease of process, speed, logistics)
 - Ascertain the role and importance of cost saving vs. other factors.
- **To specifically review communication messaging effectiveness**
 - Explore and identify priority information most likely to impact on likelihood to consider switching
 - Identify preferred sources for information and reasons for preference
 - Ascertain priority information to reassure customers about the process
 - Understand the impact of messages in challenging previous perceptions.

2.4 Methodology

2.4.1 Sample

Three distinct audience samples were engaged in this research, as shown in Figure 2 below:

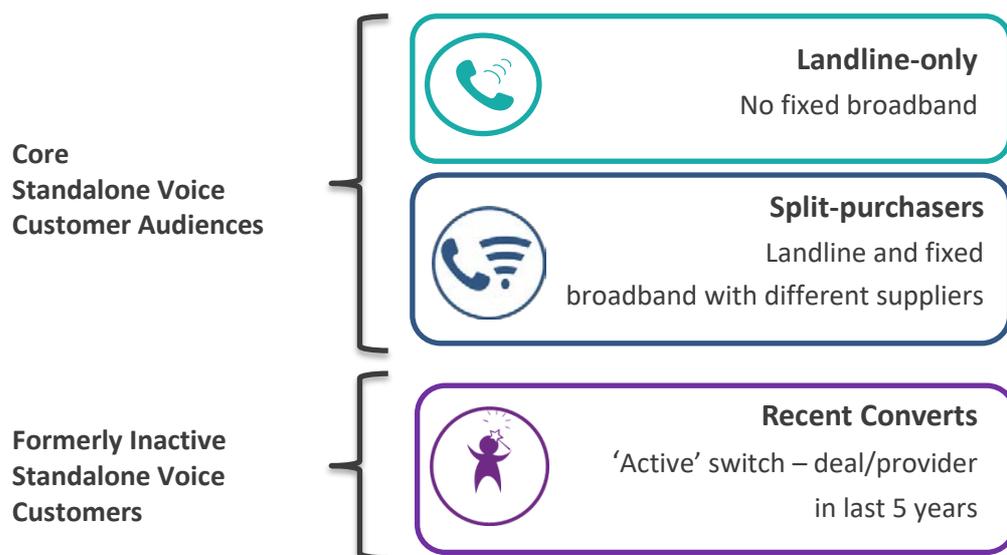


Figure 2: Audiences within the telephone/broadband market

- **Landline-only:** Customers who had landline and no fixed broadband in the home and hadn't switched landline provider in a number of years (5+ years)
- **Split-purchaser:** Customers who held their landline and broadband with two different providers outside of a bundle. Split-purchasers who buy both their landline and broadband services from the same supplier but under separate contracts were excluded due to the difficulty of identifying these participants.
- **Recent Converts:** a suggested additional group of customers who were previously inactive Standalone Voice customers and had either switched landline provider or tariff, or switched to a bundled deal that incorporated landline and broadband under the same supplier. The purpose of this was to understand what triggered this change of behaviour.

2.4.2 Description and rationale

The research was qualitative in nature, incorporating a mix of focus group discussions, household sessions, and follow-up telephone interviews.

Given the focus of the project was on gaining a better understanding of individual circumstances and set-ups, current behaviours, and perceptions and attitudes of standalone voice customers, the majority of our fieldwork was held in participants' homes in a one-to-one 'depth interview' environment. We did, however, treat these interviews as '**household sessions**' as opposed to strictly enforcing the idea of 'one to one' interviews. Where relevant, joint decision-makers were interviewed together (a 'paired depth'). Likewise, where there were different decision-makers and influencers in the household for landline and fixed broadband services, paired or mini-group sessions of 3-4 participants were conducted.

We also held a **small number of mini-groups** with the core over 75 'Landline-only' audience providing a more dynamic environment for debate to inform effective engagement with this audience.

The diagram below (Figure 3) summarises our overall approach:

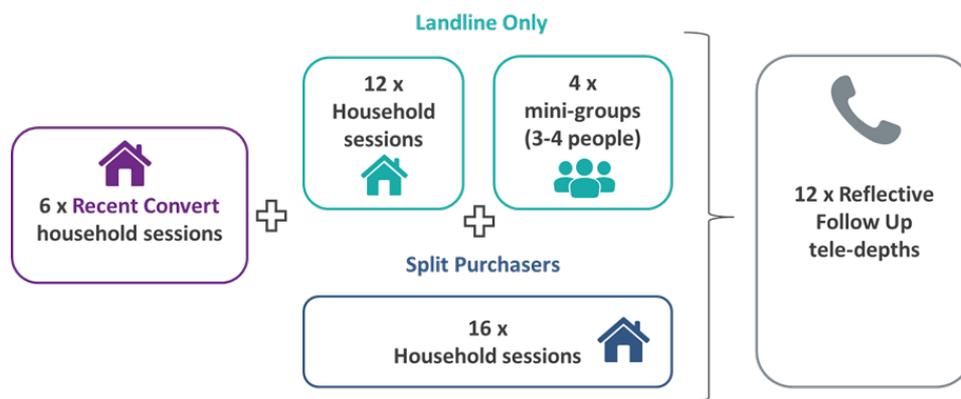


Figure 3: Research approach overview

Twenty-eight household sessions with Standalone Voice Customers (twelve with Landline-only and sixteen with Split-purchaser customers) lasting one and a quarter hours each were carried out in people’s homes. These interviews allowed in-depth exploration of current behaviours and set up, attitudes towards switching, and reactions to test communications designed to encourage consideration of switching.

Six household sessions with Recent Convert customers allowed for a deeper understanding of their drivers to switch, experience of the process and key engagement messages.

Four mini-group discussions were conducted each lasting one and a half hours. These sessions followed a similar structure to the household sessions, but allowed for greater discussion and debate about the test stimulus communications.

Shortly after the original interviews a series of short (10-15 mins) follow-up reflective telephone depths were conducted with a selection of the core Standalone Voice Customers. These enabled us to understand what, if any, actions or considerations were taken following the face-to-face session, including reflective thoughts on most impactful or engaging messaging.

Prior to the household sessions recruits were instructed to collate the correspondence they receive from their current landline (and, if applicable fixed broadband) provider; ideally their most recent statement. This was then used to explore understanding and perception of their current package within the interview.

Two fieldwork days (3 x household sessions and 2 x mini-groups) were conducted as **pilot sessions** ahead of the majority of fieldwork to test the discussion flow and initially explore the effectiveness of the test communications. Members of the Ofcom project team attended these mini-group sessions to get first-hand understanding of Standalone Voice Customers’ behaviours and attitudes, as well as to provide suggestions for changes to the discussion guide and/or stimulus ahead of the remainder of the fieldwork.

3 UNDERSTANDING STANDALONE VOICE CUSTOMERS

3.1 Landline-only

3.1.1 Heavy dependence on the landline

In this study, Landline-only customers were mostly older and often referred to their landline as their 'lifeline'; they relied on it heavily as their main method of day-to-day communication. They frequently had a set routine of phone calls throughout the day to friends and family established over a number of years. Usage of mobile phones was limited. Those who had mobile phones tended to view use them only for 'emergencies' (for example, needing to call someone when out of the home). Nevertheless, they were quick to acknowledge that they often forgot to take their mobile phone out with them. Typically, their mobiles were switched off or unused. No one in the study used a mobile phone to access the internet.

Most felt more comfortable using their landline in comparison to mobile phones. Their landline number was also the contact number most people had for them, with their mobile number often only given to immediate family.

"I have a mobile, but I may as well not have one as I never take it out. I prefer my landline and sitting down to have a proper conversation"

Landline-only, Under 75, Leeds

3.1.2 Broadly content with their current provider

In our sample, few Landline-only customers expressed any real negativity towards their current deal. As few had experienced issues in the past, they were content with letting their deal continue; there was no impetus or trigger driving them to consider switching to an alternative provider.

Landline-only customers tended to be legacy customers who were unlikely to have ever switched deals. Often they claimed to be with the same provider (usually BT) as when they originally bought their property. In many cases this equated to decades of customer 'loyalty'.

Whilst apathy played a part in this, this group of customers also tended to be more fearful of change. They had trusted their current provider to deliver the service, having had a satisfactory experience over a number of years, and had limited to no awareness of what other services might offer elsewhere. Most of the Landline-only sample were more aware of what they felt were the most important aspects of their package (for example, free calls

abroad to a certain country, or 60 minutes' free talk time), but struggled with other, more in-depth details or features (such as paying for call screening).

"I've been with them for so long, that I really can't remember. I am a creature of habit. I'm happy with what I've got and familiar with what I've got so I stay with them"

Landline-only, Over 75, Leeds

"I get benefits from Talk Talk they allow me to call various countries without charge because I pay a certain amount a month. I don't know an awful lot about the type of contract I have, but I pay by direct debit"

Landline-only, Over 75, Leeds

3.1.3 Limited market engagement

Given their limited knowledge of the telecoms market, they often had little understanding as to how their deal compared to others and whether it represented genuine value for money. There was a general perception that all Landline deals were likely to have similar price points.

This group of customers generally tended not to switch other household suppliers such as insurance or energy. Many of them referenced being part of a generation that was taught that they would be rewarded for loyalty and that they typically tended to stick to what they knew. As such, a few described being with the "gas/electricity board" rather than referring to them by more modern brand names.

"I'm loyal to certain companies if they are good to me as I don't like chopping and changing providers, it's too much of a hassle. I've never considered changing from Talk Talk as I'm quite happy and whoever I switch to might end up worse than the one I came from"

Landline-only, Over 75, Glasgow

“I’ve been with them so long that I can’t really remember. I’ve probably been with them since we bought the house in 1969 and I’ve never really thought about switching”

Landline-only, Over 75, Leeds

3.1.4 Fear of switching from the known to the unknown

Their limited switching experience led them to express other unchallenged perceptions that acted as barriers to switching consideration. Many focused on the perceived authority of BT (whom most in the sample were with for their landline) and felt that given they owned the lines they were more likely to provide the best service or be in the best position to conduct any repairs if something was to go wrong. As a result, customers justified their lack of switching behaviour by advocating that they were better off being with them.

There were also a number of concerns focused on the process and fear of the unknown. A particular worry was around losing the current, known telephone number and the perceived hassle of needing to pass on any new details. As the landline was a ‘lifeline’ to customers, any disruption to their service that meant they were unable to communicate with friends and family in the event of an emergency was a big worry. There was a lack of understanding about how long the overall process, and individual elements such as the set-up phone call, would take. Given the low levels of confidence in their knowledge of the sector and other providers, another key barrier that emerged was the fear of making a mistake, being unable to rectify this, and being worse off as a result.

“I’m not sure how long the process would take; it’s just too much hassle”

Landline-only, Over 75, Midlands

“I think all landline deals are all on par with each other so there’s no point in switching. To be quite honest you change one minute and then the next minute the new one puts the prices up”

Landline-only, Over 75, Glasgow

3.1.5 Dependent on others for help and guidance in key decision-making

Landline-only customers also tended to be more dependent on others to provide information and help with decision-making. They were more likely to rely on family members or close friends in a variety of situations where they felt unsure or unable, such as paying bills, researching information online, and booking appointments. The fact that they did not have internet access often accentuated their reliance on others to provide specific information. The result was that they could feel deprived of information, and without that knowledge they lacked confidence to act or change.

"I'm not very confident in researching things so I always ask my daughter or son-in-law for help"

Landline-only, Over 75, Glasgow

3.1.6 Lack of engagement with the Internet

Whilst most Landline-only customers were aware of the commonly understood 'benefits' of the internet, they were generally uninterested in it and actively chose not to have it in their home. For many, there was a reluctance to embrace it at this stage of their lives. Their lack of knowledge about the internet often felt to them to be too large to rectify at their age.

They also tended to have a number of long-held concerns and perceptions about the safety of the internet. A key barrier to engagement with the internet was a fear around security; many commented on fraud scandals and scams they had seen in the press or heard via word of mouth.

"I just have no need for it, you hear all this stuff about things going wrong and scams, no it's not for me"

Landline-only, Over 75, London

Amongst those who were a little more engaged, there was a further barrier concerning how much they expected it to cost to be online in terms of outlay for the laptop or computer, security packages and other equipment. While there was a consensus that they had no interest in the internet in the home, some had work-around solutions. For example, a couple liked to dedicate a day to visiting the library when they had a specific need such as booking a holiday.

However, many were likely to use the internet ‘indirectly’, asking friends and family to use the internet on their behalf to purchase items, book travel or look up information such as telephone numbers or photos.

“My daughter buys me coffee capsules online. They come from Amazon, they come here. I don’t have to do anything other than say to her I need a refill. So that’s handy!”

Landline-only, Over 75, Kent

Overall implications on Landline-only customers for Ofcom:

- 1. High levels of dependability**
 - Landline-only customers tended to rely heavily on family and friends to help them with the majority of their decision making and as such they are an important additional audience to be aware of to engage this audience
- 2. Attachment to the status quo**
 - Most Landline-only customers were content with their current service and have not experienced any issues. As such, they have no strong ‘push’ driver or instance to prompt switching consideration
- 3. Not switchers**
 - Typically, this group of customers have never switched provider for the majority of household services. This had a significant impact on their levels of awareness and confidence surrounding the process
- 4. Information-poor**
 - Given the absence of the internet, a default information source for many others, Landline-only customers typically had low levels of awareness of other providers in the market, typical deals and prices
- 5. Prominent concerns around the switching process**
 - Given their lack of experience switching generally, Landline-only customers had a number of unchallenged perceptions particularly around the authority of BT and concerns about the process. These customers tended to be older and see switching in the main as not for them. Ultimately, they were fearful of change and defaulted to expecting something to go wrong and being unable to sort it.

3.2 Split-purchasers

3.2.1 More independent decision-makers

Compared to Landline-only customers, Split-purchasers were characteristically more independent concerning decision-making about home products and services. In this study they were generally younger, of working age and capable of making decisions autonomously, without the help of family and friends.

Access to technology was much more prevalent, with devices such as computers, tablets or mobile phones being used frequently at work and at home. As a result, they were comfortable navigating online environments and often defaulted to searching online when trying to find information.

"I went to Orange for a year and found that there really wasn't much difference so I went online and looked at Which? for the best broadband provider and Plusnet came out tops, so I have been with them since that."

Split-purchaser, Under 55, Northern Ireland

3.2.2 Some experience of switching

Split-purchasers were also slightly more engaged in markets, not only telecoms but also home services such as energy, with some having previous switching experience. As a result, there was greater awareness of switching processes and what they typically involved.

"I've got 5 cars, believe it or not, and my house insurance and we put those to market every year. This stuff, mobile phones, water, energy; I have switched energy providers 2 or 3 years ago, but I ought to do it more often"

Split-purchaser, Over 55, Leeds

3.2.3 Focused on broadband and TV products, not the landline

In this study TV and broadband bundles were the priority products for Split-purchasers rather than their landline, and this drove their engagement in the telecoms market. Customers were often bundling broadband and TV with the same provider to get the best entertainment package for the household, with separate landline provision. Furthermore, this customer group tended to prefer using their mobile phone for telephone calls

compared to their landline. As a result, some wondered whether removing their landline from their home was an option as it was a rarely used resource.

"I still don't understand in this day and age why you need a landline. I really don't use it much at all"
Split-purchaser, Under 55, Leeds

"I'm currently experiencing a lot of issues with the landline and I'm thinking about whether I can get rid of it altogether. I used to use it a lot to call my son who lives abroad, but we tend to use Skype or Whatsapp calls now as it's free"
Split-purchaser, Over 55, Leeds

3.2.4 Range of engagement in the market

Amongst Split-purchasers there was a range of engagement levels, highlighted in figure 4:

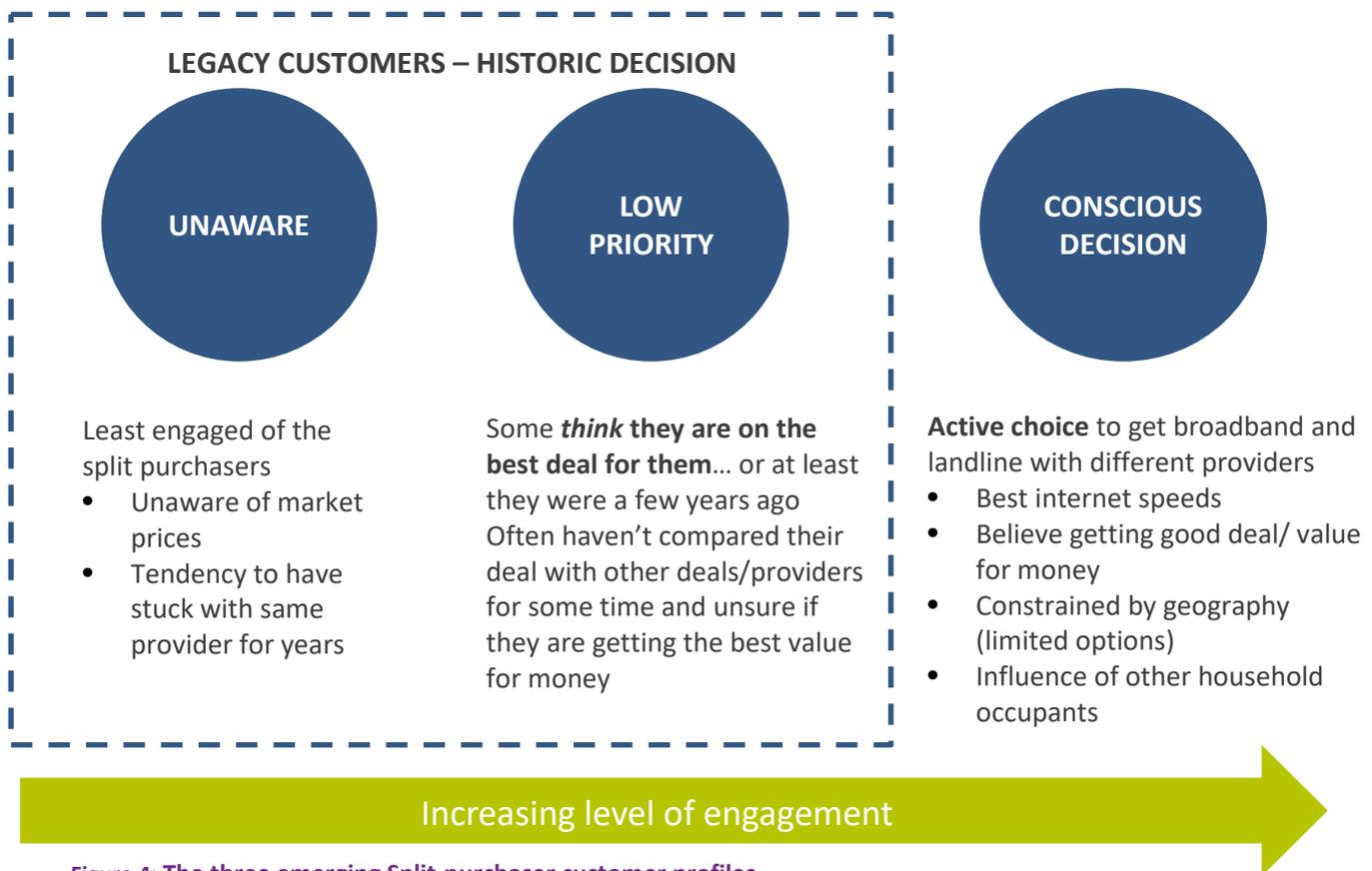


Figure 4: The three emerging Split-purchaser customer profiles

The least engaged customers with the telecoms market were those generally **unaware**. These Split-purchasers were most similar to Landline-only customers as they had tended to stick with the same telecoms provider for a long period and were therefore unaware of the wider telecoms market. They also lacked any drive to look elsewhere for their landline and broadband, as they tended to be content with the deal and service currently provided to them. They had often taken out broadband many years ago (in some cases when smaller providers would not have offered landline services) and they had not looked at the deal since.

The **'low priority' customer** group claimed to be time poor. They had not looked into how their deal compared with others in the market or value for money in a long time. Furthermore, broadband and TV services took priority and were used on a daily basis, rather than landline, which was used much less frequently.

Those in the 'unaware' and 'low priority' groups tended to be customers who had a legacy deal and had not thought about moving telecom tariffs or providers for a number of years. As a result they tended to be unaware of the potential benefits of bundling services (particularly if they didn't have a combined TV and broadband package).

To emphasise the fact that these customers tended to be less engaged in the market and their product, it was found that some were actively paying for double landline provisions. In these instances, customers tended to have a landline service included within their combined TV and broadband package, alongside also paying for a separate landline service with a different provider – this separate service was typically the legacy provision that they had not actively looked into for a long period of time.

Ultimately, their failure to switch was driven by the fact that the landline service was simply not seen as a priority spend or product for this customer group.

"I know I should give it attention and probably either get rid of it or move it across but it doesn't seem like that much money – I don't notice it coming out. It's more important to me that my TV bundle is right with Sky than messing about sorting who my landline I never use is with"
Split-purchaser, Under 55, Cardiff

The most engaged group were **conscious decision-makers**. They were actively choosing to have their landline and broadband services with different providers. Reasons ranged from choosing the broadband provider with the best internet speeds (particularly fibre internet), to being influenced by other members of their household. For example, younger members of the household would organise and deal with the broadband and TV provisions (as these

were a priority for them) and older members would take care of the landline provisions. In a few cases geography influenced which providers customers went with for their landline and broadband provisions. These customers tended to be aware of the advantages of bundle deals but were limited in the broadband providers servicing their local area. Additionally, some were actively waiting for a certain provider to come into the area (e.g. Virgin Media).

3.2.5 Perceptions around switching process still a key barrier

Hesitations around the switching process were apparent throughout the interviews even though some customers were aware of what was involved in switching, having previously switched a home services provider.

The concerns mainly focussed around the time it would take to switch. With this customer group, time was stated to be a precious commodity and frustrations often arose regarding dealing with call centres and being transferred to various departments before being able to speak to an advisor who could deal with their enquiry. Additionally, the time taken for the switch to become active, as well as the perceived need for an engineer to come to the home was off-putting.

"I switch car insurance but not usually internet or phone packages because we're settled and time poor"

Split-purchaser, Under 55, London

"If I was thinking of switching then it would need to be worth my time and I wouldn't want to be in a contract longer than 12 months"

Split-purchaser, Under 55, Leeds

"It just goes on, it's just bloody stupid, the whole thing, all you want to do is find some numbers out and it's like trying to get blood out of a stone. I think it'd be half a day of time before you finish messing about"

Split-purchaser, Over 55, Leeds

Overall implications on Split-purchaser customers for Ofcom:

- **Capable but prone to assumptions**
 - *These customers were able to use the internet to look up alternatives, but were unlikely to do so. As such, it will be important to consider how best to challenge these assumptions and prompt them to do their own research online*
- **Consider the role of TV / entertainment packages**
 - *These products were typically driving Split-purchasers' current telecoms set-ups. Consequently, any communications will need to take into account the importance of TV in product choice, particularly in any options given*
- **Alleviating concerns about process**
 - *Concerns around the time and effort to switch was a key barrier for these customers, so reassurance will be required within any communications to engage and encourage action*
- **Need to disrupt current behaviour**
 - *Split-purchasers tended to be generally apathetic towards their landline product. As such any communications will need to grab their attention (more direct language about overpaying) to prompt and challenge customers to rethink their current behaviour*

3.3 Recent Converts

Five of the six Recent Converts in this study were ex- Split-purchasers who had switched to a bundle deal and as such tended to be more independent and aware of deals in the telecoms market.

"For me, I always consider price and connectivity when looking at telecoms provider."

Recent Converts, Over 65, Leeds

They were also therefore more inclined to prioritise their TV and broadband entertainment deal over their landline. They were typically happy with the deal they had converted to, but were open to the possibility of switching again in the future. The experience of switching had given many of them confidence in the ease of the process and a greater appreciation of other providers, deals and prices in the market.

"I'm definitely going to look to switch again if the prices go up. I had not really looked at deals regularly before, but as people say you should not sit back on your laurels. I was gobsmacked I could save that much."

Recent Converts, Under 65, Birmingham

3.3.1 Trigger to switch had been a ‘push’ factor, not a pull

Most had been ‘pushed’ to switch rather than ‘pulled’ in by an offer from a specific provider. ‘Push’ factors cited included:

- **The influence of others.** Pressure from family or friends to look into bundling/switching deals had typically resulted from a ‘chance’ conversation or sight of their bill(s). The fact that family or friends were encouraging gave them impetus to take action. Figure 10 and 11 below show two examples of case studies of recent converts encouraged by friends/family to take action.
- **Poor service from their current provider,** in particular related to poor internet provision.
- **Changes in family circumstances** such as, someone leaving the home or a fluctuation in budget were also mentioned as a prompt to switching as it encouraged customers to reflect on whether their product still met their needs.

“My son changed his internet provider and then we started to look at it and it looked pretty good. My son likes us to keep up-to-date, he wants us to get a new computer but this one does what I want”

Recent Converts, Over 65, Northern Ireland

3.3.2 Ease of the switching process and convenience of one bill

Recent Converts had typically found the process of switching to be easier than expected and were keen to point this out as a major positive. In particular, they highlighted that the process had eliminated a number of their previously held concerns and barriers. They found the process to be easier to manage than they had anticipated in terms of negotiating the deal and the actual installation. The ability to change their mind for a certain number of days following the switch had alleviated some of their residual concerns around the ramifications and impact if something was to go wrong.

“I was with Talk Talk for 11 years until recently - I've just moved to BT. My friend could never understand why I stayed with Talk Talk... she said why are you staying with them as I am only paying half of that. I rang BT and told them everything and that I wanted to change over – it was really easy. They sort it all out for you which was a big relief for me”

Recent Converts, Over 65, Leeds

Post-process, these customers tended to be pleasantly surprised at the value of savings and the convenience they received from bundling their products together with one provider.

Overall implications on Recent Convert customers for Ofcom:

1. Role of the family

- *Recent Convert interviews highlighted, as expected, that family played a key role in galvanising customers to take action to switch. It generally appeared that few would have switched without the encouragement and pressure of trusted outside influences.*

2. Changing circumstances is also a catalyst to switching consideration

- *Some Recent Converts had been pushed to look into switching by personal changes in circumstances (i.e. reduced budget) or external changes (i.e. a new provider moving to the area) that prompted them to look into their set-up*

3. 'Easy' is a key word to be reinforced

- *Recent converts who had been through the process of switching emphasised a number of elements to the process that they felt were easier than they would have expected and therefore key to reference in any communication strategy. These included: ease of process, ease of negotiating the deal and ease of managing the product under one provider*

4 KEY CUSTOMER CHARACTERISTICS WHICH DETERMINE LIKELY REACTION TO COMMUNICATIONS

Two key factors emerged as central to profiling Standalone Voice Customers.

- Firstly, **their level of independence**; how capable they were to make decisions on their own or alternatively rely on others to help research, guide and action decisions. Customers' level of independence was typically related to their access to technology to help inform choices and the subsequent confidence it evokes in the soundness of any decisions.
- Secondly, **their degree of engagement in the telecoms market**. Associated with that was the extent to which they were aware of other providers in the market, typical products, services and prices. Levels of engagement were typically correlated with their amount of concern about the process (i.e. those least engaged were least informed and as such tended to have the most unchallenged concerns about the process). Those who were more engaged and privy to deals or prices in the market tended to more readily understand and trust in the benefits of switching.

When these two factors were plotted against each other, the Standalone Voice Customers broadly clustered into two key separate groups on the matrix, as shown in figure 5.

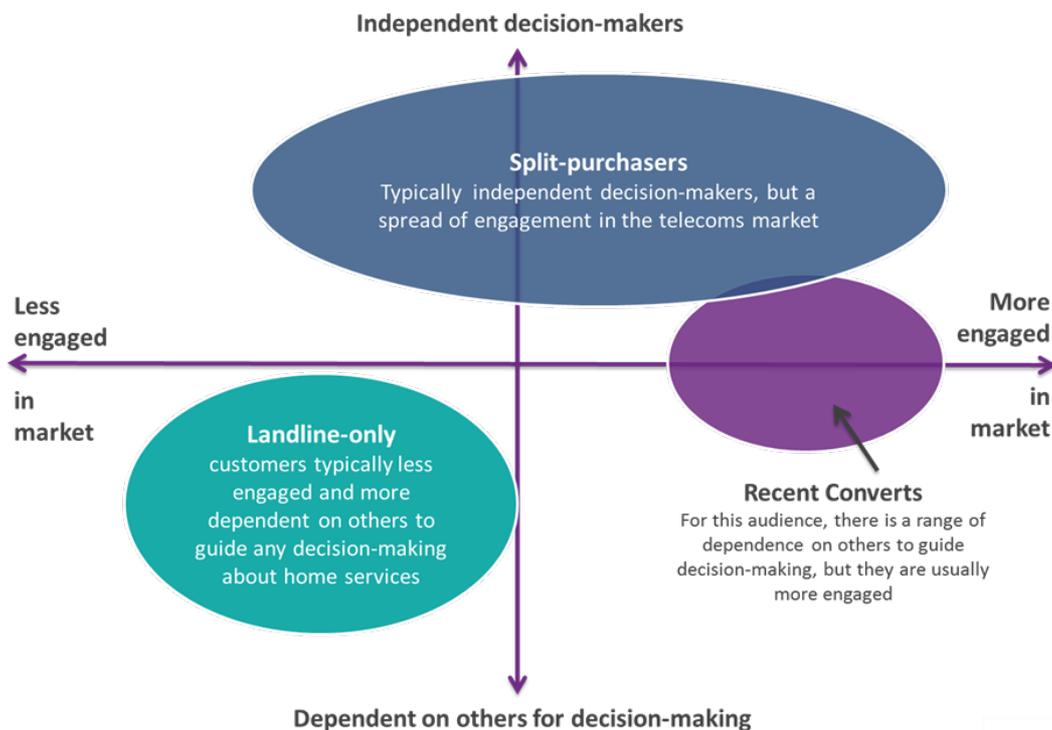


Figure 5: Standalone Voice Customer matrix – how they cluster

Typically, Landline-only customers were more of a homogenous group that clustered in the quadrant of less engaged in the market and more dependent on others for guidance in decision-making.

Split-purchasers tended to be independent decision-makers who were capable of researching and acting on their own, but their level of engagement with the market was more likely to vary across a broader range.

As such, any communication strategy will need to treat and target these two customer groups differently based on their divergent profiles, thus:

- Landline-only customers' low levels of engagement in the market and decision-making means it will be important to consider strategies that proactively engage others, such as family or friends, to act on their part.
- Whereas for Split-purchaser customers, key messages in any communications should focus on the level of savings to influence and disrupt behaviour across a range of levels of market engagement. Given their current levels of independence, it will also be important to consider ways in which to signpost these types of customers to online solutions where they can tweak outcomes based on specific needs.

"I'd always check everything with my son when he visits, I wouldn't be confident doing anything by myself"

Landline-only, Under 75, Glasgow

"I think everything comes down to price and good value for money for what I need"

Split-purchaser, Over 55, Leeds

5 REACTION TO TEST COMMUNICATIONS

5.1 Overview of the materials tested

A key objective of this research was to gauge Standalone Voice Customers' reactions to a series of test communications designed to encourage switching consideration. These test communications were developed by Ofcom to be suitable for each audience, and for Landline-only customers to be relevant to their tariff type (e.g. Weekend or Anytime calls) to ensure any price points mentioned felt appropriate and engaging.

In devising the letters, Ofcom created a number of key differences between the communications in terms of sender, headline, tone, amount of information, layout and visuals, message framing, and method of displaying the saving amount. By doing this, it allowed the researcher to probe on these differences in the sessions to unpick any preferences and levels of importance attributed to different facets of the letters. The purpose of the letters was to provide variations in style, tone and information needs to facilitate discussions, rather than necessarily reflecting the types of letters that might be used in practice. Copies of the letters tested can be found in the appendix of this report, alongside a matrix detailing the differences between the letters.

At recruitment stage, we asked participants the type of package they were currently on to ensure the session focused on the most relevant set of letters. In addition, across the sessions we rotated the order in which we showed the letters to help combat any order bias around when the letters appear in relation to each other.

In summary, the letters (which are in appendix to the report - section 7.3) were:

- **Landline-only** (different figures for those on Anytime, Evening & Weekends and Weekends only deals)
 - **Letter 1:** from their current provider, advising them to switch deals with their provider; call to action was a phone number to call their current provider or a tear-off slip to complete the change of deal without need for dialogue
 - **Letter 2:** from their current provider, advising them that switching provider (highlighting the company offering the cheapest tariff in the market) could save £x amount per month; call to action was to call the cheapest provider to get this switch in motion
 - **Letter 3:** from Ofcom, advising them that they could save 'up to x%' by switching provider, and suggesting the current cheapest provider in the market. Tear-off slip to find out more information
 - **Letter 4:** from Ofcom, incorporating a case study testimony from a landline-only customer who had switched provider and saved £x per year. Call to action was to speak to Ofcom to find out more.

- **Split-purchasers:**
 - **Letter 1:** from their current landline provider, advising them to switch broadband deal to them (i.e. bundle); call to action was a phone number for their current landline provider or a tear-off slip to find out more about switching to this provider for broadband
 - **Letter 2:** from their current landline provider, advising them that bundling their broadband and landline service (highlighting the cheapest bundled services in the market) could save £x amount per month; call to action was to call the cheapest bundle provider to get this switch in motion
 - **Letter 3:** from Ofcom, advising them that they could save ‘up to 40%’ by bundling their broadband and landline, and identifying the current cheapest bundle provider in the market. Tear-off slip to find out more information on switching to the cheapest provider
 - **Letter 4:** from Ofcom, incorporating a case study testimony from a Split-purchaser who had bundled their landline and broadband services with the current cheapest bundle provider and saved £x per year. Call to action was to speak to Ofcom to find out more.

5.2 Overview of reaction of Landline-only Customers

This section looks at reactions to the communications tested at an overall level with more detail provided within the appendix (section 7.3).

Overall, in our study Letters 1 and 2 received a more positive response from Landline-only customers than Letters 3 and 4.

Letters 1 and 2 more effectively communicated with this audience for a number of key reasons:

- **Familiar sender** – the letter was from their current provider and therefore given more attention and more likely to be read.
- **Clear monetary benefits of switching** – well highlighted, personal and clearly presented.
- **Succinct level of detail** – seen as not too long, key detail prominent (i.e. saving information and/or reassurances about the switching process).

“When you see it in green and blue it’s an awful lot of money difference and I might start thinking this is ridiculous”

Landline-only, Under 75, Leeds

That said the **calls to action with Letters 1 and 2 did not always elicit a positive response**. For some, tear-off slips (Letter 1) were seen as a hassle or not time efficient. In addition, there was a reticence amongst Landline-only customers to call a competitor to activate a switch (as per Letter 2). They were much more likely to call their current provider to understand more about why they had received the letter, and wanted this option to be signposted.

Also, **Ofcom's role was not always noted in Letter 2** and could therefore prompt some confusion and concern about why their current provider would be seeking for them to switch to a competitor. As such, Ofcom's role needed greater standout than it currently has. The role of Ofcom is examined in further detail in section 6.

Letters 3 and 4 typically were more likely to be ignored or not acted on. Reasons for this were:

- **Unfamiliar sender** – participants were typically inclined to dismiss messages or not read them as closely if the letter was from unfamiliar providers or organisations (including Ofcom, who most in our sample had not heard of)
- **Savings did not stand out in the letter detail** – participants often struggled to note them, or had switched off to the detail before they got to the savings
- **Calls to action too assertive** (unlikely to contact a competitor as a first step)

“You wouldn't fill that (tear-off slip) in unless you were going to switch”
Landline-only, Over 75, London

Specifically, participants felt Letter 3 contained too much detail. Participants often stated they felt it was a densely written letter, making it hard to pick out the benefits and reassurances.

For some, the positioning of Letter 4 felt too contrived. Although a few felt 'Joan's' testimony was relatable, many in the study queried how 'relevant' the case study would be to their situation.

In addition, **letter 4 left many confused.** They were unclear who Ofcom were and why they wanted them to consider switching provider.

5.3 Overview of reaction of Split-purchaser Customers

Overall, currently none of the communications felt likely to initiate a positive call to action from Split-purchasers. That said, **Letter 2 felt most tailored and likely to engage attention.** This communication managed to display key comparison information in a compelling way via the graphical presentation of their current deal versus the best deal. Deal information also felt sufficiently personalised to make comparison meaningful and easy to engage in. In addition, the reassurances about the process of switching were easy to digest and largely convinced.

"This (Letter 2) would be first choice. It has an exact financial comparison which I think is good"

Split-purchaser, Over 55, London

However, Split-purchasers suggested Letter 2's **call to action was unlikely to have much impact.** They stated that they wanted to have more control over any decision-making rather than being presented with a single recommendation; there was a desire to make an 'informed' choice and be able to compare the deals in more granular detail.

Other letters failed to engage and impart information with the Split-purchaser customers in this study. Letters 1, 3 and 4 were neither getting nor holding their attention, being dismissed as too detailed or lacking relevance. Collectively, Split-purchasers identified the following issues:

- **None of the communications were focusing on key areas of interest** i.e. a bundle with the TV offer at the forefront and/or comparable details of the broadband deal
- **Benefits (i.e. savings) were lost in the detail** – communications seen as too dense and or lacking stand out
- **Calls to action were not engaging them** – they saw them as too 'prescriptive', whereas often Split-purchasers wanted signposting to a neutral online destination for further information and to explore their options
- **Claimed to be more time poor/simple less engaged** – typically Split-purchasers said they dismissed as junk mail a lot of post that looks/feels similar.

6 RULES OF THUMB FOR COMMUNICATIONS STRATEGY

6.1 Emerging typologies in relation to communications

Four broad typologies emerged in relation to customers' potential to switch provider or deal and engage with communications as shown in figure 6 below.

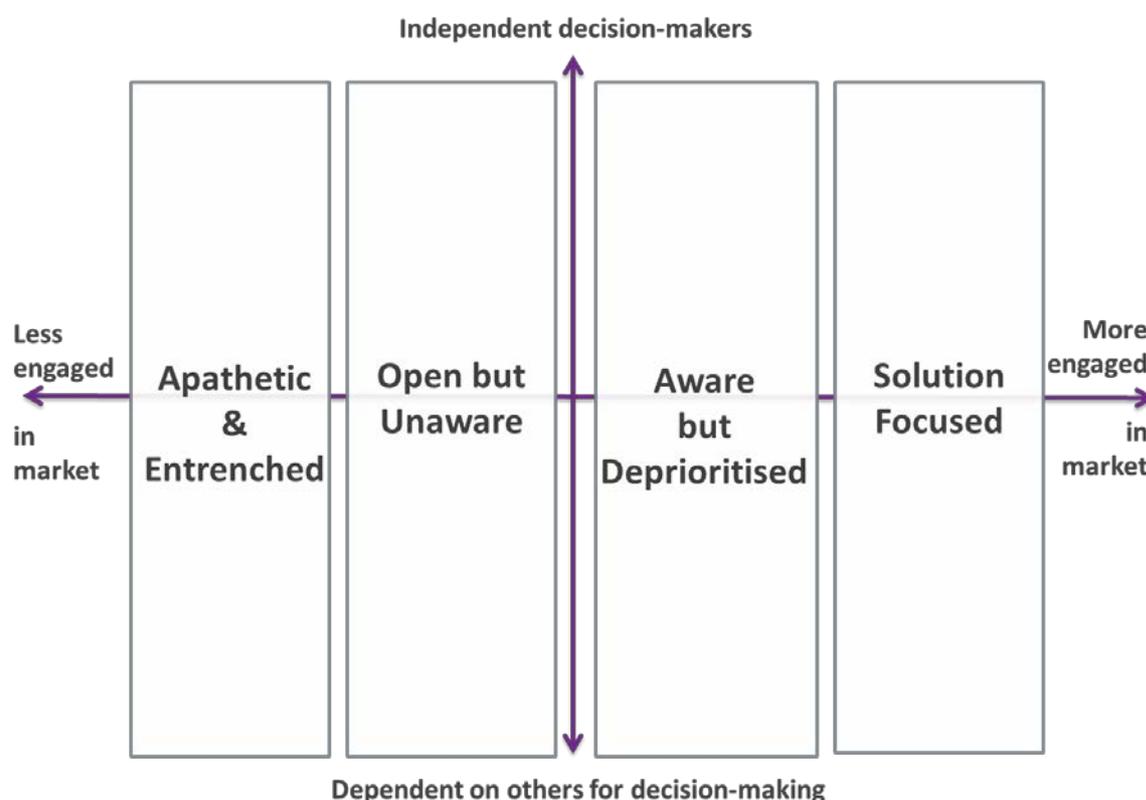


Figure 6: Typologies concerning reactions to communications

6.1.1 Apathetic and Entrenched

Predominantly landline-only customers in this study, they tended to have particularly long held beliefs and behaviours and were not engaged in the telecoms market. These customers represent a particularly big challenge to engage; they were the most likely to hold entrenched views about needing to switch and any advice and messaging appears likely to be deflected or dismissed.

A key strategy to engage them will be via the family directly. A method that a few participants supported was addressing family and friends via bills to raise awareness and prompt wider family members or friends to speak to people with landline-only set-ups. Another key message to promote within the communications will be reassurance around the process; in particular that they will get to keep their own number and that there would be limited disruption to landline service during any switch process.

6.1.2 Open but Unaware

Typically a mix of more dependent Landline-only and more independent Split-purchasers, these customers were open to the idea of switching and less brand loyal. However, they were typically information poor or simply harder to engage in telecoms communications. As such, they were unaware what the process would entail or the benefits of switching, which tended to lead them to stay with what they already knew.

Landline-only customers were more likely to read the test communications and potentially share them with family rather than dismissing the content outright. For these customers, a softer call to action will be important to elicit a response (for example, to discuss with your family or your current provider). Alongside this, more prominent information about the process of switching will be important to reassure.

In contrast, Split-purchasers appeared to need a more direct tone to grab their attention and disrupt current inert behaviours. Combatting low awareness with an emotive message about 'losing out' (i.e. overpaying) was more likely to engage.

6.1.3 Aware but Deprioritised

Typically, the aware but deprioritised were Split-purchasers; they tended to have switched in the past and as such were more open to the idea of doing so in the future. However, they had not reviewed their telecoms product(s) recently due to them being low priorities and a manageable cost.

Deprioritising the product and switching tended to be attributed to a lack of time. As such, overcoming process barriers will be key to consider in any communications.

6.1.4 Solution Focused

Typically Recent Converts and to a lesser degree Split-purchasers, these were the most independent customers who tended to switch other products and services more regularly in reaction to specific needs.

Potential strategies to engage this group better could focus on directing them to an online option where they could compare personalised deals in more granular detail.

6.2 Rules of thumb for engaging Landline-only customers

Typically the 'Apathetic & Entrenched' and the 'Open but Unaware', their key defining characteristics were that they were the least independent and least engaged audience. Whilst they were likely to read postal correspondence, they were typically less open to specific switching messages. In order to encourage engagement with future telecoms communications, a number of key factors that need to be taken into consideration were identified and these have been outlined below.

A series of rules of thumb emerge for engaging Landline-only customers, divided into three core elements of the communication:

- Getting their attention
- Imparting information
- Encouraging action.

6.2.1 Getting their attention

They are more likely to read a letter from their provider

Landline-only customers in this sample were most likely to read letter communications more carefully than the younger, more time poor Split-purchasers. Any messages from their own provider were more appealing as such companies were familiar and trusted, with information originating from alternative sources often questioned, misunderstood or dismissed entirely.

"Coming from my current provider, it feels more relevant and personal"

Landline-only, Over 75, Glasgow

There was a clear drop off in engagement when the communication came from Ofcom. This was usually due to low awareness of Ofcom and its role, which risked misconstruing the organisation as a competitor provider of telecoms services.

Although organisations such as Citizens Advice, Which? and Money Saving Expert (aka Martin Lewis) were popular, familiar and perceived as neutral, there was concern about this style of correspondence from these providers breaching data protection. For example, if one of these organisations sent communications stating how much a customer was paying now, the customer would be concerned about how the organisation would have accessed this information.

However, as discussed in section 6.5, there were spontaneous calls for Ofcom to approach the neutral consumer organisations to get them to endorse the Market Review and raise awareness that they and others in their position could also be overpaying.

“I’d want it to come from my current provider. I don’t know who Ofcom are to be honest so I’d probably not open a letter from them”

Landline-only, Over 75, London

Headline needs to engage and not unduly worry

Landline-only customers tended to be more vulnerable, given their older age and higher dependency on others to guide decision-making. As a result, they were more likely to respond positively to communications positioned as a gain rather than a loss. More assertive, direct language could be construed as negative, unnecessary and worrying, which could lead to the message being rejected.

Personally addressing customers was also important; to feel the correspondence was directly addressing their situation, not feeling more generically aimed at ‘people like them’.

“How do they know what saving I’m losing (in reference to 40%)? They shouldn’t know what bills I’m getting, that’s my private business so I reckon this is a bit of twaddle ... it makes me mistrust them”

Landline-only, Over 75, Glasgow

6.2.2 Imparting information

The balance of ‘personal’ and ‘reassuring’ information is important to maintain engagement.

There was a **clear preference for seeing a ‘before and after’ cost comparison** in switching correspondence i.e. their personal spending information set against what they could be spending per month. This was personalised, gave them a clear and tangible sense of what they could be saving. Saving £x a month on what they currently paid was also easy to quantify and had appeal (although not as strikingly presented in this study). In comparison, spend per year or percentage savings felt less immediately clear, required mental calculations and were therefore less straightforward to quantify the ‘personal’ impact.

Personalisation in any future communication strategy helps engage, as they tended to dismiss messages as ‘sales talk’ if not addressed to them personally. ‘Non-personalised’

communication often blended in with other sales and advertising correspondence and was often disregarded. Personal information on communications (such as their current bill price or tariff) was more likely to be trusted when the communications came from their current provider. From other providers or organisations there was concern about breaches of data security i.e. about how did they know this information?

"I get so much sales-y, marketing stuff through the post that I just don't bother looking at it, straight in the bin"

Landline-only, Over 75, Belfast

Graphics helped to accentuate the key information and drew their attention. The side-by-side graphics in Letter 2 did this effectively. They saw the imagery as breaking up the text and this had the overall impact of making the letter feel less dense and easier to digest. Letter 4's use of the speech bubble also drew the eye and made the information less overwhelming.

In contrast, multiple paragraph letters (more 'standard' letter format) were less engaging and it was evident that Letter 3, in particular, was not always read fully.

"It's [Letter 2] more concise than letter 1, it gives you a little list of what you will get by switching. The boxes you notice straight away, you do not have to look down the whole letter to get to the information that you receive"

Landline-only, Over 75, London

Not a single Landline-only customer in the study mentioned who the letter was from (CEO vs. customer team), and they did not appear to pay any attention to this or add any sense of feeling personally addressed. When prompted, across all participants in the study it was claimed that it did not influence reaction to the letters.

Prominent reassurances about process of switching

Although savings were a reason to take action, Landline-only customers will need further encouragement and reassurance about what is involved in the switching process. Their limited switching experience led them to express unchallenged perceptions and misinformation that acted as barriers to switching consideration. Key elements of the communication strategy needed to ensure that the switching process is explained explicitly

and centres on the simplicity of the process. Any reassurance about the ability to ‘change their mind’ is also viewed positively, as a considerable barrier to engagement and switching in general was the fear of making the wrong decision and being worse off for it.

Ensure product suggestions are like-for-like

These legacy customers had tariffs that they felt suited their needs with an overarching understanding of the elements of their deal (e.g. evening calls from 6pm, any overseas free calls etc.). As a result, any future communication needed to ensure that any suggested new deal at least replicates their current deal. Customers felt it would make it easier to compare deals and assess the benefits and drawbacks, but might also encourage reading the communication more thoroughly.

“I'd want to see it written down what's what and how long before the price goes up”

Landline-only, Under 75, Cardiff

Inform them about other market providers

Landline-only customers were generally unaware of other providers in the telecoms market; they tended to be legacy customers who had not switched provider or deal for a number of years. In particular, most were with BT as they were the only provider available to them when they first got landline within their homes. Therefore, they needed educating about alternative providers to help raise awareness of the wider market and encourage engagement in any future messaging strategy.

6.2.3 Encouraging Action

Smaller steps and engaging the wider family will be important elements for enabling action.

Switching deal is more likely than switching provider

The lack of engagement and lack of independence in decision-making means staying with the same provider and switching tariffs was much more appealing than moving to an alternative provider. They were familiar with their current billing process and customer service and trusted their provider, so they were therefore more comfortable with the idea

of switching deal when they were already familiar with certain key elements. They perceived such a change as less upheaval and disruption and therefore more appealing.

In most cases, there was a desire to call their current provider as a priority action. In this respect, there were requests for the provision of a clearly designated Freephone number to call to discuss this letter and the implications. There was acceptance of the idea of their current provider proactively telephoning them to discuss the implications in the letter. Although a few were less happy about not knowing when they might call, if they had been pre-warned they did not see this as too intrusive. However, this was not the case for competitors. There was little appetite for proactive calls from other providers to encourage them to switch deal, seeing this as intrusive and 'pushy'.

Encourage them to talk to family and make it easier for family to be proxy decision-makers

In any future communications, it will be important to consider external influencers and a clear call to action to consult others.

"If the phone broke I would get my son to look at it"

Landline-only, Over 75, London

Due to the fact that family members were heavy influencers on Landline-only customers in the decision-making process, it is worth considering if future communications should engage other family members directly and encourage them to take control and make the decision on behalf of their family member. An example would be placing messages on bills *"Do you know anyone on a landline-only deal?"* This may prompt customers to look at their bills and the bills of their family members (particularly older relatives/friends) and encourage engagement within the telecommunication market.

"They'll (children) take me into the office in Cardiff and I'll do it there so I can sign some papers"

Landline-only, Under75, Cardiff

The tear-off slip as per Letter 1 was potentially useful for the proxy decision-makers to fast-track this decision without the reported time consuming frustrations of having to telephone on behalf of another family member.

"The tear-off slip is good but you have to go find an envelope and a stamp - I'd rather have a phone number"

Landline-only, Over 75, London

"It says please switch my tariff to home phone saver - well you wouldn't want them to do that straight away, you'd want to talk to someone. I might talk to my son or daughter about it first as it just assumes you'll agree to this happening automatically"

Landline-only, Over 75, Leeds

A disruptive message might provoke action

Whilst on the one hand, messages that confuse have the potential to be dismissed outright; conversely, it could increase customers' inclination to show family members or read in more detail in an attempt to understand it. This appeared to be the case with Letter 2.

Summary checklist of communication needs for Landline-only Customers

Overall, Landline-only priorities were as shown in Figure 7:

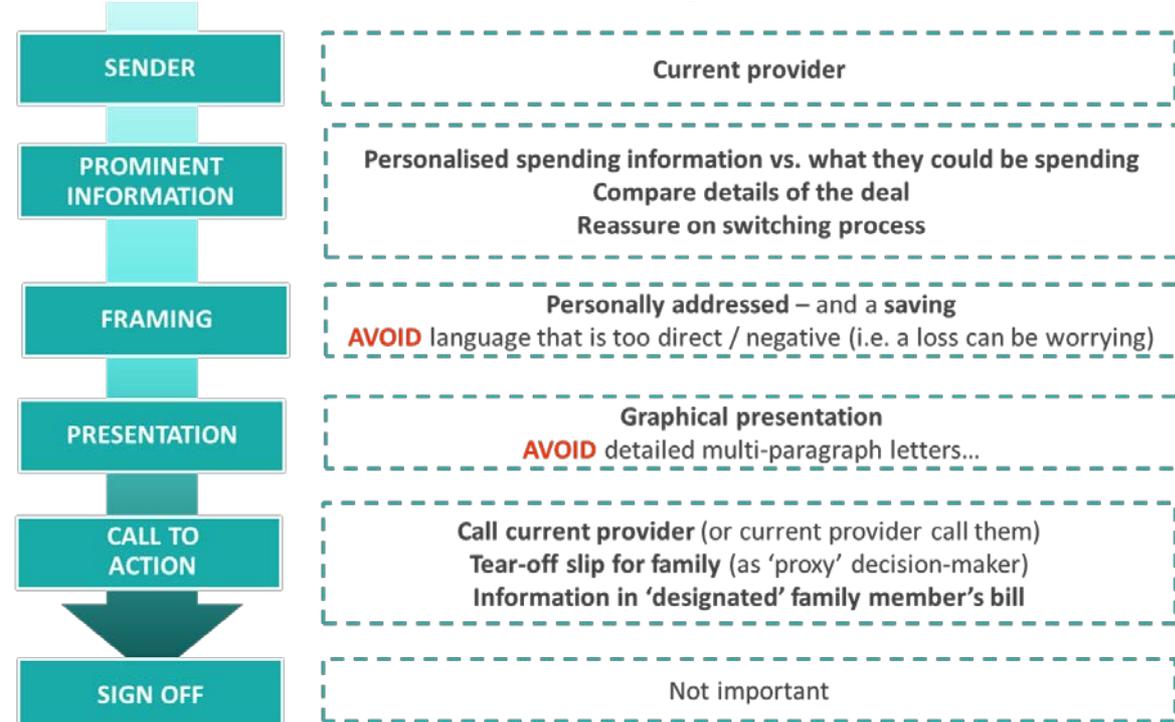


Figure 7: Summary of key needs from communications to Landline-only Customers

6.3 Rules of thumb for engaging Split-purchasers

Split-purchaser customers were a less homogenous group; ranging from 'Open but Unaware' through to more 'Solutions Focused' customers. Overall, they tended to be more open and accepting of switching messages within communications compared to Landline-only customers. Yet, likelihood of reading any communications in the first instance was more unclear. We have identified a series of key elements to consider which have been outlined below.

6.3.1 Getting their attention

Lead with the broadband and or TV deal (not the landline)

Although customers had online access, Split-purchasers acknowledged that a letter was more likely to get their attention than an email; they got less physical mail, they nearly always picked it up and opened it. Like Landline-only customers, Split-purchasers were more likely to read correspondence from their current providers than from the less familiar Ofcom. However, unlike Landline Customers, they were more open to correspondence from other providers, if it was tapping into relevant offers i.e. a good deal on high quality broadband or a compelling entertainment package with TV part of the bundle.

TV and broadband packages were the priority telecoms services for many of the customers in our sample, with the landline rarely used. Customers tended to use their mobile phone as the main method of voice communication on a day-to-day basis. This contributed to household landline services feeling a secondary consideration. As a result, any communications that focussed on changing landline deal were often ignored and/or dismissed; this was not the priority product. Ultimately, TV and broadband deals drove Split-purchaser engagement in the telecoms market, with many customers bundling these services together to get the best deal, with particular focus on fast broadband deals and fibre internet.

Therefore it will be important to think about the focus of future communications for this customer group as it may be easier to encourage customers to move their landline to their current broadband provider, rather than vice versa.

"We only use the landline to find the mobile"

Split-purchaser, Over 55, London

Although neutral organisations such as Which? and Money Saving Expert were seen as credible sources of information on switching, there was still a desire to be signposted online to explore options more fully.

Communications need a stand out headline

Overall, in this study more Split-purchasers **responded positively to a direct message** (for example, 'you are overpaying'), which avoided a junk mail/sales tone and made them more inclined to read on. They also **liked feeling personally addressed** (use of 'you' or 'your') as a way of maintaining engagement.

The increased engagement and switching experience of this customer group meant a stronger message was more likely to have more impact and encourage them to consider if their current set-up was fit for purpose. Furthermore, for these customers the switch needed to have a clear benefit to drive action given the landline product was a low priority and infrequently used.

Avoid junk mail feel

In addition to creating a stand out headline, any future communications will need to stand out from any mass marketing or junk mail that customers receive on a regular basis and quickly dismiss. Communications that include overtly 'salesy' headlines (e.g. the question format headlines) or elements such as generic case studies were more likely to be dismissed as inauthentic or disingenuous. Furthermore, with this audience generally being of a younger age compared to Landline-only customers, they tended to look for reason to disengage with provider post. Anything clearly earmarked as a bill or important information was kept, but there was limited engagement with any other such communication.

"I see that kind of thing (letter 1) five times a week"

Split-purchaser, Under 55, Glasgow

In terms of the sign off, there was no spontaneous mention of whom within the organisation the letter had come from. This appeared to play no role in their reaction to the detail.

6.3.2 Imparting information

Compare details of broadband (speed, capacity etc.)

As mentioned, broadband was often the key product driving engagement within the telecoms market for many Split-purchasers, with it being relied on heavily both for work and pleasure. Similar to Landline-only customers, it will be important for any future communications to compare like-for-like deals to ease understanding and encourage engagement. Specifically for Split-purchasers the emphasis and theme of the communications should focus around broadband speeds and capacity as this is of highest priority and interest. It was also important to raise awareness that their broadband provider should be able to provide a landline bundle that would save them money.

Like Landline-only Customers, Split-purchasers had a clear preference for prominent **'before and after' cost comparisons (as per Letter 2)**. This felt personalised and gave them a clear and tangible sense of what they could be saving.

Like Landline-only Customers, the side-by-side **graphical presentation of deals (as per letter 2)** was important to help make savings tangible and meaningful for Split-purchasers. These drew their attention and highlighted the personal impact of switching provider. Although Letter 4's use of a speech bubble helped draw their attention, they suggested information within the speech bubble had limited stand out.

More standard letter formats (letter 1 and 3) were less engaging overall and seen as obfuscating key details.

Split-purchasers were also quick to dismiss overly generic comparisons (e.g. 'up to x%') as unlikely to be relevant to their situation.

Bundling with TV packages more interesting for some

Some Split-purchasers had a deal where they bundled their TV and Broadband packages with the same provider, keeping their landline separate. Additionally some customers had 'double landline' where they were paying for a landline provision within their TV and Broadband bundle as well as paying for it separately with an alternative provider. However, most customers were unaware this was their set-up until discussed in detail during the research. Ultimately, for this customer group, TV and Broadband were priority products and therefore need to be clearly mentioned in any future communications strategy to encourage engagement.

Ensure process feels seamless and quick

A key barrier to engagement for this audience was the concern about the amount of time taken to negotiate the switching process with the new provider. These customers were generally younger, often of working age and tended to be time poor. As a result, it will be important that any future communication messages detail the switching process and reassure the customer of its speed and simplicity. This will be particularly important to help combat the disinterest associated with managing a low priority product.

6.3.3 Encouraging action

Driving the customer to a more detailed, tailored view of their options online

Most Split-purchasers in the study were comfortable with the idea of telephoning their current providers (landline and broadband) to discuss bundled deals. However, there was a greater inclination to look online and be signposted to comparison information that they could look at in their own time in as much detail as they liked. Therefore, there was a desire to see links to URLs with personal passwords to get to tailored comparison data.

Some of those customers who had experience with switching had previously viewed price comparison sites as a way to try to understand the market and to find the best deal for them. In future communications, allowing customers to conduct their own research should offer a sense of control and provide greater flexibility to tailor products and or bundles to suit specific needs.

Overall, the Split-purchasers in this study were unlikely to respond to tear-off slips. They saw these as offering too slow and too protracted a solution when online solutions were feasible and more convenient.

"I don't like the letters where it just tells you to ring the company – I'm just never going to get around to it"

Split-purchaser, Under 55, Leeds

"I wouldn't really go just with the provider in the letter I would look online as well"

Split-purchaser, Under 55, Cardiff

Summary checklist of communication needs for Split-purchaser Customers

Overall, Split-purchaser priorities were as shown in figure 8:

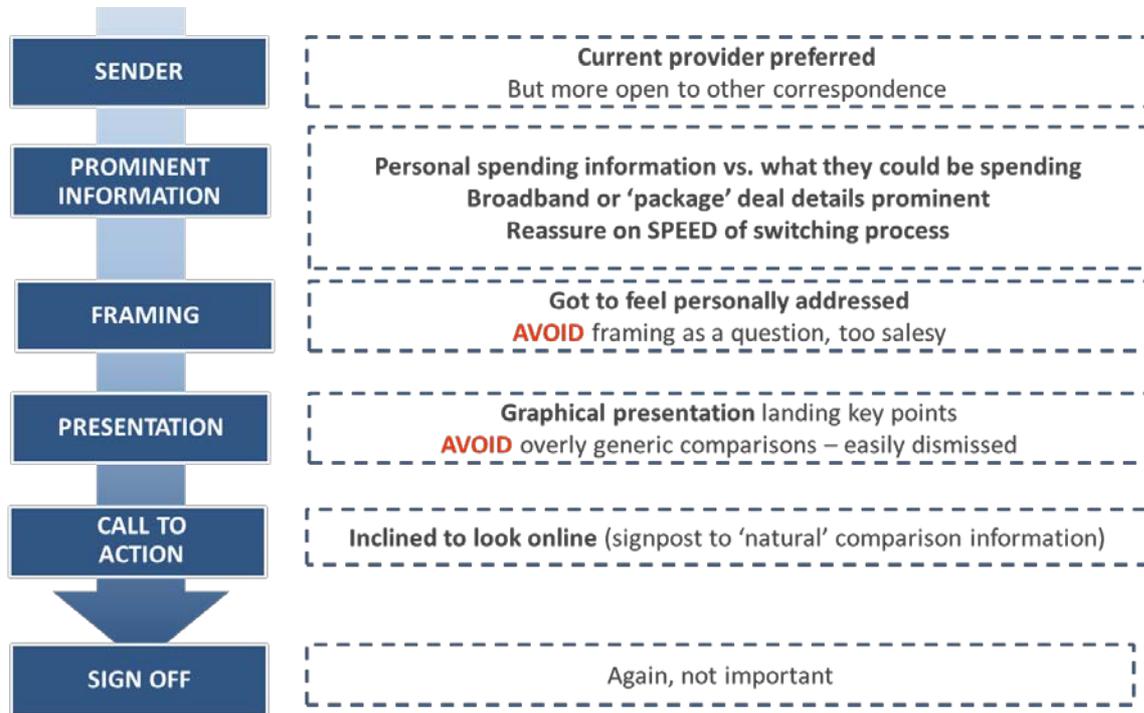


Figure 8: Summary of key needs from communications to Split-purchasers

6.4 Unifying communications rules of thumb that work across all Standalone Voice Customers

6.4.1 Direction for communications across all audiences

Despite some clear difference in tone, content and calls to action across the Standalone Voice Customer audience, there were some clear similarities in the presentation of details within communications.

All customers were seeking **short, succinct communications** with clear use of graphics to aid the communication. They were far more likely to take in key information from this format than the more detailed 'standard' letter format.

"I like letter 2 it's more eye catching. You can see how much immediately and it's got all the key points very clearly"

Landline-only, Under 75, London

In addition, **personalised savings**, rather generic statistics held the attention of all audiences. For example, *'you are currently paying X you could be paying Y'* was seen as addressing them and their situation as opposed to *'saving up to 40%'*, a message that was more readily deflected as *'not relevant to me'*.

The **direct, clear comparisons** (the 'before' and 'after') drew their attention to key information and provided a clear and tangible saving.

All sought **simple bulleted reassurances about the switching process**. Three key points were important: reassuring about lack of interruption to service, keeping their phone number and no need for any visits.

'Softer' calls to action were also apparent across Standalone Voice customer audiences. There was a clear desire as a first step to be able to call their current provider via a Freephone number for more details on their options. For the more dependent or vulnerable audiences (including a few Split-purchasers in the study), gentler encouragement to speak to/engage other family members in the process if still concerned was also important to get across as an initial first step.

6.4.2 When to receive communications

Most were receptive to the idea of information being separate from their bills. If the correspondence was part of their bill, there was more danger of them not reading the information properly or their focus being taken by competing bill information. The possible

exception to this was suggestions that Ofcom could be raising awareness of the Market Review via information contained in bills to all customers.

There were some suggestions that ideally the correspondence would be received around the same time as quarterly bills taking advantage of any heightened engagement, and potentially higher awareness of their payments.

Ultimately, if the correspondence was from their current provider it was likely to be opened anytime. However, it needed to be distinguishable from generic 'junk mail' post which many respondents said they received all of the time and threw away after a glance (even if this was received from their current provider).

There was less confidence the same level of attention would be given to correspondence from other providers or Ofcom (unless Ofcom did more to raise awareness of the Market Review).

6.5 Role of Ofcom in communications strategy

It was evident from the follow-up telephone depths with a range of Standalone Voice Customers that Ofcom's role needed to stand out more.

In this study, most were unaware of Ofcom or its role, and frequently did not take on board this explanation when reading correspondence. In particular, the graphics of Letter 2 drew their eyes away from the opening statement.

Where customers were aware of Ofcom, this could add a degree of reassurance about the bone fide nature of the communication. When read, Ofcom's role as described via a second page to the letter was reassuring. This information aided understanding about the telecoms market, their overpayment and Ofcom's role in the Market Review. However, there was evidence to suggest few will read this far.

Follow-up telephone interviews conducted one to two weeks after the initial face-to-face interview indicated that those who read about Ofcom's role more thoroughly had taken more action since, including speaking to relatives, calling their provider and in a couple of cases having looked in to switching supplier.

Therefore, it was suggested that the brief explanation of the Review in the letter needed to stand out more. Suggestions included putting one/two sentence explanations upfront in a box to help it take readers' attention.

Separately, it was suggested that endorsement of Ofcom's Review by respected third party organisations should help raise awareness of Ofcom's name and role e.g. Which? or Money

Saving Expert highlighting the Review should also help familiarise and make customers more aware that they could be on a better deal.

“If the switching message was backed by Ofcom I would be very interested in what they would have to say. I think they would try to do the best thing for people, but I’m not sure on how much power they have”

Landline-only group, Over 65, Leeds

7 APPENDICES

7.1 Qualitative discussion guide

7.1.1 Discussion Guide – Landline-only – Household session

Discussion Plan Overview		
Introduction/warm up	<p>Purpose of section:</p> <ul style="list-style-type: none"> Put respondent at ease, introduce the research, find out some background details of respondents, relax them, get the respondent talking 	2-3 minutes
Current behaviours (Other services + landline/broadband)	<p>Purpose of section:</p> <ul style="list-style-type: none"> To explore general context of home services in the home – who they have their services with and why Relationship with their landline (and its 'relative' importance) How significant is the cost compared to other bills/services) Awareness of/engagement with landline/broadband provider and awareness of the market (providers, deals, etc.) Role of trust/reputation/quality of service in current provider choice(s) 	15 Minutes
General attitudes towards switching provider	<p>Purpose of section:</p> <ul style="list-style-type: none"> To unpick attitudes and openness towards switching tariff and/or switching provider To understand if they ever consider switching and the motivations & barriers and explore perceptions of process in general 	10 minutes
Spontaneous perceptions of process of switching	<p>Purpose of section:</p> <ul style="list-style-type: none"> Unpick expectations of switching <u>process</u> (key barriers/hurdles e.g. loss of service; having to change phone number; engineer visiting your home.) 	5 mins
Reaction to Test Communications	<p>Purpose of section:</p> <ul style="list-style-type: none"> Spontaneously, explore what kinds of information would encourage consideration of switching Potential sources of information/encouragement (who from/why?) Spontaneous ideas about what would make them act? What would make it easier to actually switch tariff/provider? KEY STIMULUS: REACTION TO TEST COMMS (rotate order to explore messaging, source and mechanics). Prompted reaction to information on savings/keeping number/reliability of other provider, etc. and role of Ofcom KEY STIMULUS: Prompt with stimulus of switching process – explore impact on perceptions of ease of switching (tariff/provider) 	35 mins
Summary/Close	<p>Purpose of this section:</p> <ul style="list-style-type: none"> Obtain key points of takeout to encourage greater engagement in the market (vox pops if willing) 	2-3 mins

Introduction/ warm up	Purpose of section: <ul style="list-style-type: none"> Put respondent at ease, introduce the research, find out some background details of respondents, relax them, get the respondent talking 	2-3 minutes
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Thank respondent for taking part

Introduce self and Optimisa Research

Broad outline/structure of the session

Privacy/anonymity

Ask for any questions and concerns before starting

- A little bit about themselves
 - Family – who lives at home and/or visits regularly
 - Lifestyle – hobbies/spare time
 - Week – typical time spent using the land line phone and/or using the internet (if relevant)

Current behaviours (Other services + landline/ broadband)	Purpose of section: <ul style="list-style-type: none"> To explore general context of home services in the home – who they have their services with and why Relationship with their landline (and its 'relative' importance) How significant is the cost compared to other bills/services) Awareness of/engagement with landline/broadband provider and awareness of the market (providers, deals, etc.) Role of trust/reputation/quality of service in current provider choice(s) 	15 Minutes
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Taking the statements / comms they were asked to collect from the Pre-task, for various services in the home (energy, insurance, telephony, etc.)...

- We want to explore who you have your essential home services with (energy, water, insurance, etc.)
 - Explore reasons why (how long with these providers)?
- Have you switched providers for any of these services before? E.g. Changing from British Gas to another energy provider
 - If so, tell us about this process and what motivated the change of provider?
 - If not, why not? Again, what stops you (any particular concerns?)
 - How do you manage these relationships?
 - Do you have any support in managing these relationships? Do your family/friends play a role in this?
 - What do you receive from these providers, and what do you do with them? E.g. letters/statements/comms, etc.
 - Of these services, without referring to the paperwork, can you tell us which are the big expenditures in the home and which are less costly?
 - To check, do you have pay TV? If so, who with and what entertainment packages do you have?

Relationship with their landline (and its 'relative' importance)

- Tell us about your telephone set-up. Who are you with, for how long (roughly)? Why them?
 - Note the language used to 'justify' who they have their landline with
 - Why do you only have landline and not broadband? Explore if they have ever looked into getting broadband
- Have you ever/recently changed provider? Or tariff? Tell us why not.
- How important is your landline? Why do you need one?
- Take us through a typical day/week - tell us how you use your telephone (how often, to talk to whom, etc.)?
 - How, if at all, has this changed over the years? Has anything changed your usage of the phone? E.g. having a mobile phone? Do you have one, do you text message?
- (Briefly) Do you use the internet at all? How do you access it (if relevant)?
 - Do others get information from the internet for you? Can you think of examples of where/when they have?
 - If you don't use it, what are the reasons you don't?
 - Do you use a mobile phone? Does this allow access to the internet? If so, do you use it and why?
- Do family members / friends access the internet on your behalf or assist you in using the internet?
 - Do others advise them about your bill/service / contact provider on your behalf about your bills/service?

Awareness of/engagement with landline/broadband provider and awareness of the market (providers, deals, etc.)

- What are the key things you need/want from a landline provider? What are the key characteristics?
 - Explore spontaneous responses as a group, then show prompt cards: TRUST, QUALITY OF SERVICE, VALUE FOR MONEY, OFFERS, GOOD COMMUNICATION
 - Create group piles of 'agree important', 'agree not important' and 'mixed views'
 - Probe around what this look like in the context of a landline provider?
 - Has your provider ever let you down with regards to trust, reliability, quality of service, etc.? If so, how did this make you feel?
- How much do you know about your current usage/contract?
- How happy are you with your current set-up and cost? Explain reasons for response?

General attitudes towards switching provider	Purpose of section: <ul style="list-style-type: none"> • To unpick attitudes and openness towards switching tariff and/or switching provider. • To understand level of switching consideration, motivations & barriers and explore perceptions of process in general 	10 minutes
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OVERALL ATTITUDES TO SWITCHING

- Broadly, why might you switch deal or provider?
 - What are the advantages of switching, generally?
 - Explore any references to bundling services (i.e. 'all under one roof') – if not mentioned explore if this is something they've ever considered? Why/why not?
 - (Depending on what they say) why isn't this enough to make you act? What stops you?
 - Explore any reference to value for money - what levels of savings would make you consider switching?
- Would you describe yourself as loyal to your provider? What's driving this?
 - Explore role of trust/reliability vs. awareness of other options

PREVIOUS EXPERIENCE OF SWITCHING

- Have you ever considered switching your landline services before?
- Why/why not? What would motivate you to look into this?
 - IF PREVIOUSLY SWITCHED OR CONSIDERED SWITCHING - Probe around whether switched tariff/deal with your current landline provider or switched provider?
- Hypothetically, how would you feel if your landline provider shut tomorrow? What would you do?
- How aware are you of other providers and prices in the market for landline? Who else could you have a landline with? [note spontaneous brands mentioned – and how comfortable would they feel with them?]
 - **PROBE** with a few key brand sort cards - Post Office, SSE, Phone Co-op, Virgin Media
 - How much would you trust these providers to deliver and why? Explore any perceptions of quality of service and the reasons for trusting or not trusting certain providers
 - Any expectations around who would be particularly expensive or cheap? Do you believe you are with a cheap or expensive provider?

Spontaneous and prompted perceptions of process of switching	Purpose of section: <ul style="list-style-type: none"> • Unpick expectations of switching <u>process</u> (key barriers/hurdles e.g. loss of service; having to change phone number; engineer visiting your home) 	5 mins
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SPONTANEOUS EXPECTATIONS OF SWITCHING PROCESS

- What are your expectations about how the process of switching deal/provider would pan out? What steps would there be?
- What, if any, concerns would you have and why? What's driving these concerns? Don't prompt, but explore any references to loss of service; having to change phone number; engineer visiting your home

Reaction to Test Communications	Purpose of section: <ul style="list-style-type: none"> • Spontaneously, explore what kinds of information would encourage consideration of switching • Potential sources of information/encouragement (who from/why?) • Spontaneous ideas about what would make them act? What would make it easier to actually switch tariff/provider? • KEY STIMULUS: REACTION TO TEST COMMS (rotate order to explore messaging, source and mechanics) • KEY STIMULUS: Prompt with stimulus of switching process – explore impact on perceptions of ease of switching (tariff/provider) 	35 mins
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SPONTANEOUS PERCEPTIONS OF BENEFITS, SOURCES AND MECHANICS TO MAKE THEM ACT

- Spontaneously, explore what kinds of information would encourage consideration of switching landline provider? Is there any inspiration that can be taken from other industries?
- Who would you listen to with regards encouragement to switch providers? Why? Who wouldn't you listen to? Impact if the 'switch' message is from their own provider? What's that do to their perception?

- Where have you ever found out about options to switch in the past? Where would you expect to hear about switching options?

KEY STIMULUS: MODERATOR TO SAY THAT WHILST THESE ARE BASED ON MARKET OFFERS THEY ARE INDICATIVE AND NOT GUARANTEES OF WHAT IS ACTUALLY AVAILABLE TO THEM. REACTION TO TEST COMMS – ROTATE ORDER TO EXPLORE MESSAGING, SOURCE AND MECHANICS

- With each example, overall appeal/importance/clarity/motivating ability?
 - If this landed in your letterbox, would you treat it as junk mail, throw it away, read it, discuss it with a family member, act on it?
 - Give green and red pens and allow them to mark each piece of information (green for interesting/important info; red for less convincing) – discuss their markings
- Try to map/group into more/less engaging information – what’s driving remedies that are more/less compelling?
 - Explore fully the pitfalls and turn off points with any of the communication messages
 - Is it the message? The source? The ease of response?
- PROMPT
 - MODERATOR REFER TO SPECIFIC LETTER MATRIX – Probe on the following
 - LETTER 1
 - What would you think if you got this letter from your provider (i.e. from BT)?
 - What do you think about the level of switching information?
 - How impactful is the amount of savings as a monthly figure?
 - What are your thoughts on the tear-off slip? Is this of interest?
 - LETTER 2
 - Probe around letter coming from provider if not already mentioned
 - What do you think about the level of switching information?
 - How impactful is it to see before and after saving figures?
 - What do you think about the use of graphics/images?
 - LETTER 3
 - What would you think if you got this letter from Ofcom?
 - What do you think about the level of switching information?
 - What do you think about seeing the savings as a percentage?
 - What are your thoughts on the tear-off slip to send more information? Is this of interest?
 - LETTER 4
 - Probe around letter coming from Ofcom if not already mentioned
 - What do you think about the level of switching information?
 - How impactful is seeing the amount of savings as a yearly figure?
 - What do you think about the style/tone of the letter set out as a case study?
 - Prompt awareness and role of Ofcom when it comes up spontaneously in this section (STIMULUS ON ROLE OF OFCOM – show if participant unsure of role of Ofcom). Any action they would like Ofcom to take?
- Overall, which comms have more impact/engage better vs. those that don’t
 - What advantages or risks are exacerbated by this information?
 - E.g. Switching and getting the best deal is likely to require agreeing a minimum contract term (usually 12 or 18 months) – how do you feel about this
- Are particular pieces of information more important than others

- E.g. is it the information on the switching process or on potential savings that has the biggest impact?
- Explore any reference to value for money - what levels of savings would make you consider switching?
 - Which way of showing the potential savings has the biggest impact?
- Who would you prefer to receive these messages from? Why?
 - Impact if it's their own provider. What else could they offer you? How would you prefer them to communicate with you in future?
 - **SHOW PROMPTED LIST** – gauge reaction to the list of sources (does this help/hinder consideration of switching? Why?) (Prompt list: Citizens Advice, Which?, Age UK (where appropriate), Money Saving Expert/Martin Lewis)
 - Would you have concerns about how this organisation got your address / usage details etc?
- WHEN would be a good time to receive these messages? Do you have a point in the year where you think about your financial affairs?
 - How frequently would you like these communications? (one off vs. more frequent communication?)
 - How would you like this information to be communicated with you? (probe letter, email etc as well as with the bills, on the bill, completely separate)

BRIEFLY LOOK AT PROCESS OF SWITCHING IN MORE DETAIL:

- **REACTION TO PROCESS OF SWITCHING DEAL/TARIFF WITH SAME PROVIDER**
 - **SHOW BOARD** – gauge overall reaction to the information
 - What new information does this provide?
 - Perceived positives and negatives of this process?
 - Anything enticing and anything off-putting?
 - In what ways are your perceptions about switching challenged by this information?
- **REACTION TO PROCESS OF SWITCHING PROVIDER**
 - **SHOW BOARD** – gauge overall reaction to the information
 - What new information does this provide?
 - Perceived positives and negatives of this process?
 - Anything enticing and anything off-putting?
 - In what ways are your perceptions about switching challenged by this information?
- Overall, which process is more appealing/less off-putting - switching deal/tariff vs. switching provider? Why?

Summary/ Close	Purpose of this section: <ul style="list-style-type: none"> • Obtain key points of takeout to encourage greater engagement in the market (vox pops if willing) 	2-3 mins
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- Any final feedback
- Summarise key information that would encourage them to switch/engage with the telecoms market
- **(vox pop the summary, with permission)**

7.1.2 Discussion Guide – Split-purchaser – Household session

Discussion Plan Overview		
Introduction/warm up	<p>Purpose of section:</p> <ul style="list-style-type: none"> Put respondent at ease, introduce the research, find out some background details of respondents, relax them, get the respondent talking 	2-3 minutes
Current behaviours (Other services + landline/broadband)	<p>Purpose of section:</p> <ul style="list-style-type: none"> To explore general context of home services in the home – who they have their services with and why Relationship with their landline (and its ‘relative’ importance) How significant is the cost compared to other bills/services) Awareness of/engagement with landline/broadband provider and awareness of the market (providers, deals, etc.) Role of trust/reputation/quality of service in current provider choice(s) Exploration of reasons behind purchasing products separately compared with a bundled package 	15 Minutes
General attitudes towards switching provider	<p>Purpose of section:</p> <ul style="list-style-type: none"> To unpick attitudes and openness towards switching tariff and/or switching provider and/or switching products with the same provider To understand if they ever consider switching and the motivations & barriers and explore perceptions of process in general 	10 minutes
Spontaneous perceptions of process of switching	<p>Purpose of section:</p> <ul style="list-style-type: none"> Unpick expectations of switching <u>process</u> (key barriers/hurdles e.g. loss of service; having to change phone number; engineer visiting your home.) 	5 mins
Reaction to Test Communications	<p>Purpose of section:</p> <ul style="list-style-type: none"> Spontaneously, explore what kinds of information would encourage consideration of switching Potential sources of information/encouragement (who from/why?) Spontaneous ideas about what would make them act? What would make it easier to actually switch tariff/provider? KEY STIMULUS: REACTION TO TEST COMMS (rotate order to explore messaging, source and mechanics). Prompted reaction to information on savings/keeping number/reliability of other provider, etc. and role of Ofcom KEY STIMULUS: Prompt with stimulus of switching process – explore impact on perceptions of ease of switching (tariff/provider) 	35 mins
Summary/Close	<p>Purpose of this section:</p> <ul style="list-style-type: none"> Obtain key points of takeout to encourage greater engagement in the market (vox pops if willing) 	2-3 mins

Introduction/ warm up	Purpose of section: <ul style="list-style-type: none"> • Put respondent at ease, introduce the research, find out some background details of respondents, relax them, get the respondent talking 	2-3 minutes
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Thank respondent for taking part

Introduce self and Optimisa Research

Broad outline/structure of the session

Privacy/anonymity

Ask for any questions and concerns before starting

- A little bit about themselves
 - Family – who lives at home and/or visits regularly
 - Lifestyle – hobbies/spare time
 - Week – typical time spent using the land line phone and/or using the internet (if relevant)

Current behaviours (Other services + landline/ broadband)	Purpose of section: <ul style="list-style-type: none"> • To explore general context of home services in the home – who they have their services with and why • Relationship with their landline (and its ‘relative’ importance) • How significant is the cost compared to other bills/services) • Awareness of/engagement with landline/broadband provider and awareness of the market (providers, deals, etc.) • Role of trust/reputation/quality of service in current provider choice(s) • Exploration of reasons behind purchasing products separately compared with a bundled package 	15 Minutes
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Taking the statements / comms they were asked to collect from the Pre-task, for various services in the home (energy, insurance, telephony, etc.)...

- We want to explore who you have your essential home services with (energy, water, insurance, etc.)
 - Explore reasons why have their home services with these providers?
- Have you switched providers for any of these services before? E.g. Changing from British Gas to another energy provider
 - If so, tell us about this process and what motivated the change of provider?
 - If not, why not? Again, what stops you (any particular concerns?)
- How do you manage these relationships?
 - Do you have any support in managing these relationships? Do your family/friends play a role in this?
 - What do you receive from these providers, and what do you do with them? E.g. letters/statements/comms, etc.
 - To check, do you have pay TV? If so, who with and what entertainment packages do you have?

Relationship with their landline and broadband providers (and their 'relative' importance)

- Tell us about your telephone set-up. Who are you with, for how long (roughly)? Why them?
 - Note the language used to 'justify' who they have their landline with
 - Why do you only have landline and not broadband? Explore if they have ever looked into getting broadband
- Have you ever/recently changed provider? Or tariff? Tell us why not.
- How important is your landline? Why do you need one?
- Take us through a typical day/week - tell us how you use your telephone (how often, to talk to whom, etc.)?
 - How, if at all, has this changed over the years? Has anything changed your usage of the phone? E.g. having a mobile phone? Do you have one, do you text message?
- Similarly, could you tell us about your broadband set-up, who are you with? For how long (roughly)? Why them?
 - Note the language used to 'justify' who they have their broadband with
 - Have you ever/recently changed tariff provider or broadband deal? Tell us why/why not?
 - How important is your broadband? Why do you need one?
 - How often do you use your broadband? Has anything changed the usage of your broadband?
- Is one of these services more important than the other?
 - If so, has this always been the case?
 - Do others advise them about your bill/service / contact provider on your behalf about your bills/service?

Bundled package

- We want to explore your purchasing behaviour for broadband and landline and why you buy these services separately compared to a bundled deal
- Firstly, what is the reason you have your landline and broadband with different providers?
- For how long have you bought broadband and landline with different providers?
 - Probe - Have you ever bought these with the same supplier?
 - If yes, why did you decide to do it then? What made you move back to purchasing these products separately?
 - If no, then why not?
- Are you aware that you can get landline and broadband services in a bundle together?
 - What do you think a bundled deal means?
 - Why do you think people would take out a bundled deal?
- Talk me through how you took both out?
 - Which product did you purchase first?
 - Why did you not consider the same provider for the following product?
 - Did anyone else have a role in this purchase/set-up (family/friends)?
- Do you ever receive comms from these providers tempting you to switch to a bundled package?
 - If so, do you remember the content of these comms?
 - What do you usually do when you receive this sort of comms?
 - Did they tempt to you switch?
 - Does anyone else encourage you to switch? Friends/family?

Awareness of/engagement with landline/broadband provider and awareness of the market (providers, deals, etc.)

- What are the key things you need/want from a landline provider? What are the key characteristics?
- What are the key things you need/want from a broadband supplier? What are the key characteristics?
 - Explore spontaneous responses as a group, then show prompt cards: TRUST, QUALITY OF SERVICE, VALUE FOR MONEY, OFFERS, GOOD COMMUNICATION
 - Create group piles of 'agree important', 'agree not important' and 'mixed views'

- Probe around what this look like in the context of a landline provider?
 - Has your provider ever let you down with regards to trust, reliability, quality of service, etc.? If so, how did this make you feel?
- How much do you know about your current usage/contract/what you typically pay per month?
 - How significant is the cost compared to other core services (e.g. gas/electricity/water, etc.)?
- How happy are you with your current set-up and cost? Explain reasons for response?

General attitudes towards switching provider	Purpose of section: <ul style="list-style-type: none"> • To unpick attitudes and openness towards switching tariff and/or switching provider and/or switching products with the same provider • To understand if they ever consider switching and the motivations & barriers and explore perceptions of process in general 	10 minutes
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OVERALL ATTITUDES TO SWITCHING

- Broadly, why might you switch deal or provider?
 - What are the advantages of switching, generally?
 - Explore any references to bundling services (i.e. ‘all under one roof’) – if not mentioned explore if this is something they’ve ever considered? Why/why not?
 - (Depending on what they say) why isn’t this enough to make you act? What stops you?
 - Explore any reference to value for money - what levels of savings would make you consider switching?
- Would you describe yourself as loyal to your provider? What’s driving this?
 - Explore role of trust/reliability vs. awareness of other options

PREVIOUS EXPERIENCE OF SWITCHING

- Have you ever considered switching your tariff/deal before?
- Why/why not? What would motivate you to look into this?
 - IF PREVIOUSLY SWITCHED OR CONSIDERED SWITCHING - Probe around whether switched tariff/deal with your current landline provider or switched provider?
- Hypothetically, how would you feel if your landline or broadband provider shut tomorrow? What would you do?
- How aware are you of other providers and prices in the market for landline? Who else could you have a landline with? [note spontaneous brands mentioned – and how comfortable would they feel with them?]
 - **PROBE** with a few key brand sort cards - Post Office, SSE, Phone Co-op, Virgin Media
 - How much would you trust these providers to deliver and why? Explore any perceptions of quality of service and the reasons for trusting or not trusting certain providers
 - Any expectations around who would be particularly expensive or cheap? Do you believe you are with a cheap or expensive provider?

Spontaneous and prompted perceptions of process of switching	Purpose of section: <ul style="list-style-type: none"> • Unpick expectations of switching process (key barriers/hurdles e.g. loss of service; having to change phone number; engineer visiting your home) 	5 mins
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SPONTANEOUS EXPECTATIONS OF SWITCHING PROCESS

- What are your expectations about how the process of switching either your landline or broadband deal or provider to a bundled deal? What steps would there be in this process?
- What, if any, concerns would you have and why? What's driving these concerns? Don't prompt, but explore any references to loss of service; having to change phone number; engineer visiting your home

Reaction to Test Communications	Purpose of section: <ul style="list-style-type: none"> • Spontaneously, explore what kinds of information would encourage consideration of switching • Potential sources of information/encouragement (who from/why?) • Spontaneous ideas about what would make them act? What would make it easier to actually switch tariff/provider? • KEY STIMULUS: REACTION TO TEST COMMS (rotate order to explore messaging, source and mechanics) • KEY STIMULUS: Prompt with stimulus of switching process – explore impact on perceptions of ease of switching (tariff/provider) 	35 mins
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SPONTANEOUS PERCEPTIONS OF BENEFITS, SOURCES AND MECHANICS TO MAKE THEM ACT

- Spontaneously, explore what kinds of information would encourage consideration of switching to a bundled broadband and landline package? Is there any inspiration that can be taken from other industries?
- Who would you listen to with regards to encouragement to switch providers or to a bundled package? Why? Who wouldn't you listen to? Impact if the 'switch' message is from one of their own providers? What does that do to their perception of the message?
- Where have you ever found out about options to switch in the past? Where would you expect to hear about switching options?

KEY STIMULUS: MODERATOR TO SAY THAT WHILST THESE ARE BASED ON MARKET OFFERS THEY ARE INDICATIVE AND NOT GUARANTEES OF WHAT IS ACTUALLY AVAILABLE TO THEM. REACTION TO TEST COMMS – ROTATE ORDER TO EXPLORE MESSAGING, SOURCE AND MECHANICS

- With each example, overall appeal/importance/clarity/motivating ability?
 - If this landed in your letterbox, would you treat it as junk mail, throw it away, read it, discuss it with a family member, act on it?
 - Give green and red pens and allow them to mark each piece of information (green for interesting/important info; red for less convincing) – discuss their markings
- Try to map/group into more/less engaging information – what's driving remedies that are more/less compelling?
- Explore fully the pitfalls and turn off points with any of the communication messages
 - Is it the message? The source? The ease of response?
- PROMPT
 - MODERATOR REFER TO SPECIFIC LETTER MATRIX – Probe on the following
 - LETTER 1
 - What would you think if you got this letter from your provider (i.e. from BT)?
 - What do you think about the level of switching information?
 - How impactful is the amount of savings as a monthly figure?
 - What are your thoughts on the tear-off slip? Is this of interest?
 - LETTER 2

- Probe around letter coming from provider if not already mentioned
 - What do you think about the level of switching information?
 - How impactful is it to see before and after saving figures?
 - What do you think about the use of graphics/images?
 - LETTER 3
 - What would you think if you got this letter from Ofcom?
 - What do you think about the level of switching information?
 - What do you think about seeing the savings as a percentage?
 - What are your thoughts on the tear-off slip to send more information? Is this of interest?
 - LETTER 4
 - Probe around letter coming from Ofcom if not already mentioned
 - What do you think about the level of switching information?
 - How impactful is seeing the amount of savings as a yearly figure?
 - What do you think about the style/tone of the letter set out as a case study?
 - Prompt awareness and role of Ofcom when it comes up spontaneously in this section (STIMULUS ON ROLE OF OFCOM – show if participant unsure of role of Ofcom). Any action they would like Ofcom to take?
- Overall, which comms have more impact/engage better vs. those that don't
 - What advantages or risks are exacerbated by this information?
 - E.g. Switching and getting the best deal is likely to require agreeing a minimum contract term (usually 12 or 18 months) – how do you feel about this?
 - Are particular pieces of information more important than others
 - E.g. is it the information on the switching process or on potential savings that has the biggest impact?
 - Explore any reference to value for money - what levels of savings would make you consider switching?
 - Which way of showing the potential savings has the biggest impact?
 - Who would you prefer to receive these messages from? Why?
 - Think about when you've switched suppliers before, could they take inspiration from any other companies?
 - Impact if it's their own provider. What else could they offer you? How would you prefer them to communicate with you in future?
 - Would you have concerns about how this organisation got your address / usage details etc?
 - **SHOW PROMPTED LIST** – gauge reaction to the list of sources (does this help/hinder consideration of switching? Why?) (Prompt list: Citizens Advice, Which?, Age UK (where appropriate), Money Saving Expert/Martin Lewis)
 - WHEN would be a good time to receive these messages? Do you have a point in the year where you think about your financial affairs?
 - How frequently would you like these communications? (one off vs. more frequent communication?)
 - How would you like this information to be communicated with you? (probe letter, email etc as well as with the bills, on the bill, completely separate)

BRIEFLY LOOK AT PROCESS OF SWITCHING IN MORE DETAIL:

- **REACTION TO PROCESS OF SWITCHING DEAL/TARIFF WITH SAME PROVIDER**
 - **SHOW BOARD** – gauge overall reaction to the information
 - What new information does this provide?
 - Perceived positives and negatives of this process?
 - Anything enticing and anything off-putting?

- In what ways are your perceptions about switching challenged by this information?
- **REACTION TO PROCESS OF SWITCHING PROVIDER**
 - **SHOW BOARD** – gauge overall reaction to the information
 - What new information does this provide?
 - Perceived positives and negatives of this process?
 - Anything enticing and anything off-putting?
 - In what ways are your perceptions about switching challenged by this information?
- Overall, which process is more appealing/less off-putting - switching deal/tariff vs. switching provider? Why?

Summary/	Purpose of this section:	2-3 mins
Close	<ul style="list-style-type: none"> ● Obtain key points of takeout to encourage greater engagement in the market (vox pops if willing) 	

- Any final feedback
- Summarise key information that would encourage them to switch/engage with the telecoms market
- **(vox pop the summary, with permission)**

7.1.3 Discussion Guide – Recent Convert – Household session

Discussion Plan Overview		
Introduction/warm up	<p>Purpose of section:</p> <ul style="list-style-type: none"> Put respondent at ease, introduce the research, find out some background details of respondents, relax them, get the respondent talking 	2-3 mins
Current behaviours (Other services + landline/broadband)	<p>Purpose of section:</p> <ul style="list-style-type: none"> To explore general context of home services in the home – who they have their services with and why Relationship with their landline (and its ‘relative’ importance compared to other bills/services) Awareness of/engagement with landline/broadband provider and awareness of the market (providers, deals, etc.) Role of trust/reputation/quality of service in current provider choice(s) 	10 minutes
General attitudes towards switching provider	<p>Purpose of section:</p> <ul style="list-style-type: none"> To unpick attitudes and openness towards switching tariff and/or switching provider. To understand level of switching consideration, motivations & barriers and explore perceptions of process in general 	5 minutes
Exploring switching journey and reasons to switch	<p>Purpose of section:</p> <ul style="list-style-type: none"> Explore what kinds of information motivated switching Explore switching journey and stages went through Potential sources of information/encouragement (who from/why?) 	20 mins
Reaction to Test Communications	<p>Purpose of section:</p> <ul style="list-style-type: none"> Spontaneously, explore what kinds of information would encourage consideration of switching Potential sources of information/encouragement (who from/why?) Spontaneous ideas about what would make them act? What would make it easier to actually switch tariff/provider? KEY STIMULUS: REACTION TO TEST COMMS (rotate order to explore messaging, source and mechanics). Prompted reaction to information on savings/keeping number/reliability of other provider, etc. 	15 mins
Role of Ofcom	<p>Purpose of section:</p> <ul style="list-style-type: none"> Explore spontaneous awareness of role of Ofcom STIMULUS: Reveal role of Ofcom – gauge feelings about their role 	5 mins
Summary/Close	<p>Purpose of this section:</p> <ul style="list-style-type: none"> Obtain key points of takeout to encourage greater engagement in the market (vox pops if willing) 	2-3 mins

Introduction/ warm up	Purpose of section: <ul style="list-style-type: none"> Put respondent at ease, introduce the research, find out some background details of respondents, relax them, get the respondent talking 	2-3 minutes
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Thank respondent for taking part

Introduce self and Optimisa Research

Broad outline/structure of the session

Privacy/anonymity

Ask for any questions and concerns before starting

- A little bit about themselves
 - Family – who lives at home and/or visits regularly
 - Lifestyle – hobbies/spare time
 - Week – typical time spent using the land line phone and/or using the internet (if relevant)

Current behaviours (Other services + landline/broadband)	Purpose of section: <ul style="list-style-type: none"> To explore general context of home services in the home – who they have their services with and why Relationship with their landline (and its 'relative' importance compared to other bills/services) Awareness of/engagement with landline/broadband provider and awareness of the market (providers, deals, etc.) Role of trust/reputation/quality of service in current provider choice(s) 	10 Minutes
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Taking the statements / comms they were asked to collect from the Pre-task, for various services in the home (energy, insurance, telephony, etc.)...

- We want to explore who you have your essential home services with (energy, water, insurance, etc.)
 - Explore reasons why have their home services with these providers?
- Have you switched providers for any of these services before? E.g. Changing from British Gas to another energy provider
 - If so, tell us about this process and what motivated the change of provider?
 - If not, why not? Again, what stops you (any particular concerns?)
 - How do you manage these relationships?
 - Do you have any support in managing these relationships? Do your family/friends play a role in this?
 - What do you receive from these providers, and what do you do with them? E.g. letters/statements/comms, etc.
 - To check, do you have pay TV? If so, who with and what entertainment packages do you have?

Relationship with their landline/ broadband (and its 'relative' importance)

- Tell us about your telephone set-up. Who are you with, for how long (roughly)? Why them?

- Note the language used to ‘justify’ who they have their landline (and broadband, if applicable) with
- What set up did they have before they switched?
- How important is your landline? Why do you need one?
- Take us through a typical day/week - tell us how you use your telephone (how often, to talk to whom, etc.)?
 - How, if at all, has this changed over the years? Has anything changed your usage of the phone? E.g. having a mobile phone? Do you have one, do you text message?

(ASK TO THOSE WHO SWITCHED TO NOW HAVE A BUNDLED SERVICES AND NOW HAVE BROADBAND TOO)

- Tell us about your broadband set-up. Why did you decide to get this?
- IF BUNDLE – Why, what are the advantages/ disadvantages of this?
- How important is your broadband?
- Take us through a typical day/ week – tell us how you use your broadband services in a typical week? (how often, what sites, how long spent online?)
- Is one of these services more important than the other?
 - If so, has this always been the case?
 - Do others advise them about your bill/service / contact provider on your behalf about your bills/service?
 - Do you use a mobile phone? Does this allow access to the internet? If so, do you use it and why?
 - How does your mobile internet use differ from your internet use at home? (Explore sites visited, time spent, frequency of use)

Awareness of/engagement with landline/broadband provider and awareness of the market (providers, deals, etc.)

- What are the key things you need/want from a landline and/or broadband provider? What are the key characteristics?
 - Spontaneous, then explore with prompt cards: TRUST, QUALITY OF SERVICE, VALUE FOR MONEY, OFFERS, GOOD COMMUNICATION
 - Has your provider ever let you down with regards to trust, reliability, quality of service, etc.? If so, how did this make you feel?
- How much do you know about your current usage/contract/what you typically pay per month?
 - How significant is the cost compared to other core services (e.g. gas/electricity/water, etc.)?
- How happy are you with your current set-up and cost? Explain reasons for response?
- Can you talk me through a recent communication from your provider(s) ideally a statement and explain what you get/what set up you have

General attitudes towards switching provider	Purpose of section: <ul style="list-style-type: none"> ● To unpick attitudes and openness towards switching tariff and/or switching provider. ● To understand level of switching consideration, motivations & barriers and explore perceptions of process in general 	5 minutes
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OVERALL ATTITUDES TO SWITCHING

- Broadly, why might you switch deal or provider? What encouraged you to do this?
 - Explore role of family/friends in their thinking/action?

- What are the advantages of switching, generally?
 - Explore any references to bundling services (i.e. ‘all under one roof’) – if not mentioned explore if this is something they’ve ever considered? Why/why not?
 - (Depending on what they say) why isn’t this enough to make you act? What stops you?
 - Explore any reference to value for money - what levels of savings would make you consider switching?
- Having ‘switched’ in the recent past, are there any disadvantages/barriers you feel about switching?

Exploring switching journey and reasons to switch	Purpose of section: <ul style="list-style-type: none"> • Explore what kinds of information motivated switching • Explore switching process and stages of journey • Potential sources of information/encouragement (who from/why?) 	20 mins
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SWITCHING PROVIDER

- Tell us at length about when you switched deal/provider for your landline and/or broadband services?
 - If so, tell us about what motivated you switch? (Explore - price, provider, experience, recommendation etc.)
 - What was the main motivator/trigger for you?
 - What concerns did you have about switching? (explore experience, service, whether appeal of switching differs between difference services e.g. landline/ broadband, utilities, mobile phone)
- How aware were you of other providers and prices in the market for landline/ broadband before you decided to switch? Who else could you have a landline/ broadband with? [note spontaneous brands mentioned – and how comfortable would they feel with them?]
 - Any expectations around who would be particularly expensive or cheap before you switched?
 - Do you believe you are with a cheap or expensive provider?
- Talk me through the process you went through to switch your services (moderator to ensure fully understand the switching journey and make clear if just switched landline or switched to bundle service) **[TASK: MAP OUT A JOURNEY ON A3 PAPER]**
 - After deciding you wanted to switch, what did you do next?
 - How did you research providers to look at? Where did you look?
 - What made you consider certain providers? Why did you discount certain providers?
 - IF BUNDLE – why did you choose this package? How did you find out about it? What made it stand out?
 - What are the advantages of having a bundle? What are the disadvantages?
 - IF NOT BUNDLE – are you aware that landline providers offer a bundle service with combined landline and broadband services?
 - Did you consider a bundle offer? Why did you decide against it?
 - Is there anything a provider could do to make you consider switching to a bundle?
- Overall how did you find the switching journey?
 - What went well/not so well?
 - How did it fit with expectations? How did it differ?
 - Any suggested improvements to the process?
- What kind of communications did you receive during your switch? (letter, email etc.)
 - What kind of information was provided?

- How did you find these? Easy to understand? Was all the information you wanted/ needed provided?
- Would you have liked anything different?
- How were they compared to your expectations?
- To what extent did you understand the switching process from these communications?
- How informed did you feel about the switching process?
- Would you have liked any more information during the switching process?
- Have you switched providers for any other service before? E.g. Changing from British Gas to another energy provider
 - If so, tell us about this process and what motivated the change of provider?
 - Do these motivations differ to the broadband motivations?
 - How did the process differ in comparison to switching your landline/ broadband? **(mark on point of difference on map of landline/ broadband journey)**
 - What was better/ worse about your experience?
 - If not, why not? Again, what stops you (any particular concerns?)

Reaction to Test Communications	Purpose of section: <ul style="list-style-type: none"> ● Spontaneously, explore what kinds of information would encourage consideration of switching ● Potential sources of information/encouragement (who from/why?) ● Spontaneous ideas about what would make them act? What would make it easier to actually switch tariff/provider? ● KEY STIMULUS: REACTION TO TEST COMMS (rotate order to explore messaging, source and mechanics) 	15 mins
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- Spontaneously, what would you say to others to encourage them to switch?
- What do you think would make other people act? What would make it easier to actually switch tariff/provider?
- What formats have and would catch your eye?

KEY STIMULUS: MODERATOR TO SAY THAT WHILST THESE ARE BASED ON MARKET OFFERS THEY ARE INDICATIVE AND NOT GUARANTEES OF WHAT IS ACTUALLY AVAILABLE TO THEM.

REACTION TO TEST COMMS – ROTATE ORDER TO EXPLORE MESSAGING, SOURCE AND MECHANICS

- With each example, overall appeal/importance/clarity/motivating ability?
 - Give green and red pens and allow them to mark each piece of information (green for interesting/important info; red for less convincing) – discuss their markings
- Try to map/group into more/less engaging information – what’s driving remedies that are more/less compelling?
 - Explore fully the pitfalls and turn off points with any of the communication messages
 - Is it the message? The source? The ease of response?
- PROMPT
 - MODERATOR REFER TO SPECIFIC LETTER MATRIX – Probe on the following
 - LETTER 1
 - What would you think if you got this letter from your provider (i.e. from BT)?
 - What do you think about the level of switching information?
 - How impactful is the amount of savings as a monthly figure?

- What are your thoughts on the tear-off slip? Is this of interest?
 - LETTER 2
 - Probe around letter coming from provider if not already mentioned
 - What do you think about the level of switching information?
 - How impactful is it to see before and after saving figures?
 - What do you think about the use of graphics/images?
 - LETTER 3
 - What would you think if you got this letter from Ofcom?
 - What do you think about the level of switching information?
 - What do you think about seeing the savings as a percentage?
 - What are your thoughts on the tear-off slip to send more information? Is this of interest?
 - LETTER 4
 - Probe around letter coming from Ofcom if not already mentioned
 - What do you think about the level of switching information?
 - How impactful is seeing the amount of savings as a yearly figure?
 - What do you think about the style/tone of the letter set out as a case study?
 - Prompt awareness and role of Ofcom when it comes up spontaneously in this section (STIMULUS ON ROLE OF OFCOM – show if participant unsure of role of Ofcom). Any action they would like Ofcom to take?
- Overall, which comms have more impact/engage better vs. those that don't
 - What do you think of the messages? Does this reflect a key benefit of switching deal/provider from your own experience?
 - Is there anything *not* included in the test materials that you have found motivating/helpful in the past?
 - Switching and getting the best deal is likely to require agreeing a minimum contract term (usually 12 or 18 months) – did you have to do this when you switched and if so what is your perception of this– did you mind?
 - Would you want to be kept informed if your current / another provider had more offers on like this? Why, what might encourage you to engage more in future
 - Which, if any, remedies could encourage you to switch and why?
 - Which formats are more interesting/likely to get a response and why? Likewise, which are less likely to get you to act and why?
 - Again, who should be providing this? Impact if it's their own provider
- Explore any reference to value for money - what levels of savings would make you consider switching?
 - Which way of showing the potential savings has the biggest impact?
- Who should messages come from to be credible/worth listening to? Why?
 - Think about when you've switched suppliers before, could they take inspiration from any other companies?
 - Impact if it's their own provider. What else could they offer you? How would you prefer them to communicate with you in future?
 - **SHOW PROMPTED LIST** – gauge reaction to the list of sources (who feels more/less credible in their experience, and why? (Prompt list: Citizens Advice, Which?, Age UK (where appropriate), Money Saving Expert/Martin Lewis)

Role of Ofcom	Purpose of section: <ul style="list-style-type: none"> • Explore spontaneous awareness of role of Ofcom • STIMULUS: Reveal role of Ofcom – gauge feelings about their role 	5 mins
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- Who regulates the telecoms market? What do you think they should be doing?
 - Explore spontaneous awareness/perceptions of role of Ofcom
- **STIMULUS: Reveal role of Ofcom in residential voice customer market**
 - Gauge feelings about Ofcom’s role
 - What action would you like Ofcom to be taking in this market?

Summary/ Close	Purpose of this section: <ul style="list-style-type: none"> • Obtain key points of takeout to encourage greater engagement in the market (vox pops if willing) 	2-3 mins
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- Any final feedback
- Summarise key information that you feel would encourage others to switch/engage with the telecoms market
- **(vox pop the summary, with permission)**

7.1.4 Discussion Guide – Landline-only – Mini-groups

Discussion Plan Overview		
Introduction/ warm up	<p>Purpose of section:</p> <ul style="list-style-type: none"> Put respondent at ease, introduce the research, find out some background details of respondents, relax them, get the respondent talking 	5 mins
Current behaviours (Other services + landline/broadband)	<p>Purpose of section:</p> <ul style="list-style-type: none"> To explore general context of home services in the home – who they have their services with and why Relationship with their landline (and its ‘relative’ importance compared to other bills/services) Awareness of/engagement with landline/broadband provider and awareness of the market (providers, deals, etc.) Role of trust/reputation/quality of service in current provider choice(s) 	20 Minutes
General attitudes towards switching provider	<p>Purpose of section:</p> <ul style="list-style-type: none"> To unpick attitudes and openness towards switching tariff and/or switching provider. To understand level of switching consideration, motivations & barriers and explore perceptions of process in general 	15 minutes
Spontaneous perceptions of process of switching	<p>Purpose of section:</p> <ul style="list-style-type: none"> Unpick expectations of switching <u>process</u> (key barriers/hurdles) 	5 mins
Reaction to Test Communications	<p>Purpose of section:</p> <ul style="list-style-type: none"> Spontaneously, explore what kinds of information would encourage consideration of switching Potential sources of information/encouragement (who from/why?) Spontaneous ideas about what would make them act? What would make it easier to actually switch tariff/provider? KEY STIMULUS: REACTION TO TEST COMMS (rotate order to explore messaging, source and mechanics). Prompted reaction to information on savings/keeping number/reliability of other provider, etc. and role of Ofcom KEY STIMULUS: Prompt with stimulus of switching process – explore impact on perceptions of ease of switching (tariff/provider) 	40 mins
Summary	<p>Purpose of section:</p> <ul style="list-style-type: none"> Obtain key points of takeout to encourage greater engagement in the market (vox pops if willing) 	5 mins

Introduction/ warm up	Purpose of section: <ul style="list-style-type: none"> • Put respondent at ease, introduce the research, find out some background details of respondents, relax them, get the respondent talking 	5 minutes
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Thank respondents for taking part

Introduce self and Optimisa Research

Broad outline/structure of the session

Privacy/anonymity

Ask for any questions and concerns before starting

- A little bit about themselves
 - Family – who lives at home and/or visits regularly
 - Lifestyle – hobbies/spare time
 - Who they have their home services with (e.g. energy and landline)

Current behaviours (Other services + landline)	Purpose of section: <ul style="list-style-type: none"> • To explore general context of home services in the home – who they have their services with and why • Relationship with their landline (and its ‘relative’ importance compared to other bills/services) • Awareness of/engagement with landline/broadband provider and awareness of the market (providers, deals, etc.) • Role of trust/reputation/quality of service in current provider choice(s) 	15 Minutes
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Start with relationship with other services

- We want to explore why you have your essential home services with the providers you do (energy, water, insurance, etc.)
 - Explore reasons why (how long with these providers?)
- Have you switched providers for any of these services before? E.g. Changing from British Gas to another energy provider
 - If so, tell us about this process and what motivated the change of provider?
 - If not, why not? Again, what stops you (any particular concerns?)
- How do you manage these relationships?
 - Do you have any support in managing these relationships? Do your family/friends play a role in this?
 - What do you receive from these providers, and what do you do with them? E.g. letters/statements/comms, etc.
 - Of these services, without referring to the paperwork, can you tell us which are the big expenditures in the home and which are less costly?
- To check, do any of you have pay TV? If so, who with and what entertainment packages do you have?

Relationship with their landline (and its ‘relative’ importance)

- Tell us about your telephone set-up. How long for (roughly)? Why them?
 - Note the language used to ‘justify’ who they have their landline with

- Why do you only have landline and not broadband? Explore if they have ever looked into getting broadband
- Have you ever/recently changed provider? Or tariff? Tell us why not.
- How important is your landline? Why do you need one?
- How do you use your telephone (how often, to talk to whom, etc.)?
 - How, if at all, has this changed over the years? Has anything changed your usage of the phone? E.g. having a mobile phone? Do you have one, do you text message?
- (Briefly) Do you use the internet at all? How do you access it (if relevant)?
 - Do others get information from the internet for you? Can you think of examples of where/when they have?
 - If you don't use it, what are the reasons you don't?
 - Do you use a mobile phone? Does this allow access to the internet? If so, do you use it and why?
- Do family members / friends access the internet on your behalf or assist you in using the internet?
 - Do others advise them about your bill/service / contact provider on your behalf about your bills/service?

Awareness of/engagement with landline/broadband provider and awareness of the market (providers, deals, etc.)

- What are the key things you need/want from a landline provider? What are the key characteristics?
 - *Taskbook exercise: note down top of mind needs/wants from a landline provider*
 - Explore spontaneous responses as a group, then show prompt cards: TRUST, QUALITY OF SERVICE, VALUE FOR MONEY, OFFERS, GOOD COMMUNICATION
 - Create group piles of 'agree important', 'agree not important' and 'mixed views'
 - Probe around what this look like in the context of a landline provider?
 - Has your provider ever let you down with regards to trust, reliability, quality of service, etc.? If so, how did this make you feel?
- How much do you know about your current usage/contract?
- How happy are you with your current set-up and cost? Explain reasons for response?

General attitudes towards switching provider	Purpose of section: <ul style="list-style-type: none"> ● To unpick attitudes and openness towards switching tariff and/or switching provider. ● To understand level of switching consideration, motivations & barriers and explore perceptions of process in general 	15 minutes
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OVERALL ATTITUDES TO SWITCHING

- Broadly, why might you switch landline deal or provider?
 - As a group, discuss what the advantages of switching are, generally?
 - Explore any references to bundling services (i.e. 'all under one roof') – if not mentioned explore if this is something they've ever considered? Why/why not?
 - Explore any reference to value for money - what levels of savings would make you consider switching?
 - (depending on what they say) why isn't this enough to make you act? What stops you?
- Would you describe yourself as brand loyal? What's driving this?
 - Explore role of trust/reliability vs. awareness of other options

PREVIOUS EXPERIENCE OF SWITCHING

- Have you ever considered switching your landline services before?
- Why/why not? What would motivate you to look into this?
 - IF PREVIOUSLY SWITCHED OR CONSIDERED SWITCHING - Probe around whether switched tariff/deal with your current landline provider or switched provider?
- Hypothetically, how would you feel if your landline provider shut tomorrow? What would you do?
 - *Taskbook exercise: note down top of mind action of British Telecom/other provider closed down*
 - Compare and contrast responses
- How aware are you of other providers and prices in the market for landline? Who else could you have a landline with? [note spontaneous brands mentioned – and how comfortable would they feel with them?]
 - **PROBE** with a few key brand sort cards - Post Office, SSE, Phone Co-op, Virgin Media
 - How much would you trust these providers to deliver and why? Explore any perceptions of quality of service and the reasons for trusting or not trusting certain providers
 - Any expectations around who would be particularly expensive or cheap? Do you believe you are with a cheap or expensive provider?

Spontaneous and prompted perceptions of process of switching	Purpose of section: <ul style="list-style-type: none"> • Unpick expectations of switching <u>process</u> (key barriers/hurdles) 	5 mins
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SPONTANEOUS EXPECTATIONS OF SWITCHING PROCESS

- What are your expectations about how the process of switching deal/provider would pan out? What steps would there be? Moderator to map out the steps suggested/collectively agreed
- What, if any, concerns would you have and why? Where do any concerns come from? Don't prompt, but explore any references to loss of service; having to change phone number; engineer visiting your home

Reaction to Test Communications	Purpose of section: <ul style="list-style-type: none"> • Spontaneously, explore what kinds of information would encourage consideration of switching • Potential sources of information/encouragement (who from/why?) • Spontaneous ideas about what would make them act? What would make it easier to actually switch tariff/provider? • KEY STIMULUS: REACTION TO TEST COMMS (rotate order to explore messaging, source and mechanics) Prompted reaction to information on savings/keeping number/reliability of other provider, etc. • KEY STIMULUS: Prompt with stimulus of switching process – explore impact on perceptions of ease of switching (tariff/provider) 	40 mins
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SPONTANEOUS PERCEPTIONS OF BENEFITS, SOURCES AND MECHANICS TO MAKE THEM ACT

- Spontaneously, explore what kinds of information would encourage consideration of switching landline provider? Is there any inspiration that can be taken from other industries?

- Who would you listen to with regards encouragement to switch providers? Why? Who wouldn't you listen to? Impact if the 'switch' message is from their own provider? What's that do to their perception?
 - Probe around role of family/friends in encouraging them to switch
- Where have you ever found out about options to switch in the past? Where would you expect to hear about switching options?
- Spontaneous, what do you think would make you act? What would make it easier to actually switch tariff/provider?
- What formats have and would catch your eye?

KEY STIMULUS: MODERATOR TO SAY THAT WHILST THESE ARE BASED ON MARKET OFFERS THEY ARE INDICATIVE AND NOT GUARANTEES OF WHAT IS ACTUALLY AVAILABLE TO THEM. REACTION TO TEST COMMS – ROTATE ORDER TO EXPLORE MESSAGING, SOURCE AND MECHANICS

- *Taskbook exercise: for each piece of stimulus note down top of mind score in terms of encouraging action (1 being not engaging interest at all through to 5 being very likely to act)*
- With each example,
 - Spontaneous overall appeal/importance/clarity/motivating ability?
 - If this landed in your letterbox, would you treat it as junk mail, throw it away, read it, discuss it with a family member, act on it?
 - Give green and red pens and allow them to mark each piece of information (green for interesting/important info; red for less convincing) – discuss as a group
- Try to map/group into more/less engaging information – what's driving remedies that are more/less compelling?
 - Explore fully the pitfalls and turn off points with any of the communication messages
 - Is it the message? The source? The ease of response?
- PROMPT
 - MODERATOR REFER TO LETTER MATRIX – Probe on the following
 - LETTER 1
 - What would you think if you got this letter from your provider (i.e. from BT)?
 - What do you think about the level of switching information?
 - How impactful is the amount of savings as a monthly figure?
 - What are your thoughts on the tear-off slip? Is this of interest?
 - LETTER 2
 - Probe around letter coming from provider if not already mentioned
 - What do you think about the level of switching information?
 - How impactful is it to see before and after saving figures?
 - What do you think about the use of graphics/images?
 - LETTER 3
 - What would you think if you got this letter from Ofcom?
 - What do you think about the level of switching information?
 - What do you think about seeing the savings as a percentage?
 - What are your thoughts on the tear-off slip to send more information? Is this of interest?
 - LETTER 4
 - Probe around letter coming from Ofcom if not already mentioned
 - What do you think about the level of switching information?
 - How impactful is seeing the amount of savings as a yearly figure?
 - What do you think about the style/tone of the letter set out as a case study?

- Prompt awareness and role of Ofcom when it comes up spontaneously in this section (STIMULUS – show if participant unsure of role of Ofcom). Any action they would like Ofcom to take?
- Are particular pieces of information more important than others (e.g. is it the information on the switching process or on potential savings that has the biggest impact?)
- Explore any reference to value for money - what levels of savings would make you consider switching?
 - Which way of showing the potential savings has the biggest impact?
- Which ways of presenting that information, with which prominence and wording, have the biggest impact? What's the preferred title?
 -
- Overall, which comms have more impact/engage better vs. those that don't
 - What advantages or risks are exacerbated by this information?
 - E.g. Switching and getting the best deal is likely to require agreeing a minimum contract term (usually 12 or 18 months) – how do you feel about this?
 - Would you want to be kept informed if your current / another provider had more offers on like this? Why, what might encourage you to engage more in future
 - Which, if any, remedies could encourage you to act and why?
 - *Taskbook exercise: note down top 1-3 persuasive arguments and why*
 - Discuss as a group
 - Again, who should be providing this? Impact if it's their own provider
 - Which formats are more interesting/likely to get a response and why? Likewise, which are less likely to get you to act and why?
 - *As a group, can they sort into more / less likely to encourage action*
 -
- Who would you prefer to receive these messages from? Why?
 - Think about when you've switched suppliers before, could they take inspiration from any other companies?
 - Impact if it's their own provider. What else could they offer you? How would you prefer them to communicate with you in future?
 - Would you have concerns about how this organisation got your address / usage details etc?
 - **SHOW PROMPTED LIST** – gauge reaction to the list of sources (does this help/hinder consideration of switching? Why?) (Prompt list: Citizens Advice, Which?, Age UK (where appropriate), Money Saving Expert/Martin Lewis)
- WHEN would be a good time to receive these messages? Do you have a point in the year where you think about your financial affairs?
 - How frequently would you like these communications? (one off vs. more frequent communication?)
 - How would you like this information to be communicated with you? (probe letter, email etc as well as with the bills, on the bill, completely separate)

REACTION TO PROCESS OF SWITCHING DEAL/TARIFF WITH SAME PROVIDER

- **SHOW BOARD(S)** – gauge overall reaction to the information
- What new information does this provide?
- Perceived positives and negatives of this process?
- Anything enticing and anything off-putting?
- In what ways are your perceptions about switching challenged by this information?

REACTION TO PROCESS OF SWITCHING PROVIDER

- **SHOW BOARD** – gauge overall reaction to the information
- Perceived positives and negatives of this process?
- Anything enticing and anything off-putting?
- In what ways are your perceptions about switching challenged by this information?

- Overall, which process is more appealing/less off-putting - switching deal/tariff vs. switching provider? Why?
 - *Taskbook exercise: note down preference and reasons for this*
 - Explore answers and why

Summary	Purpose of section: <ul style="list-style-type: none">• Obtain key points of takeout to encourage greater engagement in the market (vox pops if willing)	5 mins
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- Any final feedback
- Summarise key information that would encourage them to switch/engage with the telecoms market
- **(vox pop the summary, with permission)**

7.2 Detailed sample structure

Core fieldwork – Landline-only customers:

	LANDLINE-ONLY- 12 X HOUSEHOLD SESSIONS					
	<i>South</i>	<i>North</i>	<i>Midlands</i>	<i>Wales</i>	<i>Scotland</i>	<i>N. Ireland</i>
<i>Under 75s</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
<i>Over 75</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>2</i>	<i>-</i>
Total	2	2	2	2	3	1

LANDLINE-ONLY – 2 MINI GROUPS		
	<i>North</i>	<i>South</i>
<i>Aged over 65</i>	<i>2</i>	<i>2</i>
Total	2	2

Beyond this, recruitment ensured all participants that we spoke to were primary or joint decision-maker for communication services in the home, mix of gender, mix of socio economic group (SEG) and a mix of current providers.

Approximately two-thirds of respondents had their landline with BT, the largest provider in the UK.

Core fieldwork- Split-purchaser customers:

	SPLIT-PURCHASERS - 16 x HOUSEHOLD SESSIONS					
	<i>South</i>	<i>North</i>	<i>Midlands</i>	<i>Wales</i>	<i>Scotland</i>	<i>N. Ireland</i>
<i>Under 55s</i>	<i>2</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
<i>55+</i>	<i>1</i>	<i>2</i>	<i>1</i>	<i>2</i>	<i>1</i>	<i>1</i>
Total	3	4	2	3	2	2

Across the Split-purchaser sessions, we ensured all customers we spoke to were either primary or decision-makers, mix of gender, mix of SEG and a mix of providers.

Again, approximately two-thirds of respondents had their landline with BT, the largest provider in the UK.

Core fieldwork- Recent Convert customers

RECENT CONVERTS- 6 X HOUSEHOLD SESSIONS	
<i>Under 65</i>	3
<i>Over 65</i>	3
<i>Total</i>	6

These sessions were also recruited to ensure a mix of gender, SEG and mix of providers switched to for landline/bundled packages.

7.2.1 Use of stimulus within the research

To understand the kind of information that would encourage consideration of switching a series of **test communications** (in this case mocked up letters) were shown to participants within the interviews. This allowed us to explore the impact of a range of different variables in terms of prompting engagement. These included:

- Messaging (headline, tone, personally addressed)
- Source (current provider vs. Ofcom)
- Presentation of details (graphical style vs. more standard letter); and
- Sign-off (who the communication was from).

Across the sessions, the order in which the letters were shown was rotated to mitigate against any 'order bias'. For each audience we also had a targeted set of letters that related to their specific situation and tariff to ensure sufficient relevance. The letter stimulus used can be found in the appendix of this report.

In addition, stimulus was used (where applicable) to help:

- **Demonstrate the process of switching (walking customers through the process)** – a short document highlighting processes of switching deal and provider for landline and separately for bundled landline and broadband services; used to explore if concerns were addressed and whether the process matched the experience of Recent Converts.

- **Inform customers about Ofcom's role** – an A4/A3 bullet pointed board explaining Ofcom's interest in this market review and its role as a regulator

7.2.2 Fieldwork locations

The fieldwork took place across six locations incorporating a mix of rural and city settings in England, Northern Ireland, Scotland and Wales, from 3rd May- 1st June. The six locations were London, Birmingham, Leeds, Glasgow, Cardiff and Belfast.

7.3 Detailed reactions to letters – landline-only

The landline-only communications tested were adapted to reflect the deal that each participant was on i.e. anytime, evenings and weekends, or weekends only.

7.3.1 Detailed reactions to Letter 1 – Landline-only

Anytime – Sample letter 1

CURRENT PROVIDER LOGO HERE

AB Sample
Sample House Number
Sample Road
Sample Town
AB1 2CD

8 May 2017

1111-ABCD-9999

Save money on your landline

Dear AB Sample

You could save **£5.99** per month by switching your tariff to our Home Phone Saver deal.

Plus your price is fixed until 2020, and you get great extra features like [current provider] Privacy with Caller Display, Call Minder with Enhanced [current provider] Call Protect and International Premium Rate Call Barring.

Your current [current provider] line rental with anytime calls is **£27.98/month**.

It's simple to change tariff, just let us know and we'll do the rest. Call us on **0800 400 487** or use the tear-off slip and pre-paid envelope we've provided. Your new tariff will start from your next bill date.

Yours sincerely


CEO

----- ✂ -----

AB Sample
Sample House Number
Sample Road
Sample Town
AB1 2CD

CURRENT PROVIDER LOGO

Yes, please switch my tariff to Home Phone Saver

Signed:

1111-ABCD-9999

Figure 9: Letter 1 stimulus Landline-only

A few key factors positively influenced the appeal of Letter 1 to Landline-only customers; the familiar sender, the framing of the benefit and the call to action was more feasible.

Customers stated that a **letter from their current provider was far more likely to be read than a letter from a competitor**, particularly if they were unaware of the organisation. Most tended at least to glance through correspondence from their current provider. The fact that the sender was so familiar to them also appeared to aid their inclination to read and take on board the message.

“Coming from my current provider, it feels more relevant and personal”

Landline-only, Over 75, Glasgow

The familiar sender in conjunction with the **headline helped frame the letter positively** and clearly and encouraged them to read on. The fact that it was a clear statement and highlighted ‘saving’ money (as opposed to being negatively positioned i.e. overpaying) was well received. The headline was intriguing and helped them want to read the detail.

In terms of the content of the letter, our Landline-only sample felt it was clear enough. In particular, they liked:

- The saving being emboldened on the first line – key information was therefore easy to pick out
- The fact that the details of the deal were listed out, so they could mentally check against what they thought they already had in their current deal
- Stating what they were currently paying (so they could immediately calculate the impact on them).

In particular, the fact that they were being **personally addressed** (i.e. ‘you could save’ and ‘your current line rental is’) was felt to increase relevance and provide clear reassurance that what is listed was directly relevant to their deal.

“They know what I’m paying and they know it would be beneficial to me so there’s the trust”

Landline-only group, Over 65, London

There were, however, still a few concerns about the effectiveness of the communication in Letter 1. In particular, the tone of the **call to action was seen as quite direct**. In our sample, Landline-only customers were seeking a softer tone, inviting them to call their current provider to discuss their options, rather than just to switch deal. This feeling of being rushed or potentially pushed into change was exacerbated by using the tear-off slip. Typically, the Landline-only customers in this study felt switching deal would be far too big a decision to make without talking to someone at their current provider first.

As a mechanic to initiate switching their deal, the **tear-off slip received a mixed response**. If they were taking responsibility for the switch, they saw the slip as more of an effort and potentially more time consuming to sign and return than it would be to telephone the provider. However, for those who would have to act as a proxy for elderly relatives, the

“I’d rather ring the number as I find it easier to talk to someone”

Landline-only group, Over 65, Leeds

form represented a way of enabling action with far less effort than normal. For the ‘proxy’ decision-makers, the idea of being able to send the signed form off on behalf of an elderly relative to have a guarantee of them saving ‘x amount’ per month/quarter was seen as worthwhile. This solution circumnavigated the need to telephone the provider on behalf of their elderly relatives, which they typically saw as time consuming and potentially complex to undertake.

A few landline-only customers stated their **concern about committing to a contract until 2020**. Despite not having switched for many years if at all, there was concern at committing to a deal for a fixed period. Reasons offered for this concern were two-fold:

- What happens in 2020? – the fear of being ‘stung’ after the fixed period (whilst not recognising they could theoretically switch deal again at this point)
- Commitment phobia – some concern about fixing a payment for what a long period. Some felt it was just not what they wanted to commit to at this stage of their lives, and was at odds with other decisions they were taking to relieve commitments and responsibilities (e.g. paying off mortgage).

There were also a few comments from the Landline-only customers on Evening & Weekend deals that an **80p per month saving was not particularly enticing**, and might put them off taking any action unless their current provider initiated it.

7.3.2 Detailed reactions to Letter 2 – Landline-only

Anytime – Sample letter 2

CURRENT
PROVIDER
LOGO HERE

AB Sample
Sample House Number
Sample Road
Sample Town
AB1 2CD

8 May 2017

1111-ABCD-9999

Are you missing out on landline savings?

Dear AB Sample

Why are we contacting you?

Ofcom, the communications regulator, requires us to inform you if you could be losing out by not switching landline provider. See overleaf for more on Ofcom and their role in this market.

We have identified a potentially better deal for you with [cheapest provider]:

Current tariff:

[current provider] Unlimited Anytime
Calls

£27.98 per month

CURRENT
PROVIDER LOGO

Cheapest equivalent tariff:

[cheapest provider] Talk Anytime

£15.75 per month
(18-month contract)

CHEAPEST
PROVIDER LOGO

Switching provider is simple:

You can keep your existing number.

Your service will run as normal while the switch takes place.

There is no need for anyone to visit your home.

If you would like to know more, call [cheapest provider] on **030 3003 7124** and they can arrange everything.

Yours sincerely

Director
Customer Service

About Ofcom

Ofcom is the communications regulator in the UK.

We make sure that people in the UK get the best from their communications services and are protected from scams and sharp practices, while ensuring that competition can thrive.

Our review of the landline market

Ofcom has reviewed how the market is working for customers who buy *only* a landline service from a provider – either because they do not want broadband or pay TV, or because they take these services under separate contracts, usually from different companies.

We have found that these customers are getting poor value for money in a market that is not serving them well enough.

Landline-only customers are particularly affected by price hikes in telephone line rental. Major providers have increased their line rental charges significantly in recent years – by between 25% and 49% in real terms. This is despite providers benefiting from around a 28% fall in the underlying wholesale cost of providing a landline service.

Customers of 'bundled' services – packages including landline, broadband and/or pay TV – benefit from a range of attractive deals, driven by strong competition.

Ofcom has required BT to do more to communicate better with its landline-only customers. This is to help them better understand *what* they are paying, and how other BT packages – or even other providers – might offer better value for money.

Figure 10: Letter 2 stimulus Landline-only

Letter 2 provided a **clear template for presentation of engaging information**, but also had the **potential to cause confusion** with the Landline-only customer group.

Positively, the letter's structure and graphics helped deliver key information in an effective manner:

- **Familiar sender** – like Letter 1, coming from their current provider helped to engage interest and increased the likelihood of them reading the contents
- **The boxed graphical figures drew attention** showing their current and potential cheapest equivalent tariff. This provided a prominent and personal comparison which helped highlight that they could save money by switching provider
- **Followed by succinct, digestible information about the switching process** – which customers saw as both easy to read and reassuring.

“The boxes you notice straight away, you’re not having to look down the whole letter to get to the information”
Landline-only group, Over 65, Leeds

“It says that switching is simple”
Landline-only, Over 75, Cardiff

There was, however, potential for confusion. In particular, customers seemed confused and somewhat concerned about why their current provider was encouraging them to switch to a competitor. Compounding this was the frequency with which customers missed the first paragraph and its explanation of Ofcom's role. Frequently their attention went straight to the comparison boxes.

Perhaps more positively, this sense of confusion could lead to further action after reading the letter:

- **Might call their current provider** seeking clarification about why they are being encouraged to switch away
- **Might pass letter on to relatives/friends** - again, getting a second opinion to see if they could offer any guidance or had any knowledge what the letter was about.
- **Might read the second page of the letter** – hoped that this would enlighten them. A few stated that having read the second page of the letter they felt reassured about who Ofcom were, what the purpose of the Review was and why they were being written to. However, their inclination was to call their current provider as opposed to the competitor.

Perhaps more concerning was that some in our study also were inclined to put the letter to one side, not knowing what to do with the information they had read.

Ultimately, most said they were highly unlikely to follow the call to action suggested in the letter. Reasons for this were:

- **Wanted to avoid 'sales' call with a competitor** – did not feel informed enough to simply call and 'arrange everything'
- **Feared being 'pushed' into a sale** – they had an impression that this call would mean they would be persuaded to switch.

7.3.3 Detailed reactions to Letter 3 – Landline-only

Anytime – Sample letter 3



AB Sample
Sample House Number
Sample Road
Sample Town
AB1 2CD

8 May 2017

1111-ABCD-9999

You are overpaying for your landline

Dear AB Sample

Ofcom is the communications regulator in the UK. I'm writing to provide information about your landline service. Please see overleaf for more on Ofcom and their role in this market.

I'm writing to tell you that switching your landline provider has never been simpler. The new supplier arranges the transfer for you. You can keep your own number if you wish and an engineer does not need to visit your home.

You will receive notification confirming the switch and the date it will happen. If you change your mind, you have the right to cancel after 14 days free of charge.

If you are interested in switching, call the provider you would like to switch to and they can handle everything.

At the moment, you are losing out on savings of over **40%** by not switching your Anytime calls landline service from [current provider] to the cheapest provider in the market, [cheapest provider].

If you'd like information on switching to [cheapest provider], use the tear-off slip and pre-paid envelope we've provided to request more details.

Yours sincerely

Sharon White
CEO



AB Sample
Sample House Number
Sample Road
Sample Town
AB1 2CD

1111-ABCD-9999

CHEAPEST
PROVIDER LOGO



Yes, please send me more
on switching to [cheapest
provider]

Signed:

About Ofcom

Ofcom is the communications regulator in the UK.

We make sure that people in the UK get the best from their communications services and are protected from scams and sharp practices, while ensuring that competition can thrive.

Our review of the landline market

Ofcom has reviewed how the market is working for customers who buy *only* a landline service from a provider – either because they do not want broadband or pay TV, or because they take these services under separate contracts, usually from different companies.

We have found that these customers are getting poor value for money in a market that is not serving them well enough.

Landline-only customers are particularly affected by price hikes in telephone line rental. Major providers have increased their line rental charges significantly in recent years – by between 25% and 49% in real terms. This is despite providers benefiting from around a 26% fall in the underlying wholesale cost of providing a landline service.

Customers of 'bundled' services – packages including landline, broadband and/or pay TV – benefit from a range of attractive deals, driven by strong competition.

Ofcom has required BT to do more to communicate better with its landline-only customers. This is to help them better understand *what* they are paying, and how other BT packages – or even other providers – might offer better value for money.

Figure 11: Letter 3 stimulus Landline-only

Landline-only customers felt Letter 3 did not positively engage and often they dismissed it without giving it their full attention. The key reasons for this were:

- **Unfamiliar with sender** – rarely knew Ofcom and therefore the immediate assumption was the organisation was a telecoms provider. In this respect, some could immediately switch off to the letter’s contents believing it would be sales based ‘junk mail’.
- **Headline can generate some concern** – they saw the tone as very direct and could unsettle or concern some Landline-only customers. In particular, the red font and negative tone (‘you are overpaying’) were unduly worrying to some of the older, more vulnerable customers in the study.

“It’s just the heading, it’s factual but it might frighten older people”

Landline-only group, Over 65, London

- **Text heavy** – in the study many customers failed to read the text in full. They felt it was very dense and uninviting text, especially in comparison to the more graphic presentation of information in other test communications. The dense text when combined with an unfamiliar sender meant they gave the communication less time to convey key information.
- **Unlikely to read page 2** – in comparison to Letter 2, most in the study were not inclined to read the information about Ofcom’s role and the Market Review. Some did not notice page 2, and put it down without acknowledging it. Others positioned this as just more uninviting, dense text.

This limited attention to the details in the letter led to more **questions about the purpose of the communication**. In particular, who were Ofcom and how did they know what they were paying? Additionally, there were questions about why Ofcom were suggesting they get more information from the cheapest provider (not Ofcom or their current provider). This confusion was compounded among those who had not picked up in the detail that Ofcom were the regulator and not a provider.

“I thought Ofcom worked for all providers, no?”

Landline-only, Over 75, Northern Ireland

In terms of call to action, this also needed to do more to engage. Nearly all in the study claimed they were **unlikely to respond to tear-off slip**. For customers not dissatisfied with their current provider, the invitation to send off a pre-paid envelope to receive more information about switching to the cheapest provider was both too vague but also too pushy. They wanted to know more about who the cheapest provider was, what their deal would entail and how it compared to their current deal. There was also a reluctance to engage in switching to a provider that many had not heard of.

More positively, the saving of **'over 40%/nearly 30%' was relatively compelling**, although many struggled to work out exactly to what this equated. That said, it was easier to deflect this potential saving as 'vague' compared to the more personalised and exact comparison of other communications tested. Although emboldened, some in the study felt the figure lacked standout in comparison to savings in other communications. A few missed this figure altogether unless prompted.

"This one just says 40% which is good but I would have to get my calculator out"
Landline-only group, Over 65, Leeds

7.3.4 Detailed reactions to Letter 4 – Landline-only

Anytime – Sample letter 4



AB Sample
Sample House Number
Sample Road
Sample Town
AB1 2CD

8 May 2017

1111-ABCD-9999

Could you save money on your landline bills too?

Dear AB Sample

Thousands of people like you could save money on their landline bills by switching provider; just ask Joan:

"I had been with [current provider] since I first got a phone line installed. I was worried about changing provider, but it was no hassle at all.

I called the new provider, gave them a few details, and they handled everything from there. I was even able to keep my own number.

I received a letter confirming the switch and when everything would change. I could use my phone as normal during the whole process.

I saved **£146** a year by switching my Anytime calls and line rental from [current provider] to [cheapest provider]."

To find out more about switching your landline provider, call us on 0800 123 4567, or speak to the provider you are interested in switching to.

Yours sincerely

Mark Roberts
Consumer contact team

Figure 12: Letter 4 stimulus Landline-only

Letter 4 received a very mixed response from Landline-only customers in the study. Although seen as an unthreatening approach, sometimes they questioned the personal relevance and overall most ignored the call to action.

- **Role of testimony** - Joan's testimony immediately drew readers' attention, and ensured they read about her deal. A few in the study responded positively to the details. They felt her story was relatable and brought customer reaction to life. It made the process of switching seem manageable and less daunting than they had anticipated. Customers also perceived Joan's yearly saving to be considerable, and worth taking action for.

"She is actually telling you that she's done it, been there, got the t-shirt and it's fine"

Landline-only group, Over 75, London

However, **more customers were critical of the testimony**. They questioned how relevant Joan's deal was to their situation, and whether their own savings would be comparable.

"I'm not a lover of these testimonials because I don't think you really believe them"

Landline-only group, Over 65, London

In addition, they compared the overall tone and style of the letter unfavourably to junk mail i.e. it was seen as having a sales orientated tone and feel, highlighted by the question in the headline and the familiar 'case study' approach.

Customers **rarely noticed the call to action**. Placed after the case study, many missed this line, claiming it lacked stand out. When prompted they were unlikely to call Ofcom, believing it might be a 'pushy' sales call. There were also no reassurances about who Ofcom were and why they were sending this communication to them.

This approach coupled with an unfamiliar sender meant many in the study claimed they would just ignore the letter.

7.4 Detailed reactions to letters – Split-purchasers

7.4.1 Detailed reactions to Letter 1 - Split-purchaser

Split-purchase – Sample letter 1

AB Sample
Sample House Number
Sample Road
Sample Town
AB1 2CD

8 May 2017

1111-ABCD-9999

Save money on your landline and broadband

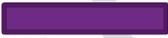
Dear AB Sample

You could save at least **£7.50** per month by switching your broadband to [current provider] and adding it to your existing line rental package.

We estimate you are currently paying at least a total of **£31.99/month** for your separate landline and broadband services.

It's simple to add broadband, just get in touch and we'll get the process started. Call us on **0800 400 487** or use the tear-off slip and pre-paid envelope we've provided.

Yours sincerely


CEO

AB Sample
Sample House Number
Sample Road
Sample Town
AB1 2CD

1111-ABCD-9999

Yes, please let me know more about adding broadband

Signed:

CURRENT PROVIDER LOGO

CURRENT PROVIDER LOGO

Figure 13: Letter 1 stimulus Split-purchasers

Positively, Split-purchasers' noted that the message and the language in Letter 1 was personalised and they felt personally addressed. It successfully drew their attention to the **price savings** they could make and **managed to get across the 'idea' of saving by switching to bundled services**, which many had not considered for a while.

However, their frequently stated issue with Letter 1 was **it did not currently address specifics of the deal**. Most commented that it did not give enough information about the new deal (i.e. quality of the broadband) and did not take account of the TV element of their current set-up. As such, they often dismissed the communication as lacking relevance.

In many Split-purchaser households, the **landline was also a secondary consideration** to the broadband. As such, moving their landline over to their broadband provider felt a more natural and less risky decision.

"We barely use the landline, we use it to find the mobile so that's not the issue for us"

Split-purchaser, Under 55, London

In terms of likely action after reading the communication, Split-purchasers typically saw the **tear-off slip as too protracted** a method to engage a provider about bundling services. The option to telephone was considered more likely to engender action. However, most **spontaneously asked for online signposting** (i.e. a URL and password to a site where they could directly compare relevant offers).

"I would never get round to that (using the tear-off slip) that is the sort of thing that will stay on the bread-bin forever"

Split-purchaser, Under 65, London

7.4.2 Detailed reaction to Letter 2 – Split-purchasers

Split-purchase – Sample letter 2

CURRENT
PROVIDER
LOGO HERE

AB Sample
Sample House Number
Sample Road
Sample Town
AB1 2CD

8 May 2017

1111-ABCD-9999

Are you missing out on landline and broadband savings?

Dear AB Sample

Why are we contacting you?

Ofcom, the communications regulator, requires us to inform you if you could be losing out by not bundling your landline and broadband with [current provider] or another provider. See overleaf for more on Ofcom and their role in this market.

We have identified a potentially better deal for you with [cheapest provider]:

Current tariffs:
Separate line rental and unlimited broadband (up to 17Mb/s)
At least **£31.99** per month

Cheapest equivalent tariff:
[cheapest provider] Broadband Unlimited with line rental
£18.99 per month

CHEAPEST
PROVIDER LOGO

Switching provider is simple:

You can keep your existing number.

Your service will run as normal while the switch takes place.

There is no need for anyone to visit your home.

If you would like to know more, call [cheapest provider] on **0800 123 4567** and they can arrange everything.

Yours sincerely

Director
Customer Service

About Ofcom

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Our review of the landline market

Ofcom has reviewed how the market is working for customers who buy *only* a landline service from a provider – either because they do not want broadband or pay TV, or because they take these services under separate contracts, usually from different companies.

We have found that these customers are getting poor value for money in a market that is not serving them well enough.

Landline-only customers are particularly affected by price hikes in telephone line rental. Major providers have increased their line rental charges significantly in recent years – by between 25% and 49% in real terms. This is despite providers benefiting from around a 26% fall in the underlying wholesale cost of providing a landline service.

Customers of 'bundled' services – packages including landline, broadband and/or pay TV – benefit from a range of attractive deals, driven by strong competition.

Ofcom has required BT to do more to communicate better with its landline-only customers. This is to help them better understand *what* they are paying, and how other BT packages – or even other providers – might offer better value for money.

Figure 14: Letter 2 stimulus Split-purchasers

Letter 2 successfully engaged Split-purchasers in the study. The graphical presentation and design of the letter, and framing of the message worked well to engage and impart the key switching message. However, the call to action did not have the same impact and there was a desire to be able to review their options online at their leisure.

Positively, the **key information about the deal was seen as having strong stand out**; a visually striking comparison and easy to compare the headline level detail of the deals. The fact that the comparison was personalised information made it more likely to catch and hold their attention.

“That’s my favourite because of the little coloured boxes, i.e. the “current tariff” and “the cheapest equivalent tariff” is very clear and immediately you look at it
Split-purchaser, Under 65, London

The **process of switching was also prominent**, easy to digest and spontaneously seen as reassuring about the process of switching being straightforward.

There was **some confusion about their current provider recommending that customers switch to another organisation (the cheapest bundle)**. They frequently suggested it was counter-intuitive, and that they expected their current provider to offer a counter-deal or at least invite them to discuss a better deal with their current provider. However, a letter from their current provider was important in establishing attention and they were more likely to read a letter from their current provider.

“I don’t think [current provider] would do that, why would they make you aware they are overcharging you, to me it’s extremely odd that they would write to me with this”
Split-purchaser, Under 55, Northern Ireland

Even where confused by their current provider’s motivation to send the letter, in this study the Split-purchaser audience seemed less inclined than Landline-only to read the second page of the letter. Therefore, it was only when prompted that Split-purchasers spoke positively of the second page explaining Ofcom’s role and the Market Review.

Overall, there were **doubts about the effectiveness of the call to action**. Most claimed they **wanted more choice and control** over the final decisions about which provider to switch to

and they wanted more granular detail about the deal to check it was a like-for-like quality product. Again, the request was for a web link to take them to a secure site to compare details of their deal versus a range of other provider deals.

7.4.3 Detailed reaction to Letter 3 – Split-purchasers

Split-purchase – Sample letter 3



AB Sample
Sample House Number
Sample Road
Sample Town
AB1 2CD

8 May 2017

1111-ABCD-9999

You are overpaying for your landline and broadband

Dear AB Sample

Ofcom is the communications regulator in the UK. I'm writing with information about your landline and broadband services. Please see overleaf for more on Ofcom and their role.

I'm writing to tell you that bundling your landline and broadband services has never been simpler. The new supplier arranges the transfer for you. You can keep your own number if you wish and an engineer does not need to visit your home.

You will receive notification confirming the switch and the date it will happen. If you change your mind, you have the right to cancel after 14 days free of charge.

If you are interested in switching, call the provider you would like to switch to and they can handle everything.

At the moment, we estimate you are losing out on savings of over **40%** by not bundling your landline and broadband services with the cheapest provider in the market, [cheapest provider].

If you'd like information on switching to [cheapest provider], use the tear-off slip and pre-paid envelope we've provided to request more details.

Yours sincerely

Sharon White
CEO

AB Sample
Sample House Number
Sample Road
Sample Town
AB1 2CD

1111-ABCD-9999

CHEAPEST PROVIDER LOGO

Yes, please send me more on switching to [cheapest provider]
Signed:

About Ofcom

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Our review of the landline market

Ofcom has reviewed how the market is working for customers who buy *only* a landline service from a provider – either because they do not want broadband or pay TV, or because they take these services under separate contracts, usually from different companies.

We have found that these customers are getting poor value for money in a market that is not serving them well enough.

Landline-only customers are particularly affected by price hikes in telephone line rental. Major providers have increased their line rental charges significantly in recent years – by between 25% and 40% in real terms. This is despite providers benefiting from around a 26% fall in the underlying wholesale cost of providing a landline service.

Customers of 'bundled' services – packages including landline, broadband and/or pay TV – benefit from a range of attractive deals, driven by strong competition.

Ofcom has required BT to do more to communicate better with its landline-only customers. This is to help them better understand *what* they are paying, and how other BT packages – or even other providers – might offer better value for money.

Figure 15: Letter 3 stimulus Split-purchasers

In contrast to the typically older, more vulnerable Landline-only Customers, the younger Split-purchasers felt that the more direct tone of the headline was appropriate to grab their attention. However, Letter 3 did not hold the attention of Split-purchasers, who felt the detail overwhelmed any details of the deal.

Split-purchasers saw the text as wordy/detailed and quickly tended to lose interest. In particular, the role of Ofcom and the Market Review got lost in the detail, which left some confused as to why the alternative, cheapest provider of bundled services was being recommended.

“Up to 40% again, what does that mean?”

Split-purchaser, Under 55, Wales

The saving was compelling where noted, but few spontaneously noticed this. Also, some queried whether **‘up to’ 40% was promising anything**. Overall, Split-purchasers said they would prefer a more tailored, smaller saving than an attention-grabbing statistic that could be irrelevant.

Finally, the **alternative deal was seen as very unspecific** and missing what their monthly savings would be and the TV bundle elements that would be crucial to the overall deal.

The rejection of the letter because the text was dense meant that Split-purchasers in this study did not tend to read on the second page of the letter, and therefore did not comment spontaneously on Ofcom’s role. The second page simply added to the perception that the letter was too wordy and too much effort.

“The block of writing without the coloured boxes could be a little boring to people and they might just bin it before they’ve read the information through”

Split-purchaser, Under 55, Northern Ireland

7.4.4 Detailed reaction to Letter 4 – Split-purchasers



Figure 16: Letter 4 stimulus Split-purchasers

Overall, Split-purchasers **largely dismissed Letter 4 as too generic** in tone, content and presentation.

"I can't be bothered to read all of these quotes, it would go straight in the recycling. I don't like all these cherry-picked quotes"
Split-purchaser, Under 55, Leeds

Positively, **the size of the saving was compelling**, and was therefore their key take out from the text. However, many in the study felt the saving was **unlikely to be representative** and there was no guarantee that this would apply to their situation.

Overall, Split-purchasers appeared to be **more cynical about the style and tone of the letter**, suggesting it was a bit too similar to junk mail they had received from providers across a number of services industries. As such, they claimed to be unlikely to give this approach much consideration. A case study was seen as a generic mechanic and unlikely to have much relevance. Additionally, they positioned the question in the headline as cliché and highly likely to lose their attention.

“Having a testimonial on there is all well and good but you don’t know if it’s true or if they have just made it up”
Split-purchaser, Under 55, Leeds

Again, leading on landline savings was not the priority focus for many Split-purchasers, and therefore more on the details of the broadband and/or TV bundle was likely to engage.

The **call to action was usually missed**, but also when prompted felt unlikely to be followed up on. Most were unfamiliar with Ofcom, and were more inclined to call either their current broadband or landline provider. Most Split-purchasers in the study claimed that they were keener to follow up online, and provision of a URL to a site to compare deals across the market was again the most frequent request.

MADE ON BEHALF OF: APPLICANT / PROPOSED CLASS REPRESENTATIVE
NAME OF WITNESS: JUSTIN LE PATOUREL
NUMBER OF STATEMENT: 1
EXHIBITS: JLP1 – JLP22
DATE: 15 JANUARY 2021

Case Number: []

IN THE COMPETITION APPEAL TRIBUNAL
BETWEEN

JUSTIN LE PATOUREL

Applicant / Proposed Class Representative

and

BT GROUP PLC

Respondent / Proposed Defendant

EXHIBIT JLP7

This is the exhibit marked "JLP7" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021



The Consumer Experience, 2015

Research Annex

Publication date: 10 February 2016

About this document

This annex accompanies the Consumer Experience Report 2015 and contains data covering pricing of services, levels of engagement and switching, and consumer satisfaction in the communications and postal markets.

As shown in the dashboard in Section 1 of the Consumer Experience Report 2015, a variety of data sources were used in compiling the report. For data that have previously been published by Ofcom, we have provided web links to relevant documents. Key data that we have not previously published are included in this annex.

Information about, and access to Ofcom research and market intelligence data can be found at <http://stakeholders.ofcom.org.uk/market-data-research/>

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2	Pricing of services: Consumer price and value	4
3	Consumer engagement	31
4	Consumer satisfaction	55

Executive summary

1.1 Pricing of services

- **Telecoms markets in the UK continue to serve consumers well in delivering choice and value.** Average household spend on communications services has fallen in real terms (i.e. after having been adjusted for inflation), while the performance of some services has improved considerably, particularly in relation to the faster speeds associated with superfast broadband and 4G mobile services.
- **There are, however, some trends that could pose a risk to consumer outcomes.** While in general there is considerable choice in the market and consumers are able to obtain good deals by shopping around and purchasing a bundle of services from the same provider, there are three distinct price trends that could pose a risk to consumers, particularly for unengaged or vulnerable consumers. We therefore intend to examine these further over the coming year.
 - **Line rental prices have been steadily increasing.** These price increases seem likely to have been driven by a number of market trends, including falling fixed voice use and a shift away from usage-based pricing towards access-based pricing. They may also reflect a shift in the focus of competition between fixed providers towards the price of broadband and away from the line rental fee. Increases in line rental prices particularly affect the 10% of UK households that have a fixed voice landline but no home internet access) as they do not benefit from competition in the broadband market.
 - **There is evidence of an increased focus on promotional discounting.** The growing gap between promotional prices and standard 'list' prices increases the likelihood that consumers who are not engaged with the market will not get the benefits of competition that are available to engaged consumers, so may face increasing prices.
 - **Increasing complexity in pricing may lead to poor decision making.** Bundling, discounting, time-limited offers and an increasing number of packages and permutations are all making it more difficult for consumers to compare services, which will tend to increase the likelihood that they will make sub-optimal choices.

1.2 Consumer engagement

- **Since 2014 there has been an increase in the proportion of 'engaged' consumers in each of the broadband and TV markets, and levels of interest have been maintained.** Over the past 12 months there have been small but significant increases in engagement in the broadband (from 14% to 18%) and TV (from 8% to 11%) markets (at a total market level). Engagement levels have returned to levels comparable with those in 2013 in both the fixed-line (14%) and mobile (18%) markets.
- **Switching levels have increased in most markets, following a dip in 2014, and are broadly comparable with those reported for gas and electricity.** Switching (in the last 12 months while remaining at the same address) in the fixed-line and

mobile markets each increased by three percentage points since 2014 (from 6% to 9% for fixed-line and from 7% to 10% for mobile). Just under one in ten (8%) consumers had switched broadband provider, but switching remains lower for the main TV provider, at 4%. The increase in switching in 2015 follows a decline in all markets except TV in 2014, and brings levels closer to those reported for gas (10%) and electricity (11%).

- **One in ten consumers with a dual (11%) or triple-play bundle (10%) had used a different provider for at least one service in their bundle in the previous 12 months.** Eight per cent of dual-play customers had switched their entire bundle, compared to 7% among triple-play customers.
- **More consumers have taken up an offer of extra or improved services in the last year than have switched provider.** At least one in ten consumers (10% - 18%) in each communications market say they have taken up an offer of extra or improved services from their current provider in the last 12 months. This is more than the number of consumers who have switched to another provider, in each market.
- **Among inactive consumers, lack of a perceived cost benefit is the key reason for their lack of interest in changing provider.** Among those who do not agree that their provider is the best on the market, but who have not switched or considered switching, a perceived lack of cost benefit in switching is the most likely reason offered.
- **Reasons for considering, but not switching provider, vary by market.** In the broadband and TV markets 'perceived hassle' was the main reason why considerers had not switched (32% and 37%). In the fixed-line market it was 'lack of perceived cost benefit' (33%) and in the mobile market it was 'terms and conditions' (33%).
- **While a majority in each market report switching to be 'easy', around half of switchers in the fixed-line and broadband markets (when prompted) said they had experienced difficulties.** The switch least likely to be reported retrospectively as easy was 'fixed line plus one other service' (most commonly fixed broadband), at 81%.
- **Around a quarter of respondents consider it difficult to compare the costs of bundles of communications services.** Twenty per cent of respondents stated that it is, or would be, 'difficult' to compare the costs of stand-alone fixed-line services, and 24% said this about bundled services. This level of stated difficulty for bundled services is higher than in 2014 (up from 19%).

1.3 Consumer satisfaction

- **Around nine in ten consumers in each market are 'very satisfied' or 'fairly satisfied' with their overall service.** Overall satisfaction has declined since 2014 among consumers in the fixed-line (88% from 91%) and bundle (85% from 90%) markets. Dissatisfaction with value for money is highest for bundle purchasers (18%) and lowest for stand-alone mobile purchasers (7%).
- **Three-quarters of broadband customers are satisfied with their online speeds.** Dissatisfaction was highest among the more engaged segments, stood at 29% among 'engaged' fixed broadband customers, and was higher among those in rural areas (30% vs. 15% in urban areas).

- **Just under nine in ten (89%) adults are satisfied with the postal service overall.** Those in rural locations were the most likely to say that they were satisfied with the postal service (92%). These are similar to satisfaction levels in previous years. Just over two-thirds of postal users (69%) are satisfied with the value for money provided by the postal service.
- **Broadband customers are the most likely to say they have had a reason to complain (12%),** followed by mobile (6%), and fixed-line (5%) customers. Not all of these consumers proceeded to make a complaint. In total, 8% of broadband customers said they had made a complaint (this equates to 66% of those with cause to complain) and compares to 4% among mobile customers and 3% among fixed-line customers.
- **One in ten (10%) adults had reason to complain about Royal Mail's service.** Six per cent of adults went on to complain to Royal Mail.

Section 2

Pricing of services: Consumer price and value

2.1 Summary

In this assessment of the prices that UK consumers pay for communications services we examine average pricing trends and the way in which tariffs are structured and packaged. We have used a wide range of data sources, including revenue data collected from operators, tariff data collected from third-party providers and consumer research.

Overall we find that telecoms markets in the UK continue to serve consumers well in delivering choice and value, with most consumers finding services affordable. Average household spend on communications services has fallen in real terms (i.e. after adjusting for inflation), while the performance of some services has improved considerably, in particular in relation to the faster speeds associated with superfast broadband and 4G mobile services. In general, there is considerable choice in the market, and consumers can achieve good deals by shopping around and by purchasing more than one service from the same provider as part of a bundle.

However, there are indications that there are some issues in the pricing and packaging of communications services which may be to the detriment of some consumer segments. We have concerns about the following three trends.

- **Line rental prices have been steadily increasing.** These price increases seem likely to have been driven by a number of market trends, including falling fixed voice use and a shift away from usage-based pricing towards access-based pricing. They may also reflect a shift in the focus of competition between fixed providers towards the price of broadband and away from the line rental fee. Increases in line rental prices particularly affect the 10% of UK households that have a fixed voice landline but no internet access, and therefore no fixed broadband, as they do not benefit from competition in the broadband market.
- **There is evidence of an increased focus on promotional discounting;** the growing gap between promotional prices and standard 'list' prices may result in those consumers who are unengaged with the market not benefiting from competition and therefore facing increasing prices.
- **Increasing complexity in pricing may lead to poor decision-making.** Bundling, discounting, time-limited offers and an increasing number of packages and permutations are all making it more difficult for consumers to compare services, which will tend to increase the likelihood that they will make sub-optimal choices.

In our Proposed Annual Plan for 2016/17,¹ we highlight that monitoring price increases, providing advice and information on pricing, and making sure all consumers receive value from their communications providers will all be priority work areas. In taking this forward, we intend to collect additional information from UK operators on the actual prices paid by consumers in order to better track trends in the market and how these affect particular consumer segments.

Alongside this we will further assess whether consumers are getting value from the market. This will include an assessment of how retail markets are serving different consumer segments, and the extent to which the trends of rising line rental prices, increasing consumer segmentation and growing price complexity are harming the interests of consumers.

2.2 Trends in pricing

2.2.1 Overall consumer spending on telecoms services is steady

Average household spend on communications service remained steady in 2014, as higher spend on broadband and pay-TV offset falling fixed voice and mobile spend

UK households spent an average of £116.37 per month on communications services in 2014, a 0.4% fall in real terms (i.e. adjusted for inflation) compared to 2013 (Figure 1). The largest increase in average spend was for fixed broadband services, which increased by £1.18 per month (9.6%) driven by increasing take-up of fixed broadband and consumers migrating to higher-priced superfast services. The largest fall in average spend was a £1.61 per month (3.5%) decline for mobile voice and data services, in part due to declining use of SMS messaging, associated with increased use of 'over-the-top' messaging applications such as WhatsApp and Facebook Messenger.

Average household spend on fixed voice services (including line rental) fell by 35 pence per month (1.5%) to £22.14 during the year as a result of declining use (residential fixed voice call volumes fell by over 10% in 2014). Average spend on TV (which includes the TV licence and pay-TV subscriptions) increased by 33 pence (1.1%) to £31.10 in 2014, while average spend on radio (which relates to the proportion of the TV licence fee that is attributed to radio) was unchanged in real terms, at £2.72 per month. There was also a small decline in average spend on postal services, down by four pence per month (1.5%) to £2.60.

Overall, average household spend on communications services equated to 5.0% of average total household spend in 2014, a 0.1 percentage point fall compared to 2013 and a 0.3 percentage point increase compared to 2009.

¹ http://stakeholders.ofcom.org.uk/consultations/annual_plan_2016-17

Figure 1 Average household spend on communications services



Source: Ofcom / operators/ ONS

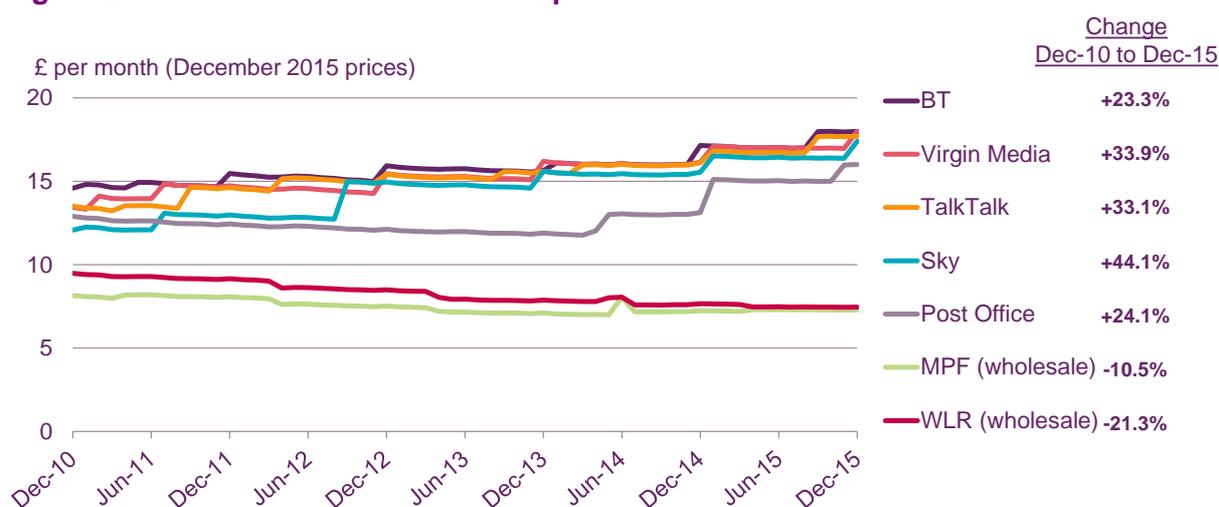
Notes: Adjusted for CPI; some historic figures have been re-stated and are not comparable to those published in previous Ofcom reports; television excludes spend on subscription, download-to-own and pay-per-view online TV services.

2.2.2 Line rental prices have been increasing

All of the UK’s largest residential providers have been steadily increasing their line rental prices

Line rental prices affect almost all users of fixed-line communications services, as line rental is typically required in order to receive a broadband service. Figure 2 indicates that there has been a steady increase in the prices of fixed-line rental services since 2011, and there is now less differentiation between the line rental prices charged by the major providers of residential fixed telephony services. However, while retail line rental prices have been increasing, wholesale prices for wholesale line rental (WLR) and full LLU (MPF) have both declined.

Figure 2 UK residential line rental prices



Source: Ofcom / Pure Pricing UK Broadband Updates

Note: Adjusted for CPI; excludes line rental saver pre-payment tariffs

Providers are increasingly focused on low broadband prices

A number of market factors have contributed to this upward trend in line rental prices, including falling fixed voice use, and a shift from usage-based to access-based pricing (i.e. from out-of-bundle calls to the line rental and inclusive call package fee).

An additional factor driving increases in line rental prices appears to be a shift in the focus of competition away from line rental as operators have focused on the price of the broadband component in bundled services: line rental prices have increased while the overall prices of bundled broadband and line rental services have remained steadier. Providers that are focused on winning new dual-play and triple-play bundle customers appear to have concluded that they can achieve higher net customer additions by offering lower broadband prices rather than by keeping line rental prices low.

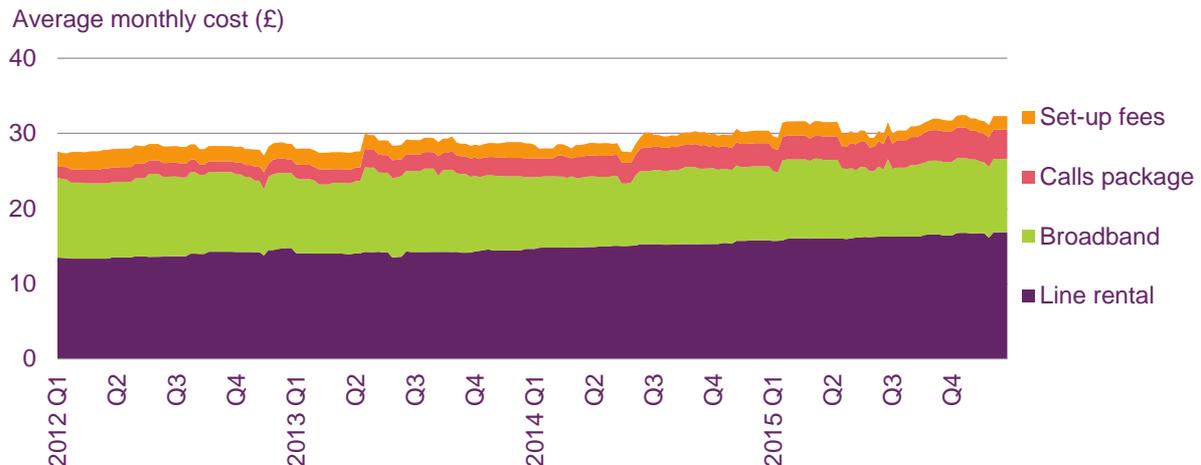
This focus on broadband and bundled services has also reduced the number of stand-alone voice services (i.e. a voice line without a broadband connection). TalkTalk has stopped offering stand-alone fixed voice services to new customers, while Sky and Virgin Media do not actively promote their stand-alone landline services. This means that of the UK's largest four residential fixed telecoms operators, only BT offers stand-alone fixed voice services for sale on its website.

Lower line rental prices are available from other operators, but even here there has been a shift in focus towards competing on low broadband prices rather than on low line rental prices. For example, the Post Office undercut BT's standard line rental by £3.70 a month in December 2013, but by December 2015 this saving had fallen to £1.99 a month, with the Post Office increasing its standard line rental price and cutting the price of its fixed broadband service. Across all of the major residential fixed telecoms providers, the deep promotional offers for fixed broadband services (e.g. time-limited discounts) are not replicated for line rental.

The effect of fixed rising line rental prices is shown in Figure 3, which shows a breakdown of the average cost of the different components of 'dual-play' fixed voice and ADSL broadband tariffs, collected by price comparison service Simplifydigital. It indicates that the proportion of the total cost of these bundles accounted for by fixed broadband has fallen over recent years, from 35% in Q4 2012 to 30% in Q4 2015. These prices exclude the promotional discounts that are typically available to consumers taking a new ADSL broadband service, so consumers will typically pay less for the fixed broadband element of the service than is shown below.

Meanwhile, the average line rental price (which accounted for 52% of the total bundle price in December 2015) increased by 16% over this period. Call package subscriptions (such as 'anytime' or evening calls) account for a small, but growing, proportion of the total (12% in Q4 2015). This is, in part, due to the increased availability of call bundles that include calls to mobiles and international destinations, but is also due to increases in the price of these add-on call bundles, and charges being applied for inclusive call plans that were previously free of charge. Average service set-up fees (such as installation and line activation) were unchanged during the year and accounted for 5% of the total in Q4 2015, down two percentage points compared to Q4 2012.

Figure 3 Average list price of residential dual-play ADSL broadband and landline bundles



Source: Simplifydigital

Note: The average monthly cost is calculated across each service's minimum contractual term and excludes promotional discounts

Higher line rental to some extent reflects tariff re-structuring in the context of falling use

Despite increases in line rental prices, average expenditure on line rental plus voice calls has fallen in recent years (Figure 4), and average revenue per residential fixed line (including line rental and out-of-bundle call charges) is falling despite increasing line rental prices. The main reason for this decline is falling fixed voice use, with total outgoing residential fixed call volumes (excluding non-geographic calls) having almost halved in the decade to 2014, largely due to fixed-to-mobile substitution and the increasing use of text-based forms of communications such as email, SMS messaging and instant messaging.

Line rental price increases are therefore, to an extent, attributable to tariff re-structuring, as operators seek to maintain revenues (in a largely fixed-cost business) in the context of falling call volumes. As shown below, the proportion of average fixed telephony spend that is attributable to line rental increased from 40.6% to 70.2% between 2004 and 2014 (although this increase is partly due to the growing take-up of 'add-on' call bundles, in addition to increasing line rental prices).

Figure 4 Average monthly retail revenue per residential fixed line



Source: Ofcom/operator data

Note: Excludes VAT and business lines

The average cost per minute for fixed voice calls has increased as the volume of outgoing calls has fallen

We are able to calculate the average cost per minute of fixed and mobile voice calls using call revenue and volume data provided by telecoms operators to Ofcom as part of its regular data collection programme.² Revenues relating to access/line rental fees are included in both the fixed and mobile calculations, so the average cost per mobile voice call minute will be overstated, as it includes revenues relating to bundled messaging and data services, and the average cost per fixed voice call minute will also be over-stated, as most broadband consumers need to have a voice line in order to receive a broadband service, and some of these consumers do not use the line for voice calls.

As shown in Figure 5 below, the average cost of a mobile-originated voice call minute has remained fairly steady since 2009, while the average cost of a fixed-line call minute has increased significantly. Between 2009 and 2014 the average cost of a fixed-voice call minute increased by 3.5 pence (43%) to 11.5 pence, making the average cost of a fixed voice minute in 2014 3.7 pence (47%) more expensive than a mobile voice minute. Five years previously, it would have been cheaper.

The rising cost per minute of fixed voice calls is largely due to falling call volumes: between 2009 and 2014, the average monthly volume of voice calls per fixed line fell by 93 minutes (36%) to 164 minutes, while over the same period the average monthly volume of voice calls per mobile voice connection increased by six minutes per month (4%) to 141 minutes.³

² When compiling the submitted revenue figures, providers apportion revenues from bundled services across each of the services included in the bundle. The figures below should be for only the fixed voice element of any bundled services.

³ The calculated costs exclude NTS calls and (for mobile) calls while roaming abroad.

Figure 5 Cost per minute for fixed and mobile voice calls



Source: Ofcom / operators

Notes: Includes estimates where Ofcom does not receive data from operators; excludes non-geographic voice calls and mobile calls while roaming abroad; some historic figures have been re-stated and are not comparable to those published in previous Ofcom reports.

Prices for ‘baskets’ of fixed voice services have been steadily increasing

Another way of tracking the price increases that have taken place in fixed voice services is to use a ‘basket’-based approach. This involves defining ‘baskets’ of communication services which are representative of the usage profiles of ‘typical’ households.

We then use a pricing model, developed by pricing consultancy Teligen, that identifies the lowest prices available to meet the requirements of the basket from thousands of UK tariffs. We believe that this is the best way to track the prices available in the market, as it takes account of the wide range of permutations available (for example, fixed voice tariffs include multiple call package options and add-ons), enables discounted offers to be included, and allows assessment of the prices of services bought on a single-service basis (e.g. fixed voice without broadband) as well as those bought in service ‘bundles’ (e.g. a voice service with broadband and/or pay TV).

A limitation of this analysis is that it is based on the tariffs that are available at a single point in time, and it uses the best tariffs available. While this can provide a good indication of the offers available to the engaged consumer who shops around to find the best deal to meet their needs, it is not a proxy for the actual prices that consumers pay, as few consumers will be on the optimal tariff for their usage profile.

Figure 6 outlines changes in the prices available to voice-only customers (i.e. customers buying a voice service) based on the average lowest price available from the UK’s largest fixed voice providers, weighted by market share. It indicates that there have been considerable price increases, with the aggregate weighted

average stand-alone prices⁴ of four baskets of stand-alone voice services increasing by 12% in the year to July 2015, having increased in each year since 2011.

Consumers who require stand-alone voice services have limited choice in the market – of the largest four providers, only BT actively offers a voice service without broadband, although services are also available from smaller providers including the Post Office and the Co-op.⁵

Figure 6 Fixed-line voice prices for typical baskets of stand-alone voice services: 2011 to 2014

	Household 1	Household 2	Household 3	Household 4
'Typical household type'	Affluent couple with sophisticated use	A 'networked' family	A retired low-income couple	A couple of late adopters
Outbound call minutes	100	200	300	400
Type of calls	93% UK geographic and 7% UK mobiles	91% UK geographic, 7% UK mobiles and 2% international	93% UK geographic, and 7% UK mobiles	91% UK geographic, 7% UK mobiles and 2% international
Time of day	59% daytime, 25% evening and 16% weekend	59% daytime, 25% evening and 16% weekend	58% daytime, 25% evening and 17% weekend	58% daytime, 25% evening and 17% weekend

Monthly cost (£)



Source: Ofcom / Teligen

Note: Tariff data collected in July each year; nominal prices.

⁴ The weighted average of the cheapest stand-alone prices offered by the largest providers of residential fixed voice services, weighted by their market shares.

⁵ This means that BT is the only provider contributing to the weighted average from 2013 onwards (as the Teligen model only includes tariffs from the largest providers which are advertised on their websites - TalkTalk no longer offers stand-alone fixed voice services, and Sky and Virgin Media do not offer them for sale on their websites).

2.2.3 Broadband prices have remained steady despite faster speeds and higher use

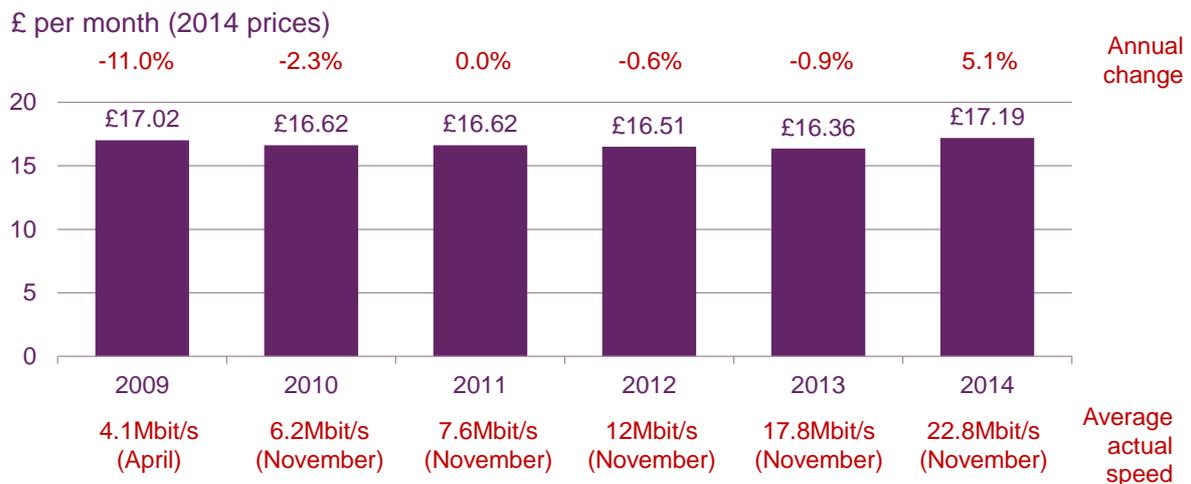
Between 2009 and 2015 the average cost of broadband has hardly changed, while average speeds have quadrupled

One indication of how services have improved is the continuing rate of increase in average fixed broadband speeds, as consumers adopt superfast broadband and providers introduce faster packages. We can calculate the average price paid for a residential fixed broadband connection by using the retail fixed broadband revenue and lines information provided to Ofcom by internet service providers (ISPs) as part of our regular data collection programme.⁶

As Figure 7 below indicates, residential fixed broadband users received an average actual speed of 22.8Mbit/s in 2014, more than five times as fast as in 2009, while paying only slightly more in real terms.

Since 2013, however, prices have increased. Our figures indicate that the average monthly price of a residential broadband connection increased by 5.1% to £17.19 in real terms in 2014 (Figure 7). The key driver of this increase was consumers migrating onto faster broadband services, which typically command a price premium of £5-10 per month over 'standard' broadband services. In the year to November 2014 the proportion of residential connections that were superfast (i.e. with a headline speed of 'up to' 30Mbit/s or higher) increased from 24% to 32%.⁷

Figure 7 Average monthly price of residential fixed broadband connection



Source: Ofcom / operators

Note: Includes estimates where Ofcom does not receive data from operators; includes VAT; adjusted for CPI.

⁶ When compiling these figures, ISPs apportion revenues from bundled services across the services included in the bundle, based on their internal accounting conventions. The figures below should solely relate to the fixed broadband element of any bundled services.

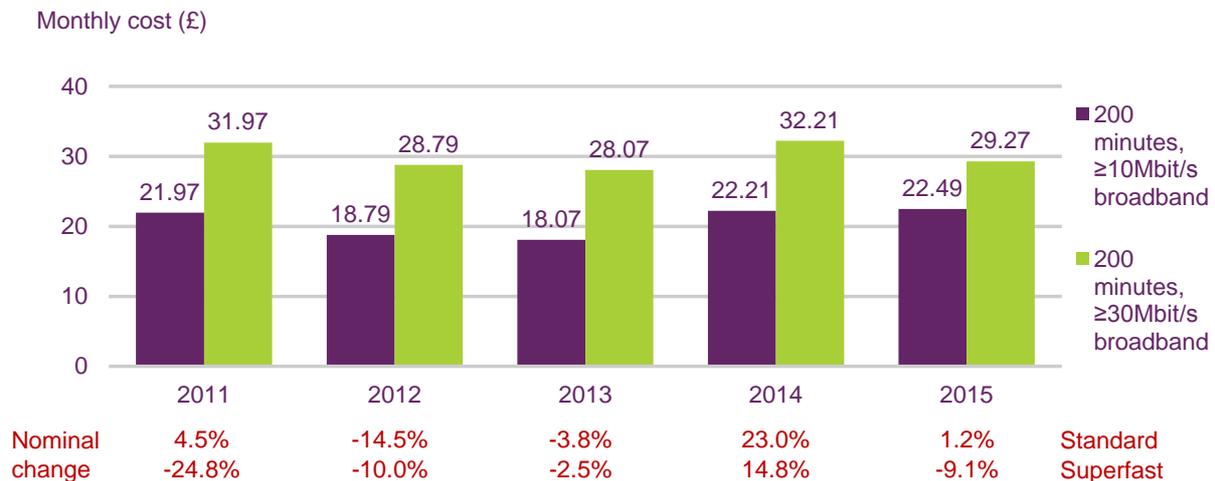
⁷ <http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/broadband-speeds/broadband-speeds-november2014/>

The gap between the price of superfast and standard broadband has narrowed

One reason why consumers are increasingly taking up superfast broadband is because the price gap between standard and superfast broadband has narrowed over time.

Figure 8 below compares the cheapest available prices for a basket of services including a landline with 200 minutes of outgoing voice call minutes per month and either a standard or a superfast broadband product (i.e. one with an advertised speed of 'up to' 30Mbit/s or higher) with 50GB of data use per month. The lowest available price for the 'standard' broadband basket, using the tariffs offered by the UK's largest providers of residential fixed telecoms services, rose by 1.2% in nominal terms to £22.49 in 2015, while the lowest available price for the basket including superfast broadband fell by 9.1% to £29.27. The difference between the lowest price available for each of the baskets in 2015 was £6.78 per month, down from £10.00 per month in 2014.

Figure 8 Lowest price available for a basket of voice calls and fixed broadband



Source: Ofcom / Teligen

Notes: Nominal prices based on tariffs available in July each year; basket includes 200 voice minutes (91% UK geographic, 7% to UK mobile, 2% international), 58% of calls in daytime, 25% in evening, 16% at weekend; prices shown include special offers available such as reduced monthly fees for an introductory period.

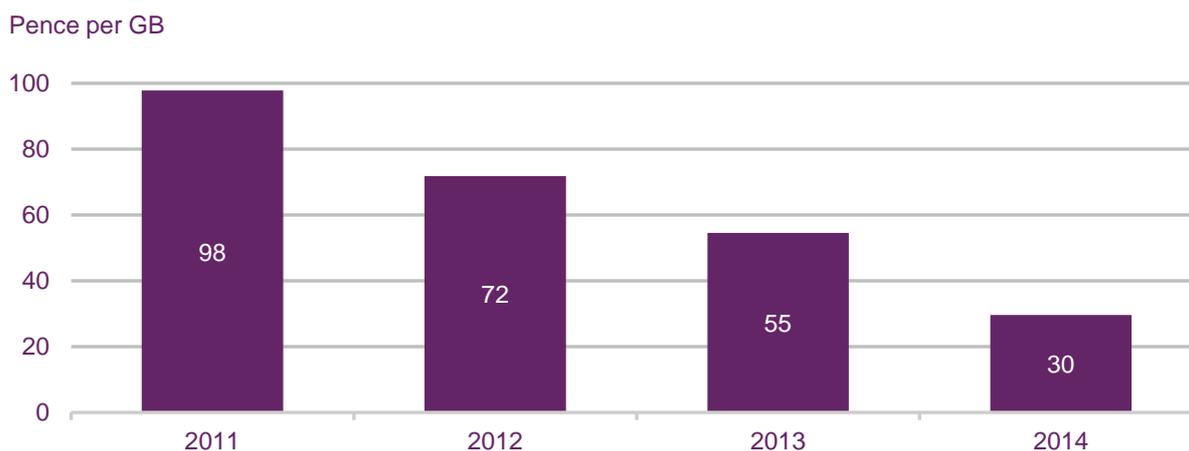
Consumers are downloading ever more data and paying less per unit

As well as receiving faster speeds, consumers are consuming more data over their fixed broadband connections. As our 2015 *Connected Nations* report showed, the amount of data downloaded by consumers has recently been growing by about 40% a year, driven largely by increasing use of video streaming services. Between 2011 and 2015, the average volume of data consumed per fixed broadband

connection grew from 17GB per month to 82GB per month (112GB per month over superfast connections).⁸

We are able to calculate the average cost per GB of data used for residential fixed broadband connections by dividing the average price of residential broadband connection by the average data use per connection.⁹ This shows that the average price per GB of data delivered over residential fixed broadband connections fell by over two-thirds, from 98p to 30p, in the three years to 2014 (Figure 9).

Figure 9 Residential fixed broadband: average cost per GB



Source: Ofcom / operators

Notes: Includes VAT; adjusted for CPI

2.2.4 Consumers can achieve savings by buying voice, broadband and pay-TV services as triple-play bundles

The price of a basket of services designed to reflect the requirements of a ‘connected family’ household has been flat over the last few years

Bundled services have grown in popularity over the last decade, as purchasing more than one communications service from a single provider is usually cheaper than purchasing the same services separately; and consumers also benefit from the convenience of only receiving one bill for multiple services. Ofcom research shows that by Q3 2015, two-thirds of UK households (67%) bought two or more communications services as a bundle from the same provider.¹⁰

As take-up of bundled services continues to increase, it is necessary to consider the trends in bundle pricing as well as those in stand-alone pricing. Figure 10 shows the lowest prices available for a basket of communications services based on purchasing any combination of bundled and stand-alone tariffs offered by the largest UK providers of residential communications services. This basket of

⁸http://stakeholders.ofcom.org.uk/binaries/research/infrastructure/2015/downloads/Fixed_broadband_services.pdf

⁹ Average data use is calculated from data provided by ISPs for use in Ofcom’s *Connected Nations* reports. <http://stakeholders.ofcom.org.uk/market-data-research/market-data/infrastructure/?a=0>

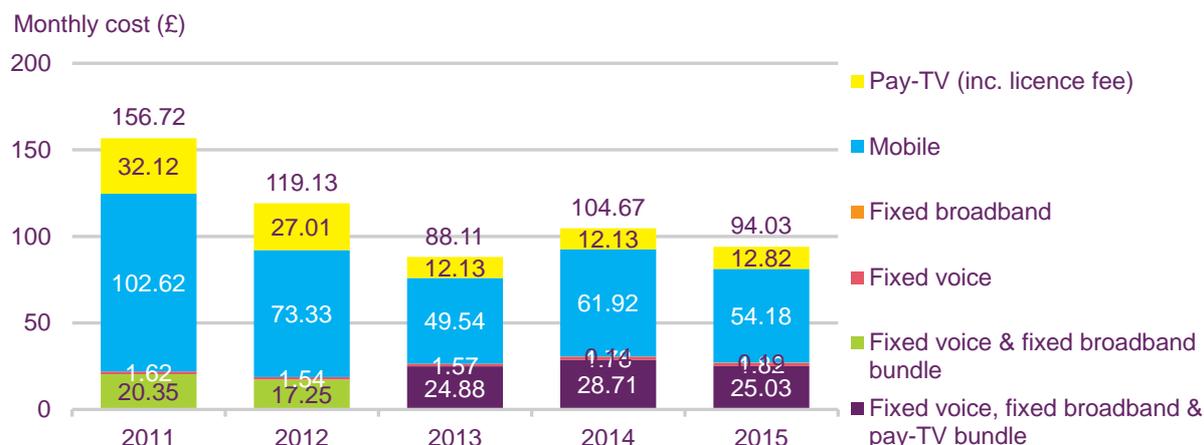
¹⁰http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015oct/Ofcom_Technology_Tracker_Half_2_2015_UK_data_tables.pdf see table 100

services is based on the usage profile of a typical family of two parents with two teenage children, and requires:

- a fixed voice service with 200 minutes of outgoing calls per month;
- a fixed broadband connection with an advertised speed of at least 'up to' 10Mbit/s and 50GB of data use per month;
- four mobile phones with varying call, SMS and data use; and
- a basic pay-TV subscription including HD content and a DVR.

The availability of bundle discounts meant that in each of the five years to 2015 it was cheaper to purchase two or more of the services required by the household as part of a bundle. In July 2015 the 'lowest available' price combination of services included a TalkTalk triple-play bundle of fixed voice, fixed broadband and pay-TV services which, at £27.73 per month (including the household's out-of-bundle use), was less than half the lowest price achievable by buying all three services separately. Overall, the total price for the household's use, including mobile services and the TV licence fee, was £94.03, £10.64 a month (10%) lower than in 2014, due mainly to a fall in the lowest available price for the four mobile phone connections required by the household.¹¹

Figure 10 Lowest prices available for a basket of communications services typical of a 'networked family' household



Source: Ofcom / Teligen

Note: TV includes the licence fee, the price of a set-top box/decoder and installation; basket includes 200 fixed voice minutes (91% UK geographic, 7% to UK mobile, 2% international), 58% of calls in daytime, 25% in evening, 16% at weekend and three mobile phones: Connection 1 with 250 call minutes, 100 SMS & 400MB data, Connection 2 with 150 call minutes, 200 SMS & 300MB data, and Connections 3 & 4 with 100 call minutes, 250 SMS and 2GB data

¹¹ This fall in mobile prices should be treated with caution as it is largely due to the inclusion of tariffs from Tesco Mobile which were not included in previous years; it is also the case that the price of the mobile components was higher in 2015 than in 2013.

2.2.5 Competition has served mobile customers well

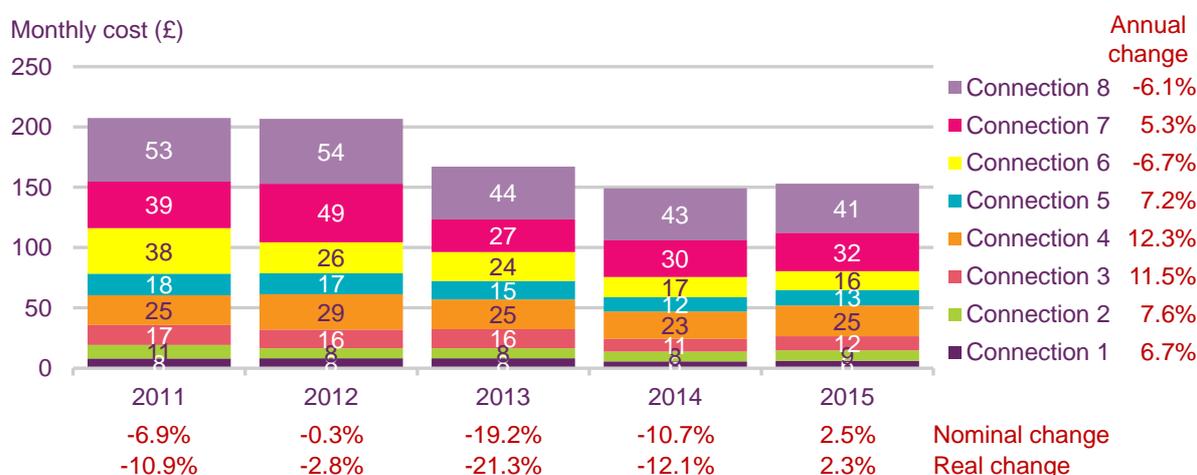
Prices for baskets of mobile services have remained steady, with higher prices for voice services offset by lower prices for mobile data

Our analysis of the prices available for the eight mobile connections included in the five household baskets used in the Teligen pricing analysis finds that, overall, there was a small increase in prices in 2015, in aggregate, up by 2.3% in real terms. This is the first overall increase since we started tracking prices for these eight connections in 2011.

Figure 11 Composition of mobile phone baskets: 2011-2015

	Handset type	Outbound voice minutes per month	Outbound SMS per month	Data use per month
Connection 1	Basic	50	None	None
Connection 2	Basic	50	25	100MB
Connection 3	Intermediate	150	200	300MB
Connection 4	Intermediate	250	100	400MB
Connection 5	Premium	200	50	500MB
Connection 6	Intermediate	100	250	2GB
Connection 7	Premium	300	150	1GB
Connection 8	Premium	500	200	5GB

Figure 12 Weighted average of best prices available from the three largest operators: 2011-2014



Source: Ofcom / Teligen

Note: Calculated from lowest tariff available from each of the three largest mobile operators by retail market share in July of each year; nominal prices; full details of methodology, basket composition and in-depth analysis is provided in Ofcom's 2014 *International Communications Market Report*

(http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr14/icmr/ICMR_2014.pdf).

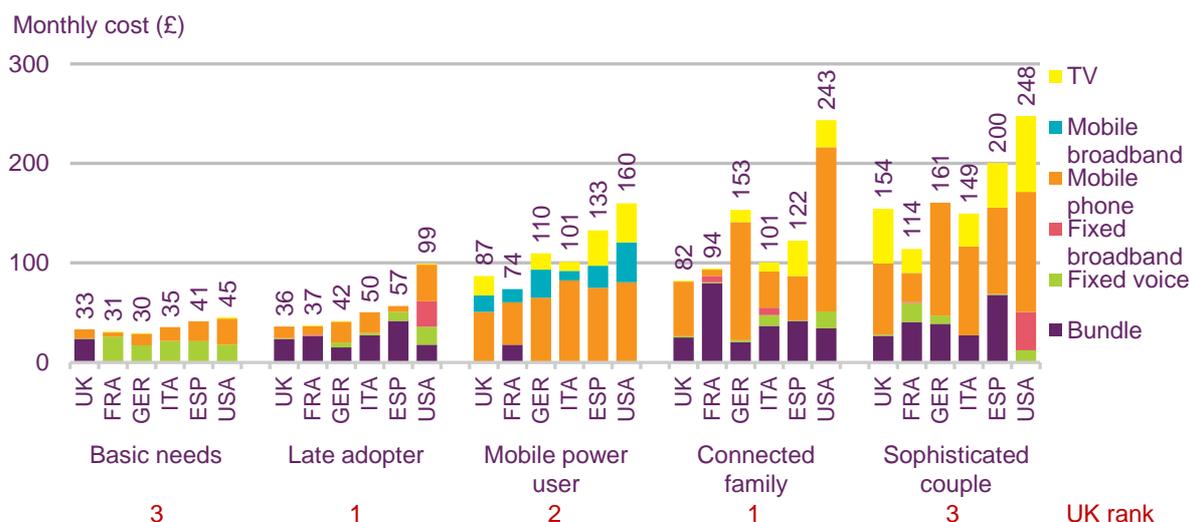
2.2.6 International comparisons

Overall, prices in the UK compare favourably to those in comparator countries

In order to better understand trends in UK pricing, it is useful to compare the prices available in the UK with those in other countries, and we do this in Ofcom's

*International Communications Market Reports.*¹² Figure 13 summarises how prices in the UK compared to those available in five comparator countries in July 2015. It shows that UK prices for ‘baskets’ of communications services designed to be representative of ‘typical’ household compared favourably to those available to consumers in the US and in the other large European economies. France and the UK each had the cheapest ‘lowest available’ prices for two of the five household usage profiles (France for ‘mobile power user’ and ‘sophisticated couple’, the UK for ‘late adopter’ and ‘connected family’), while Germany had the cheapest ‘lowest available price’ for the remaining household.

Figure 13 Comparison of lowest-priced services, including multi-play, for baskets of communications services typical of five household types



Source: Ofcom / Teligen

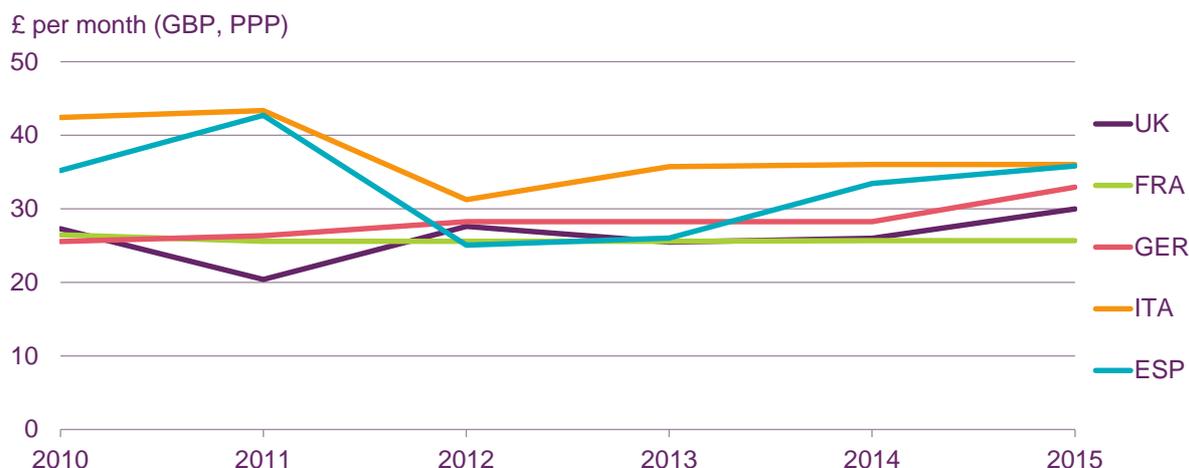
Note: Based on weighted average of the best tariffs available from the three largest operators in each country in July 2014; PPP adjusted; ‘TV’ excludes the licence fee.

The price of a basic fixed broadband and voice service from BT is the second lowest among the EU5’s incumbent providers

Using tariff data provided by Teligen, we are able to compare the monthly price of the most basic residential landline and fixed broadband bundles offered by the incumbent providers’ brands in the EU5 countries (BT in the UK, Orange in France, T-Home in Germany, Telecom Italia in Italy and Movistar in Spain). This analysis excludes any connection fees, promotional discounts and/or line rental pre-payment services. As shown in Figure 14, although BT had the second-lowest-priced basic fixed broadband and landline service among the EU5 incumbents in July 2015 (after Orange in France), its prices are increasing relative to those of most of these countries’ incumbent providers.

¹² <http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/>

Figure 14 Incumbents' cheapest landline & fixed broadband services, excluding promotional discounts



Source: Ofcom, using data provided by Teligent
 Note: Nominal prices; data as at July of each year

2.3 Concerns about recent pricing trends

2.3.1 Some consumer segments may be adversely affected by market trends

While there is a broadly positive picture for consumers, there may also be emerging issues

While the broad picture outlined above appears positive, there are indications that there may be some particular problems concerning pricing, which may be causing detriment to consumers, particularly vulnerable consumers. Below we outline three major concerns that we intend to consider in more detail in the coming months.

- Fixed voice telephony prices are continuing to rise, potentially causing harm to vulnerable or older consumers, in particular.
- For bundled services, there is now more emphasis on short-term and promotional discounts, with potential negative consequences for unengaged consumers.
- The growth of promotional pricing, combined with increasing product and tariff complexity, may make it harder for consumers to compare services and find their personal best value deal.

These trends create particular concerns, as vulnerable consumers may be disproportionately affected. The majority of landline-only customers are aged over 65 and on low incomes; older consumers are also likely to be 'inactive' in that they have low interest in the market and do not keep up to date with it; and 'vulnerable' consumers are more likely to have difficulties in navigating complex markets and identifying tariffs which best meet their needs.

We describe these price trends, and our concerns about them, in more detail below.

2.3.2 Increases in line rental and out-of-bundle call prices may disproportionately affect stand-alone voice customers

Competitive focus on the price of broadband means that voice-only customers are facing reduced choice and higher prices

As outlined above, line rental prices have increased significantly in recent years and it seems likely that this is, in part, due to reduced voice calls, a competitive focus on the price of broadband and a general shift away from usage-based pricing towards access-based pricing.

The biggest fixed-line providers have many more broadband customers than landline-only customers. There are indications that they are seeking growth in their total customer base and revenues by winning new broadband customers through offering attractive broadband prices rather than by offering low line rental prices, as evidenced by the fact that line rental prices have increased while broadband prices have remained steady.

Dual-play and triple-play customers are unlikely to care whether price increases are due to the price of line rental or other services included in their bundle. But this is obviously not the case for the approximately two million UK households that have a fixed voice service but do not have a fixed broadband service. These consumers do not benefit from competition in broadband markets, but they still have to pay more for their landline. Moreover, there is less choice available to these consumers. BT continues to have the majority of stand-alone voice customers, TalkTalk no longer offers a voice line as a stand-alone service, and Virgin Media and Sky do not promote their stand-alone services.

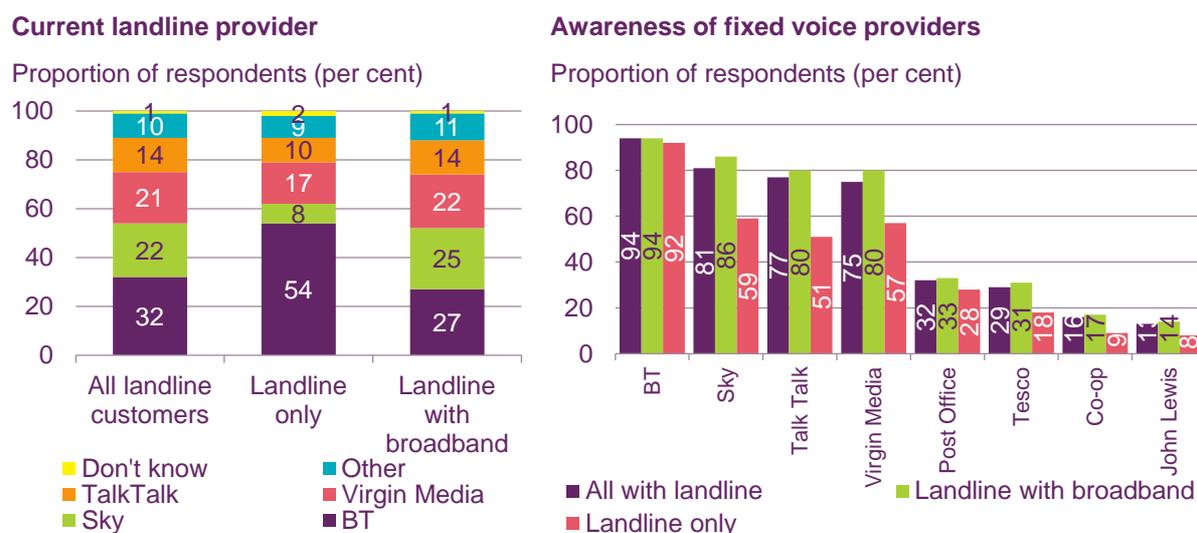
Although stand-alone voice customers can save money by switching to cheaper packages and tariffs, most have not done so

Ofcom consumer research, conducted in Q3 2015, found that the majority of stand-alone fixed voice customers (71%) had never switched provider, compared to 51% of all landline users. The implications of this are potentially serious as it may lead to an impediment to effective competition, since limited demand-side engagement reduces incentives for suppliers to compete for stand-alone voice customers. Further information on service switching can be found in Section 3.5 of this report.

Not only is competition for landline-only customers less fierce than for those taking bundled services, but the research also suggests that most of those purchasing stand-alone voice services have low awareness of alternative telecoms providers. As shown in Figure 15 below, over half of landline-only users were BT customers in Q4 2014, twice the proportion of landline users with a fixed broadband connection. Similarly, awareness of residential fixed telecoms providers other than BT was lower among landline-only customers, suggesting that they are less engaged with the market.

This lack of engagement with the market could mean that many landline-only consumers are not getting the best deal available.

Figure 15 Awareness and use of alternative providers: landline-only customers



Source: Kantar Media Omnibus, November – December 2014

Operators have withdrawn from offering landline-only services

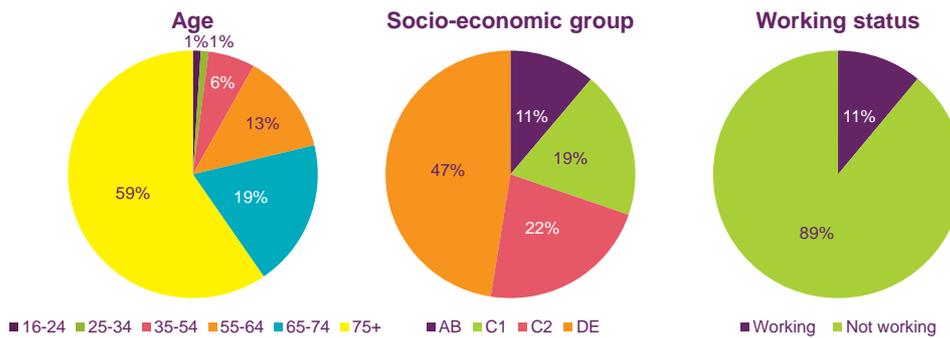
There is also less opportunity than in previous years for consumers to save money by switching provider, as operators are competing less vigorously for voice-only consumers. The withdrawal of TalkTalk from landline-only services has reduced consumer choice, and there is also less price competition from smaller providers. For example, the Post Office continues to offer one of the lowest-priced line rentals, but its price has increased from £11.75pm in January 2014 to £16.00 in January 2016.

While savings are available by paying for 12 months' line rental in advance, the savings that these tariffs offer have fallen over time. When it launched in 2011, BT's 'line rental saver' cost £120 per year, a saving of 28% compared to paying its standard monthly line rental (£13.90). In December 2015 it cost £194.28 per year, a saving of 10% compared to BT's standard line rental of £17.99 per month.

Increases in stand-alone voice prices may disproportionately affect elderly and low-income consumers

Above-inflation rises in line rental prices are of particular concern because of whom they may affect. As shown in Figure 16, a majority of stand-alone voice customers are elderly and on lower incomes, with 78% being over 65 and 59% over 75, 47% in the DE socio-economic group and 89% not in work.

Figure 16 Split of stand-alone fixed voice homes, by demographic



Source: Ofcom technology tracker H2 2015

Base: All adults aged 16+ who have a landline (1982)

Stand-alone landline – no internet refers to those who do not say ‘yes’ to the question “Do you or does anyone in your household have access to the internet/ world wide web at home (via any device, e.g. PC, laptop, mobile phone etc)? “ and therefore do not have access to the internet through any device.

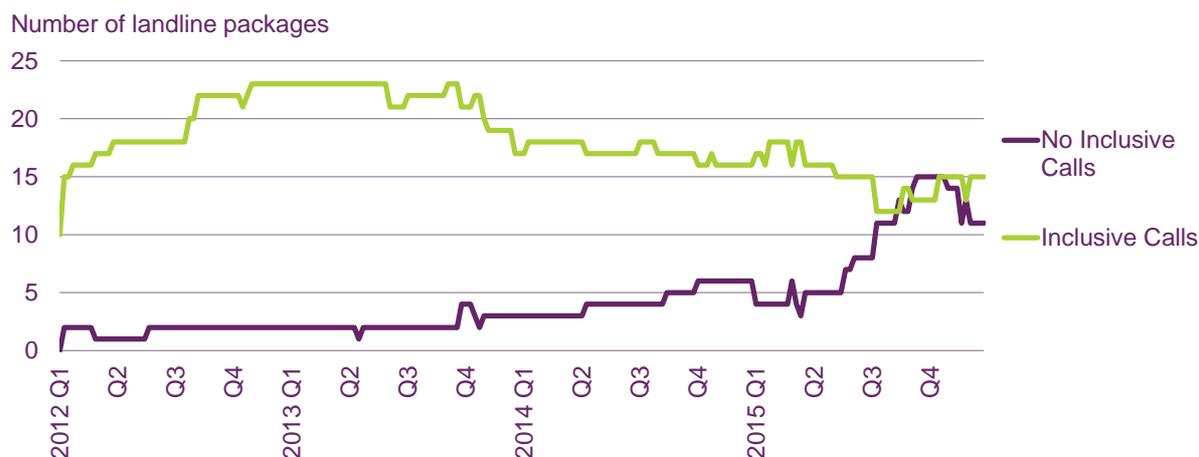
The number of landline packages without an inclusive call allowance has grown significantly

Many consumers only take a voice line because it is required for them to receive fixed broadband services, and Ofcom research found that internet access was the most important reason for having a landline for 42% of those with a landline at home in H2 2015 (rising to 62% among those aged 15-24).¹³

An emerging trend in fixed voice pricing over recent years has been growth in the number of phone packages that do not have any inclusive calls (previously, even the most basic services had provided an inclusive call allowance of weekend and/or evening calls). Such tariffs may be the cheapest option for consumers who make few or no outgoing fixed voice calls, but for consumers who make even a small number of calls these tariffs can be comparatively expensive, and they would be better off purchasing an additional call package. TalkTalk was the first of the major UK residential fixed telephony providers to offer a landline service without an inclusive call allowance, when it launched its low-cost *Simply Broadband* service in 2013, and by Q4 2015, there were almost as many landline tariffs available without any inclusive calls as with them (Figure 17).

¹³ Ofcom Technology Tracker, H2 (Jul-Aug) 2015

Figure 17 Number of packages with and without inclusive and paid-for call plans



Source: Simplifydigital

Call prices are increasing

As well as the increases in line rental prices, residential fixed telephony customers have also faced a rise in the cost of making calls. Figure 18 shows that UK calls to landlines have increased in price by an annual rate of over 9% in recent years, well above the rate of inflation. Call bundles are also increasing in price – the average price of weekend and evening call packages increased by an average of 14% a year between 2012 and 2015, and anytime call bundles increased by an average of 10% a year. In addition, while line rental saver pre-payment tariffs enable consumers who are able to pay for a year upfront to save on the cost of their line rental, the average saving offered by the UK’s four largest residential landline providers’ pre-payment tariffs, compared to their standard tariff, more than halved to 14% between 2012 and 2015.

Consumers may also face a number of other costs which can significantly increase their bills, including call set-up fees, charges for voicemail, caller ID, receiving a paper bill and not paying by direct debit. Some consumers are also still paying quarterly rental fees for handsets. These charges may be ‘hidden’ to many consumers, and customers may not be aware of them unless they check their bills. They do not typically feature in advertising or price comparison services, so may not be considered when consumers choose their provider.

Figure 18 Summary table of out-of-bundle call charges

	2012	2013	2014	2015	CAGR
UK geographic call (pence/minute)	8.6	9.2	10.2	11.1	9.2%
0845 call (pence/minute)	8.9	9.4	7.2	9.9	3.6%
0870 call (pence/minute)	8.9	9.4	7.2	9.9	3.6%
Non-Three UK mobile call (pence/minute)	13.9	13.8	13.9	14.0	0.2%
Three UK mobile call (pence/minute)	17.0	16.9	17.0	14.0	-6.2%
Weekend call bundle (£/month)	0.00	0.00	0.00	0.00	n/a
Evening & weekend call bundle (£/month)	2.63	3.30	3.30	3.93	14.3%
Anytime call bundle (£/month)	5.79	6.38	6.88	7.75	10.2%
Call connection fee (pence/call)	13.3	13.7	14.8	17.1	8.9%
Standard line rental (£/month)	14.86	15.70	16.77	17.77	6.1%
Line rental saver (equivalent £/month)	10.05	11.15	14.29	15.26	14.9%

Source: Simplifydigital

Notes: Data as at end of each year; figures are the average of the prices offered by BT, Sky, TalkTalk and Virgin Media

Consumers may face high bills if they are not on tariffs which best meet their needs

Given the multiplicity of tariffs, it is important that consumers are sufficiently engaged, and have the tools, to choose the call package which best meets their needs. If they do not, they may end up paying significantly more than is necessary. The rise in the price of out-of-bundle calls means that consumers who make even a small number of calls could save money by having an inclusive call package. For example, a BT customer without an inclusive call package would only have to make two 15-minute calls to a UK landline in a month to be better off on BT's Evening and Weekend call package. Figure 19 below compares the price of making the average number of calls from a residential fixed line in July 2015, based on BT's five different residential voice tariffs.¹⁴

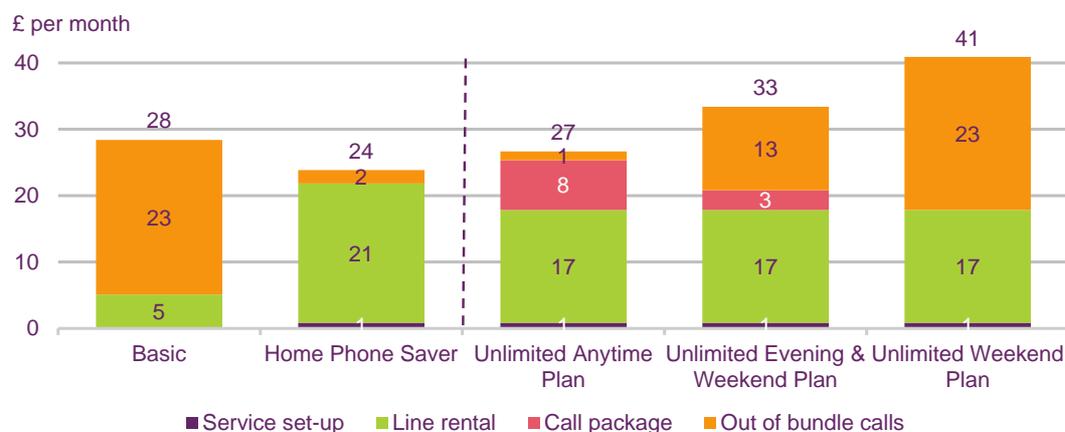
BT Basic is a 'social tariff' offered under the universal service obligation (USO), which requires that basic telephony services are provided at an affordable price to all consumers. It is only available to consumers who meet eligibility criteria, such as being in receipt of certain benefits such as income support, jobseeker's allowance, pensions credit and universal credit. It offers line rental at a heavily discounted rate (£5.10 a month), but includes only a relatively small number of inclusive calls (£1.50 a month). As a result, its overall cost is higher than some other BT tariffs for a consumer making an average number of calls.

The lowest-cost BT tariff, based on this basket of an average number of calls, is the BT Home Phone Saver tariff. This was launched in August 2014, is available only to consumers that do not take a fixed broadband service over the same line, and offers line rental, anytime landline calls and various calling features for £20.99 a month. For an average voice user with broadband, the Unlimited Anytime Plan is the lowest cost BT tariff, with the £7.50 fee for inclusive calls offering considerable savings over per-minute charges. For average landline users, the Unlimited Weekend plan is the most expensive of the three BT phone-only plans, as while

¹⁴ We have used BT as it is currently the only one of the UK's four largest residential fixed telecoms providers to actively sell stand-alone voice services.

consumers do not have to pay for the call package, out-of-bundle calls average at £23.

Figure 19 Price of a basket of stand-alone BT fixed voice services



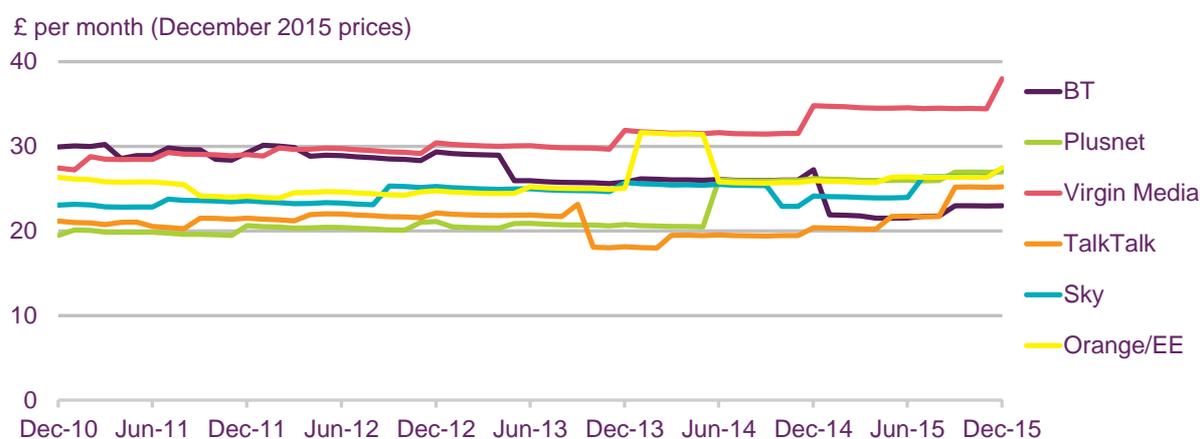
Source: Ofcom, using data provided by Teligen, July 2015 data

Note: Basket includes 152 fixed voice minutes (93.3% UK geographic, 6.7% to UK mobile, 0.1% international), 40% of calls in daytime, 40% in evening, 20% at weekend; service set-up costs are amortised over five years.

2.3.3 A focus on promotional pricing may result in higher prices for un-engaged consumers

Figure 20 shows how the lowest 'list' price of a basic broadband and landline service from the UK's largest providers has evolved over the last five years. The 'list' price is the standard price paid for a service, i.e. excluding any discounts, and as such represents the price that out-of-contract customers pay (or the price that in-contract customers pay after any introductory discount has expired). It shows that after years of relative stability, list prices have been increasing in real terms (i.e. adjusted for inflation) since 2013.

Figure 20 Price of basic residential fixed line rental and basic broadband services



Source: Ofcom / Pure Pricing UK Broadband Updates

Note: Adjusted for CPI; excludes line rental saver pre-payment tariffs and promotional discounts

Promotional discounting has become a more important element of communications pricing

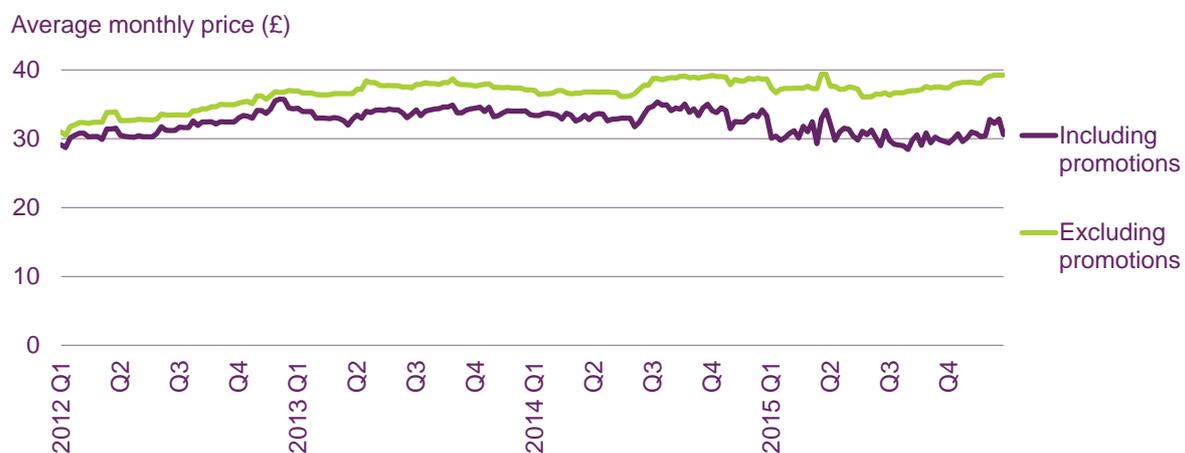
However, while standard 'list' prices have increased, consumers who switch providers or packages can usually get much better deals. Indeed, over time, the gap between promotional prices and the full, non-discounted price (i.e. the list price) has risen.

Figure 20 shows average standard list prices available for dual-play fixed broadband and voice tariffs, and average discounted prices. It indicates a growing gap between 'list prices' (which have increased) and promotional prices available to new customers. In Q4 2012 the average discounted dual-play price was 5% lower than the average list price, but by Q4 2015 this saving had increased to over 20%.

The form of these discounts varies. In some cases, a provider states explicitly at the outset that there is a discount offered for part of the contract (e.g. "six months half price"), or offers a one-off bill credit or retail vouchers, but in other cases a low price is offered for the entire minimum contractual period, with the price then increasing (more than doubling in some cases) at the end of the contract.

In January 2016, the Advertising Standards Authority announced that a number of changes to the rules around fixed broadband advertising would be introduced from 30 May 2016, including giving greater prominence to the contract length and any post-discount pricing and any up-front costs, and stating all-inclusive prices rather than separating out line rental where this is required.¹⁵

Figure 21 Average cost of a dual-play fixed broadband and landline bundle, including and excluding promotional discounts



Source: Simplifydigital

Note: The average monthly cost is calculated across each service's minimum contractual term; includes discounts given as bill credits and/or retail vouchers and those that last the entire length of the minimum contractual term.

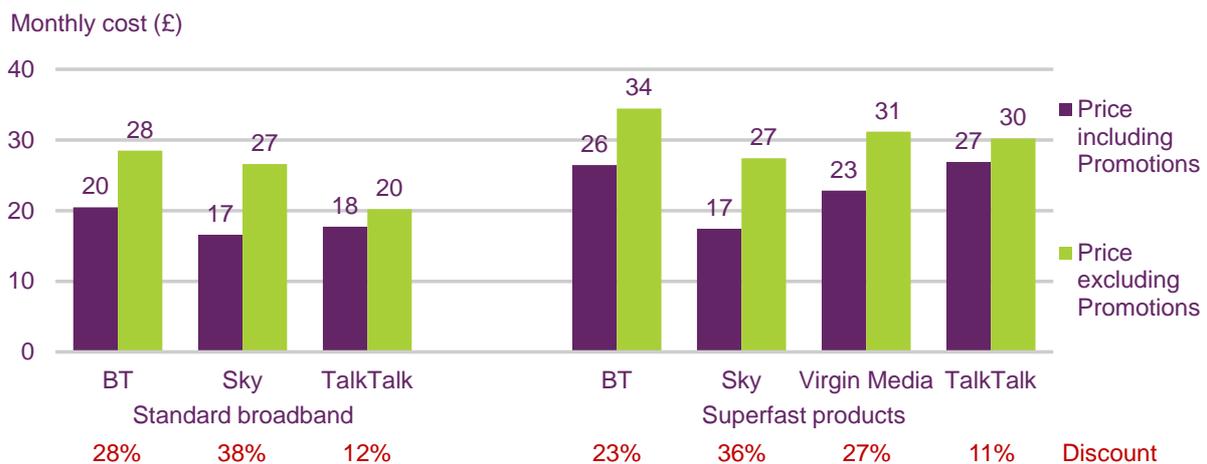
¹⁵ https://www.asa.org.uk/News-resources/Media-Centre/2016/ASA-signals-need-for-change-in-advertising-of-broadband-prices.aspx#.VqDCG_mLTGg

Heavy promotional discounts are now a commonplace feature in broadband pricing

TalkTalk's broadband pricing provides some insight into how dynamics in the market are changing. In 2013 TalkTalk introduced *Simply Broadband* as its basic tariff, which at £2.50 per month (plus line rental) was the lowest-priced dual-play fixed broadband and landline service among the UK's largest residential ISPs. By February 2016 the standard price for *Simply Broadband* had trebled to £7.50 per month, but it was being offered free (with line rental payable) for the first 12 months of the service's 18-month minimum contractual term.

Other operators have adopted similar pricing approaches. BT's unlimited ADSL service was £5 per month (plus line rental) in February 2016, increasing to £18 a month at the end of the 12-month contract, while Sky offered ADSL broadband free for a year (with line rental payable) increasing to £10 a month thereafter. Figure 22 outlines the difference in the discounted and non-discounted prices available for standard and superfast broadband services with a voice line from the UK's four largest fixed-line providers, based on tariffs available in July 2015. It indicates that all of the operators use promotional pricing, with similar levels of discounts for standard and superfast products.

Figure 22 Prices for a basket of fixed voice calls and fixed broadband, including and excluding promotional discounts



Source: Ofcom / Teligen, July 2015 data

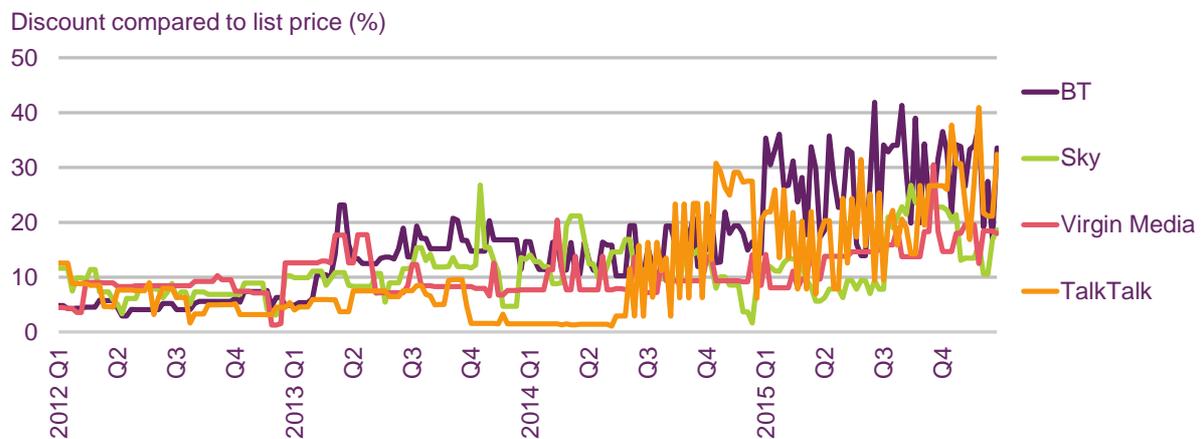
The depth of discounting has increased significantly over the past two years

Figure 23 is compiled from Simplifydigital data, and shows how the level of discounting from the major fixed operators has evolved over the last few years (the erratic nature of the levels of discount offered by providers indicates the frequency at which promotions are changed). The data show that the average promotional discount offered by the four largest UK ISPs (which is calculated as an average of the list price over the service's minimum contractual term) increased from 6% to 23% between Q4 2012 and Q4 2015.

In addition to the promotional discounts that are offered to new customers, engaged consumers who have reached the end of their contract can frequently get discounted offers from their existing service provider, although these are more difficult to quantify. Research conducted by Moneysavingexpert.com in 2014

highlighted that a majority of consumers who haggled with their communications provider reported success in securing a better deal.¹⁶

Figure 23 Promotional depth, by supplier dual-play fixed broadband and landline bundles



Source: Simplifydigital

Note: Graph shows the average depth of offers as a % of contract costs over the service's minimum term; includes discounts given as bill credits and/or retail vouchers and those which last the entire length of the minimum contract term.

The growing gap between standard and promotional prices indicates a market segmentation between engaged and non-engaged consumers

This trend, of discounting becoming common across all providers, accompanied by rising undiscounted prices, means that there is likely to be a growing gap between the prices paid by consumers who switch provider and those who do not.

The consumer impact of this shift to promotional price discounts will vary according to the characteristics of a particular consumer:

- Consumers who regularly switch between providers will benefit. For instance, a consumer who switches provider every 12-18 months, at the end of each contracted period, will be able to take advantage of providers' promotional discounts, never having to pay the full, undiscounted price to any provider.
- A consumer who switches provider less frequently may or may not benefit. For such consumers, the effect of falling short-term prices and higher undiscounted prices is difficult to ascertain and will depend on how long they stay with each provider. For example, a consumer who switched from provider X charging £25 a month to provider Y charging £15 for 12 months and £30 a month thereafter would be better off if they remained with provider Y for less than three years, but would be worse off if they stayed for longer than that.

¹⁶ <http://www.moneysavingexpert.com/poll/18-11-2014/which-of-these-firms-have-you-tried-to-haggle-with-in-the-last-year>

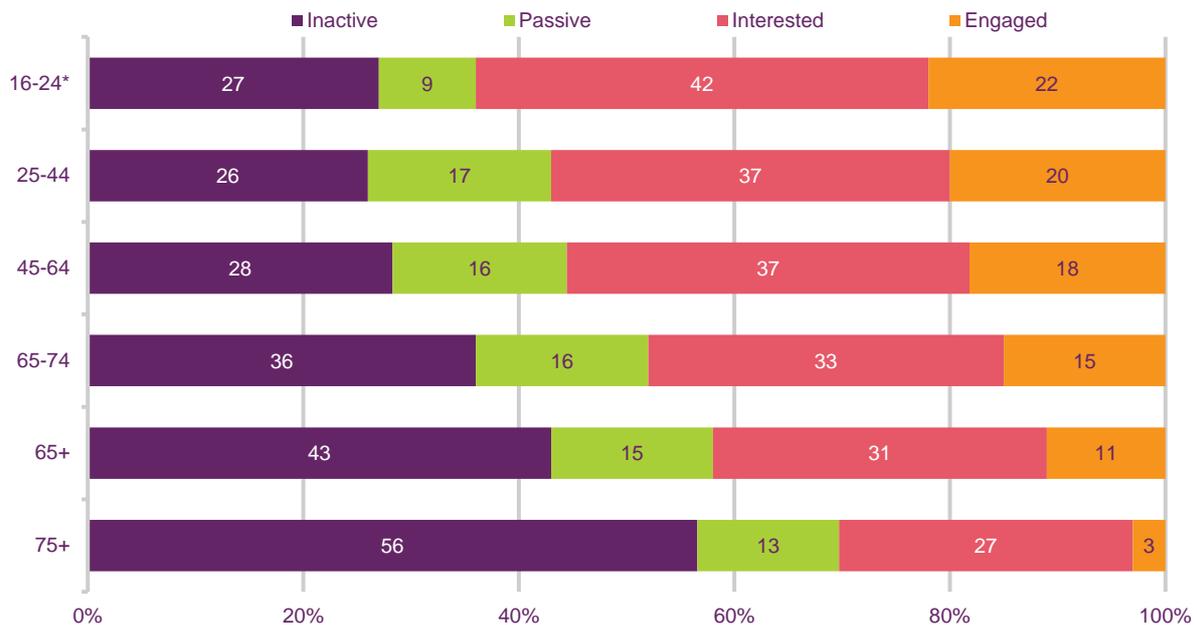
- Consumers who do not switch provider are likely to end up paying more if undiscounted prices rise while promotional prices fall – they will have to pay the former and will not benefit from the latter.

Research evidence on the extent and frequency of consumer switching suggests that the majority of consumers fall into the latter two groups, and that the overwhelming majority of consumers do not switch provider very often.

As set out in the Consumer engagement chapter (see Section 31 below), only 11% of broadband consumers indicated that they had switched provider during the previous 12 months. Moreover, 29% of broadband consumers were classified as being ‘inactive’ in the market with a further 16% classified as ‘passive’ (see Figure 25 in Section 31 below). This suggests that there is a significant group of consumers who are not taking advantage of the widespread price discounts and savings available to them and are instead paying higher prices as undiscounted list prices continue to rise. Older consumers are less likely than younger ones to be engaged in the fixed broadband market

Around a third of consumers are ‘inactive’, in that they have low interest in the market and do not keep up with it. It is these consumers who are most likely to be affected by the growing gap between promotional prices and list prices, and elderly consumers are most at risk: 45% of over-75s are ‘inactive’ and just 5% are ‘engaged’, compared to 35% inactive and 14% engaged across all UK adults.¹⁷

Figure 24 Fixed broadband market: level of engagement, by age



Source: Ofcom Switching Tracker, conducted by Saville Rossiter-Base, July - August 2015

Base: All adults aged 16+ who are the decision-maker for broadband (16-24, 75; 24-44, 590; 45-64, 804; 65-74, 267; 65+, 391; 75+, 124)

*Note: low base size (under 100), treat as indicative only.

¹⁷ See section 3.4 below for an overview of levels of participation in communications markets

2.3.4 Increasing complexity may reduce pricing transparency and lead to poor decision making

Although the proliferation of different types of discount and tariff (dual-play, triple-play etc.) increases choice for consumers, its downside is increase in price complexity. Pricing complexity may make it more difficult for consumers to navigate the market and compare tariffs, and increases the likelihood that some consumers will make sub-optimal choices. We recently published consumer research, in collaboration with the Advertising Standards Authority, which showed the negative impact of pricing complexity on broadband consumers.¹⁸ We found that many of them, having been shown broadband advertisements, were unable to correctly recall the total monthly price that was being offered. Common mistakes included:

- not taking account of the need to pay line rental fees on top of broadband prices;
- being unable to calculate the amount payable after any free or discounted introductory period;
- disregarding the total length of the contract; and
- ignoring any set-up, installation, delivery or activation costs.

Participants in the research also reported a particularly strong level of uncertainty and suspicion when the cost of the broadband service was advertised as 'free' and a volume of 'small print' was included in a footnote. Some participants reported that the effort and difficulty associated with looking into the small print of offers made them sceptical, and put them off looking further into the detail of what was being offered.

2.4 We are examining the impact of changing price trends on consumers

In our Proposed Annual Plan for 2016/17,¹⁹ we highlight that monitoring price increases, providing advice and information on pricing, and making sure all consumers receive value from their communications providers, will all be priority work areas.

Over the next few months we intend to examine in more detail whether consumers are being harmed by these price trends and what, if any, measures should be implemented to counteract them.

We welcome the fact that the Advertising Standards Authority plans to implement changes in the way in which broadband providers advertise their services, to come into force at the end of May 2016. Requiring providers to offer consolidated pricing for bundled line rental and broadband services may ease pressure on line rental prices by making them more visible to bundle customers. Similarly, the

¹⁸ https://www.asa.org.uk/News-resources/Media-Centre/2016/~//media/Files/ASA/Reports/Ofcom%20Fixed%20BB%20Advertising%20of%20prices_Futuresight_Final%20Report_FINAL.ashx

¹⁹ http://stakeholders.ofcom.org.uk/consultations/annual_plan_2016-17

requirement on operators to be clearer about promotional discounts is likely to make it easier for consumers to distinguish between promotional and list prices.

Nevertheless, we plan to do more to assess the implications of recent pricing trends for different types of consumers, including how prices vary for consumers taking different product sets (e.g. consumers taking voice services with and without broadband), and for consumers who are in or out of contract. To this end we are requesting additional information from operators on the actual prices paid by different consumer groups.

Alongside this we will further assess whether consumers are getting value from the market. This will include an assessment of how retail markets are serving different consumer segments, and the extent to which the trends of rising line rental prices, increasing consumer segmentation and growing price complexity are harming the interests of consumers.

Through our current reviews of voice and broadband markets we will ensure that there is effective competition in the supply of fixed telecoms services. We will also continue our work to increase consumer engagement, including by lowering switching barriers. As the data in this report indicate, while the UK communications markets continues to deliver good outcomes for consumers, it is essential that there is sufficient consumer engagement and price transparency if these outcomes are to continue.

Section 3

Consumer engagement

3.1 Introduction

To take advantage of competitive markets, consumers need to be equipped to shop around to obtain the best deal. This summary provides an overview of the extent to which consumers are interested in, and engaged with, each of the communications markets, and satisfied with their current provider. It also highlights why consumers switch or choose not to switch; this helps identify current and emerging barriers to switching.

Consumer information plays an important role in enabling interested consumers to participate in the communications market. This summary explores whether or not consumers know where to go to obtain comparative information to help them make informed choices.

3.2 Analysis points to note:

Data included in this summary have largely been drawn from Ofcom's annual Switching Tracker. These data have been supplemented by analysis from a recent programme of research (qualitative diary and online quantitative studies) focused on switching in the mobile market. The data tables, and associated slide packs (including full details of methodologies) from each of these studies are available on the website²⁰.

Please note the following:

- analysis among switchers generally exclude those who switch service provider(s) as part of moving house;
- the base for broadband represents those with fixed broadband rather than fixed or mobile broadband;
- ↓ Indicates significant decrease, ↑ indicates significant increase at 99% confidence level, compared to the previous year

The report provides a comparison of switching levels across total markets, and where sample sizes allow, compares switching by purchasing behaviour within markets; i.e. stand-alone fixed-broadband customer vs. bundled fixed-broadband customer. This allows us better to understand the impact of purchasing choices on switching behaviour.

This document covers the following key trends:

- consumer participation in communications markets;

²⁰http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/mobile_switching/

- switching in communications markets, including a comparison to other markets;
- attitudes to switching in communications markets;
- ease of switching in communications markets, including a comparison to other markets; and
- consumer information sources.

3.3 Key trends

- **Since 2014 there has been an increase in the proportion of ‘engaged’ consumers in each of the broadband and TV markets, and levels of interest have been maintained.** Over the past 12 months there have been small but significant increases in engagement in the broadband (from 14% to 18%) and TV (from 8% to 11%) markets (at a total market level). Engagement levels have returned to levels comparable with those in 2013 in both the fixed-line (14%) and mobile (18%) markets.
- **Switching levels have increased in most markets, following a dip in 2014, and are broadly comparable with those reported for gas and electricity.** Switching (in the last 12 months while remaining at the same address) in the fixed-line and mobile markets each increased by three percentage points since 2014 (from 6% to 9% for fixed-line and from 7% to 10% for mobile). Just under one in ten (8%) consumers had switched broadband provider, but switching remains lower for the main TV provider, at 4%. The increase in switching in 2015 follows a decline in all markets except TV in 2014, and brings levels closer to those reported for gas (10%) and electricity (11%).
- **One in ten consumers with a dual (11%) or triple-play bundle (10%) had used a different provider for at least one service in their bundle in the previous 12 months.** Eight per cent of dual-play customers had switched their entire bundle, compared to 7% among triple-play customers.
- **More consumers have taken up an offer of extra or improved services in the last year than have switched provider.** At least one in ten consumers (10% - 18%) in each communications market say they have taken up an offer of extra or improved services from their current provider in the last 12 months. This is more than the number of consumers who have switched to another provider, in each market.
- **Among inactive consumers, lack of a perceived cost benefit is the key reason for their lack of interest in changing provider.** Among those who do not agree that their provider is the best on the market, but who have not switched or considered switching, a perceived lack of cost benefit in switching is the most likely reason offered.
- **Reasons for considering, but not switching provider, vary by market.** In the broadband and TV markets ‘perceived hassle’ was the main reason why considerers had not switched (32% and 37%). In the fixed-line market it was ‘lack of perceived cost benefit’ (33%) and in the mobile market it was ‘terms and conditions’ (33%).

- **While a majority in each market report switching to be ‘easy’, around half of switchers in the fixed-line and broadband markets (when prompted) said they had experienced difficulties.** The switch least likely to be reported retrospectively as easy was ‘fixed line plus one other service’ (most commonly fixed broadband), at 81%.
- **Around a quarter of respondents consider it difficult to compare the costs of bundles of communications services.** Twenty per cent of respondents stated that it is, or would be, ‘difficult’ to compare the costs of stand-alone fixed-line services, and 24% said this about bundled services. This level of stated difficulty for bundled services is higher than in 2014 (up from 19%).

3.4 Consumer participation in communications markets²¹

We measure participation in communications markets by looking at a wide range of ways in which consumers can participate in the market, including by switching suppliers, staying informed, and being aware of changes in the markets. The segments analysed below are based on measures of past and present behaviour.

Consumers classified as ‘engaged’ have a high score for both past and present behaviour; they may have switched previously and are currently open to the idea of a new provider. Those classified as ‘inactive’ have a low score for both past and present behaviour; for example, they may not have switched or considered doing so in the past four years and are currently not reporting any interest in doing so.

3.4.1 Increase in engagement in broadband and TV markets, with maintained levels of interest

Following the decline in engagement reported in 2014, at a total market level, over the past 12 months there has been an increase in engagement in the broadband and TV markets. Engagement levels in 2015 are more than one in ten in each of the fixed-line (14%) and TV (11%) markets, and close to two in ten for each of the mobile (18%) and fixed broadband (18%) markets. Levels of interest have been maintained in each of the four markets in the past 12 months, and now stand at around four in ten in each of the fixed-line, fixed broadband, TV (each 37%) and mobile (36%) markets.

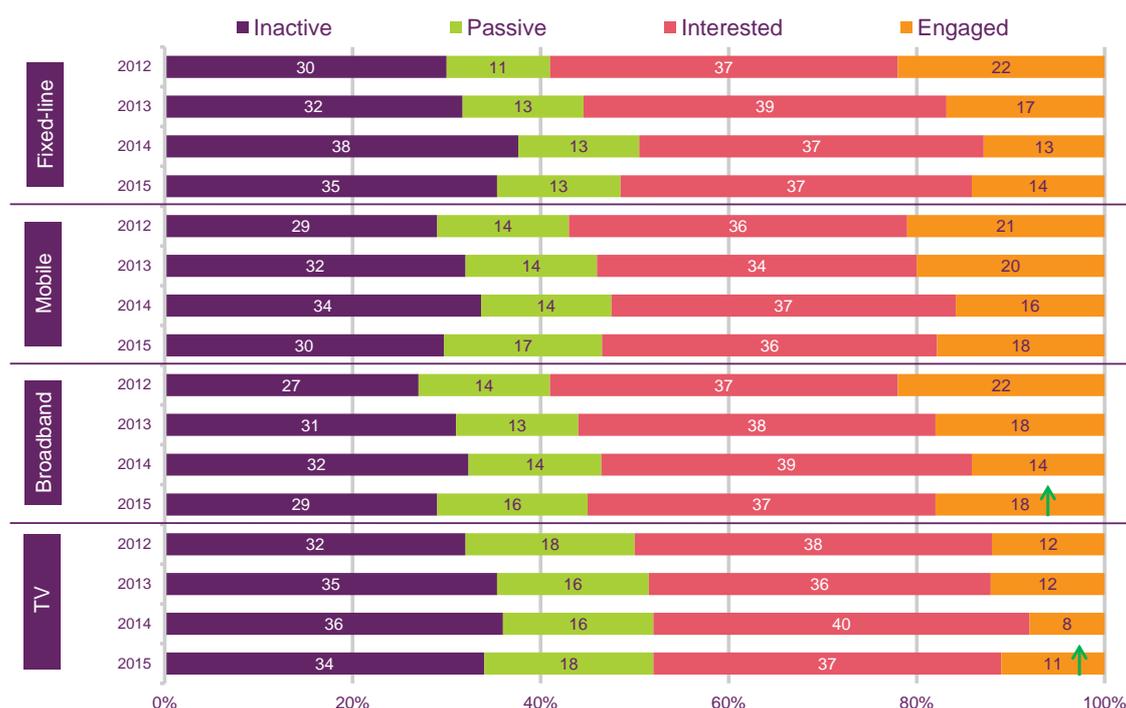
The following charts show the comparable trend in levels of participation between 2012 and 2015. Further trend data can be found in previous reports, on the Ofcom website²², but should be viewed as indicative only, as a change in methodology means that it is not directly comparable.

Levels of participation in each market are broadly comparable across socio-economic groups and by gender. Engagement for each market tends to be higher than average among decision-makers aged under 55, and lower than average among those aged 55 and over.

²¹ See Switching Tracker slide pack for further details on how these segments were calculated http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015oct/switching_tracker_2015_charts.pdf

²² <http://stakeholders.ofcom.org.uk/market-data-research/market-data/consumer-experience-reports/>

Figure 25 Trend in levels of participation, by total market



Source: Ofcom Switching Tracker, July - August 2012, 2013, 2014 and 2015

Base: All adults aged 16+ who are the decision-maker for fixed line (whole market, 1636 2012, 1596 2013, 1736 2014, 2199 2015), mobile (whole market, 1714 2012, 1718 2013, 1679 2014, 2609 2015), broadband (whole market, 1341 2012, 1291 2013, 1464 2014, 1877 2015), TV (whole market, 1483 2012, 1592 2013, 1723 2014, 2251 2015)

3.4.2 Levels of engagement and interest vary by purchasing behaviour

Fixed line

The proportion of consumers purchasing a fixed line as a stand-alone product was unchanged in 2015 (31%, the same as in 2014), following a continued decline over several years as consumers moved to bundled offers. At an overall level, the proportion of consumers classified as 'engaged' in the fixed-line market is also unchanged since 2014, at 14%. However, half as many consumers in the stand-alone fixed-line market remain 'engaged' (8%) compared to those who bundle this service (17%).

Lower engagement among stand-alone purchasers may be linked to the older age profile of this group of fixed-line customers; four in ten (40%) are aged 65+, and consumers in this age group are more likely than other age groups to be classified as inactive²³.

Broadband

The fixed broadband market is dominated by bundlers, with 77% of fixed broadband consumers purchasing broadband as part of a bundle (unchanged

²³ Unable to compare to the 16-24 age group as base sizes are too low

since 2014). While engagement in the fixed broadband market as a whole has increased since 2014 (from 14% to 18%, as reported above), the relatively small samples mean that analysis is unable to confirm whether either purchasing group is driving this change. Broadband customers who bundle are more ‘interested’ than stand-alone purchasers in this market.

TV

Purchasing behaviour in the TV market is skewed towards bundlers, with 63% (in line with 62% in 2014) of consumers purchasing TV services as part of a bundle²⁴. Engagement in the TV market as a whole has increased since 2014 (from 8% to 11%, as reported above). There are indications that this has been driven by those who purchase this service as a bundle – the proportion of inactive consumers in this market has fallen significantly, from 31% to 24%. Among those who purchase TV on its own (i.e. single service), half as many are engaged (8%) compared to those who bundle this service (16%), increasing the gap seen in 2014.

Participation levels also vary between those with pay TV and free-to-air; pay-TV consumers are significantly more likely to be engaged or interested (57% in total fall into one of these categories) compared to free-to-air consumers (35%), who are the least engaged.

Figure 26 Participation, by purchasing behaviour, for fixed line, broadband and TV²⁵

Participation index	Fixed line		Broadband		TV			
	Bundle (n=1553)	Single (n= 646)	Bundle (n= 1572)	Single (n=305)	Bundle (n=851)	Single (n=1400)	Pay TV (n=1302)	Free-to-air (n=948)
Engaged	17%	8%	18%	19%	16%	8%	15%	5%
Interested	37%	40%	38%	30%	41%	34%	42%	30%
Passive	13%	14%	16%	15%	18%	18%	19%	17%
Inactive	34%	38%	28%	36%	24%	40%	24%	48%
Engaged/interested	54%	48%	56%	49%	57%	42%	57%	35%

Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the decision-maker for fixed-line fixed line (single purchase, 646, service in bundle, 1553), broadband (single purchase, 305, service in bundle, 1572), TV (single purchase, 1400, service in bundle, 851, pay TV, 1302, free-to-air TV, 948)

²⁴ Figures for pay TV are; 55% bundle up from 52% in 2014.

²⁵ Trend data on levels of participation can be found in the Switching Tracker slide pack http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015oct/switching_tracker_2015_charts.pdf

Mobile

The vast majority (95%) of mobile customers purchase their mobile service as a stand-alone service, which suggests that it continues to be purchased at an individual rather than a household level. Consequently there is relatively little bundling in this market, and this method of purchasing has had relatively little impact on overall engagement levels in this market. The proportions of consumers classified as 'engaged' in both the stand-alone (17%) and bundle markets (24%) are unchanged since 2014 and are not significantly different to each other.

Further demographic analysis on the participation index is available in the Switching Tracker slide pack, which can be found on the Ofcom website²⁶.

3.4.3 Between 3% and 5% of consumers across the communications markets are 'actively looking' at alternatives

Figure 27 shows further analysis of different types of 'engagement activity' that consumers have undertaken in each market, comparing these for each market as a whole and by purchasing behaviour. This type of behaviour has been categorised into four key groups: a) switched supplier – i.e. switched in the past 12 months; b) actively looking i.e. currently undertaking some form of assessment of their options; c) started looking but not switched i.e. undertaken some form of assessment, but not switched; and d) considered without looking i.e. considered a switch but not undertaken any form of assessment.

Further details on trends in switching and associated barriers are reported in section 3.5 and 3.6.

²⁶http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015oct/switching_tracker_2015_charts.pdf

²⁷http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015oct/switching_tracker_2015_charts.pdf

Figure 27 Trend in ‘engagement activity’ in the communications markets in the past 12 months



Source: Ofcom Switching Tracker, July - August 2014 and 2015

Base: All adults aged 16+ who are the decision-maker for fixed line (whole market, 1736 2014, 2199 2015) (single purchase, 409 2014, 646 2015) (service in bundle, 1327 2014, 1553 2015), mobile (whole market, 1679 2014, 2609 2015) (single purchase, 1614 2014, 2461 2015) (service in bundle, *65 2014, 148 2015), broadband (whole market, 1464 2014, 1877 2015) (single purchase, 149 2014 305 2015) (service in bundle, 1315 2014 1572 2015), TV (whole market, 1723 2014, 2251 2015) (single purchase, 1088 2014, 1400 2015) (service in bundle, 635 2014 851 2015). *Caution: Low base, treat as indicative only.

3.5 Switching in the communications market

3.5.1 Switching levels recover following the decline reported in 2014

Overall switching levels (i.e. all switches in the past 12 months) increased in the year to July/ August 2015, and following a decline in 2014, returned to levels similar to those in 2013/12. One in ten consumers had switched (including those who switched at the same time as moving home) in each of the fixed-line (11%), mobile (10%) and fixed broadband markets (11%). Most of this switching was at the same address, but a minority, in each of the fixed and fixed broadband markets, took place when the respondent moved home.

The total level of switching the main TV provider remains lower than the other markets, at 6% (including 2% who switched when moving house), but is higher than last year (3%). This increase in switching in the TV market since 2014 is evident in both the pay-TV market (from 3% to 7%), and among those with free-to-air TV services (2% to 5%).

Switching across all markets continues to be driven by consumers aged under 65 and did not vary significantly by gender, socio-economic group or location

(rural/urban) for any market in 2015. Further demographic analysis can be found in the Switching Tracker slide pack²⁷.

Figure 28 Switching in fixed-line, mobile, fixed broadband markets and TV markets in the past 12 months: year-on-year comparison²⁸

Switched in 12 months to Sept.	Sept 2015		Sept 2014		Sept 2013	
	Total	Excl. home move	Total	Excl. home move	Total	Excl. home move
Fixed line	11% ↑	9% ↑	7% ↓	6% ↓	11%	9%
Mobile	10% ↑		7% ↓		11%	
Broadband	11%	8%	8%	6%	11%	9%
Total TV	6% ↑	4% ↑	3%	2%	4%	3%
Pay TV	7% ↑	5% ↑	3%	2%	5%	4%
Free-to-air TV	5% ↑	3%	2%	1%	2%	1%

Source: Ofcom decision-making survey carried out by Saville Rossiter-Base in July to August 2013, 2014 and 2015

Base: All adults aged 16+ who are the decision-maker for fixed line (2015, 2199; 2014, 1736; 2013, 1596) mobile (2015, 2609; 2014, 1679; 2013, 1718), broadband (2015, 1877; 2014, 1464; 2013, 1291) total TV (2015, 2251; 2014, 1723; 2013, 1592), pay TV (2015, 1302; 2014, 1006; 2013, 908), Freeview (2015, 948; 2014, 717; 2013, 648)

3.5.2 Switching stands at around one in ten for both dual and triple play customers

As shown in the chart below, 11% of dual-play customers had previously used another provider for at least one of the services in their current package at their current address. The equivalent figure among triple-play customers is 10%. Eight per cent of dual-play customers had previously used another provider for their whole package, compared to 7% of triple-play customers who had switched provider for their entire package²⁹.

²⁷ http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015oct/switching_tracker_2015_charts.pdf

²⁸ Industry churn data includes all customers who have terminated their services from each supplier, excluding those who have reinstated their services, within a given time period (generally 12 months) and includes home-movers.

²⁹ 2% of dual-play bundlers switched from triple to dual, and 1% switched a single service to create a bundle. 3% of triple-play customers switched from dual to triple.

Figure 29 Trend in switching among bundlers in the past 12 months

Switched at least one service in bundle in last 12 months	Sept 2015		Sept 2014		Sept 2013		Sept 2012	
	Total	Excl. home move						
Dual play	12%	11%	7%	7%	10%	8%	12%	11%
Triple play	11%	10%	7%	6%	10%	8%	10%	8%

Source: Ofcom Switching Tracker, July - August 2015, 2014, 2013 and 2012

Base: All adults aged 16+ who are the decision-maker for a dual-play bundle of services and a triple-play bundle of services (2012, dual 561, triple 413) (2013, dual 621, triple 405) (2014, dual 734, triple, 656) (2015, dual 645, triple 532)

3.5.3 Switching communications provider remains comparable with utilities

Consumers were asked whether they had switched supplier for other services and utilities within the past 12 months (Figure 30). Of the markets compared, consumers remained most likely to switch their car insurance provider in the 12-month period (35%). Switching in each of the electricity (11%) and gas (10%) markets has also remained relatively stable over the last four years. Comparatively fewer (3%) consumers have switched bank account provider, as in previous years.

The rise in switching levels in 2015 brings switching communications provider broadly back into line with switching in the electricity and gas markets, with the exception of TV.

Figure 30 Proportion of consumers who have switched utility supplier in the past 12 months

Switched in 12 months to Sept.	Sept 2015		Sept 2014		Sept 2013	
	Total	Excl. home move	Total	Excl. home move	Total	Excl. home move
Car Insurance	37%	35%	34%	33%	37%	36%
Electricity	16%	11%	16%	12%	15%	12%
Gas	15%	10%	16%	12%	14%	12%
Bank	4%	3%	3% ↓	3%	5%	5%

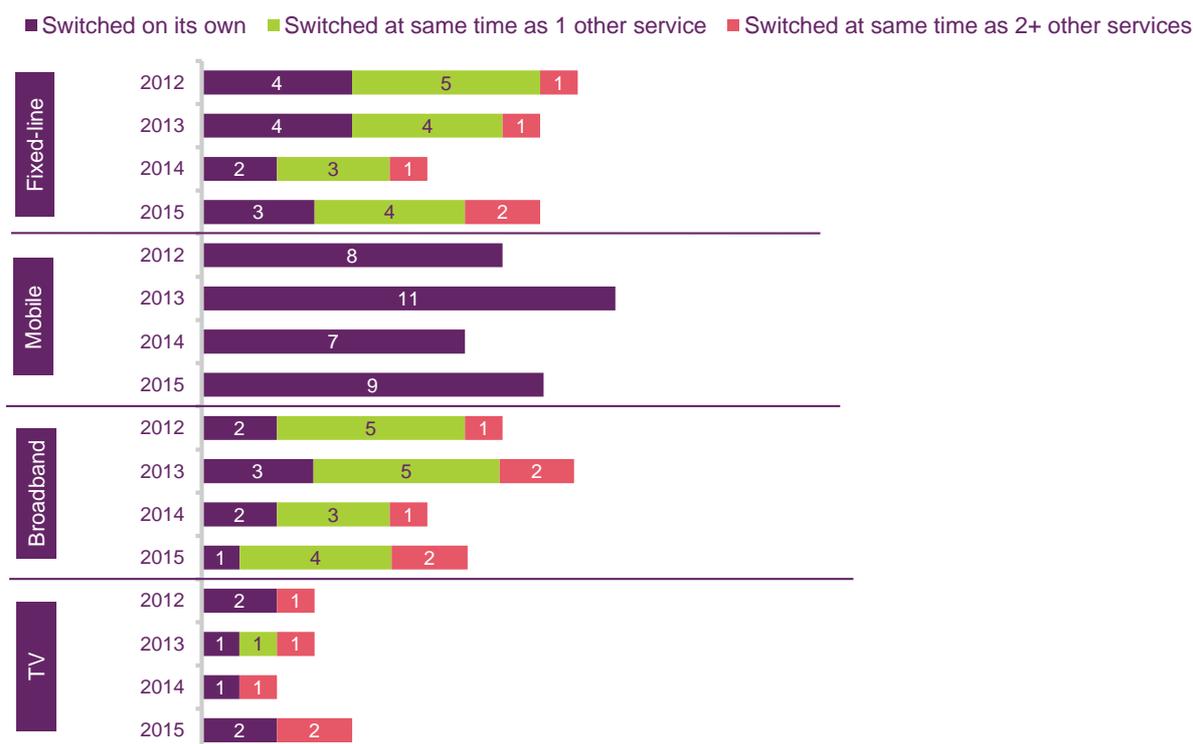
Source: Ofcom Switching Tracker, July - August 2013, 2014 and 2015

Base: All adults aged 16+ who are the decision-maker for, car insurance (2015,1915; 2014, 1421; 2013, 1389), electricity (2015, 2363; 2014, 1728; 2013, 1589), gas (2015,2033; 2014, 1465; 2013, 1346), bank account (2015,2668; 2014, 1899; 2013, 1783)

3.5.4 Three in ten (30%) switchers in the communications markets changed provider for multiple services simultaneously

Just under one in five (16%) consumers across the communications markets had switched at least one service in the past 12 months (rising to 18% when including home-movers), and three in ten (30%) of these said they had switched at least two services simultaneously. Consistent with the increase in switching levels in most communication markets, the proportion switching at least one service in the past 12 months has increased since 2014.

Figure 31 Switching multiple services in communications markets in the past 12 months, by total market excluding home moves



Source: Ofcom Switching Tracker, July - August 2012, 2013, 2014 and 2015

Base: All adults aged 16+ who are the decision-maker for fixed line (1636 2012, 1596 2013, 1736 2014, 2199 2015), mobile (1714 2012, 1718 2013, 1679 2014, 2609 2015), broadband (1341 2012, 1291 2013, 1464 2014, 1877 2015), TV (1483 2012, 1592 2013, 1723 2014, 2251 2015)

Note: no respondents had switched other services at the same time as they switched mobile network.

3.5.5 More consumers have engaged in the market through taking up an offer of extra or improved services than through switching

Figure 32 below shows the incidence of switching in the past 12 months, of consumers taking up an offer of a new deal with extra or improved services by their current provider, and of those that did neither, by communications market and by purchasing behaviour.

In each market as a whole, consumers are more likely to have taken up an offer of extra or improved services from their current provider than to have switched provider in the past 12 months. This is most evident in the pay TV market, where

more than three times as many consumers have taken up an offer than have switched (17% vs. 5%). Around twice as many have taken up an offer than switched in both the mobile (18% vs. 10%) and broadband (15% vs. 8%) markets, with less of a difference for fixed lines (13% vs. 9%). Consumers in the mobile market are more likely than those in the other markets to have taken up an offer with their existing provider.

In the fixed-line, broadband and pay TV markets, consumers purchasing the service as part of a bundle are more likely than those purchasing a stand-alone service to have taken up an offer of extra or improved services.

Figure 32 Switched provider or taken up offer of extra or improved services in past 12 months, by market and purchasing behaviour



Source: Ofcom Switching Tracker survey carried out by Saville Rossiter-Base in July to August 2015

Base: All adults aged 16+ who are the decision-maker for fixed line (whole market, 2199 2015) (single purchase, 646 2015) (service in bundle, 1553 2015), mobile with contract (single purchase, 1724 2015), broadband (whole market, 1877 2015) (single purchase, 305 2015) (service in bundle, 1572 2015), pay TV (whole market, 1303 2015) (single purchase, 506 2015) (service in bundle, 797 2015).

3.6 Attitudes to switching in the communications markets

3.6.1 Cost and poor service are the main stated reasons for switching

Those who had switched provider in the past 12 months were asked – without prompting – why they had switched. Figure 33 shows responses in each market in 2015 and when the same question was asked in 2013.

Cost (i.e. switching for a better price/ cheaper deal) was the main stated reason among switchers in each market, both in 2015 and in 2013. More than half of all switchers gave cost as a reason for switching, ranging from 55% (broadband) to 73% (TV). In each market, and in both 2015 and 2013, the second main reason given was poor service from the previous supplier. Poor service was mentioned as

a reason for switching by less than one-third in each market, ranging from 14% in the TV market to 29% in the fixed broadband market.

Switching in order to bundle services together with one supplier was stated as a reason by more than one in ten in the fixed-line (12%) and TV (14%) markets. Other key reasons for switching were unique to particular markets. The third most popular reason for switching for switching mobile was reception/ signal (19%), for broadband it was faster speeds (15%), while one in ten (10%) switching TV service said it was to get more channels.

Figure 33 Reasons for switching provider in the past 12 months, by market

	Fixed-line		Mobile		Broadband		TV	
	2015	2013	2015	2013	2015	2013	2015	2013*
For a better/ cheaper price/ deal	61%	62%	64%	54%	55%	56%	73%	54%
Poor service from previous supplier	28%	25%	18%	20%	29%	29%	14%	23%
To bundle two or more services together with one supplier	12%	15%	2%	2%	6%	13%	14%	5%
For better reception/ signal			19%	15%				
Good experience with new supplier for other services previously	4%	11%	3%	1%	3%	0%	4%	4%
Faster broadband speeds					15%	15%		
Better range of tariffs/ price plans	4%	11%	6%	1%	3%	3%		
For a better/ wider choice of channels							10%	18%
Better choice/ price of phone handsets			11%	13%				
New supplier recommended by someone I know	1%	2%	3%	4%	1%	1%	1%	1%
To get a 4G service			4%	5%				

Source: Ofcom Switching Tracker, July - August 2013 and 2015

Base: All adults aged 16+ who are the decision-maker and have switched provider in the last 12 months for fixed line (223 2015, 159 2013), mobile (244 2015, 160 2013), broadband (180 2015, 141 2013), TV (113 2015, 54* 2013). *Caution: Low base size, treat as indicative only.

3.6.2 Most switchers said they were happy with their decision to switch

The majority of switchers said they were happy with their decision to switch. Across each of the markets, between 4% (mobile) and 12% (fixed broadband) of switchers said they were unhappy with their decision. Levels of happiness and unhappiness have not changed since last year.

People who had considered switching their fixed broadband provider or their TV service provider, but then didn't, were the most likely to say they were unhappy with their decision not to switch (both 33%). Further details can be found in the Switching Tracker slide pack³⁰.

3.6.3 Reasons for considering switching provider but not doing so vary by market

The following section explores the reasons why consumers consider switching, but do not switch, by market. As noted above (Figure 28), around one in ten consumers in all except the TV market (one in 20) have switched their provider in

³⁰http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015oct/switching_tracker_2015_charts.pdf

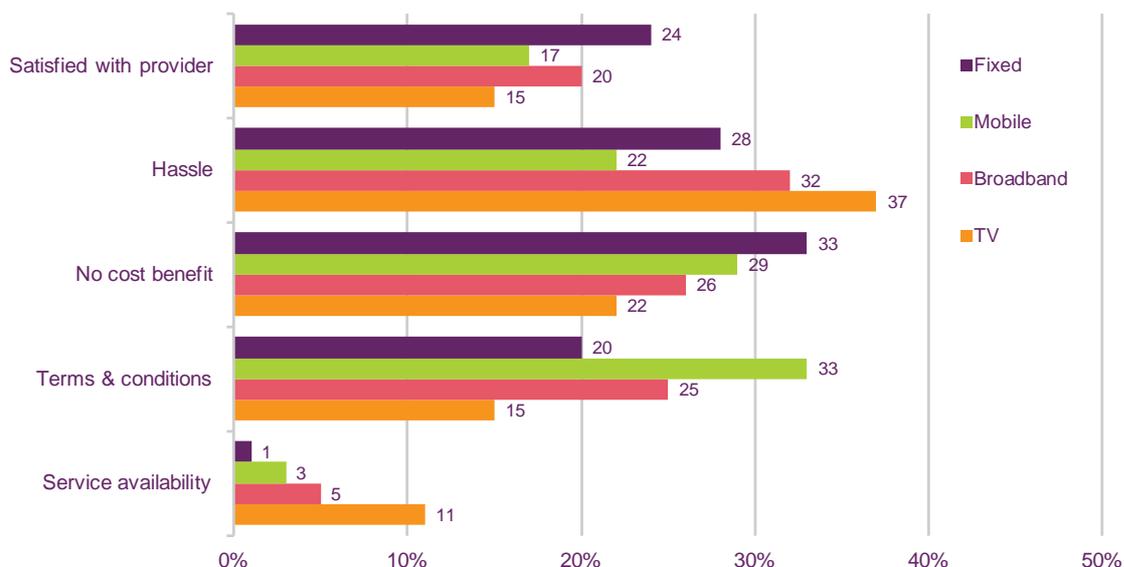
the past 12 months. Similar proportions (3-5%) of consumers, across markets, say they are 'actively looking for an alternative provider'. However, a higher proportion said they either started looking but didn't switch (4-6%) or considered switching but didn't start to look (4-7%) (Figure 27).

In the fixed-line market, lack of perceived cost benefit (33%), hassle (28%) and current satisfaction (24%) are the most-mentioned reasons for not switching provider, with terms and conditions mentioned by fewer respondents (20%). Conversely, in the mobile market 'terms and conditions' was the most-mentioned reason for not switching provider (33%), as had also been the case in 2014 (39%). This is likely to relate to the relatively high proportion of 24-month contracts: since early 2010 at least six in ten new mobile contract connections have had 24-month contracts. This reason was followed by 'lack of cost benefit'.

In both the fixed broadband (32%) and TV markets (37%), 'hassle', or at least 'perceived hassle' was the main reason given by considerers for not switching, and the second most-often cited factor for considerers in the fixed-line market (28%). Responses suggest the term 'hassle' can imply two problems: 'insufficient time' or 'hassle to set up the service'. In the TV and broadband markets the highest proportions of respondents said they were 'too busy/don't have time to research the options', at 25% and 20% respectively. Around one in ten in each market said they didn't switch at least partly due to the perceived hassle of setting up the new service (from 9% in the mobile and broadband markets to 12% for TV).

As shown in Figure 32, in each market consumers are more likely to have taken up an offer of extra or improved services from their current provider in the past 12 months than to have switched provider. It is possible that those consumers who stated 'satisfaction' and 'no cost benefit' as reasons for not switching include those who did not switch because they were offered a better deal to stay with their existing provider.

Figure 34 Reasons for considering, but not switching provider



Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the decision-maker for each service who have considered switching but did not switch (fixed line, 189) (mobile, 259) (broadband, 239) (TV, 165).

3.6.4 Lack of perceived cost benefit is the key reason given for lack of interest among 'inactive' consumers

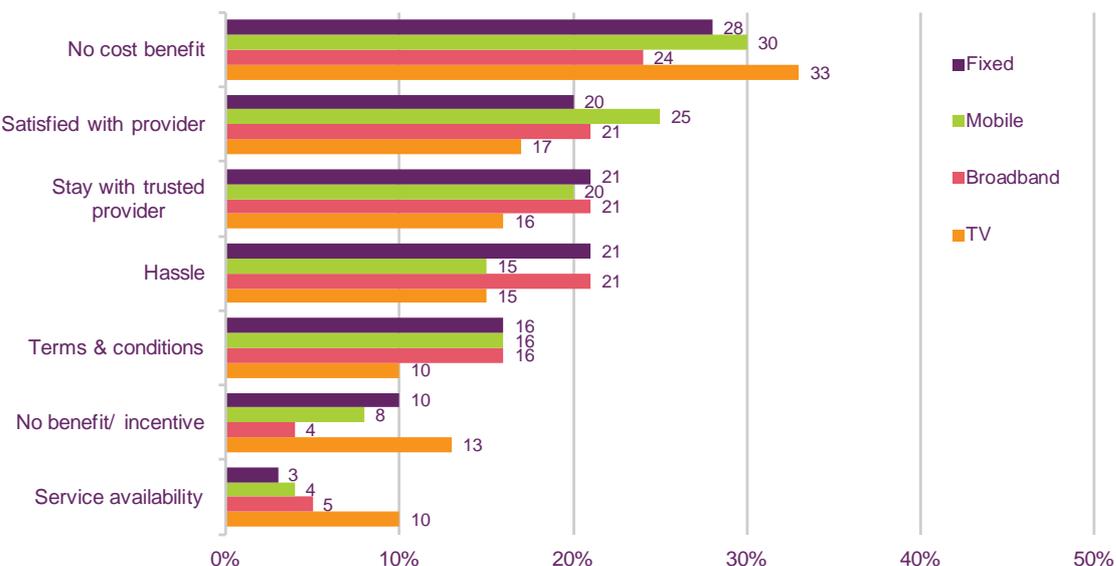
Decision-makers who do not agree that their provider is the best on the market, but have neither switched nor considered doing so in the past 12 months, were asked for spontaneous reasons why they were not interested in changing provider, for each relevant service. Their reasons have been grouped into themes, shown in Figure 35 below. This group of decision-makers provide a good indication of the reasons for not engaging among 'inactive' consumers in each market, as they account for the vast majority of this segment.

The reason that consumers are most likely to give for their lack of interest in changing provider is the perceived lack of any cost benefit (24%-33%, across communications markets). The perceived lack of cost benefit is the primary reason given for not changing TV service provider (33%), and is more likely to be mentioned by those who *don't* currently have a pay TV service (41%).

Although these inactive decision-makers did not agree that their current provider was the best on the market, their next most likely reasons for not being interested in changing provider were that they were satisfied or perhaps 'happy enough' with their current provider and would prefer to stay with a trusted or known provider. These reasons were given by between 17% to 25% of inactive decision-makers across the markets.

The perceived hassle of switching to, and setting up with, a new provider was more likely to be stated as a reason for not being interested in changing fixed-line or broadband provider (both 21%) than for mobile or TV services (both 15%). Beyond the general perception of 'hassle', this concept includes two specific areas of difficulty: 'setting up a new service' and 'time taken to search and switch'. This is consistent with qualitative evidence which suggests that the actual switching process does not come to the fore until consumers weigh up their options and make a final decision.

Figure 35 Reasons given for lack of interest in changing provider among inactive consumers who do not agree that their provider is the best on the market



Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the decision-maker for each service who have not switched or considered switching providers in the last 12 months, are not looking for a new provider and do not agree their provider is the best on the market (fixed line, 751) (mobile, 862) (broadband, 561) (TV, 766)

3.6.5 Focus on non-switchers in the mobile market

A bespoke quantitative study, focused on the mobile market, provides a more detailed understanding of the factors that influence decisions for 'mobile considerers' i.e. those who decide to stay with their current provider following some form of engagement. Respondents were asked to categorise the factors that might have influenced their decision not to switch as either: 'not a factor at all', 'a minor factor' or 'a major factor'. Any who reported multiple major factors were asked which they considered to be the main one. Full details of the methodology and approach can be found in the full slide pack³¹.

Consistent with the Switching Tracker, these research results highlight 'satisfaction with/trust in current provider' and/or 'lack of perceived cost benefit' as the main reasons for respondents staying with their existing provider. They also illustrate the relatively high proportions of 'considerers' who accept a deal with their existing provider rather than switch (40% said this was a major factor in their decision).

Despite these positive reasons for not switching, the research finds that the actual or anticipated process of switching has at least some impact on these consumers' decisions. Just under two in five considerers who decided not to switch (38%) mentioned that a major factor in their decision was a desire not to lose their phone number. Around a fifth expressed concerns that it was too time-consuming (19%), that they might lose their service during the switch (17%), or be required to pay for two services at once (17%).

³¹ http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/mobile_switching/quantitative/

Figure 36 Factors influencing decision not to switch, among those who considered switching in the past 12 months

Factors influencing decision (% of considerers): Ordered on major mentions.	Major	Minor	Main
Current provider is still the best deal/cheapest	54%	27%	20%
Prefer to stay with trusted/ known provider	44%	39%	5%
There wasn't enough difference in cost to be worth switching	44%	34%	5%
Current provider has the best quality of service (e.g. network coverage)	43%	32%	5%
I negotiated/accepted a deal with my current provider	40%	21%	12%
Did not want to change my mobile number	38%	25%	5%
Worried service wouldn't be as good with new provider	35%	39%	3%
Didn't want to pay the upfront cost of the new handset	35%	27%	2%
Problems/ issues with current provider are not sufficiently bad/ frequent to switch	29%	34%	1%
Better handsets available with my current network/ didn't see any other handsets I liked	22%	24%	1%
I was still in a contract so couldn't leave/would need to pay to leave	21%	15%	3%
Didn't want to lose friends and family or other call discounts	19%	21%	2%
It's too time consuming to go through the process of switching from one provider to another	19%	38%	2%
Hassle to set up a new online account	18%	30%	1%
Difficulty comparing what other providers were offering	17%	29%	1%
I was worried I might not be able to use my mobile during the switch	17%	32%	1%
I was worried I might have to pay two providers at the same time	17%	20%	1%
Lack of choice	16%	29%	1%
Didn't want to lose the content stored in the cloud service provided by my existing provider (e.g. O2 cloud service NOT)	14%	16%	<1%
Bad experience switching other services previously	14%	19%	1%
Bad experience switching my mobile provider previously	14%	15%	1%
Handset is locked to current network and I don't want a new handset	12%	19%	1%
Not knowing what to do to switch	12%	26%	2%
Would take too long to research the market	11%	30%	1%
Difficulty when contacting my current provider	11%	19%	1%
I had difficulty getting the code I needed from my current provider (i.e. the PAC)	10%	15%	<1%

Source: Ofcom mobile quant study, conducted by BDRC, August - September 2015

Base: All who considered switching (500)

Tables ordered by main, then major. *'Main' figures may not total the net precisely, due to rounding.

3.7 Ease of switching in communications markets

For consumers to take advantage of the increasing competition in the communications markets, and for communications markets to work effectively, consumers must be able to switch with comparative ease, if they choose to do so.

3.7.1 Most switchers say in retrospect that it was easy to switch, but many had experienced difficulties along the way

This section looks at the trend in stated ease of switching, among those who have ever switched. Caution should be applied when making trend comparisons, as differences may reflect changes to the demographic profile of switchers, rather than a real change in the ease of switching, particularly given the increase in switching levels (for all services except broadband) noted this year.

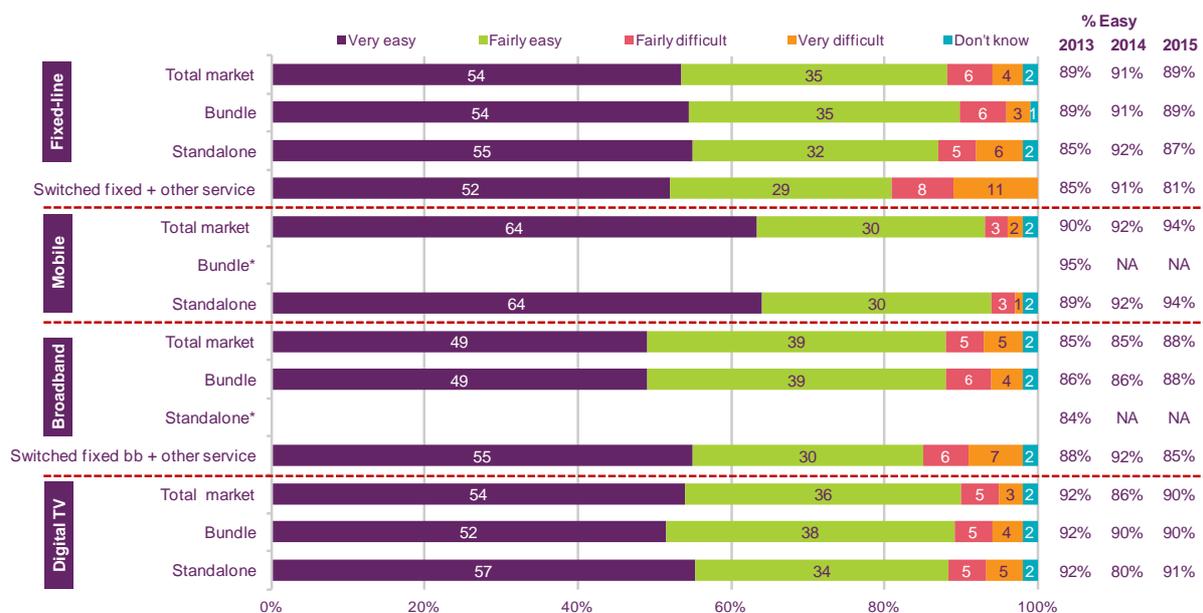
Qualitative evidence from our 2015 mobile switching research provides additional context to the consumer switching experience that should be borne in mind when viewing data on the stated ease of switching. Ofcom's mobile switching diary study followed potential mobile switchers through their 'journey' and observed a difference in stated ease, between that reported in the diaries and that reported

after the switch was completed. The study suggested two reasons for this: respondents taking personal responsibility for the difficulties they had faced, and adjusting their score accordingly; and 'post-rationalisation' – forgetting the difficulties once they were enjoying the benefits of the new device/service. A quote from a participant in the diary study illustrates this: "I did it!! Hurrah! Who would have thought...?!"³².

Given these insights, the following section analyses quantitative data on 'ease of switching' alongside more detailed questioning around the experience.

Ofcom's Switching Tracker provides an understanding of how 'ease of switching' reported after the event compares across different types of switching (i.e. between markets and between different combinations of services being switched). It finds that the switch most likely to be stated as 'difficult' is one that involves the fixed line plus one other service (most likely fixed broadband). Nearly a fifth (19%) of these switchers said they found it either very, or fairly, difficult to switch. The mobile market reported the lowest levels of difficulty, at 5%.

Figure 37 Consumer opinions about ease of switching supplier, by purchasing behaviour, among those who have ever switched



Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the decision-maker and have ever switched provider for fixed-line (2015, 842), mobile (2015, 1228), broadband (2015, 734), TV (2015, 451)

*Too few interviews were conducted with mobile bundle consumers who had switched, broadband stand-alone consumers who had switched, and mobile and TV consumers who had switched multiple services at the same time.

Ofcom's Switching Tracker also asked non-switchers for their perceptions of how easy or difficult it might be to switch, in each of the communications markets. The mobile market and the TV market returned similarly low levels of perceived

³² Mobile Switching Diary Study – qualitative report can be found at http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/mobile_switching/qualitative/

difficulty in switching among non-switchers, at 12% and 14% respectively. Just under twice as many non-switchers in each of the fixed voice and fixed broadband markets perceived switching to be either very, or fairly, difficult (both 20%). This perception may increase the 'hassle' barrier for some potential switchers.

On this measure of ease of switching among switchers, in the other markets we compared, car insurance (which has the highest level of yearly switching, at 35%) continues to have the lowest level of difficulty, at 3%. In comparison, among respondents who had switched bank account in the past 12 months (which has one of the lowest switching levels, at 3%), the proportion saying this was difficult was higher, at 12%. This compares to 4% and 5% for gas and electricity respectively. Further analysis, including trend data, can be found in the Switching Tracker slide pack on the Ofcom website³³.

3.7.2 Around half of switchers experienced difficulties when switching provider

As noted above, it is useful to consider the data above on ease of switching alongside other evidence relating to the consumer experience of switching.

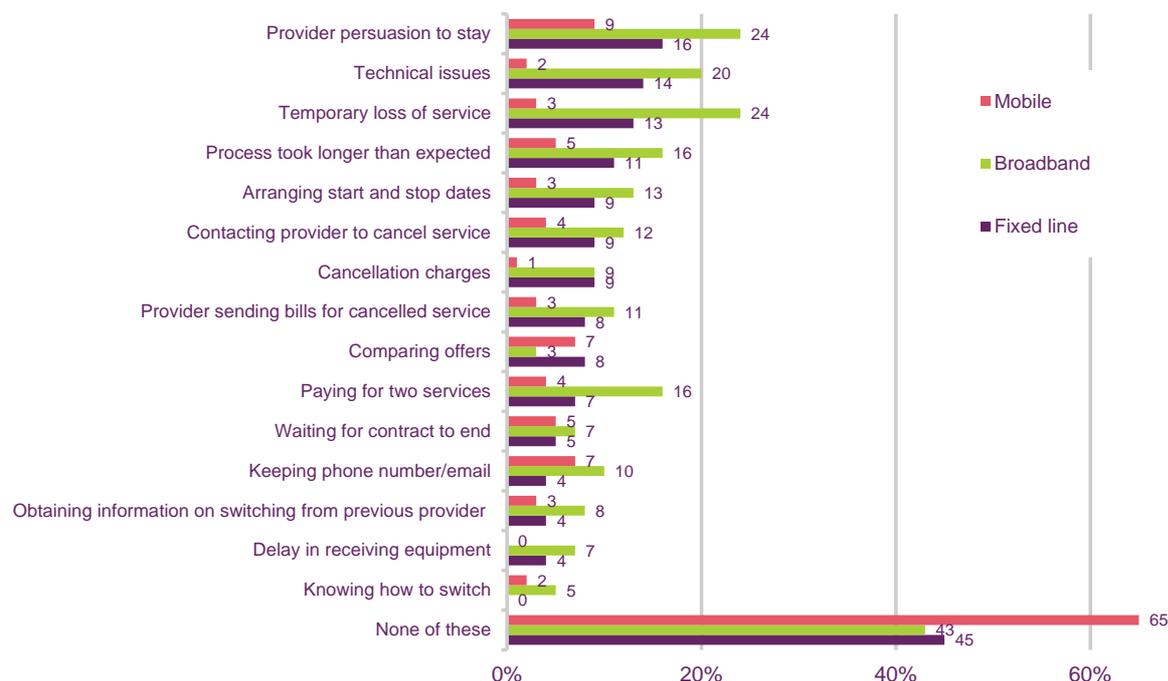
When prompted, around half the switchers in each of the fixed-line (55%) and fixed broadband (57%) markets, and about a third of switchers in the mobile market (35%) said they had experienced some difficulties during their experience. Respondents were read out a list of potential issues and asked if they had experienced any of them. Given the relatively low levels of switching in the TV market, sample sizes were too low to provide comparative analysis. The low base sizes for each market result in large error margins and therefore reduce the ability to draw conclusions about trend. None of the changes since last year are statistically significant, so these data are not shown.

In the fixed-line and broadband markets, three particular difficulties had been experienced at similar levels in each respective market (each was mentioned by more respondents for broadband than for fixed line): 'provider persuasion to stay' (16% for fixed line, 24% for broadband), 'technical issues' (14% for fixed line, 20% for broadband) and 'temporary loss of service' (13% for fixed line and 24% for broadband).

In the mobile market no individual difficulty was mentioned by more than one in ten switchers. The top three issues mentioned by mobile switchers were 'provider persuasion to stay' (9%), 'keeping my phone number' (7%) and 'comparing the different offers available' (7%).

³³http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015oct/switching_tracker_2015_charts.pdf

Figure 38 Experience of (prompted) difficulties among those who had switched fixed-line, broadband or mobile provider in past 12 months³⁴



Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who switched provider in the past 12 months for fixed-line (170) mobile (244) and broadband (134).

3.7.3 Focus on the switching experience in the mobile market

In 2015 Ofcom commissioned a quantitative study among mobile switchers. As with the approach used for considerers, respondents who had switched were prompted with a list of potential 'difficulties' that they may have faced when switching mobile provider. They were asked to state whether each was 'not a difficulty at all', 'a minor difficulty' or a 'major difficulty'. Those stating multiple major difficulties were asked to say which of these was the 'main' one. Full details of the methodology and approach can be found in the full slide pack³⁵.

This study reported lower stated ease of switching than did the Switching Tracker (78% vs. 94%), which may be at least partly explained by the different methodology and approach to the questionnaire; here, respondents were prompted on aspects of their experience to help them recall the event. This study found correlation between the stated ease of switching and experience of difficulties; i.e. when fewer difficulties were reported, stated ease was higher. For example, among respondents who did not experience any major difficulties when switching, stated ease stood at 92%, falling to 61% among those who had experienced major difficulty with at least one of the aspects listed in Figure 39.

³⁴ The low base sizes for switchers in each market mean %s are subject to fairly large error margins. For example the proportion of broadband switchers experiencing difficulty with a 'temporary loss of service' lies between 15%-34%.

³⁵ http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/mobile_switching/quantitative/

This study was able to provide a more robust and detailed understanding of the experience of switchers in this market than is possible via the Switching Tracker, due to its focus on a single market and the larger sample of mobile switchers (c. 1300). A similar study was carried out among switchers in the other communications markets, which we will report on later in 2016.

The key findings on experience of difficulties are illustrated below. While no difficulty was mentioned by a majority of mobile switchers, nearly two-fifths (38%) said they had experienced major difficulty with at least one (prompted) aspect during their switch.

Figure 39 Experience of difficulties among those who have switched mobile provider in past 18 months

Experience of difficulties (% of switchers): Ordered on 'main' mentions	Major	Minor	Main
Contacting your old provider	11%	23%	3%
Cancelling your previous service	10%	27%	3%
Keeping your phone number	10%	24%	5%
Getting the information you needed from your previous provider	9%	27%	2%
Unlocking your current/your previous handset	8%	21%	2%
Getting the switch to happen on the date you wanted	8%	21%	3%
Your previous provider trying to persuade you to stay	7%	21%	3%
Understanding the relevant steps required to switch provider	7%	27%	2%
Finding time to research the market	6%	26%	2%
Contacting your new provider	5%	19%	2%
Comparing what different providers are offering	5%	19%	2%
Paying the charge to exit your contract early	4%	9%	2%
Moving content from one cloud storage to another (i.e. to or from a Cloud service provided by a mobile provider)	3%	11%	1%
Paying the upfront cost of the new handset	3%	10%	1%
Setting up a new online account	3%	15%	1%
Any difficulty mentioned	38%	70%	-

Source: Ofcom mobile quant study, conducted by BDRC, August - September 2015
 Base: All switched in last 18 months (1306) Data include codes with over 1% responses
 Tables ordered on main, then major. 'Main' figures may not total the net precisely due to rounding.

3.8 Consumer information sources

In order for consumers to take advantage of competition in the communications markets they must be able to compare alternative providers with relative ease. This section reports on participants' awareness of trusted sources of information and their stated ease of making comparisons across communications markets.

3.8.1 The internet continues to dominate as the main source of trusted information

Participants were asked whether they could spontaneously name any information sources where they could find out about:

- fixed-line providers, price plans and tariffs
- mobile phone handsets, price plans and tariffs, and network providers
- broadband speeds, price plans, packages and providers
- ways of receiving multi-channel TV, channel packages and providers
- providers offering packages of services, and the types of packages available

Over 90% could name at least one source of trusted information on aspects of the mobile (93%), broadband (95%) and bundle markets (98%). Among those with a bundle, this is an increase in awareness of trusted information sources since 2014 (from 92%). The proportion who were able to cite at least one source of information on the fixed-line market (88%) and the multi-channel TV market (89%) was lower than for the other markets, with no change since 2014.

However, awareness of trusted sources of information is lower among older consumers, for each of these markets. The proportion of consumers aged 65+ who are unaware of any trusted sources of information is about double the average in each market, ranging from 5% in the bundled services market to 26% in the fixed-line market. This lower awareness may indicate a lack of interest in these markets, but may also act as a barrier to switching, by increasing the perceived level of hassle for these consumers in searching for alternatives.

Figure 40 Actual sources of trusted information

	Landline providers, price plans and tariffs	Mobile phone handsets, price plans and tariffs and network providers	Broadband speeds, price plans and packages and providers	Ways of receiving multichannel TV, channel packages and providers	Providers offering packages of services and the types of packages available
Websites of suppliers/ service providers	15%	15%	15%	13%	8%
Cost comparison websites	20%	15%	19%	13%	13%
Internet in general	47%	44%	54%	48%	62%
Family members	19%	22%	21%	23%	16%
Friends	14%	18%	16%	16%	13%
Colleagues	3%	3%	4%	3%	3%
Supplier already using for this service	5%	6%	4%	5%	3%
Another supplier not already using	2%	3%	2%	3%	2%
Visit shop/ store selling the technology/ device	2%	16%	2%	3%	2%
Magazines/ newspapers	3%	2%	3%	2%	4%
TV/ radio programmes/ advertising	1%	1%	2%	2%	2%
Leaflets in store/ post	2%	2%	2%	2%	1%
Government body/ regulator	1%	*%	1%	*%	*%
Other source of information	2%	1%	2%	1%	2%
Would not look for information/ advice	4%	2%	1%	4%	1%
Don't know	8%	5%	4%	7%	1%

Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the decision-maker for fixed-line (2199), mobile (2609), broadband (1877), TV (2251), bundles (1297).

3.8.2 Around a quarter of consumers consider it difficult to compare the costs of bundles of communications services

The different ways in which consumers use their devices, and the vast number of alternative tariffs and packages available, make it important that consumers are relatively easily able to make comparisons between providers, on the aspects important to them.

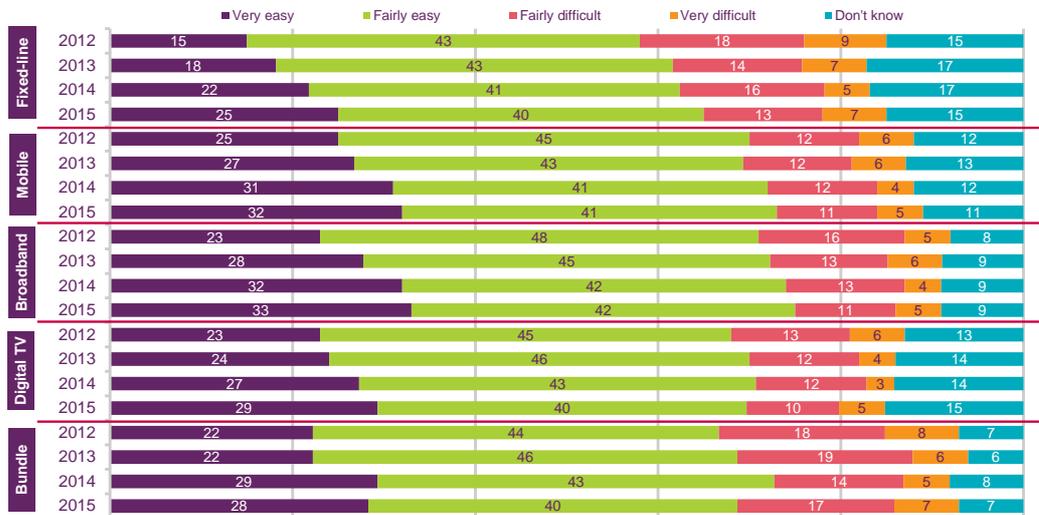
The following analysis focuses on the ease of making cost comparisons within each of the communications markets and in relation to comparing the costs of bundles of services. Further trend data on ease of making cost comparisons are available in previous reports, although data prior to 2012 are based on stand-alone purchasers only.

Consumer opinions on the ease of making cost comparisons are gradually becoming more comparable across markets. While consumers continue to be less likely to say it is easy to make comparisons in the fixed-line market (65%), stated ease of comparing costs is broadly comparable across each of the other markets, at around seven in ten (69% - 75%). But across markets, varying proportions of participants were unable to give a response, and it is interesting to look at the proportion who said it was 'difficult' to make this type of comparison. This analysis suggests that the greatest difficulty is in comparing the costs of bundled services, with 24% saying it is, or would be, difficult to do. The second highest number of mentions relate to comparing the costs of fixed-line services, with 20% saying it is, or would be, difficult to do.

In almost all cases, consumers' opinions on the ease of making cost comparisons are unchanged since 2014. Those with bundled services, however, are now more

likely to say it is, or would be, difficult to make cost comparisons (24%, up from 19%).

Figure 41 Consumers' opinions on the ease of making cost comparisons



Source: Ofcom Switching Tracker carried out by Saville Rossiter-Base in July to August 2012, 2013, 2014 and 2015. Further trend data are available in previous reports, based on single service purchasers only. Base: All adults aged 16+ who are the decision-maker for fixed-line (2012, 1636) (2013, 1596) (2014, 1736) (2015, 2199), mobile (2012, 1714) (2013, 1718) (2014, 1679) (2015, 2609), fixed broadband (2012, 1341) (2013, 1291) (2014, 1464) (2015, 1877), TV (2012, 1483) (2013, 1592) (2014, 1723) (2015, 2251), and decision-makers for those with any bundle (2012, 1079) (2013, 1133) (2014, 1374) (2015, 1297). There will be overlap between bundlers and data for each market.

3.8.3 Consumers in rural areas are more likely than those in urban areas to say it is difficult to make mobile coverage and broadband speed comparisons

Around half (53%) of all consumers in the mobile market state that it is very or fairly easy to make coverage comparisons (in terms of network availability and signal strength) between mobile phone network suppliers; around three in ten (29%) say that these comparisons are difficult. Those in rural areas are more likely than those in urban areas to say it is difficult to make coverage comparisons (38% vs. 27%). While these responses have not changed to any significant extent since 2014, it appears that mobile consumers are more likely to rate this comparison as easy in 2015 than they were in 2012 (53% vs. 43%). Responses do not vary to any significant extent by age, socio-economic group or gender.

Figure 42 Consumers' opinions on the ease of making mobile coverage comparisons, by urbanity



Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the mobile decision-maker (UK total, 2609) (urban, 2115) (rural, 378).

Nearly two-thirds (63%) of fixed broadband customers say that it is, or would be, very or fairly easy to make broadband speed comparisons between service providers. A quarter (27%) say that these comparisons are difficult, and a further one in five (19%) do not know. Those in rural areas are more likely than those in urban areas to say that it is difficult to make broadband speed comparisons (34% vs. 22%). While responses have not changed to any significant extent since 2014, it appears that broadband consumers are more likely to rate this comparison as easy in 2015 than they were in 2012 (63% vs. 51%). Responses do not vary to any significant extent by age, socio-economic group or gender.

Figure 43 Consumers' opinions on the ease of making broadband speed comparisons, by urbanity



Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the fixed broadband decision-maker (total, 1877) (urban, 1528) (rural, 287).

Section 4

Consumer satisfaction

4.1 Introduction

This summary provides an overview of the extent to which consumers are satisfied with their current communications service provider in terms of: overall satisfaction, satisfaction with reliability of service, satisfaction with value for money and satisfaction with the speed of the fixed broadband service. We also explore levels of satisfaction with the postal service in terms of overall satisfaction and satisfaction with value for money. Finally, we provide a summary of the proportion of consumers with a reason to complain about their provider, and among those with a reason to complain, the proportion that went on to make a complaint.

4.2 Analysis points to note:

Data included in this summary have been drawn from Ofcom's annual Switching Tracker, our Residential Post Tracker and our annual Quality of Customer Service Tracker. The data tables, and the associated slide packs which include full details of the methodology, are available on the website³⁶.

Please note the following:

- With the exception of the data that report satisfaction with value for money, the following satisfaction data among communications providers for 2012 - 2015 are based on opinions among all decision-makers within each market, and as such are not directly comparable with data collected before 2012, published in previous *Consumer Experience Reports*³⁷.
- Satisfaction data are not directly comparable to those published in Ofcom's *Communications Market Report (CMR) 2015*. This summary reports satisfaction among decision-makers, whereas the *CMR* reports satisfaction among all owners.

4.3 Key trends

- **Around nine in ten consumers in each market are 'very satisfied' or 'fairly satisfied' with their overall service.** Overall satisfaction has declined since 2014 among consumers in the fixed-line (88% from 91%) and bundle (85% from 90%) markets. Dissatisfaction with value for money is highest for bundle purchasers (18%) and lowest for stand-alone mobile purchasers (7%).
- **Three-quarters of broadband customers are satisfied with their online speeds.** Dissatisfaction was highest among the more engaged segments,

³⁶ <http://stakeholders.ofcom.org.uk/market-data-research/statistics/stats15/>

³⁷ Data were adjusted in 2012 to report total market satisfaction, and as such, data prior to 2012 are not directly comparable, so although this analysis provides a good indication of trend, we cannot be certain whether any changes indicated are real or due to the change in methodology.

stood at 29% among 'engaged' fixed broadband customers, and was higher among those in rural areas (30% vs. 15% in urban areas).

- **Just under nine in ten (89%) adults are satisfied with the postal service overall.** Those in rural locations were the most likely to say that they were satisfied with the postal service (92%). These are similar to satisfaction levels in previous years. Just over two-thirds of postal users (69%) are satisfied with the value for money provided by the postal service.
- **Broadband customers are the most likely to say they have had a reason to complain (12%),** followed by mobile (6%), and fixed-line (5%) customers. Not all of these consumers proceeded to make a complaint. In total, 8% of broadband customers said they had made a complaint (this equates to 66% of those with cause to complain) and compares to 4% among mobile customers and 3% among fixed-line customers.
- **One in ten (10%) adults had reason to complain about Royal Mail's service.** Six per cent of adults went on to complain to Royal Mail.

We now explore these key trends in more detail, within the following sub-headings:

- Satisfaction with communications services and providers
- Satisfaction with postal service and providers
- Reasons to complain

4.4 Satisfaction with communications services and providers

4.4.1 Around nine in ten consumers in all communications markets are 'very satisfied' or 'satisfied' with their overall service

The chart below shows the trend in satisfaction across each market as a whole between 2013 and 2015³⁸.

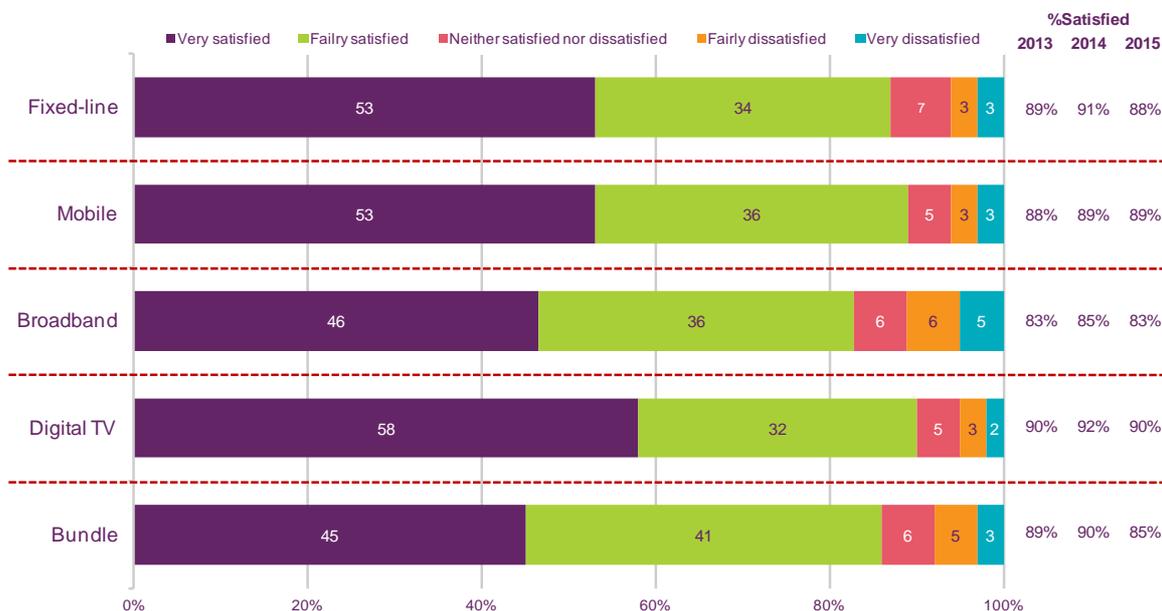
The majority of consumers in each market remain satisfied with their services overall, with dissatisfaction at between 5% and 11% across markets - highest in the fixed broadband market (11%) and the bundle market (8%). Just over one in ten (12%) fixed broadband customers said they had had cause to complain about their fixed broadband service in the past 12 months, as reported later in this section; this is higher than in each of the other communications markets (mobile 6%; landline 5%).

Levels of overall satisfaction remained consistent from 2014 to 2015 across the mobile, fixed broadband and digital TV markets. Overall satisfaction declined

³⁸ Data prior to 2012 was based on stand-alone purchasers only and as such are not directly comparable to data from 2012 and onwards

among consumers in the fixed-line (88% from 91%) and bundle (85% from 90%) markets in 2015.

Figure 44 Satisfaction with overall services from communications supplier, total market: 2013-2015



Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the decision-maker and express an opinion on fixed line (2015, 2168), mobile (2015, 2594), fixed broadband (2015, 1868), digital TV (2015, 2228), any bundlers (2015, 1295). 'Don't know' responses have been excluded from the base.

In each of the fixed broadband and mobile markets there are indications of higher dissatisfaction among customers in rural areas (12% vs. 5% of all mobile customers, and 21% vs. 10% of all fixed broadband customers).

4.4.2 Dissatisfaction with reliability of mobile and fixed broadband is highest in rural areas

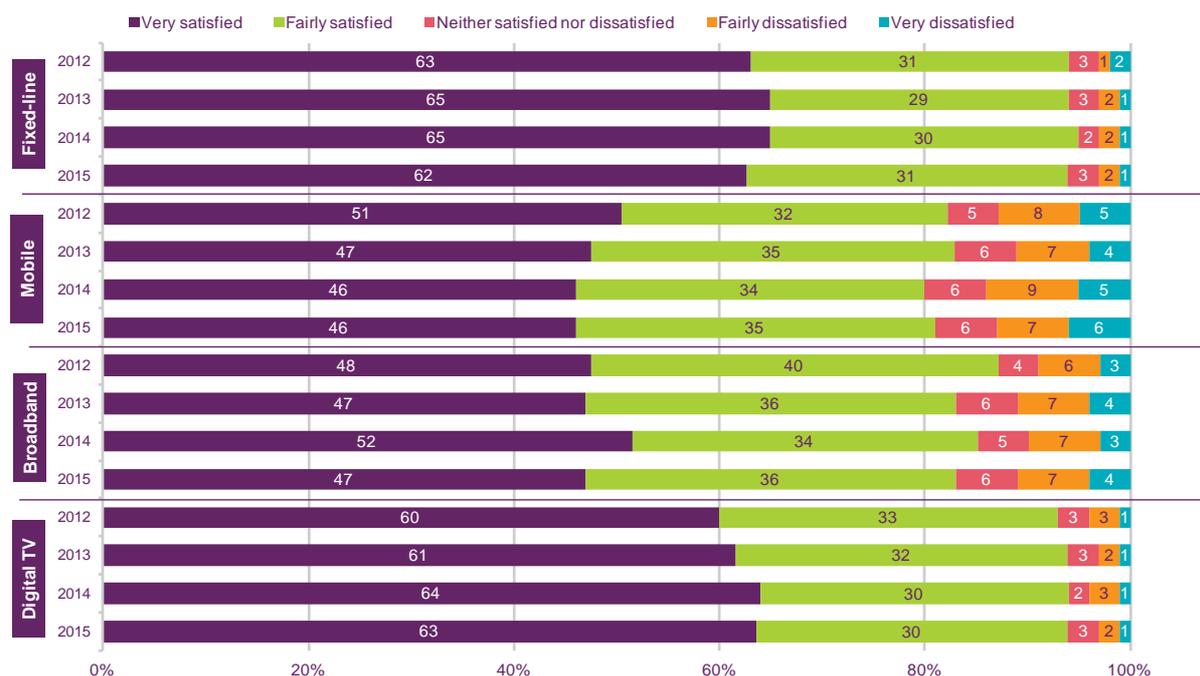
The reliability of a service should not vary according to how consumers purchase it; we would expect reliability to be independent of consumers' purchasing behaviour. So the following data are based on consumers in each market, regardless of purchasing behaviour.

Satisfaction with reliability is highest in the digital TV (93%) and fixed voice markets (93%) and has remained unchanged across both these markets since 2012, as shown in Figure 45. Dissatisfaction with reliability remains below one in 20 (both 3%) in the digital TV and fixed voice markets.

Satisfaction is lower in the fixed broadband market (83%); it has also remained unchanged since 2012, with the dissatisfaction level at around one in ten (11%) in 2015.

In the mobile market we ask about satisfaction with reception and the ease of accessing the network. This currently stands at 81% who are satisfied and 13% dissatisfied, unchanged since 2014.

Figure 45 Satisfaction with reliability of service (reception/ease of accessing mobile network) in all markets: 2012-2015

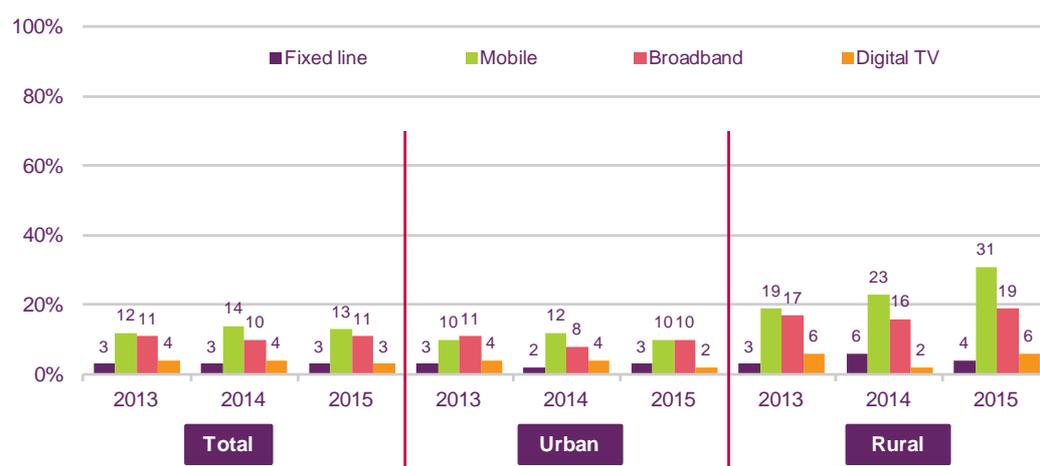


Source: Ofcom Switching Tracker, July - August 2012, 2013, 2014 and 2015

Base: All adults aged 16+ who are the decision-maker and express an opinion on fixed-line (2012, 1624) (2013,1576) (2014, 1730) (2015, 2165), mobile (2012, 1703) (2013,1703) (2014, 1670) (2015, 2587), fixed broadband (2012, 1337) (2013,1283) (2014, 1459) (2015, 1864), digital TV (2012, 1468) (2013,1583) (2014, 1716) (2015, 2238). 'Don't know' responses have been excluded from the base.

The highest levels of dissatisfaction with the reliability of service of fixed broadband and mobile appear among consumers living in rural areas, with dissatisfaction with fixed broadband at 19% and mobile at 31% – higher than the averages for these markets (11% and 13% respectively). The apparent rise in dissatisfaction among consumers in rural areas since 2014, noted in both the fixed broadband and mobile markets, is not statistically significant.

Figure 46 Dissatisfaction with reliability of service, by urbanity: 2013-2015



Source: Ofcom Switching Tracker, July - August 2013, 2014 and 2015

Base: All adults aged 16+ who are the decision-maker and express an opinion on fixed-line (2015, 2165), mobile (2015, 2587), broadband (2015, 1864), digital TV (2015, 2238). 'Don't know' responses have been excluded from the base.

4.4.3 Dissatisfaction with value for money lowest for mobile and highest for bundles

Consumers purchasing a bundle of services tend to be billed, or pay a set monthly fee, for all the services included in their package. Therefore, the following analysis has been conducted among stand-alone purchasers in each market, comparing them to those who bundle any services.

In the fixed-line market, where there has been a continued shift towards bundling, dissatisfaction among the minority who continue to purchase this as a stand-alone service (26% of adults) stands at 12%, unchanged over the last few years.

Similarly, in the fixed broadband market the majority of consumers purchase this service as part of a bundle. Dissatisfaction with value for money among those continuing to purchase fixed broadband from a single provider (18% of adults) stands at 11%, indicating no significant change over the last few years.

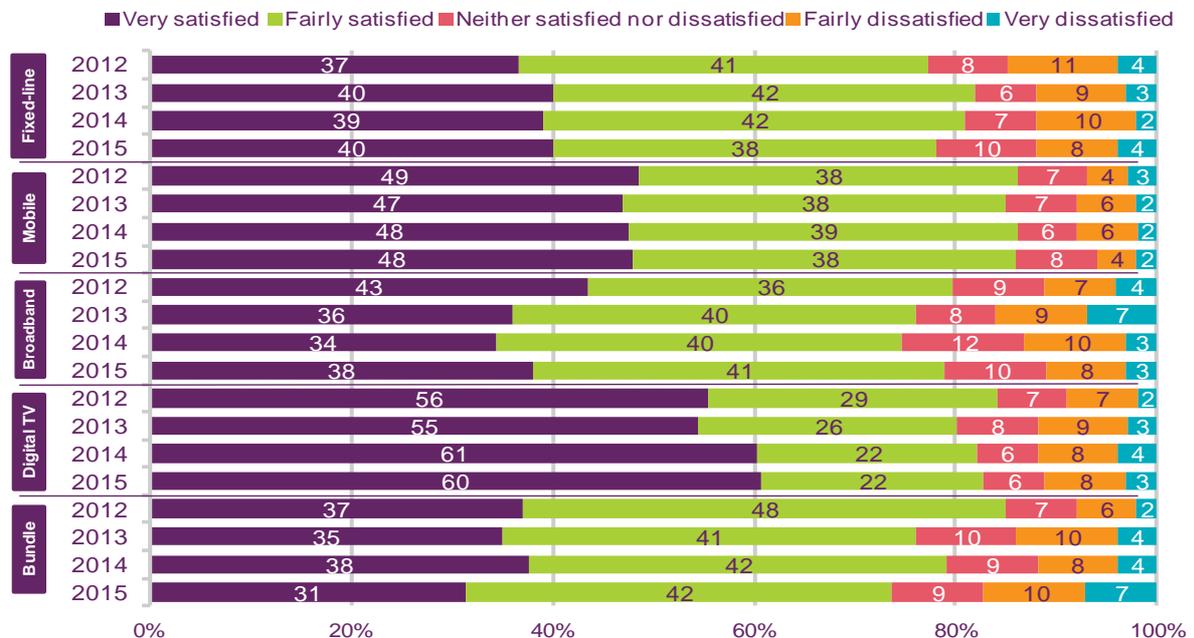
Purchasing behaviour in the mobile market remains broadly unchanged, with the majority continuing to purchase their mobile service as a stand-alone service. Satisfaction with value for money in the mobile market among stand-alone purchasers (87% of adults) remains unchanged since 2014, with dissatisfaction at 6%. Dissatisfaction with value for money does not vary between contract and pay-as-you-go mobile consumers.

Among those who have digital TV as a stand-alone service (27% of adults) satisfaction with value for money is at 82%, unchanged since 2014. Among those with a stand-alone pay TV service – so excluding Freeview customers – satisfaction with value for money is lower than for digital TV consumers, and stands at 61% in 2015, also unchanged since 2014.

Among bundlers, the majority of whom purchase at least their fixed-line and fixed broadband services from the same provider, satisfaction with value for money has decreased; from 80% in 2014 to 73% in 2015. At the same time, dissatisfaction with value for money among bundlers has increased since 2014; from 12% to 17%

in 2015. There is no difference in satisfaction or dissatisfaction with value for money between triple-play bundlers and dual-play bundlers in 2015. However, dissatisfaction with value for money among triple play bundlers has increased since last year (from 13% to 20%) but for dual-play bundlers it has not changed (15%).

Figure 47 Satisfaction with value for money: 2012-2015³⁹



Source: Ofcom Switching Tracker, July - August 2012, 2013, 2014 and 2015

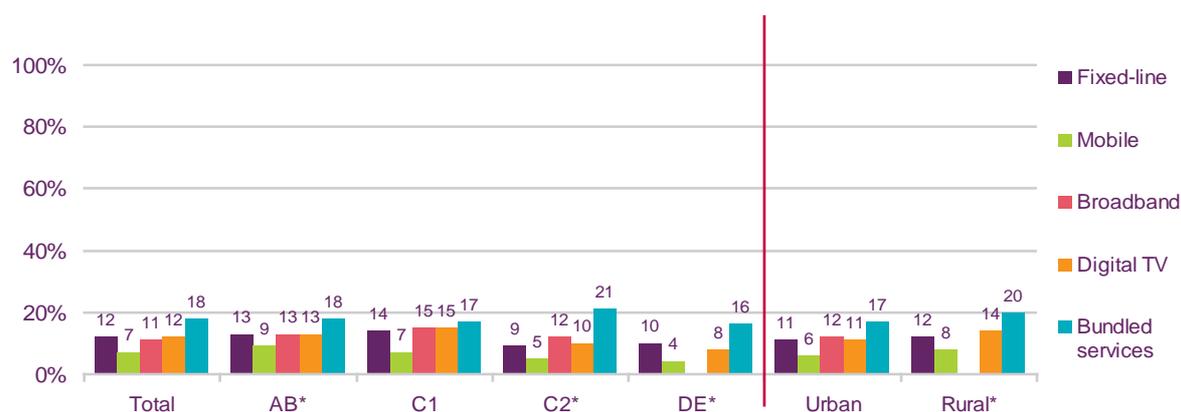
Base: All adults aged 16+ who are the decision-maker and express an opinion on fixed-line (2015, 636), mobile (2015, 2421), broadband (2015, 301), digital TV (2015, 1374), bundle (2015, 1284). 'Don't know' responses have been excluded from the base.

The following chart compares levels of dissatisfaction with value for money, by socio-economic group and urbanity, within each service. There were very few differences across the communications services. Due to the relatively low proportion of consumers purchasing stand-alone fixed broadband services, comparable data for this service are limited.

In 2015 there were no differences between those purchasing fixed-line, mobile, fixed broadband or TV as stand-alone services, in terms of dissatisfaction with value for money by socio-economic group or by urbanity. Similarly, dissatisfaction with value for money among bundlers does not vary by socio-economic group or urbanity.

³⁹ These data are based on stand-alone purchasers in each market, compared to bundlers as a whole, as consumers who bundle their services are unlikely to be able to separate out costs for individual services

Figure 48 Dissatisfaction with value for money, by socio-economic group and urbanity



Source: Ofcom Switching Tracker, July - August 2015

Base: All adults aged 16+ who are the decision-maker and express an opinion on fixed-line (2015, 636), mobile (2015, 2421), broadband (2015, 301), digital TV (2015, 1374), bundled services (2015, 1284). *Caution: Base too low for broadband for socio-economic group DE and rural and low base for socio-economic groups AB and C2, so treat as indicative only. 'Don't know' responses have been excluded from the base.

4.4.4 Three-quarters of broadband customers are satisfied with their online speeds

A service aspect specific to the broadband market is speed. Ofcom research⁴⁰ has found that the overall average actual download speed in the UK increased from 18.7Mbit/s to 22.8Mbit/s in the six months from May 2014 to November 2014.

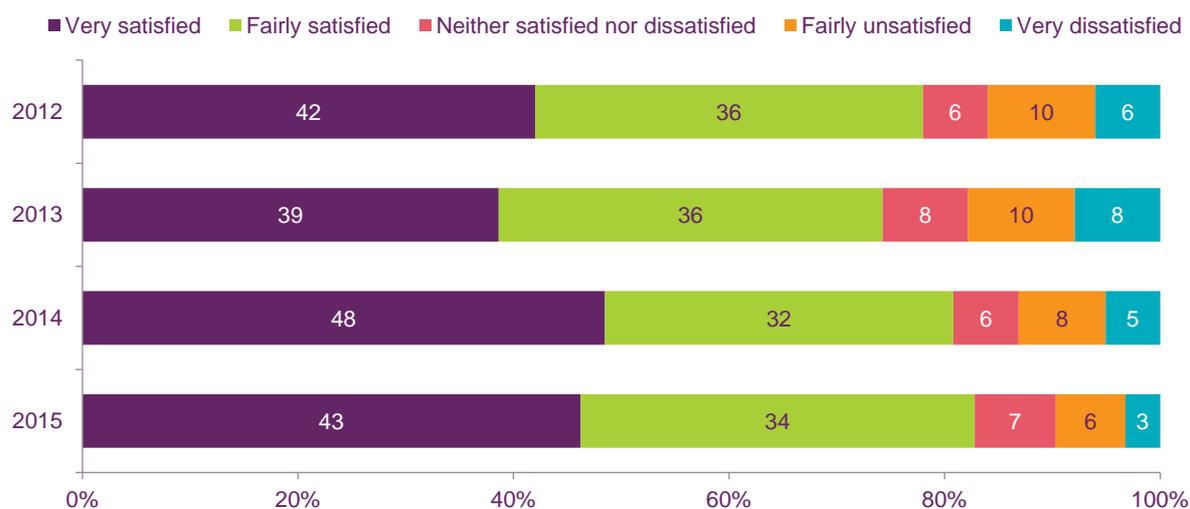
Two in five fixed broadband customers who expressed an opinion on satisfaction with the speed of their fixed broadband service (43%) said they were 'very satisfied' (Figure 49) and in total, over three-quarters were satisfied (77%). Since 2014 there has been no significant change in levels of satisfaction or dissatisfaction with speed of broadband service.

While not shown on the chart below, dissatisfaction was highest among the more engaged segments; it stood at 29% among 'engaged' fixed broadband customers and at 3% among those classified as 'passive'. This suggests that for these consumers, speed of service might be a key factor driving potential switching decisions.

Levels of dissatisfaction also vary by urbanity, with fixed broadband customers living in rural areas more than twice as likely to be dissatisfied with the speed of their service as those living in urban areas (30% vs. 13%). These levels of dissatisfaction are higher than those reported in 2014 (17% vs. 7%).

⁴⁰ http://stakeholders.ofcom.org.uk/binaries/research/broadband-research/november2014/Fixed_bb_speeds_November_2014.pdf

Figure 49 Satisfaction with speed of fixed broadband service: 2012-2015



Source: Ofcom Switching Tracker, July - August 2012-2015

Base: All adults aged 16+ who are the fixed broadband decision-maker who expressed an opinion (2012, 1318) (2013, 1254) (2014, 1449) (2015, 1851).

Note: 'Don't know' responses have been excluded from the base.

4.5 Satisfaction with postal services and providers

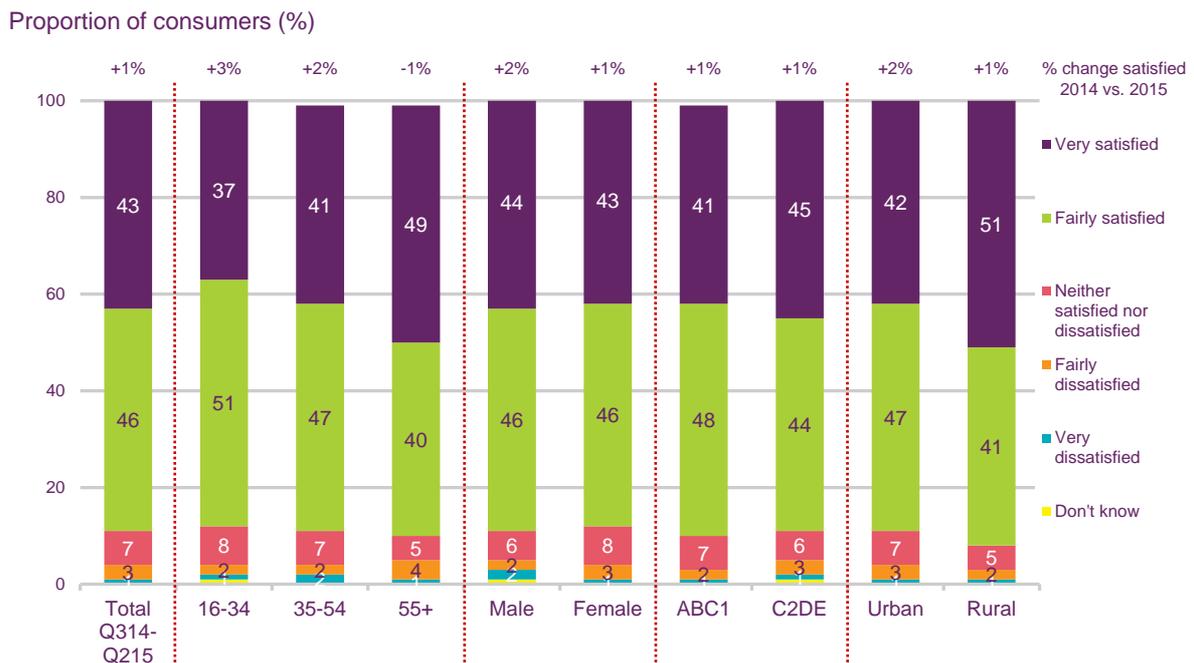
4.5.1 Around nine in ten adults are satisfied with the postal service overall

Almost nine in ten (89%) residential consumers were satisfied with the postal service as a whole (Figure 50). Those aged 55+ (49%) were more likely than the UK average to say they were very satisfied (43%).

Overall satisfaction with the postal service was higher than the UK average for those in Northern Ireland (92%), Wales (94%), and 'other rural'⁴¹ locations (92%). Postal users in Northern Ireland, Wales and other rural locations were more likely to say they were 'very satisfied' with the postal service (48%, 49% and 51% respectively) than the UK average (43%).

⁴¹ 'Other rural' is defined as a village or hamlet with a population of fewer than 2,000, or open countryside that is within ten miles from a large urban area (defined as having a population of at least 15,000).

Figure 50 Overall satisfaction with the postal service, by age, gender, socio-economic group and urbanity



Source: Ofcom post tracking survey Q3 2014-Q2 2015

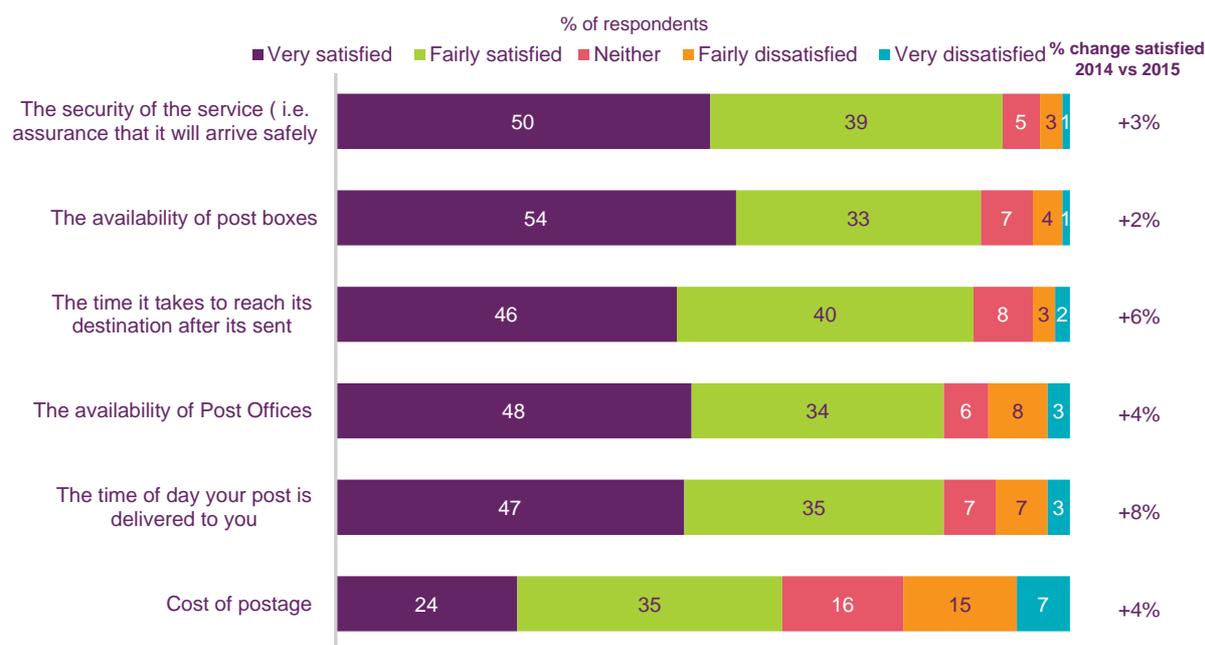
Base: All adults 16+ (3122)

QE2. Thinking about your experience of using the postal service to send and receive mail, how would you rate your overall satisfaction with the postal service?

4.5.2 More than eight in ten consumers are satisfied with most aspects of Royal Mail's postal service

Consumers were asked how satisfied they were with specific aspects of the service provided by Royal Mail (Figure 51). The aspects of Royal Mail's service receiving the highest ratings were the security of the service (89%), the availability of post boxes (87%), the time post takes to reach its destination (86%) and the availability of post offices (82%). The lowest level of satisfaction was for the cost of postage, with about six in ten (59%) claiming to be satisfied with this aspect of the service. Sixteen per cent of adults claimed to be neither satisfied nor dissatisfied, and just over one in five (22%) claimed to be very, or fairly, dissatisfied with the cost of postage.

Figure 51 Overall satisfaction with aspects of Royal Mail's postal service



Source: Ofcom post tracking survey Q3 2014-Q2 2015

Base: All adults 16+ (3122)

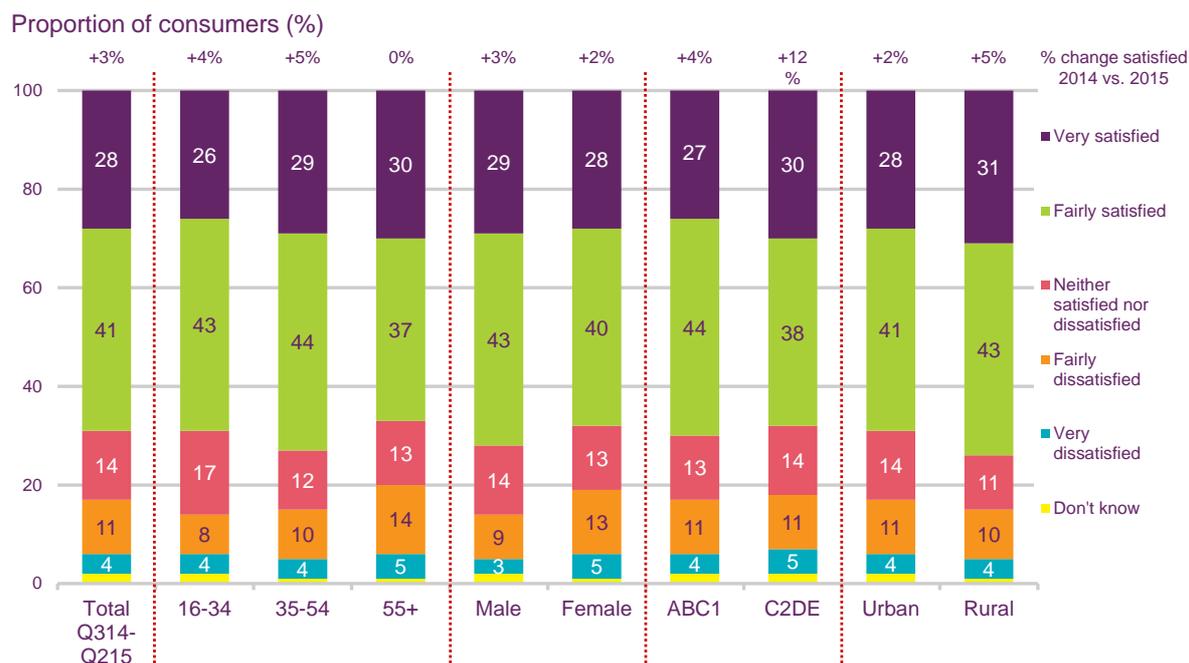
Q: E3: How would you rate the performance of Royal Mail as a recipient or sender in the following areas on a 5-point scale where 1 is very dissatisfied and 10 is very satisfied.

4.5.3 Seven in ten postal users are satisfied with the value for money provided by the postal service

Satisfaction with the value for money of the postal service is higher than satisfaction with the cost of postage. Overall, 69% of all consumers said they were satisfied with the postal service in terms of value for money, highest among those aged 35-54 (73%) and those in rural areas (74%).

Consumers in Scotland are more satisfied with the postal service in terms of value for money than consumers in other nations, with 77% satisfied, compared to 72% in Northern Ireland, 70% in Wales and 69% in England.

Figure 52 Satisfaction with the postal service: value for money, by age, gender, socio-economic group and urbanity



Source: Ofcom post tracking survey. Q3 2014-Q2 2015

Base: All adults 16+ (3122)

QE4. How satisfied are you overall with the postal service in terms of value for money of sending mail?

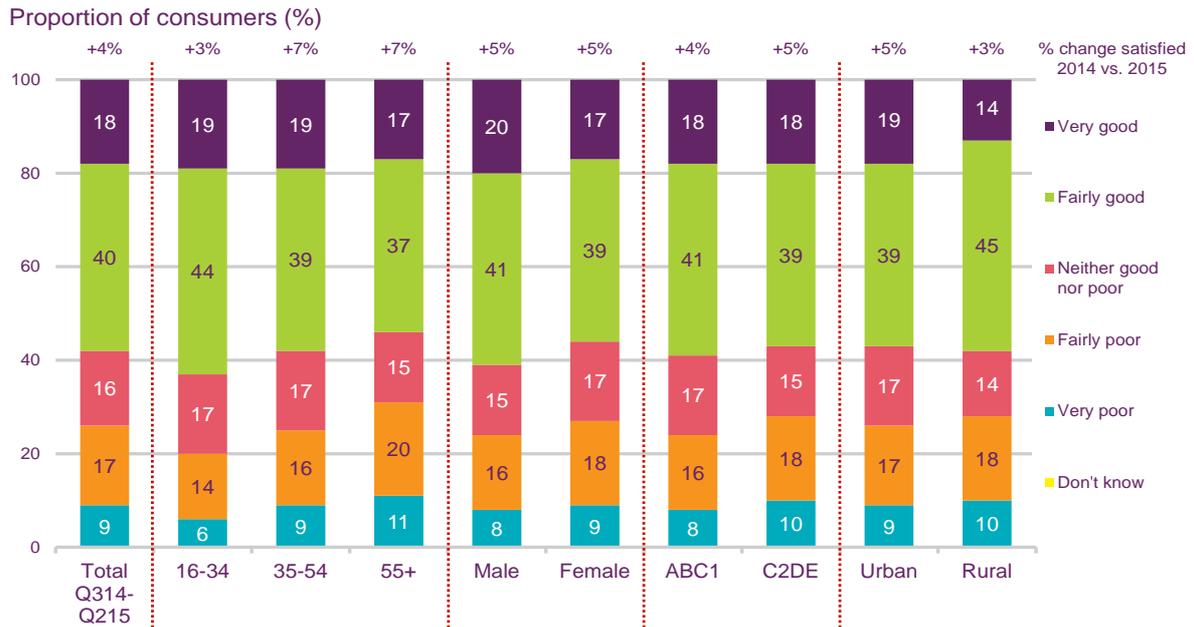
4.5.4 Half of consumers considered First Class stamps offered good value for money

As shown in Figure 53 and Figure 54 below, when asked about the value for money of First and Second Class stamps, almost six in ten (58%) considered that First Class stamps offered good value for money, while around half (49%) considered Second Class stamps good value.

The perceived value for money, for both First and Second Class stamps, was up since 2014; between 2014 and 2015 the proportion of consumers considering First Class stamps as good value for money rose by four percentage points and by three percentage points for Second Class stamps.

The perceived value for money for both First and Second class stamps declines with age. Perception of good value for money for First Class stamps, among those aged 16-34, was higher than among those aged 55+ (63% vs. 54%). The same applies for perception of value for money for Second Class stamps; 53% of respondents aged 16-34 rated them as good value for money, compared to 49% of over-55s.

Figure 53 Value for money of First Class stamps, by age, gender, socio-economic group and urbanity



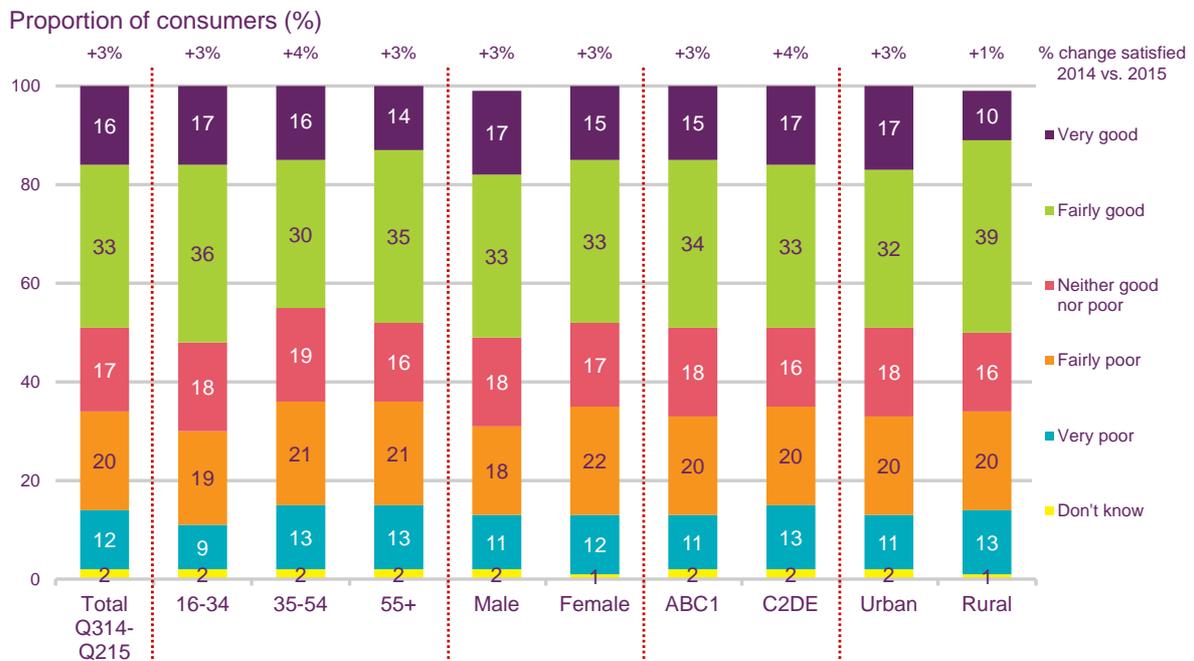
Source: Ofcom residential post tracking survey. Q3 2014-Q2 2015

Base: All adults 16+ (3122)

QF3: It currently costs 62/63p to send a standard letter First Class within the UK, how would you rate Royal Mail's First Class service in terms of value for money?

*Note: Price of First Class stamp increased on 31 March 2015 to 63p

Figure 54 Value for money of Second Class stamps, by age, gender, socio-economic group and urbanity



Source: Ofcom residential post tracking survey. Q3 2014-Q2 2015

Base: All adults 16+ (3122)

QF4: It currently costs 52/53p to send a standard letter Second Class within the UK, how

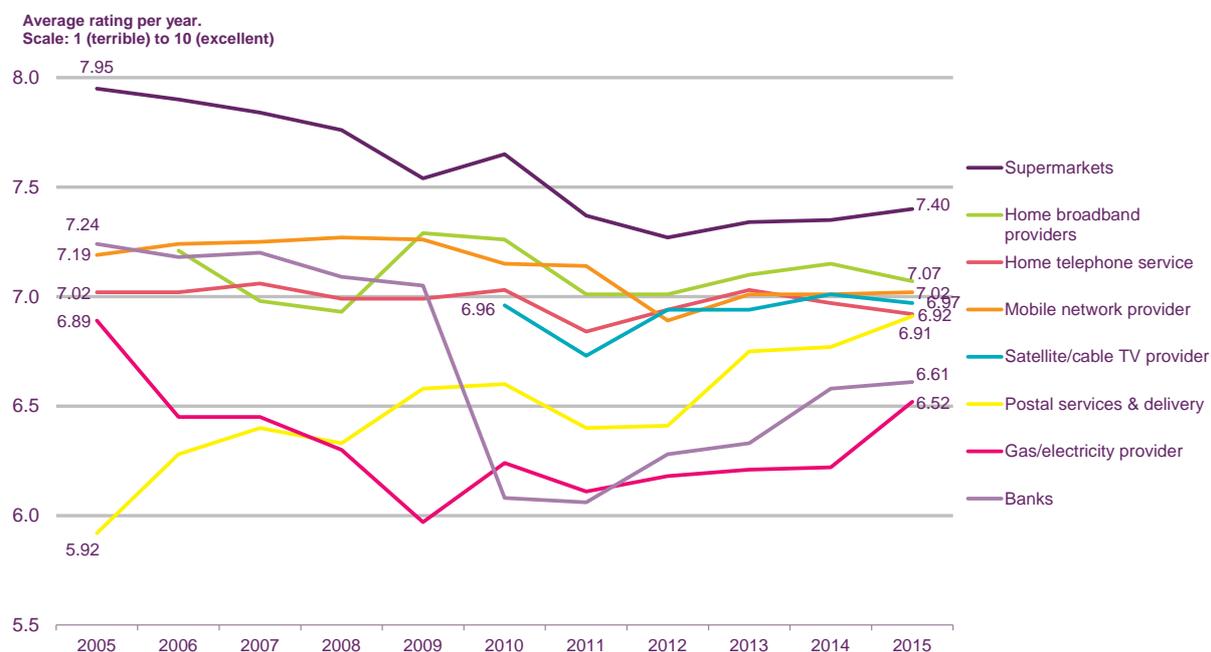
would you rate Royal Mail's Second Class service in terms of value for money?
 *Note: Price of Second class stamp increased on 31 March 2015 to 54p

4.6 Value for money across sectors

Since 2005 we have tracked consumer ratings of value for money in eight sectors⁴². For many sectors, value for money ratings have fallen over this time; most markedly banks, gas and electricity providers, and supermarkets. Postal services and delivery is the only sector to see an increase in customers' perception of value for money; from 5.92 in 2005 to 6.91 in 2015.

Customers attitudes towards the value of money of home broadband, home telephone services, mobile network providers and satellite/cable TV providers have remained relatively stable between 2005 and 2015.

Figure 55 Customers' attitudes towards value for money across sectors: 2005-2015



Source: *Customers in Britain 2015*, Firebrand Insight

Base: All adults (2015, 1,007)

Q6a: Please give a rating for the value for money you receive from your main provider in each category, over the last 12 months.

4.7 Reasons to complain to provider

4.7.1 Broadband customers are the most likely to say they have had reason to complain to their provider

The analysis below shows the proportion of customers using each service who said they had had reason to complain about the provider of their broadband, fixed line and/or mobile in the 12 months before the interview⁴³ (data tables can be

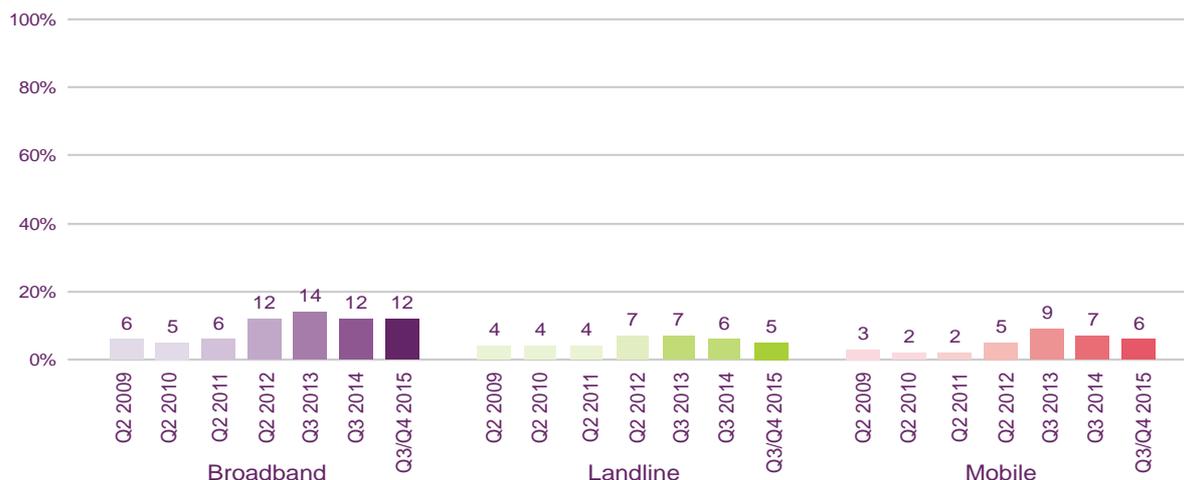
⁴² <http://www.firebrandinsight.co.uk/sector-experience/our-life-in-britain-series>

⁴³ Fieldwork was conducted in August, September and November 2015, therefore complaints date back to August 2014

found on the Ofcom website⁴⁴). However, not all consumers go on to make a complaint, and further details on the proportions actually making a complaint are set out below.

Figure 56 illustrates that across the services, the level of complaints has remained stable; broadband customers are the most likely to say they have had reason to complain to their provider (12%), followed by mobile (6%), and fixed-line customers (5%).

Figure 56 Reason to complain about service or supplier in the past 12 months: 2009-2015



Source: Ofcom research, omnibus survey, fieldwork carried out by Saville Rossiter-Base in August, September and November 2015

Base: All UK households using each type of provider (In 2015 – 3261 broadband, 3445 landline, 3729 mobile phone)

Q9. Have you personally had a reason to complain about any of these services or suppliers in the last 12 months, whether or not you went on to make a complaint? (prompted responses, multi-coded)

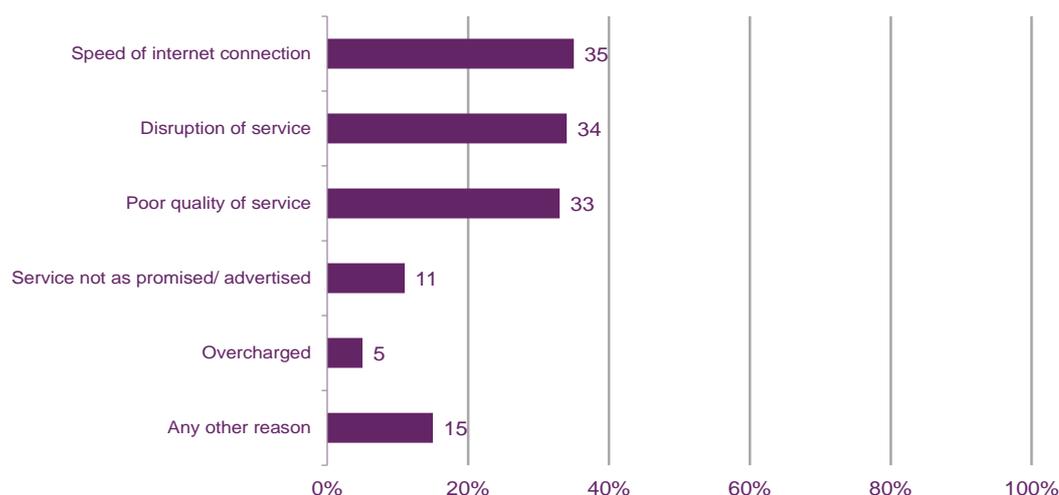
4.7.2 Broadband customers are the most likely to cite speed of internet connection as a reason to complain

Among broadband customers with reason to complain (Figure 57), the three reasons that were stated most frequently by participants were: speed of internet connection (35%), disruption of service (34%) and poor quality of service (33%). While not shown on the chart below, speed of internet connection has increased by seven percentage points since 2014, with disruption of service decreasing by five percentage points.

Just over one in ten (11%) said they felt the service was not as advertised/promised, and 5% said that they had been overcharged. In total 15% gave various other reasons, each of these mentioned by less than 3% of consumers. In the broadband market these included incorrect billing, unfair contract terms, charges not made clear/ unexpected charges, and staff attitude/ problem with staff.

⁴⁴http://stakeholders.ofcom.org.uk/binaries/research/statistics/2015dec/Ofcom_Quality_of_Customer_Service_2015_-_STAGE_1_-_Omnibus_stage_data_tables_FINAL.pdf

Figure 57 Main reason to complain about broadband service or supplier



Source: Ofcom research, omnibus survey, fieldwork carried out by Saville Rossiter-Base in August, September and November 2015

Base: All UK households with reason to complain about each service in the last 12 months (357 fixed broadband) Chart shows reasons given in 2015 by at least 5% of those with reason to complain.

Q16. What was the issue you had reason to complain about in connection with your fixed broadband? (spontaneous responses, multi coded)

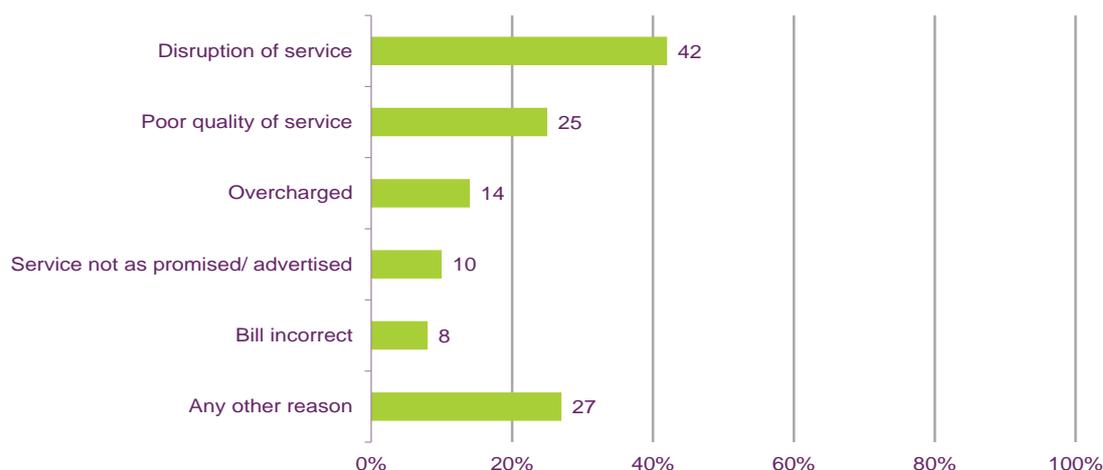
Note: 'any other reason' includes reasons given by fewer than 5% of those with reason to complain

4.7.3 Fixed-line customers are most likely to cite disruption of service as a reason to complain

Among fixed-line customers with reason to complain (Figure 58), the two reasons that were most likely to be mentioned were disruption of service (42%) and poor quality of service (25%). These were also the two most likely reasons in 2014. Fourteen per cent said they had been overcharged, and 10% said they felt that the service was not as promised/ advertised. Just under one in ten (8%) said they had had cause to complain about an incorrect bill; an 11 percentage points decrease since 2014.

Various other reasons accounted for the remaining 27%, and each was mentioned by less than 5% of consumers. In the fixed-line market these included unfair terms of contract, staff attitude/ problem with staff, charges not made clear/ unexpected charges, inappropriate content and bill not received.

Figure 58 Main reason to complain about fixed-line service or supplier



Source: Ofcom research, omnibus survey, fieldwork carried out by Saville Rossiter-Base in August, September and November 2015

Base: All UK households with reason to complain about each service in the last 12 months (160 landline). Chart shows reasons given in 2015 by at least 5% of those with reason to complain.

Q10. What was the issue you had reason to complain about in connection with your landline? (spontaneous responses, multi-coded)

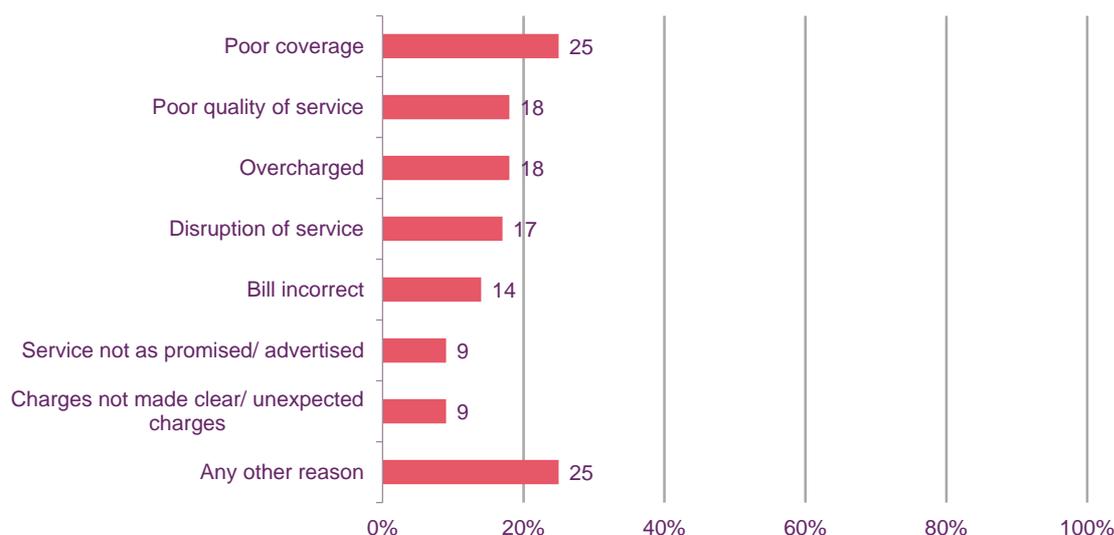
Note: 'any other reason' includes reasons given by fewer than 5% of those with reason to complain

4.7.4 Mobile customers are most likely to cite poor coverage as a reason to complain

Among mobile customers with reason to complain (Figure 59), poor coverage (25%) is the most likely reason given, with lower proportions of customers citing poor quality of service (18%) and disruption of service (17%). Eighteen per cent gave 'being overcharged' as a reason; a nine percentage point increase on 2014. Other reasons in 2015 included incorrect bill (14%), service not as promised/ advertised (9%) and unclear or unexpected charges (9%).

Various other reasons accounted for 25%, and each were mentioned by less than 5% of consumers. In the mobile market these included: speed of internet connection, staff attitude/ problem with staff, unfair terms of contract, inappropriate content and bill not received.

Figure 59 Main reason to complain about mobile service or supplier



Source: Ofcom research, omnibus survey, fieldwork carried out by Saville Rossiter-Base in August, September and November 2015

Base: All UK households with reason to complain about each service in the last 12 months (217 Mobile phone) Chart shows reasons given in 2015 by at least 5% of those with reason to complain.

Q13. What was the issue you had reason to complain about in connection with your mobile phone service? (prompted responses, multi-coded)

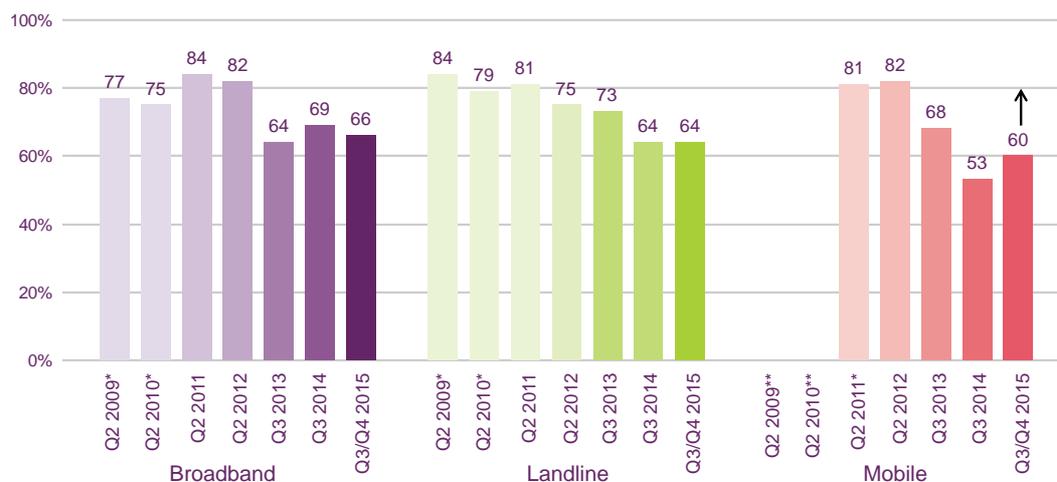
Note: 'any other reason' includes reasons given by fewer than 5% of those with reason to complain

4.7.5 Broadband customers with a reason to complain were the most likely to proceed with a complaint

Consumers with a complaint may choose to contact their provider, Ofcom or other advisory bodies such as Citizens Advice. Most customers with reason to complain said they did make a complaint. Broadband customers were the most likely to have reason to complain (12%), and 66% of these went on to make a complaint. Fixed-line and mobile customers were less likely to have reason to complain (5% and 6% respectively), and of those with reason to complain, 64% of landline customers and 60% of mobile customers went on to make a complaint.

As shown in Figure 56, the proportion of consumers in each market with cause to complain has remained broadly unchanged. However, the proportion of these consumers who proceed to make a complaint increased in 2015 to 60% in the mobile market, from 53% in 2014 (Figure 60). In the broadband market (66% in 2015 vs. 69% in 2014) and the landline market (64% in both years) figures remained comparable to 2014.

Figure 60 Whether consumers with reason to complain went on to make a complaint in the past 12 months: 2009-2015



Source: Ofcom research, omnibus survey, fieldwork carried out by Saville Rossiter-Base in August, September and November 2015

Base: All UK households with reason to complain about each service in the last 12 months (In 2015 - 357 Broadband, 160 Landline, 217 Mobile phone) * Caution: Base below 100 so treat as indicative only, ** Base below 50, not reported.

Q11/Q14/Q17. And did you go ahead and make a complaint about your broadband/landline/ mobile phone service or supplier? (prompted responses, single coded)

↑ ↓ indicates significant increase/ decrease compared to 2014 at the 99% confidence level

There is no correlation between the likelihood of making a complaint and the type of issue a consumer has with their provider, in each of the broadband, fixed-line and mobile markets.

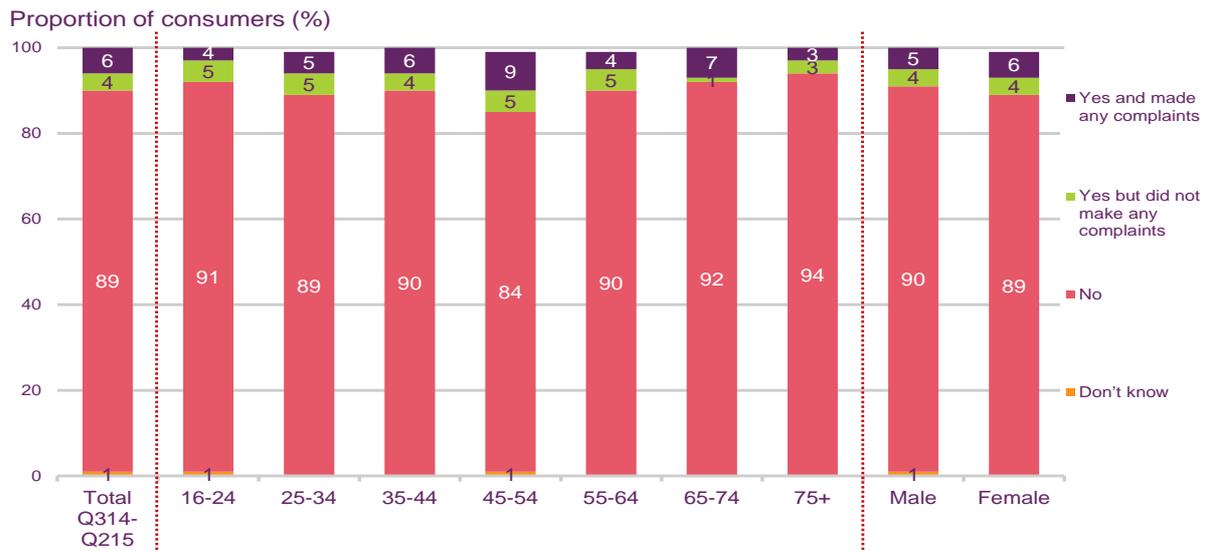
4.7.6 One in ten adults has had reason to complain about Royal Mail's service and 6% of adults have made a complaint to Royal Mail

Consumers were asked if they had had a reason to complain to Royal Mail about its services in the past 12 months and if they had, whether they had actually made a complaint.

One in ten (10%) adults reported that they had had a reason to complain about Royal Mail's service; comparable to last year. This was highest among those aged 45-54 (15%), while those over 75 (6%) reported the lowest levels of reasons to complain.

Six per cent of adults (60% of those with cause to complain) went on to make a complaint to Royal Mail. Those aged 45-54 (9%) had the highest incidence of making such a complaint, while over-75s had the lowest incidence (3%).

Figure 61 Cause to complain about Royal Mail’s postal services, by age and gender



Source: Ofcom post tracker survey, Q3 2014 – Q2 2015

Base: All respondents 3122

QG2 In the last 12 months, have you have you had a cause to complain to Royal Mail about its services?

MADE ON BEHALF OF: APPLICANT / PROPOSED CLASS REPRESENTATIVE
NAME OF WITNESS: JUSTIN LE PATOUREL
NUMBER OF STATEMENT: 1
EXHIBITS: JLP1 – JLP22
DATE: 15 JANUARY 2021

Case Number: []

IN THE COMPETITION APPEAL TRIBUNAL
BETWEEN

JUSTIN LE PATOUREL

Applicant / Proposed Class Representative

and

BT GROUP PLC

Respondent / Proposed Defendant

EXHIBIT JLP8

This is the exhibit marked "JLP8" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021



Later Life in the United Kingdom 2019

This factsheet is a collection of statistics on ageing and later life. It is compiled by Age UK from publicly available sources of research and statistics. This factsheet is not intended to be a fully comprehensive compendium. Where appropriate, we signpost to additional sources of information, statistics and reading.

Wherever possible, this factsheet focuses upon the older population of the UK.

Unless otherwise stated, the term “older” refers to persons aged 65 and above.

Age UK has a number of very informative policy position papers with facts and information on many of the topics covered in this document accessible via the website:

<https://www.ageuk.org.uk/our-impact/policy-research/policy-positions/>

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1. Demographics of an Ageing Population

1.1 Population Numbers & Projections

- The UK has an ageing population (ONS, 2018k).
- There are nearly 12 million (11,989,322) people aged 65 and above in the UK of which:
 - 5.4 million people are aged 75+,
 - 1.6 million are aged 85+,
 - Over 500,000 people are 90+ (579,776)
 - 14,430 are centenarians (ONS, 2018f, 2018e).
- The number of centenarians living in the UK has increased 85% in the past 15 years (ONS, 2018f).
- By 2030 it is anticipated there will be over 21,000 centenarians (ONS, 2017b).
- In 50 years there are projected to be an additional 8.6 million people aged 65 years and over – a population roughly equivalent to the size of London (ONS, 2018k).
- By 2030, one in five people in the UK (21.8%) will be aged 65 or over, 6.8% will be aged 75+ and 3.2% will be aged 85+ (ONS, 2017b).
- The 85+ age group is the fastest growing and is set to double to 3.2 million by mid-2041 and treble by 2066 (5.1 million; 7% of the UK population) (ONS, 2018k).

1.2 Life Expectancy

- Since the start of the 19th century, the UK has seen mortality rates declines and life expectancy increase (ONS, 2018b).
- Babies born in 2018 are (at birth) projected to have a period life expectancy of 79.9 years old (males) and 83.4 years old (females)(ONS, 2018k).
- In 2017 life expectancy at age 65 was 20.9 years for women and 18.6 years for men (ONS, 2018l).
- It is projected that 23.4% of male and 29.2% of female babies born in 2018 will survive to the age of 100 (ONS, 2018k).
- Increases in life expectancy in the UK have stalled since 2011. Although a slowdown has been evident internationally, life expectancy in the UK is lower than many other comparable countries (ONS, 2018h).
- Between 2011 and 2016 the UKs average annual life expectancy improvement was lower than the EU average, for both men and women (PHE, 2018a).
- The causes of this slowdown are likely to be complex and are not yet clear; theories include austerity, health and care system integration challenges, and increased prevalence of conditions such as cardiovascular disease, obesity and dementia (The Kings Fund, 2018a).

1.2.1 Healthy & Disability Free Life Expectancy

- The number of years of life expected to be spent without a disability or in good health is commonly referred to as *disability-free life expectancy* or *healthy life expectancy* (ONS, 2018i).
- The likelihood of being disabled and / or experiencing multiple chronic and complex health conditions increases with age (ONS, 2018k).
- As life expectancy has increased, time spent in poor health has also increased (ONS, 2018k).

- Life expectancy has risen more quickly than healthy life expectancy (PHE, 2018a).
- In England, healthy life expectancy at birth is 63.3 years for males and 63.9 for females (2014 to 2016) (PHE, 2018a).
- Disability-free life years at age 65 years in England is 9.9 years (8.9 years for males and 9.8 years for females) (ONS, 2018i).

1.3 Gender

- Females live on average 3.6 years longer than men (The Kings Fund, 2018b).
- Women only have an additional 0.6 years of good health compared to men, therefore women live a smaller proportion of their lives in “good health” (The Kings Fund, 2018b).
- Women increasingly outnumber men at older ages; among those aged over 65, 55% are women (ONS, 2018e).¹

1.4 Ethnicity

- Estimating Black and Minority Ethnic (BME) populations can be challenging as annual population estimates produced by the ONS do not include ethnicity. Consequently, the Census 2011 is the most recent and reliable data source (ONS, 2011, 2018g).
- 8% of people aged 60+ in England and Wales are BME, compared to 14% of the total population (ONS, 2011, 2018g).
- Among broad ethnic groups, the white ethnic group has the oldest median age (41 years old), while the mixed ethnic group has the youngest (18 years old) (ONS, 2011, 2018g).
- However BME populations are progressively ageing alongside the white British population (Evandrou et al., 2016).
- This changing landscape illustrates the importance for understanding issues related to health and social care provision, policy and research in relation to ethnic minority elders (Bhui, Halvorsrud, & Nazroo, 2018).

1.5 Partnership Status

- In 2017, 5.5% of people aged 65+ in England were single (never married or civil partnered), 60.0% were married or in a civil partnership, 10.5% were divorced and 24.1% were widowed (ONS, 2018m).
- With increasing age, higher proportions of people are widowed; among those aged 60-64 3.9% of men and 7.9% of women are widowed whereas among those aged 85+ 35.9% of men and 76.5% of women are widowed (ONS, 2018m).
- Unmarried people on average have poorer health and higher mortality risks than married people; with larger differences for men (Richmond & Roehner, 2017).

1.5.1 Older Lesbian, Gay, Bisexual and Transgender (LGBT) people

- Data on the demographic composition of LGBT populations in the UK are limited (CPA, 2016).
- Recent experimental statistics by the ONS reported that 2.1% of those aged 50+ (equating to around 260,000 individuals) identify as lesbian, gay or bisexual (ONS, 2016).

¹ NB: Gender differences are evident across a variety of topics related to ageing therefore for a broader context please see other sections of this factsheet.

- Having spent much of their early adult years in social, political and medical environments in which homosexuality was illegal or considered a mental illness, some older LGBT adults conceal or avoid disclosing their sexual identity for fear of discrimination (CPA, 2016).
- Although lesbian, gay, bisexual and transgender people are often grouped together, they are diverse and have varied and disparate needs (CPA, 2016).
- LGB older adults are less likely to be married than their heterosexual peers, less likely to have children, and are more likely to live alone (Kim, Fredriksen-Goldsen, Bryan, & Muraco, 2017).
- LGBT people are known to face a number of barriers when accessing services, these can include: discrimination, inappropriate questions and curiosity. These barriers can prevent fair equal treatment in health and social care settings (GOV.UK, 2019).
- LGBT individual who are from ethnic minority communities or who have disabilities can face additional inequalities (PHE, 2017).
- LGBT people are at greater risk of common mental health problems such as depression, anxiety and stress (PHE, 2017).
- Older LGB adults have higher risk of disability, smoking, and increased alcohol consumption compared to older straight people (Cannon, Shukla, & Vanderbilt, 2017).
- Older transgender adults are at higher risk of poor physical health, disability, depression, and perceived stress (Cannon et al., 2017).

1.6 Living Arrangements

- Older women are more likely than older men to live alone (ONS, 2018i).
- 3.8 million individuals over the age of 65 live alone, 58% of whom are over 75 (around 2.2 million individuals) (ONS, 2017a).
- Older adults who live alone are more likely to attend accident and emergency (Dreyer, Steventon, Fisher, & Deeny, 2018).
- Older adults who live alone are more likely to visit their GP, with around a fifth (21%) of persons aged 65+ who live alone visiting their GPs at least once a month, compared to 14% of older persons who live with others (Dreyer et al., 2018).
- Older adults who live alone are more likely to have multiple (defined here as 3 or more) long term conditions (50% compared to 42% of older adults who live with others) (Dreyer et al., 2018).
- Older adults who live alone are more likely to have mental health conditions (1 in 4 among those who live alone vs 1 in 5 among those who live with others) (Dreyer et al., 2018).

1.7 Housing

- 6.5 million households in England are headed by someone aged 65 and over; equating to around one-third of all households (ONS, 2018j).
- 78% of households headed by someone aged 65+ are owned. Of these older adult homeowners, just 6% are still paying a mortgage (Airey, 2018).
- 16% of households headed by someone aged 65 or over socially rent, while 6% privately rent (Airey, 2018).
- 64% of outright owner households are headed by a person aged 65+ (MHCLG, 2019).
- 27% of households in the social rented sector are headed by a person aged 65 or over (MHCLG, 2019).
- 88% of the growth in the number of households between 2016 and 2041 is projected to be in households headed by someone aged 65+ (ONS, 2018j).

- The number of households headed by someone aged 65+ is projected to increase by 54% by 2041, which will bring the total number of households headed by someone aged 65+ to almost 10 million, whereas the number of households headed by someone under 65 is projected to grow by just 3% (ONS, 2018j).
- Poor quality, un-adapted, hazardous, poorly heated and poorly insulated accommodation can lead to older people having reduced mobility, depression, chronic and acute illness, falls, social isolation, loneliness and depression (House of Commons, 2018a).
- Appropriate housing can keep older people healthy, support them to live independently and reduce the need for social care (House of Commons, 2018a).
- The costs of poor housing to the NHS is estimated to be £1.4 billion per annum; of which nearly half (£624 million) is attributed to poor housing among older adults (House of Commons, 2018).
- 93% of people aged 55+ live in mainstream housing as owner occupiers or tenants (House of Commons, 2018).
- 7% of older households (aged 55+) (530,000) live in specialist housing where a lease or tenancy restricts occupation to people aged 55 or older (JRF, 2012).
- 5% of people aged 65+ live in specialist housing (all types) (House of Commons, 2018a).
- A third of older adults report that they would like to move from their present home. However, a combination of practical, financial and emotional barriers can prevent or, at least, delay the process of moving home (House of Commons, 2018).
- 27% of older people have some form of adaptation installed in their home (House of Commons, 2018a).
- Among older adults who are private tenants 45% lack at least one required adaptation in their home (House of Commons, 2018a).
- 64% of over-55s say bungalows or single-storey ground floor properties are their preferred type of housing for retirement. However, they are in short supply (House of Commons, 2018).
- Only 2,579 new bungalows were built in 2017/18 (whereas in 1986/87 this number was 28,831) (NHBC, 2018).
- According to Rightmove (April 23rd, 2019), 43,413 properties were listed as for sale in London, however only 165 were bungalows. In terms of rental properties in London of the 44,011 properties were listed in London, however only 50 were bungalows (Rightmove, 2019).
- Older people are more likely to live in poor quality housing or housing in need of serious repair, particularly when they live in socially disadvantaged areas (Airey, 2018).
- Around a fifth of households aged 65+ live in 'non-decent' housing (housing that fails to meet the governments standards on safety, efficient heating etc.) equating to an estimated 1.2 million households. Among those aged 85+, 3 in 10 households (29%) live in non-decent housing (Independent Age, 2018).
- Homeowner equity in Britain among people aged over 65 has been estimated to total £1.6 trillion (Airey, 2018).
- There is geographic inequality in homeowner equity across the UK: homeowner equity amongst those aged 65+ in the North East is less than 10% of that amongst their counterparts in the South East (Airey, 2018).
- More than 2,500 people over the age of 60 were identified as homeless in 2018 (DCLG, 2018).

1.8 Urban & Rural Environments

- Populations in rural areas tend to have a higher proportion of older people than urban areas (DEFRA, 2018b).
- 55% of people living in rural areas are aged over 45, whereas in urban areas this is 40% (DEFRA, 2018b).
- The population aged 65 and over increased by 37% in rural areas between 2001 and 2015, and increased by 17% in urban areas (DEFRA, 2018a).
- Lower population density in rural areas can make it more difficult and expensive to create and maintain comprehensive service infrastructures. Rural areas can be disadvantaged in terms of access to services and activities and this can exacerbate risks of social isolation, reduce mobility, and result in older adults lacking adequate support and health care (UNECE, 2017).
- 41% of people living in rural areas do not have access to their nearest hospital within an hour's travel by public transport or walking, compared with 6% of users living in urban areas (Gov.uk, 2016).

2. Health in Later Life

2.1 Physical Health

- Ageing societies pose challenges for health and social care systems (WHO, 2018).

2.1.1 Activities of Daily Living (ADL) & Instrumental Activities of Daily Living (IADL)

- Activities of Daily Living (ADLs) are activities that relate to personal care and mobility around the home and are basic to daily living (e.g. eating, bathing, dressing, toileting, etc).
- Instrumental Activities of Daily Living (IADLs) are activities which, while not fundamental to functioning, are important aspects of living independently (e.g. money management, cooking, shopping, etc).
- The ability to perform ADLs and IADLs is dependent upon cognitive (i.e., reasoning, planning), motor (i.e., balance, dexterity), and perceptual (i.e., sensory) capabilities and thus can be useful in helping to measure functional status and health (Mlinac & Feng, 2016).
- The number of disabled older people, defined as being unable to perform at least one IADL or having difficulty performing or an inability to perform at least one ADL, is projected to rise by 67% (from 3.5 million to 5.9 million) between 2015 and 2040, and by 116% between 2015 and 2070 (3.5 million to 7.6 million) (Wittenberg, Hu, & Hancock, 2018)
- The ADLs older people most commonly need help with are getting up and down stairs, having a bath or shower, dressing and undressing (NHS Digital, 2017).

2.1.2 (Limiting) Long-Standing Illness

- A (limiting) long-standing illness is defined as any long-term illness, health problem or disability for which there is currently no cure (that limits an individual's daily activities). Examples include: diabetes, cardiovascular diseases (e.g. hypertension, angina) and chronic respiratory diseases (e.g. asthma, chronic obstructive pulmonary disease (COPD)) (Wright, Rosato, & O'Reilly, 2017).
- As people age the likelihood of having a long-standing illness increases (Melzer et al., 2015)
- An estimated 4 million older adults in the UK (36% of people aged 65-74, and 47% of those aged 75+) have a limiting long-standing illness; equating to 40% of all people aged 65+ (Horsfield, 2017).

2.1.3 Multi-Morbidity

- Multi-morbidity is defined as the coexistence of two or more long-term medical conditions or diseases (Cassell et al., 2018).
- Over half (54%) of older people have at least two chronic conditions (also referred to as multi-morbidity) (Kingston, Robinson, Booth, Knapp, & Jagger, 2018).
- The proportion of people with multi-morbidities among those aged 65-74 is 46%. This proportion increases to 69% among those aged 85+ (Kingston, Robinson, et al., 2018).
- Multi-morbidity increases the likelihood of hospital admission, length of stay and likelihood of readmission, raises healthcare costs, reduces quality of life, and increases dependency, polypharmacy and mortality (Kingston, Robinson, et al., 2018).

2.1.4 Frailty

- Frailty is a long term condition related to the ageing process in which multiple body systems gradually lose their in-built reserves (Skills for Health, 2019).
- Older adults with frailty are less able to cope and recover from accidents, physical illness or other stressful events (NHS, 2019b).

- Since October 2017 the General Medical Services (GMS) contract requires GPs to routinely identify patients with moderate and severe frailty (NHS England, 2019).
- Older people living with frailty are at greater risk of disability, care home admission, hospitalisation, and death (Wirral, 2018).
- The proportion of people living with frailty rises with increasing age; 6.5% in those 60-69; 65% in those 90+ (Gale, Cooper, & Sayer, 2015).
- Around 3% of the population aged 65+ in England live with severe frailty, 12% with moderate frailty and 35% with mild frailty (BMA, 2018).
- Frailty occurs more frequently in women than men (16% vs 12%) (Gale et al., 2015).
- Mobility difficulties are very common among people living with frailty (93% have difficulties vs only 58% of non-frail individuals) (Gale et al., 2015).
- Among people living with frailty, difficulties in performing ADLs and IADLs were reported by 57%-64%, respectively, vs 13%-15%, respectively among non-frail individuals (Gale et al., 2015).

2.1.5 Malnutrition

- Malnutrition is a silent and serious condition that occurs when a person's diet does not contain the correct amount of nutrients. Although malnutrition can refer to 'under-nutrition' and 'over-nutrition'- the focus of this fact sheet is upon the former, i.e. people who are failing to eat well enough to maintain their health and wellbeing (NHS, 2019a).
- Malnutrition affects every system in the body; increasing vulnerability to illness, health complications and in very extreme cases can cause death (BAPEN, 2018).
- People can become malnourished (even if they are overweight) from not eating for 2-3 days (MTF, 2018).
- Only 31% of adults aged 65+ eat 5 or more portions of fruit and vegetables a day.
- The average number of portions of fruit and vegetables eaten by those aged 65+ in 2017, England, was 4 (HSE, 2017).
- Older people are disproportionately represented in malnourished groups; 43% of UK malnutrition cases are people aged 65+, equating to around 1.3 million people (BAPEN, 2018).
- There are many reasons why people can become malnourished: medical (or disease related), physical (or disability related) and social factors are among the most common (MTF, 2018).
- It is important to be mindful however that causes and consequences of malnutrition are often interlinked, for example, people who are malnourished are more likely to get ill or suffer an injury, which in turn can make it more difficult to eat (MTF, 2018).
- The vast majority of cases of malnutrition among those aged 65+ are in the community (93%) (MTF, 2018).
- Becoming malnourished in one's own home can mean many older adults malnourishment goes unacknowledged and unaddressed until contact with a GP or admission to hospital (MTF, 2017).
- Consequently, malnourished older adults are twice as likely to visit their GP, have more hospital admissions, longer stays in hospitals and have more ill health (co-morbidities) (MTF, 2018).
- Treating someone who is malnourished is two to three times more expensive than treating someone who is not malnourished (MTF, 2018).

2.1.6 Falls & Hip Fractures

- Falls are the largest cause of emergency hospital admissions for older people (NHS, 2017).
- Falling can cause injury, distress, pain, loss of confidence or independence and mortality (PHE, 2018c).
- In 2017/18 there were around 218,000 emergency hospital admissions related to falls among patients aged 65+, with around 149,000 (68%) of these patients aged 80+ (PHE, 2018d).
- Around a third of people aged 65+ and about half of people aged 80+ fall at least once a year (PHE, 2018c).

- Unaddressed fall hazards in the home are estimated to cost the NHS in England £435 million annually (PHE, 2018c).
- The total cost of fragility fractures to the UK each year has been estimated at £4.4 billion which includes £1.1 billion for social care. Hip fractures account for around £2 billion of this sum (PHE, 2018c).
- Hospital inpatients in England experienced a quarter of a million falls during the year 2016/17 (that is more than 680 per day) (Royal College of Physicians, 2017).
- 5,048 people aged 65+ died from having a fall in 2017, equating to 14 people every day. Of these 2,657 were women and 2,391 were men (ONS, 2018c).
- Among older people, hip fracture is the most common serious injury, reason to need emergency anaesthesia/surgery, and cause of accidental death (Royal College of Physicians, 2018).
- In 2017/18 almost 59,000 people aged 65+ in England experienced a hip fracture (PHE, 2018e).
- Hip fractures are more common in women who are more susceptible than men to osteoporosis (weak and fragile bones) (NHS, 2016a).
- 71% of hip fracture cases among people aged 65+ in 2017/18 were women (PHE, 2018g)
- Only around 31% of older adults regain completely their previous activities of daily living following a hip fracture (Tang et al., 2016).
- 66% of persons aged 65+ who sustain a hip fracture will not fully return to pre-fracture mobility, only 36% return to independence (Tang et al., 2016).
- It is estimated around a quarter of hip fracture patients aged 65+ will consequently need long-term care (Royal College of Physicians, 2018).
- Hip fractures are associated with a total cost to health and social services of over £1 billion per year (Royal College of Physicians, 2018).
- At any one time, patients recovering from hip fractures occupy over 3,600 hospital beds (3,159 in England, 325 in Wales and 133 in Northern Ireland) (Royal College of Physicians, 2018).

2.1.7 Sensory loss

- 1.6 million older people have sight loss in the UK. Of these almost 650,000 are aged 85+ (RNIB, 2015).
- 1 in 5 people aged 75+ are living with sight loss; 1 in 2 people aged 90+ are living with sight loss (RNIB, 2018).
- People with sight loss are more likely to have problems with daily living, lower quality of life, life satisfaction, wellbeing and confidence and higher levels of depression (RNIB, 2015).
- More than 40% of people over 50 years old have hearing loss, rising to 71% of people over the age of 70 (Action on Hearing Loss, 2019).
- 75% of people in care homes have hearing loss (Action on Hearing Loss, 2019b).
- Identification and effective management of hearing loss in care home residents can significantly improve quality of life, reduce loneliness and social isolation and improve overall health and wellbeing (Action on Hearing Loss, 2019b).

2.1.8 Dementia

- Dementia is an umbrella term for a range of progressive conditions that affect the brain (Dementia UK, 2019).
- 1 in 14 people over the age of 65 (7%) and 1 in 6 people over the age of 80 have dementia (17%) (Alzheimer's Research UK, 2019; Alzheimer's Society, 2019b).
- Symptoms include memory loss, confusion and problems with speech and understanding (Alzheimer's Society, 2019).
- Dementia is a terminal condition (Alzheimer's Society, 2019).
- Alzheimer's disease is the most common type of dementia (62% of cases) followed by vascular dementia (17%) and mixed dementia (10%) (Alzheimer's Society, 2019b).
- Dementia is a key cause of disability in later life; a more common cause than cancer, cardiovascular disease and stroke (Alzheimer's Society, 2019b).

- 850,000 people are estimated to have dementia in the UK. This number is projected to rise to over 1 million by 2025 and 2 million by 2051 (Alzheimer's Society, 2019b; PHE, 2018b).
- The number of people aged 65+ in England with dementia in 2018 was estimated to be 645,000. Of these, only 68% (436,000) had a dementia diagnosis (PHE, 2018f).
- 225,000 people are projected to develop dementia this year, equating to around one person every 3 minutes (Alzheimer's Society, 2019b).
- 70% of people in care homes have dementia or severe memory problems (Alzheimer's Society, 2019b).
- Dementia currently costs UK society £26 billion per year (an average cost of £32,250 per person with dementia); this cost is set to rise as the population ages (Alzheimer's Society, 2019a).

2.2 Mental Health & Wellbeing

- Mental health problems have an impact on physical health, and vice versa, thus it is important to consider mental health of older adults in addition to age-related physical decline and physical health conditions (Naylor et al., 2016).
- It is estimated that 40% of older people in GP clinics have a mental health problem, this rises to 50% of older people in general hospitals and 60% of those in care homes (Royal College of Psychiatrists, 2018).
- Older adults may have long-standing mental health conditions such as bipolar disorder or schizophrenia, or more recent developments such as depression due to chronic conditions or bereavement (Royal College of Nursing, 2018).
- Depression is the most common mental health problem among older adults; affecting 22% of men and 28% of women aged 65+ (Royal College of Psychiatrists, 2018).
- Mental health problems are under-identified by health-care professionals and older people themselves; somewhat linked to issues of stigma surrounding these illnesses which can make people reluctant to seek help (Royal College of Nursing, 2018).

2.2.1 Loneliness & Social Isolation

- Loneliness and social isolation are different but related concepts (Age UK, 2018d)
 - **Loneliness** is a subjective feeling which relates to the difference between a person's desired levels of social contact and their actual level of social contact, and is linked to the perceived quality of the person's relationships. Loneliness is never desired and lessening these feelings can take a long time.
 - **Social isolation** is an objective measure of the amount of social contact a person has, and is about the quantity and not quality of relationships. People may choose to have a small number of contacts. When people are socially isolated, this can be overcome by increasing the amount of social contact they have.
- Persistent loneliness can have a significant negative impact on well-being and quality of life (Age UK, 2018a).
- People aged 50 and over are more likely to be lonely if they do not have someone to open up to, are widowed, are in poor health, are unable to do the things they want, feel that they do not belong in their neighbourhood or live alone (Age UK, 2018a).
- 17% of older people report they are in contact with family, friends and neighbours less than once a week; 11% report this contact is as infrequent as less than once a month (Age UK, 2015).
- 24% of people aged 50+ living in England feel lonely some of the time, while 7% (equating to around 1.4 million people) feel lonely often (Age UK, 2018a).
- Within the next decade, 2 million people aged 50 and over in England are projected to be lonely if efforts to tackle loneliness are not made (Age UK, 2018a).
- Loneliness, social isolation, and living alone have all been associated with an increased risk of premature death (APA, 2017; Holt-Lunstad, J., Smith, T.B., Layton, 2010).
- Loneliness has been associated with a 40% increased risk of dementia (Sutin, Stephan, Luchetti, & Terracciano, 2018).

- Deficiencies in social relationships are associated with an increased risk of developing cardiovascular disease (CVD) (Xia & Li, 2018).
- 49% of older people (equivalent to over 5 million individuals) say the television or pets are their main form of company (Age UK, 2015).
- 9% of older people report that they feel cut off from society (The Campaign to End Loneliness, 2013).
- Three out of four GPs across the UK say they see between 1 and 5 people a day who have come in mainly because they are lonely (The Campaign to End Loneliness, 2013).
- Research shows that every £1 invested in tackling loneliness can save £3 in health costs (Mcdaid, Bauer, & Park, 2017).

2.3 Lifestyle

- Healthy lifestyle behaviours (for instance, never smoking, moderate alcohol consumption, physical activity and daily consumption of fruits and vegetables) have all been associated with better health outcomes in later life (e.g. successful ageing, increases in lifespan and years spent in good health, a reduced risk of mortality and poor cognitive function) (Daskalopoulou, Koukounari, Ayuso-Mateos, Prince, & Prina, 2018; Grassi, Landi, & Delogu, 2014).
- *The following sub-sections provide insight into lifestyle behaviours and their influence for health outcomes in later life:*

2.3.1 Physical Activity

- The UK physical activity guidelines recommend older adults participate in at least 150 minutes a week of moderate intensity activity (approx. 30 minutes a day, 5 days a week) (Skelton et al., 2018).
- Physical activity has been identified as one of the key factors in promoting and enhancing overall and health-related quality of life for older people (Skelton et al., 2018).
- Physical activity can help improve muscle strength, balance and coordination which can further help to prevent falls, maintain bone health and preserve physical fitness (Skelton et al., 2018).
- With increasing age, physical activity levels tend to reduce (Audickas, 2017).
- The sharpest decline in physical activity tends to occur between the ages of 75-84 and age 85+; 48% of persons aged 75-84 are inactive, i.e. they do less than 30 minutes of activity per week whereas 71% of persons aged 85+ are inactive (Sport England, 2018).
- There are approximately 6.4 million physically inactive people over the age of 55 in England (Sport England, 2016).
- Physical inactivity has strong links to experiencing serious illness and reducing healthy life expectancy (Sport England, 2016).
- In addition to age, inactivity is more common among people with a disability (43%) (compared to 21% of people who are not disabled) (Sport England, 2018).
- Just over 10% of men and women aged 50+ take part in a sporting or exercise activity 'at least once a week' (British Heart Foundation, 2017).
- Beyond the age of 80, 9% of men and 4% of women report to take part once a week in sporting/exercise activities (British Heart Foundation, 2017).
- Exercises such as cycling, social dancing and swimming are the most frequently mentioned activities amongst older people (British Heart Foundation, 2017).

2.3.2 Smoking

- Among those 65+ in England, 8% are currently smokers, 41% are ex-smokers and 51% have never smoked (Action on Smoking and Health, 2018a).
- Smoking both causes and exacerbates long-term health conditions. It is also the leading cause of preventable death and disease in England (Action on Smoking and Health, 2018a).

- Around 50% of all life-long smokers die prematurely; on average cigarette smokers die 10 years younger than non-smokers (Action on Smoking and Health, 2018b).
- In the UK around a quarter of people in routine and manual occupations smoke and a tenth of people in managerial and professional occupations smoke (ONS, 2018a).
- Smokers are less likely to report having 'very good health' and are more likely to report having 'very bad health' compared to people who have never smoked (ONS, 2018a).
- Smoking in England has an annual cost to NHS of around £2.5 billion (Action on Smoking and Health, 2018a).
- Many current and former smokers need additional care in later life because of smoking-related illness, leading to social care costs of £1.4 billion a year (Action on Smoking and Health, 2018a). £760 million of this is on costs borne by local authorities, while the additional £630 million is that spent by those who have to self-fund their care (Action on Smoking and Health, 2018).

2.3.3 Alcohol Consumption

- Body water content diminishes with age, restricting the body's ability to metabolise and eliminate alcohol (Bernstein, 2019).
- It is recommended for both men and women, that no more than 14 units of alcohol are consumed a week; however due to the physical changes in older adults it is likely that the safe drinking levels for older people is less than this (Department of Health, 2017).
- 1 in 5 older men and 1 in 10 older women drink enough alcohol to harm themselves (Drink Wise Age Well, 2019).
- Alcohol can slow reaction times and affect balance (RCPSYCH, 2019).
- Alcohol can increase the risk of falls and injuries (Drink Wise Age Well, 2019).
- 1 in 3 adults aged over 65 with an alcohol problem developed this problem in later life (Drink Wise Age Well, 2019).
- Frequently reported reasons among older adults for starting to drink more include retirement, bereavement, loss of purpose, lack of socialising opportunities and changes in financial circumstances (Drink Wise Age Well, 2019).
- Excessive alcohol consumption has been linked to physical and mental health issues and can exacerbate and accelerate the onset of conditions associated with age, such as cognitive impairment and high blood pressure (RCPSYCH, 2019).

2.4 Effects of the Winter Cold

- In the winter period of 2017/18 there were an estimated 50,100 Excess Winter Deaths (EWD) in England and Wales (ONS, 2018h).
- Nearly 46,000 (92%) of these EWDs were among people aged 65 and over (equating to 379 older people a day) (Age UK, 2018c).
- Females and older adults are the most affected by excess winter mortality; in 2017/18, 28,100 EWDs were female, whereby 21,700 were females aged 85+ (ONS, 2018h).
- Over a third (35%) of the EWDs among those aged 65+ were caused by respiratory diseases (ONS, 2018h).

3. Ageing & the Economy

3.1 Economic contribution of older people

- The economic value of the employment, informal care, informal childcare and volunteering of people aged 50+ in the UK amounts to £796 billion a year (Iparraguirre, 2017).
- In the UK, the contribution of employment of adults aged 50+ amounted to £570 billion (£54 billion for 65+); informal caring activities added another £175 billion (£95 billion for 65+) and volunteering represented another £43 billion (£3 billion for 65+) (Iparraguirre, 2017).
- It is estimated that the informal childcare that grandparents provide to their grandchildren is worth around £7.7 billion (Iparraguirre, 2017).
- 16.4% of older adults volunteer at least once a week. Those aged 65-69 are the most likely to volunteer (Age UK, 2019a).

3.2 Employment

- Over 50s make up nearly a third of the UK workforce (Centre for Ageing Better, 2018)
- 14% of workplaces already have a majority of employees aged over 50 (Centre for Ageing Better, 2017).
- The rising number of older workers combined with a smaller number of younger workers entering the job market is resulting in an “ageing workforce” (Centre for Ageing Better, 2017).
- Increases to the State Pension Age (SPA) have had a significant impact on the labour market, with more people needing to work for longer (Age UK, 2016).
- 63% of those aged 50+ who are still in work report that they plan to retire later than they thought they would 10 years ago (Aviva, 2018).
- During October-December 2018, 1,290,000 individuals aged 65+ were employed (10.9%)(ONS, 2019b)
- There are 2.9 million individuals aged between 50 and SPA who are out of work, of whom 0.7 million consider themselves to be “retired” and 1.7 million think it is unlikely that they will ever work again, often due to long term illness or disability (Bevan, Brinkley, Bajorek, & Cooper, 2018).
- The average age of retirement has increased over the past two decades. The average age of retirement for men is 65.1, while for women it is 63.9 years old (DWP, 2018a).
- The employment rate for women aged 50-64 has been rising for many years, but remains significantly below that of men (67.5% and 76.2% respectively); this has been partly due to ongoing changes to the SPA, resulting in fewer women retiring between the ages of 60-65 (House of Commons, 2018b).
- Employment as a proportion of the working-age population falls from around 80% for men and 75% for women in the mid-50s age groups, to around 35% for men and 25% for women in their mid-60s (DWP, 2017).
- Women face particular difficulties in accessing work in later life as, on average, they do the majority of caring for children and older, sick or disabled family members. Women are more likely to work part-time (House of Commons, 2018b).
- Education, health and social work, and public administration and defence are the sectors which are most reliant on older workers (House of Commons, 2018b).
- Retirement timing of older workers is often determined by a wide range of factors including demographic characteristics, social factors, social participation, work characteristics, finances and retirement preferences (Scharn et al., 2018).
- Wellbeing benefits linked to work include: mental stimulation, structure to the day, social connections, identity and sense of purpose (Centre for Ageing Better, 2017; DWP, 2017).
- By delaying retirement from 55 until 65, a man with an average income could have £280,000 extra income and a pension pot 55% larger. By retiring at 63 instead of 55, a woman with an average income, who took a 10 year career break, could have £180,000 extra income and a pension pot 50% larger (DWP, 2017).

- Ill health is the single biggest factor that pushes older workers to stop working, however skills, attitudes, caring responsibilities and redundancy are also key contributors (Centre for Ageing Better, 2017).
- 44% of older workers feel unsupported by their employer when it comes to career ambitions (Aviva, 2018).
- Median hourly pay for workers in their 50s is £13.55 and £11.60 for workers aged 60+, compared to £14.37 for workers in their 30s (ONS, 2018d).

3.3 Care and Support

- In the next 20 years, the number of individuals with complex care needs is projected to increase due to more people reaching ages 85+ and these individuals having higher levels of dependency, dementia, and comorbidity (Kingston, Comas-Herrera, & Jagger, 2018).
- As the population ages and people's care needs become more complex, the need for social care services (formal and informal) intensifies (Kelly & Kenny, 2018).
- Carers provide a wide range of support: ranging from personal care, emotional support, help with practical tasks such as shopping, and reminding or giving medication (Kelly & Kenny, 2018).
- Care can be provided by family, friends or neighbours without payment (unpaid or informal care) or via services such as care homes or home visits (paid or formal care) (Kelly & Kenny, 2018).
- 30% of older people in England receive no help or very little help with their care needs (Triggle, 2018).
- 1.4 million older people do not have access to the care and support that they need (Age UK, 2019b).

3.3.1 Informal Care-givers

- 38% of older people in England receive the help they need from family and friends (Triggle, 2018).
- 1 in 8 adults are carers (around 6.5 million people) (Carers UK, 2015a).
- By 2037 it is anticipated the number of carers will increase to 9 million (Carers UK, 2015a).
- 58% of carers are female, while 43% are male (Carers UK, 2015a).
- Over 1 million people care for more than one person (Carers UK, 2015a).
- Every day another 6,000 people take on a caring responsibility-equivalent to over 2 million people every year (Carers UK, 2015a).
- Three in five people are anticipated to become carers at some point in their lives (Carers UK, 2015a).
- The economic value of the care that is provided by the nation's unpaid carers is estimated to be worth £132 billion a year, an average of £19,336 per carer (Carers UK, 2015b).
- Providing unpaid care affects carers' ability to participate in education and employment, and can affect carers' relationships, household finances, health and well-being. The effects of caregiving tend to be greater with the more hours of care provided (Kelly & Kenny, 2018).
- One in five people aged 50–64 are carers in the UK (equivalent to over 2.5 million people) (Carers UK, 2015b).
- A quarter of those who provide family care are 65+ (equivalent to nearly 2 million individuals) (Social Market Foundation, 2018).
- Caring in the home is more common among older adults. More than half of carers aged 65+ care for someone that they live with (Social Market Foundation, 2018).
- After the age of 50, women will spend an average of 5.9 years of their remaining life as unpaid carers, and after 65, they will spend an average of 2.6 years of their remaining lives as unpaid carers. Men after

50 will spend 4.9 years of their remaining life as an unpaid carers, and at age 65, 2.7 years (ONS, 2017c).

- People aged 65 and over make up a higher proportion of carers (19%) than they do in the population as a whole (12%) (Kelly & Kenny, 2018).
- 65% of older carers (aged 60-94 years) have long-term health problems or disabilities themselves (Carers Trust, 2015).
- 69% of older carers (aged 60-94 years) report that being a carer has had an adverse effect on their mental health (Carers Trust, 2015).
- A third of older carers say they have cancelled treatment or an operation for themselves due to caring responsibilities (Carers Trust, 2015).

3.3.2 Formal Caregivers

- 21% of older people in England receive the help they need for care needs from their local authority/council while 13% receive the help they need from privately funded sources (Triggles, 2018).
- In 2017, the adult social care sector had around 21,200 organisations with 41,000 care providing locations (Skills for Care, 2018).
- 1.47 million people work in adult social care (Skills for Care, 2018).
- There are 110,000 (8%) vacancies at any given time in the adult social care sector. The majority of these vacancies (76,000) are care workers (Skills for Care, 2018).
- The staff turnover rate in adult social care is 30.7%, equivalent to around 390,000 leavers in the previous 12 months (Skills for Care, 2018).
- The majority of adult social care Jobs are with independent sector employers (78%). Jobs in local authorities account for 7% adult social care jobs in the NHS Accounts for 6% of the total. The remaining number of jobs is for direct payment recipients (9%) (Skills for Care, 2018).
- 400,000 older people are in care homes in the UK (Laing-Busson, 2018).
- 37.8% of local authorities net budgets are spent on adult social care (ADASS, 2018).

3.4 Pensions & Benefit Entitlements

- In August 2018, 13 million people were receiving a State Pension (DWP, 2019a).
- The average weekly State Pension amount received in August 2018 was £143.82 a week (equating to almost £7,500 a year) (DWP, 2019a).
- Nearly all pensioners (97%) were in receipt of the State Pension in 2016/17 (DWP, 2018b).
- In 2017/18, 67% of pensioners received income from private pensions (which includes income from occupational pensions and personal pensions)(DWP, 2019c).
- 7% of pensioner couples and 22% of single pensioners have no source of income other than the state pension and benefits (DWP, 2018 Table 3.2).
- In 2016/17, an estimated 40% of families in Great Britain who were entitled to Pension Credit did not claim it (approximately 1.2 million families) (DWP, 2018b).
- Around £3 billion of Pension Credit was unclaimed in 2016/17 (DWP, 2018b).
- The average (mean) weekly amount of Pension Credit that went unclaimed in 2016/17 was £49 a week (DWP., 2018a - Table PC2).
- In 2016/17, an estimated 16% of pensioners in Great Britain who were entitled to Housing Benefit did not claim it (approximately 340,000 older people) (DWP., 2018a).
- Around £750 million of pension-age Housing Benefit went unclaimed in 2016/17 (DWP., 2018a).

3.5 Poverty & Deprivation

- People are generally considered to be living in poverty when their resources are not enough to meet their basic needs to allow them to take part in society. This can mean struggling to cover food and energy bills, watching every penny spent, worrying that nothing is set aside for a sudden emergency such as the cooker breaking down, or being unable to afford the cost of transport needed to visit a friend or go to a social club (JRF, 2016).
- A common definition of poverty is living in a household with an income below 60% of the median household income, taking account for the number of people living in the household (Parliament, 2018).
- 2 million (16%) pensioners in the UK live in poverty on this definition (DWP, 2019b).
- 1.1 million pensioners are in severe poverty (that is with an income less than the 50% threshold of contemporary median income, UK) (DWP, 2019b).
- 7% of pensioners aged 65+ in the UK are materially deprived (800,000 individuals). That is, they do not have certain goods, services, or experiences because of financial, health-related, or social isolation barriers (DWP, 2019b).
- Social support, health, financial management, housing and area of living, attitudes and priorities all have an impact on material circumstances among those living on low incomes (Age UK, 2018b).
- An alternative approach to exploring poverty is measures of deprivation. Deprivation is the consequence of a lack of income and other resources, which cumulatively result in a person living in poverty.
- Research has found deprivation influences physical and mental health outcomes. (Myck, Najszub, & Oczkowska, 2019).
- For instance, neighbourhood deprivation has been associated with the onset and subsequent survival of older adults with and without multi-morbidity (see section 2.1.3 for further details) independently of age, sex and smoking status (Chan et al., 2019).

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NAME OF WITNESS: JUSTIN LE PATOUREL
NUMBER OF STATEMENT: 1
EXHIBITS: JLP1 – JLP22
DATE: 15 JANUARY 2021

Case Number: []

IN THE COMPETITION APPEAL TRIBUNAL
BETWEEN

JUSTIN LE PATOUREL

Applicant / Proposed Class Representative

and

BT GROUP PLC

Respondent / Proposed Defendant

EXHIBIT JLP9

This is the exhibit marked "JLP9" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021

Tackling the loyalty penalty

Response to a super-complaint made by
Citizens Advice on 28 September 2018

19 December 2018

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Executive summary

1. In some markets, longstanding customers can pay much more than new customers for the same services – this is known as the ‘loyalty penalty’. This happens when suppliers charge higher prices to their existing customers, who they think are unlikely to switch to get a better deal. The result is that in many cases, people who stay with their supplier end up paying significantly more.
2. This is the basis of the super-complaint that Citizens Advice made to us. It highlighted concerns that not enough has been done to tackle loyalty penalty issues in five markets: mobile; broadband; cash savings; home insurance and mortgages.
3. Many services are paid for through automatically renewed or rolled over contracts. While this can be convenient for customers, it also increases the risk that customers who get rolled over year after year will pay a loyalty penalty. This super-complaint has given us the opportunity to look at this practice across markets, what has been tried in different markets over the years and consider what more can be done to prevent the loyalty penalty.
4. Overall, we have found that the loyalty penalty is significant and impacts many people, including those who can least afford it. Customers rightly feel ripped off, let down and frustrated. They should not have to be constantly ‘on guard’ or spend hours negotiating to get a good deal. This erodes people’s trust in markets and the system as a whole.
5. Not enough has been done in the past by the CMA and regulators; there needs to be a step-change to tackle these problems more effectively. The focus should not only be on giving better support to consumers; but getting tough on harmful business practices and using targeted pricing interventions where needed to protect those who suffer most, particularly those who are vulnerable.
6. Our response sets out a significant package of reforms, both across markets and in the five markets, to address this issue and ensure that consumers can get better and fairer outcomes. The FCA and Ofcom are actively looking at this issue in the five markets. We welcome that work and make a number of recommendations in those markets.

How big is the problem?

7. There is a substantial loyalty penalty paid by consumers each year. Existing estimates suggest this penalty could be around £4 billion in total across the

five markets we have looked at. The number of people who pay a penalty varies by market, with estimates ranging from under one million in mortgages to over 12 million in home insurance. This does not mean that prices are too high overall because some people are paying much lower prices, but some people are clearly paying too much.

8. These are the best estimates based on available data, but there are still gaps in the evidence base. Collecting and publishing information regularly on the size of the loyalty penalty and who pays it in key markets is important. This will improve understanding by regulators, raise public awareness and hold businesses accountable.
9. The loyalty penalty is not just a problem confined to the five markets. It is likely to be a much wider issue potentially arising in many other markets, for example in pay TV, roadside assistance, many other insurance markets, pensions and other subscription services such as online gaming, software and magazines.

Why does the loyalty penalty arise?

10. Many services are paid for through contracts which automatically renew or roll over, often on a higher rate. The result is that customers pay more for the same service unless they actively intervene:
 - in some markets there is a sharp increase after the introductory price ('price jump') like in energy;
 - in others there are successive price rises ('price walking') as in insurance; and
 - elsewhere customers on older tariffs sometimes pay higher prices for similar services ('legacy pricing'), as in broadband.
11. In all cases longstanding customers can end up paying much more than new customers. There are many different reasons why customers remain with their supplier. They are not necessarily being actively 'loyal' to a particular brand or supplier. Some people wrongly believe that staying will pay off in the long term, do not know they could make significant savings or have other things to worry about, so do not even think about switching. It can also be confusing and time consuming to shop around, and suppliers can exacerbate these problems. In some cases, the saving is small and is not enough to be worth worrying about.

When is it most problematic?

12. Offering introductory deals is not necessarily harmful. It can encourage people to shop around and try out new services, as well as allowing new businesses a foot in the door by attracting new customers. The loyalty penalty raises particular concerns when:

- suppliers make it more difficult than it needs to be for customers to exercise choice, and then exploit those who do not switch;
- the price gap is large, with some paying very high prices, or it affects many people;
- it particularly harms those who may be vulnerable such as the elderly, those on low incomes, or with physical disabilities or poor mental health;
- it happens in 'essential' markets.

Who is hit hardest by the loyalty penalty?

13. The loyalty penalty affects many consumers across different markets and at different points in time. The exploitative practices used by some suppliers can cause serious problems for all consumers, who do not have the time or are not able to take the steps necessary to avoid paying a penalty.

14. The most vulnerable in our society can have even greater challenges engaging in markets, such as those on low incomes, people who struggle to use online services, or people with poor mental health who may avoid or fear change. This means they may be more at risk of paying the loyalty penalty and may be least able to afford it. It is therefore important that the needs and capabilities of vulnerable consumers be taken into account when looking at tackling the loyalty penalty.

15. Protecting the interests of vulnerable consumers is a priority area for the CMA. We have an [ongoing programme of work underway](#) to better understand the challenges vulnerable consumers can face in markets, and how we can help to address them.

What role do businesses play in this?

16. Suppliers can also be a big part of the problem, as well as being a key part of the solution to enable customers to get better deals. Businesses across a wide range of markets can make it much more difficult for existing customers to engage and penalise them if they are not constantly checking the deals they are getting. We have identified a range of practices, which we consider to be unacceptable. These include:

- making it more difficult to leave a contract than it is to sign up;
- rolling over customers onto new contracts without sufficient warning;
- imposing 'stealth' increases in price on renewal year after year, which can lead to very significant price increases without customers being aware of it; and
- requiring customers to auto-renew or get rolled over when they take up a service or buy a product; in most markets there should be a choice.

17. We recognise that auto-renewal can benefit consumers, particularly when there are harmful consequences from not renewing. However, suppliers must stop taking advantage of their existing customers by charging much higher prices, misleading people about their offers and making it much more difficult for customers to get good deals than it needs to be. These practices are likely to impose a significant cost on the economy, both in terms of the time consumers spend trying to get better deals and because they can end up paying much more. This makes people feel that markets are working against their interests and undermines trust.

18. Action has been taken by regulators and the CMA to try to tackle these problems. However, the prevalence of these issues across many markets shows that there is much more for us to do to stop these types of practices by businesses.

19. We are taking enforcement action in the anti-virus software market, and this is a first step in a wider programme of enforcement. We will also be considering whether existing law should be changed to ensure these practices are stopped.

What more should be done to tackle the loyalty penalty?

20. The CMA, regulators and government must together tackle these problems head on. While there have been efforts to do so, these have not had sufficient impact. In the past too much has been asked and expected from consumers, and not enough from businesses. Although we have become better at designing more effective interventions, more can be done, particularly to protect vulnerable consumers.

21. Suppliers should do all they reasonably can to support their customers in getting the best deal, rather than exploiting any perceived weaknesses or biases. We encourage businesses to work together with regulators to achieve this, rather than frustrating or delaying attempts to fix these issues.

22. There is also a strong case for considering more direct intervention such as price controls, targeted to protect those who are worse off. These have been

used before by the CMA and regulators in some cases, particularly to protect vulnerable consumers. And they should be considered in other markets. We make a number of recommendations where such interventions should be considered by regulators, alongside other measures, in the five markets highlighted by Citizens Advice.

23. It is also important that customers are given greater support and the tools they need to make active and informed choices. This ensures that businesses are put under continued and greater competitive pressure. There are newer and bolder ways to do this which could transform some markets and make it much easier for consumers to get better deals.

24. Based on our review we consider that the best ways to achieve change are:

- providing genuine support to consumers through the use of ‘smart data’ (data-driven technologies and services to help consumers), using intermediaries (including price comparison websites, automatic switching services, or local face-to-face advisory services) and ‘collective switching’ which offers exclusive tailored deals;
- enforcement against businesses to tackle harmful and unacceptable practices; and
- considering targeted direct pricing interventions either to limit price differences, such as restricting price walking, or price caps, where there is clear harm, in particular to vulnerable consumers.

Our package of reforms across markets

25. We are recommending eight key reforms to address the problems related to the loyalty penalty.

A. Stopping harmful business practices

26. The CMA and regulators should continue to take action against suppliers whose business models are harmful to consumers. This means using our existing consumer enforcement powers and the powers regulators have to intervene directly, and strengthening these powers where needed.

1. Bolder use of existing enforcement and regulatory powers to tackle harmful business practices. We are launching investigations in the anti-virus software market. [Recommendation to regulators and action by the CMA].
2. Legislative and/or regulatory change may also be needed to effectively tackle these practices and we will be exploring this further, alongside new

powers for the CMA to seek substantial fines where law is breached.
[Recommendation to government].

We have developed a set of core principles for businesses to follow across markets and we will be building on these, alongside considering whether these should be explicitly covered in existing law. These include:

- i. exit/entry equivalence: people must be able to exit a contract at least as easily as they can enter it;
- ii. auto-renewal should generally be on an 'opt in' basis upfront, and include a clear and prominent option without auto-renewal in most markets;
- iii. exit fees should not be used after any initial minimum/fixed term;
- iv. auto-renewal onto a fresh fixed term should not generally be used;
- v. customers must be sufficiently informed about the renewal and any price changes (through sufficient notifications) in good time; and
- vi. switching should generally be managed by the gaining supplier so that customers do not have to contact their existing supplier if they want to move.

B. Publicising the loyalty penalty to hold suppliers to account

27. Reputational measures designed to put pressure on businesses can have a real impact in markets. In this case, data on the scale and size of the loyalty penalty, and which suppliers have the highest price differences, can put pressure on them to reduce this gap.

3. Publish the size of the loyalty penalty in key markets and for each supplier, through for example an annual joint loyalty penalty report.

[Recommendation to regulators].

C. Giving people more help in getting better deals

28. The CMA and regulators have relied too heavily on 'information remedies' to help consumers, which have had limited impact. In recent years we have got better at developing and testing more intelligent 'nudges', and these can make a difference for some customers. But they are not always sufficient, particularly for the hardest to reach consumers. Many people need even more support.

4. Empower intermediaries to support switching for example, giving a greater role to local consumer-facing advisory organisations, such as Citizens Advice, who could more actively support switching for vulnerable consumers. [Recommendation to government].

5. Press ahead with the Smart Data Review and rolling this out in those markets such as telecoms, where it has the greatest potential to transform markets. [Recommendation to government and regulators].
6. Capture and share best practice on ‘nudge’ remedies that have been tested and shown to work or not. Some remedies (such as requiring suppliers to give last year’s price on renewal) could be rolled out across markets and potentially strengthened. [Recommendation to regulators and the UK Competition Network].

D. Protecting consumers from harm, particularly vulnerable consumers

29. Regulators have in the past been reticent to introduce price caps because these can distort markets. But where people who are unable or find it very difficult to switch are paying significantly higher prices, the case for targeted intervention is stronger.
7. Consider targeted pricing regulations such as limiting price differentials or price caps, alongside other measures where there is clear harm, particularly to protect vulnerable consumers. We also make recommendations about potential pricing interventions to be considered as part of ongoing work in the five markets. [Recommendation to regulators and the CMA].

E. Better understanding of the loyalty penalty across markets

30. It is also important to have more robust data on the extent of the loyalty penalty across a number of key markets, and who is paying it. This is currently assessed on an ad hoc basis through specific market studies. But this approach does not enable comparisons across markets, nor, crucially, does it allow regulators to identify whether the same individuals are worse off across markets and over time.
8. Assess the feasibility of matching price data to a recurring, large scale UK survey to improve our understanding of who pays the loyalty penalty across markets, and whether vulnerable consumers are particularly adversely affected. [Recommendation to regulators].

Our recommendations in the five markets

31. Alongside these cross-cutting recommendations, we have also looked at each of the five markets highlighted by Citizens Advice. We have considered what actions have previously been taken, what can be learnt from our review and

what more can be done to tackle the loyalty penalty in these markets. We have worked with the regulators to understand these markets.

32. Based on our review, we also make recommendations to the FCA and Ofcom on measures to tackle the loyalty penalty in the five markets, which should be considered as part of their current work in these markets, alongside any other potential remedies.

Mobile

33. We do not consider that providers should continue to charge customers the same rate once they have effectively paid off their handsets at the end of the minimum contract period. This is unfair and must be stopped. We welcome Ofcom's recent consultation on this.

- We support a requirement on mobile providers to move customers on bundled handset and airtime contracts onto a fairer tariff when their minimum contract period ends. [Recommendation: Ofcom].
- In addition, Ofcom should seek to increase the engagement and awareness of consumers by pushing forward with implementing smart data, supporting the development of innovative intermediaries, and tackling low levels of awareness of SIM-only deals. [Recommendation: Ofcom].

Broadband

34. Loyalty penalty problems in this market must be thoroughly investigated and we welcome the review recently launched by Ofcom. As part of its review we recommend that:

- Ofcom consider a number of possible pricing interventions including tackling broadband legacy pricing and targeted safeguard caps to protect vulnerable consumers, alongside measures to increase engagement such as the use of smart data and exploring the feasibility of collective switching. [Recommendation: Ofcom].

Cash savings

35. The FCA has recognised that interventions to date have had limited impact on addressing the harm to longstanding customers, and it is currently considering a 'Basic Savings Rate' among other potential interventions. We welcome this further work and recommend that:

- If the FCA implement the Basic Savings Rate, it evaluates whether this has had the intended impact and if not, consider further pricing interventions such as a targeted absolute price floor in cash savings. The FCA should also consider whether collective switching can be applied. [Recommendation: the FCA].

Insurance

36. Evidence suggests that many longstanding customers are paying much more than newer customers, with businesses repeatedly increasing prices year on year. Therefore, we welcome the FCA's current market study and as part of this study we recommend that it:

- Investigate insurance pricing practices and consider pricing interventions that limit price walking, for example rules to restrict this practice. [Recommendation: the FCA].
- Explore how intermediaries can continue to benefit the home insurance market (for example where 'semi-smart' solutions can improve the existing infrastructure of price comparison websites). [Recommendation: the FCA].

Mortgages

37. In mortgages, the FCA is currently undertaking a market study. It is taking immediate action to tackle those who cannot switch in this market (ie 'mortgage prisoners') by helping these customers move onto better tariffs, where feasible. We strongly support that work, but there are still 10% of longstanding customers who could switch and make significant savings but do not. We recommend that:

- The FCA find out more about mortgage customers who could switch but do not and look at what measures can be taken to help or protect them if needed. [Recommendation: the FCA].

What next?

38. We believe a step-change in approach is needed to effectively tackle these issues. We have set out a package of reforms, both across markets and specifically in relation to the five markets identified by Citizens Advice. We believe these will achieve real changes and help existing customers get a fair deal.

39. A number of the market-specific recommendations can now be taken forward by regulators through their existing studies or ongoing work in each of these

markets. Some of the recommendations require further consideration and oversight by the CMA and others such as government and regulators.

40. The CMA will be undertaking further work on the loyalty penalty, working closely alongside regulators, government, business and organisations such as Citizens Advice. This project will take forward in particular:

- recommendation 1, where we are launching enforcement cases;
- recommendation 2, a review of the case for changing consumer law in addressing the loyalty penalty; and
- recommendation 8, exploring the feasibility of matching price and survey data.

41. We will provide an update on our progress to the newly established joint government-regulator Consumer Forum, led by the Minister for Consumer Affairs, in six months. An update will also be published on our website. The FCA and Ofcom will also provide an update on their progress in the five markets.

42. The Consumer Forum provides an important opportunity for us to work more closely together. We support its development and continued oversight on key consumer issues such as tackling the loyalty penalty across key markets and addressing the challenges faced by vulnerable consumers.

43. We have considered Citizens Advice's request that we undertake a market study into the loyalty penalty across the five markets. We do not believe this is the right approach at present, given the work we have already done and the project we will be undertaking to take forward our cross-cutting recommendations. In relation to the five markets, our recommendations to regulators can be taken forward now in their ongoing work without the need for a market study. We consider this is the most efficient way to achieve results quickly.

44. We will look at whether sufficient progress has been made in taking forward our recommendations over the next 12 months. At that stage we will reconsider what next steps are necessary, such as whether a market study is needed. The CMA is committed to continuing to drive this work forward to maintain momentum and ensure changes are achieved.

1. Introduction

- 1.1 This chapter provides an overview of the super-complaint process, the issues raised by Citizens Advice and our approach to this investigation.

The super-complaint process

- 1.2 This document is the reasoned response of the Competition and Markets Authority (CMA) to the super-complaint entitled 'Excessive prices for disengaged consumers', submitted by Citizens Advice to the CMA on 28 September 2018.¹
- 1.3 A super-complaint is a complaint submitted by a 'designated consumer body' that 'any feature, or combination of features, of a market in the UK for goods or services is or appears to be significantly harming the interests of consumers'.² Citizens Advice is a designated consumer body.³
- 1.4 The CMA is required to consider the concerns raised and publish a response within 90 calendar days setting out whether or not it has decided to take any action and, if so, what action it proposes to take. The response must state the reasons for the CMA's proposals.⁴

Issues raised in the super-complaint

- 1.5 In its super-complaint, Citizens Advice raised concerns that people who stay with their provider in 'essential' service markets, often on default or roll over contracts, end up paying significantly more than new customers for the same goods or services. It referred to this as a 'loyalty penalty'. It was concerned that this lead to significant harm to consumers, in particular vulnerable consumers such as those on low incomes, with mental health problems, low levels of education and the elderly.

¹ Citizens Advice, *Excessive prices for disengaged consumers: a super-complaint to the Competition and Markets Authority*, September 2018.

² Enterprise Act 2002 (EA02), [section 11\(1\)](#).

³ The Secretary of State for the Department of Business, Energy and Industrial Strategy (BEIS) can make any organisation a designated consumer body, provided they represent the interests of consumers of any description and also meet any other criteria published by the Secretary of State which are applied when determining whether to make or revoke a designation. It is expected that those designated will be informed bodies who are in a strong position to represent the interests of groups of consumers and able to provide solid analysis and evidence in support of any super-complaint they may make.

⁴ EA02, [section 11\(2\) and 11\(3\)](#).

1.6 The super-complaint focussed on five ‘essential’ markets:⁵ mobile and broadband, regulated by the Office of communications (Ofcom); cash savings, home insurance and mortgages, regulated by the Financial Conduct Authority (FCA). Across these five markets, Citizens Advice estimated that individual consumers can pay a loyalty penalty of almost £900 per year.

1.7 It identified the following concerns:

- the loyalty penalty is widespread, as a large number of people are on uncompetitive deals, paying more for a service than a new customer would;
- consumers do not realise that they are being penalised for staying with their supplier and face obstacles when trying to switch or shop around to get a better deal;
- consumer inertia is being exploited through long lasting automatically renewing contracts that allow price increases at renewal; and
- consumers in vulnerable situations are disproportionately impacted by the loyalty penalty.

1.8 The super-complaint asked the CMA to undertake a cross-sectoral investigation into these issues and propose recommendations and remedies that can be implemented by the CMA, regulators and government. It expected the CMA to consider:

- what more can be done to encourage consumers to engage in markets where the loyalty penalty exists;
- what direct interventions into these markets are necessary to protect consumers from exploitation; and
- what specific protections for vulnerable consumers who pay the loyalty penalty are necessary.

Evidence we assessed

1.9 To inform our response, we examined a range of evidence. This includes work and analysis undertaken by Citizens Advice, including various reports published on the loyalty penalty in the five markets,⁶ and their complaints

⁵ These markets were those in which Citizens Advice was able to identify or gather relevant evidence. However it noted that there are likely to be additional markets where there are similar concerns. The super-complaint did not explicitly include energy as one of these markets, although it referred to this market in the evidence it presented.

⁶ The reports are: [Citizens Advice, *Exploring the loyalty penalty in the broadband market*, April 2017](#); [Citizens Advice, *Exploring the loyalty penalty in the mortgage market*, July 2017](#); [Citizens Advice, *The insurance loyalty penalty: unfair pricing in the home insurance market*, November 2017](#); [Citizens Advice, *The cost of loyalty: exploring how long-standing customers pay more for essential services*, February 2018](#); [Citizens Advice, *Hung up on the handset: an investigation into sales practices in the mobile phone market*, April 2016](#).

database. Citizens Advice also provided further views on remedies and their application to the five markets.

- 1.10 In addition, we issued a general invitation to comment and received 41 submissions from a range of stakeholders, including academics, businesses, charities, consumer bodies and industry bodies, as well as 31 submissions from individual members of the public. Annex A lists those organisations from which we received submissions. We also assessed datasets submitted to us by Ismybillfair and Money Advice Service, engaged with academics, and reviewed the existing evidence base through desk research.
- 1.11 We also worked with Ofcom and the FCA to inform our understanding of the issues, any previous and ongoing work and measures put in place in the five markets (see Annexes C and D for more detail). We have also liaised with government to understand other relevant developments, including relevant follow up work being undertaken as a result of its consumer green paper published earlier this year.⁷
- 1.12 Alongside this, we collected evidence from consumers' reports of their own experiences in the five markets and elsewhere. For example, we used online forums, desk research, the complaints databases held by Ofcom and Citizens Advice, evidence provided by the ombudsman in financial services and telecoms, and work undertaken previously by the CMA.
- 1.13 We consider vulnerable consumers throughout our response, drawing on our existing programme of work which we launched earlier in 2018 as a priority area.⁸ This work has focussed on understanding the different dimensions of consumer vulnerability across markets, and considered how the CMA can help. As part of this, we commissioned qualitative research with vulnerable consumers to better understand their experiences of key markets including mobile, broadband and insurance.⁹ A separate paper setting out this broader work on vulnerable consumers will be published in the new year.
- 1.14 We would like to thank all those who have assisted us in our investigation.

⁷ Department for Business, Energy and Industrial Strategy, *Modernising consumer markets consumer green paper*, April 2018.

⁸ The *2018/19 Annual Plan* identified vulnerable consumers as a priority focus for the CMA. This has continued in the *draft 2019/20 Annual Plan* (under consultation at the time of writing).

⁹ Full details of the commissioned research and its findings are available on the CMA's [vulnerable consumers webpage](#).

Structure of this response

1.15 The remainder of this response is structured as follows:

- Chapters 2 outlines what the loyalty penalty is, why it arises, when it is most problematic;
- Chapter 3 defines consumer vulnerability and considers the additional challenges to switching and negotiating which vulnerable consumers can face;
- Chapter 4 estimates the size of the loyalty penalty in the five markets and who pays it;
- Chapters 5 to 8 set out: different approaches to tackling the loyalty penalty, including helping consumers to engage and switch; principles to stop harmful business practices; and regulating prices. These chapters consider the different types of remedies, what has been tried previously by regulators, and how these types of remedies might be applied in each of the five markets; and
- Chapter 9 presents the CMA's conclusions and recommendations and sets out next steps for further work.

1.16 Throughout this response, where we refer to regulators, this also includes the CMA which can investigate and put in place remedies where it finds problems in unregulated markets.¹⁰

¹⁰ For example, we can undertake market studies or market investigations in both regulated and unregulated markets.

2. What is the ‘loyalty penalty’ and when is it most problematic?

- The loyalty penalty arises because some people are less likely to switch or negotiate, and businesses choose to charge them more while offering new customers lower prices. This means some people can pay much higher prices, whereas others pay lower prices.
- This practice occurs in a number of auto-renewal and subscription markets, in addition to the five markets highlighted by Citizens Advice.
- Allowing suppliers to charge different prices to different customers has benefits: introductory offers encourage consumers to try out new products they would otherwise not have purchased and some consumers receive lower prices.
- The loyalty penalty is of greatest concern when:
 - it involves confusing or misleading customers, leading to poor decision making or undermines trust in markets;
 - market characteristics suggest it is likely to increase average prices for consumers;
 - it leads to harmful distributional effects;
 - the product or service is considered ‘essential’ or constitutes a large proportion of people’s expenditure.
- It is particularly concerning when those that suffer are vulnerable, where they are unable to act to avoid the penalty, or they are not aware of it.

Introduction

- 2.1 This chapter explains what we understand by the term ‘loyalty penalty’, the causes underlying it, and the factors that regulators should take into account when considering an intervention to tackle it.
- 2.2 The chapter is structured as follows:
- (a) what is the loyalty penalty?
 - (b) why does the loyalty penalty arise?
 - (c) what markets does the loyalty penalty arise in?
 - (d) when is the loyalty penalty most concerning? and

(e) conclusion.

2.3 We have also assessed available evidence on the five markets highlighted by Citizens Advice - mobile, broadband, cash savings, home insurance and mortgages - in relation to the criteria we set out for determining when the loyalty penalty is most concerning. We apply these criteria to the five markets in Annex B. In some cases, further work is required to develop this evidence, which will be a key part of the ongoing work by Ofcom and FCA in these markets (detail on these markets and the work undertaken is set out in Annexes C and D).

What is the loyalty penalty?

- 2.4 Throughout our response we apply the term used by Citizens Advice – ‘the loyalty penalty’ – to refer to the situation where, on average, businesses charge higher prices to existing customers who stay with them, than they do to new customers or those who negotiate.¹¹ This can result in longstanding customers paying significantly more than other customers.
- 2.5 The loyalty penalty is a form of price discrimination, where customers are charged different prices for the same product or service despite having the same costs to serve.¹² This leads to some people paying more than others. Price discrimination can arise where customers differ in their willingness or ability to pay for the good or service (for example, students are offered discounted cinema tickets).
- 2.6 As explained in more detail in this chapter, price discrimination can have some benefits. Some consumers receive low prices and it can also encourage more people to switch, driving competition that can benefit us all.
- 2.7 In the case of the loyalty penalty, the price discrimination is based on variation in customers’ tendency to stay with their existing provider without negotiating. It arises from the following types of pricing practice:¹³
- situations where at the end of a contract customers who do not switch or negotiate are automatically subject to a one-off price jump onto a higher rate (‘price jump’);

¹¹ Or in the case of savings, worse interest rates.

¹² More precisely price discrimination is where different mark ups over cost are charged to different customers. This contrasts with ‘uniform pricing’ where all customers pay the same price, and ‘cost-based pricing’ where some customers pay more than others because they cost more to serve.

¹³ Together we refer to these as ‘loyalty penalty pricing’.

- gradual price increases over time that vary across customers depending on tenure, and may also depend on the customer's previous response to price increases, or on other customer characteristics ('price walking'); or
- the introduction of new, cheaper tariffs or better products while retaining expensive legacy deals for existing customers ('legacy pricing').¹⁴

2.8 An example of a price jump occurs in broadband or energy, where customers are often moved onto a higher price after the expiry of their initial contract term. Price walking happens in some insurance markets where customers can face price rises each time that their contract is renewed or auto-renewed. Legacy pricing arises in some cases in mobile and broadband. For example, some people could upgrade their broadband at no extra cost as the gap has narrowed between the prices of superfast and standard broadband.

2.9 It is not the case that all longstanding customers pay higher prices. Some customers have assessed their options and negotiated a lower price with their supplier, and so are not paying a loyalty penalty. Some may stay because they prefer the product or service offered by their existing provider.

2.10 However, longstanding customers often include those who have been unable, or struggled to switch or negotiate. This may be for a variety of reasons which we explore in this chapter. Understanding the causes and effects of the loyalty penalty, including which consumers gain from the penalty and which lose out, is important for determining where regulators should intervene to tackle it.

Why does the loyalty penalty arise?

2.11 The underlying causes of the loyalty penalty are:

- customers differ in terms of their likelihood and ability to negotiate or switch provider in response to a price rise;¹⁵ and
- businesses are able to charge higher prices to customers who are less likely to negotiate or switch, and they choose to do so.

2.12 This section explains these two causes in more detail. In Annex B we identify some of the reasons why consumers do not switch or negotiate in the five

¹⁴ We are not including within this situations where customers on fixed price deals may be charged different rates depending on varying market conditions at the point in time when they entered into the fixed price deal (for example, the interest rates on two-year fixed rate mortgages entered into at the start of the year may differ from those for two-year fixed rate mortgages entered into at the end of the year if expectations about future interest rates changed over the course of the year).

¹⁵ In this context, it is possible that a customer who places a very high value on the product to nevertheless be very price sensitive, because they shop around and switch provider regularly, and as a result receive a low price. On the other hand, a customer with a lower valuation that is 'loyal' to their provider can end up paying the higher price.

markets that were highlighted by Citizens Advice, and we describe the types of loyalty penalty pricing that occurs in these markets.

Why some people are less likely to switch or negotiate

- 2.13 Shopping around for a good deal is generally not a costless process. In some cases, it can be relatively straightforward (for example, comparing prices of a book and making a purchase online). In other cases, it can be a time consuming or difficult process for customers to:
- (a) access information about the various offers available to them at the right time;
 - (b) assess these offers; and
 - (c) act on this information and analysis by purchasing the good or service that offers the best value to the customer and meets their requirements.¹⁶
- 2.14 In thinking about the factors that can affect how likely customers are to switch or negotiate in response to a high price, it is helpful to distinguish between:¹⁷
- (a) features of the market that make it more difficult for all customers to shop around or move to get better deals;
 - (b) behaviours and characteristics of consumers that make it more difficult for them to access, assess and act on information about the costs and benefits of the different options available to them; and
 - (c) behaviour by businesses that makes search and switching more difficult or makes it more difficult for customers to make effective decisions.
- 2.15 Market features could include complex products which create search costs by making it difficult for customers to access and assess information,¹⁸ or the possibility of interrupted service which may raise the cost of switching. In the extreme, some customers may be unable to switch (for example where there is only one provider). Although search and switching costs are present for all customers, their impact and likelihood may be greater for some customers

¹⁶ For more discussion of this framework, see [OFT, *What does behavioural economics mean for competition policy?*, 2010](#)

¹⁷ For more discussion, see [UKCN, *Helping people get a better deal: learning lessons about consumer facing remedies*, October 2018](#).

¹⁸ For example, in the case of mobile it can be difficult to compare network quality (which may vary in terms of reliability, speed and coverage) and customers may need to understand their expected patterns of usage (eg how many minutes and how much data they require) in order to choose the most appropriate tariff.

than others, as explained in more detail in the next chapter on vulnerable consumers.

2.16 Consumers' behaviours and characteristics, including the context in which they make decisions, can also make them less able or likely to access, assess and act on information that could lead to switching or negotiating. These can be permanent, temporary or situational factors that mean customers vary in how high the costs of switching or negotiating are (or their perceptions of these costs), and how able they are to overcome them. For example:¹⁹

- When accessing and assessing information about alternative deals, customers can be overwhelmed by 'choice overload',²⁰ or make poor decisions because they are influenced by irrelevant information²¹ or how the choices are presented.²² Some customers have less time or do not have access to digital tools that make searching easier. Some may have misconceptions, for example, thinking it is more time consuming or difficult to search than it really is or being unaware that they can get a better price by switching or negotiating.
- When considering whether to act, people tend to stick with the default or their previous decision,²³ or delay taking.²⁴ As avoiding the loyalty penalty often requires action at a specific time (for example, where an annual contract is due for renewal), people can lose out through inattention. Some people may also perceive switching to be more risky or difficult than it really is. They may vary in their appetite to take on that risk, find it more difficult to switch (for example because of differing abilities or financial skills or because they are preoccupied with other aspects of their life - see chapter 3), or they may feel a relational bond with their current provider.

¹⁹ For more detailed discussions of behavioural biases see [OFT, Consumer behavioural biases in competition – a survey, 2011](#), [OFT, Consumer contracts, 2011](#), [FCA, Applying behavioural economics at the FCA: occasional paper no. 1, 2013](#).

²⁰ Iyengar, S. and Lepper, M. *When choice is demotivating: can one desire too much of a good thing?*, Journal of Personality and Social Psychology, 2000.

²¹ This is known as 'anchoring' - where decisions are made along a numerical spectrum (eg deciding how much insurance to take out), information that may seem trivial or irrelevant can anchor consumers and substantially shift their behaviour. See Tversky, A. and Kahneman, D. *Judgment under uncertainty: heuristics and biases*, Science, 185(4157), pp 1124-1131, 1974.

²² This is known as 'framing' - the phenomenon where individual's preferences shift when the same choice is presented, or 'framed', in different ways. See Tversky, A. and Kahneman, D. *The framing of decisions and the psychology of choice*, Science, 211(4481), pp. 453-458, 1981.

²³ This is known as 'status quo bias'. See Samuelson, W. and Zeckhauser, R. *Status quo bias in decision making*, Journal of Risk and Uncertainty, 1(1), pp7-59, 1988.

²⁴ This can be caused by 'present bias' where individuals tend to place disproportionate emphasis on the present; focus on the more salient benefits of present consumption and tend to discount the future costs involved. See Barber, B.M., Odean, T. and Zheng, L. *Out of sight, out of mind: the effects of expenses on mutual fund flows*, Journal of Business, 78(6), pp.2095- 2119, 2005.; Shui, H. and Ausubel, L. *Time inconsistency in the credit card market*, 2004.

- 2.17 The behaviour of suppliers can amplify the costs of switching²⁵ or exploit the difficulties people having in making decisions. In particular, auto-renewal or roll over contracts,²⁶ though often helpful, can make people less likely to switch. Businesses may also provide insufficient warnings prior to customers being auto-renewed or fail to make it clear that a price rise has occurred.
- 2.18 In some markets there may be disproportionate exit fees or businesses may place other obstacles in the way of searching or switching, such as requiring customers who wish to switch to call during limited business hours. The range of such harmful practices is discussed in more detail in chapter 7. The effect of these can vary across people depending on their characteristics, such as the amount of time or ‘mental bandwidth’ they have to spend on the issue.
- 2.19 Some of these issues emerged from our commissioned qualitative research, which explored people’s views and experiences of switching.²⁷

‘It’s sometimes very difficult to compare deals because it’s not comparing like with like because some insurance policies include things but others don’t.’

‘You know, it’s so easy for me to swap car insurance or home insurance but when it’s something like gas and electric, I’m just scared that it will stop, and I’ll be left with nothing for a few days.’

‘I’ve also been with [telecoms provider] for ages and ages. They are quite good, but I would move. It’s just the hassle. I can’t be bothered to spend hours and hours on the phone to them. So, I’d rather just stay with them. I don’t think I’m getting a particularly good deal.’

Why suppliers are able to charge higher prices to customers who are less likely to negotiate or switch

- 2.20 In order to be able to price discriminate, businesses must either be able to identify and separate different groups of customers, or be able to set their prices in a way that reveals their likelihood of switching or negotiating.²⁸ In the

²⁵ For a detailed review of switching costs, see [OFT, *Switching costs*, 2003](#).

²⁶ An automatic renewal or continuation of a contract after the expiry of the current term, unless one of the involved parties gives a notice of its discontinuation

²⁷ See chapter 3 for more details. The full research findings are available in the published report by BritainThinks, available on the [CMA’s vulnerable consumers webpage](#).

²⁸ Businesses must also be able to prevent customers who buy at a low price from being able to sell the product or service on to other customers at the high price. This is unlikely to be an obstacle where customers have accounts that are linked to their identity.

case of the loyalty penalty, businesses can do this by observing the customer's tenure and whether they have negotiated, or other characteristics that indicate their willingness to switch. Businesses do this because it is more profitable. It allows them, for example, to reduce their price to customers who are more likely to switch, without having to also offer price cuts to other, less price sensitive, customers (losing further profit).

- 2.21 The extent of such price discrimination could increase further in future if businesses have greater access to data on their customers, and improved tools for using it. This would enable the tailoring of price rises to become more precise. For example, suppliers could use this data to vary annual price increases across customers, based on characteristics that indicate to them that the customer is particularly unlikely to switch away in response to a high price.²⁹ Such 'personalised pricing' is the subject of a current CMA and BEIS research project.³⁰

What markets does the loyalty penalty arise in?

- 2.22 The loyalty penalty can arise in markets where consumers make regular purchases (in contrast with markets where people make infrequent or one-off purchases). In these markets, customers sign up to make regular payments, and the end of each lower priced fixed term contract is followed by an automatic renewal for a new fixed term or the customer is moved onto a rolling or default contract (unless the customer actively intervenes).
- 2.23 This occurs in a range of markets including: utilities, such as energy; telecoms such as broadband and mobile; and financial services, such as cash savings, insurance and mortgages. It can also occur in other markets with 'subscription' services. Loyalty penalty pricing may therefore become more common as subscription services become more prevalent.³¹
- 2.24 Aside from the markets identified by Citizens Advice, it might also arise in other auto-renewal, roll over or subscription products or services such as:
- other insurance markets (eg car or health insurance or breakdown cover);
 - pay TV;
 - film or music streaming;
 - online gaming;

²⁹ For a more detailed discussion of personalised pricing, see *OFT, The economics of online personalised pricing, 2013*.

³⁰ *CMA, Government and CMA to research targeting of consumers through personalised pricing, 2018*. See also *FCA, Feedback statement on Big Data Call for Input, 2016*.

³¹ See, for example *Zuora, A nation subscribed: 2017 state of the UK subscription economy, 2018*.

- software;
- credit checking services; and
- gym memberships.

2.25 An example of where this kind of pricing has already been found to be very problematic is in retail domestic energy, where over several years a variety of remedies have been implemented in response to concerns about price discrimination and its effect on the prices that customers pay. The CMA conducted a detailed market investigation into the energy market in 2016 which found that 70% of domestic customers of the six largest energy suppliers were on expensive ‘default’ standard variable tariffs (SVT) and could potentially save over £300 by switching to a cheaper deal.³²

2.26 We implemented a significant package of remedies aimed at addressing these and other concerns, including a price cap for customers on prepayment meters. We discuss a number of these measures in later chapters. Further to this, a market wide price cap is due to be implemented in January 2019 following legislation introduced by the government,³³ and for that reason energy was not included in Citizen Advice’s super-complaint.³⁴ However, in our response we draw on our thinking on the challenges in the energy market and remedies.

When is the loyalty penalty most concerning?

2.27 This section sets out our views on when the loyalty penalty is likely to raise greater or lesser concerns. We have identified four high level factors to take into account, relating to: the way in which the loyalty penalty is imposed on customers; the competitive characteristics of the market; the distributional effects of the loyalty penalty and the characteristics of the product or service affected.³⁵

2.28 In summary, in our view loyalty penalty pricing is more likely to be a concern where:

- it involves confusing or misleading people, leading to poor decision making or undermines trust in markets;
- market characteristics suggest the loyalty penalty is likely to increase average prices;

³² CMA, *Energy market investigation final report*, June 2016.

³³ See Ofgem’s webpages on the [default tariff cap](#).

³⁴ For more information on remedies implemented and proposed in the energy market, see chapters 6 and 8.

³⁵ These considerations draw on previous work carried out by the FCA. See *FCA, Price discrimination in financial services*, 2018.

- the loyalty penalty leads to harmful distributional effects;
- the product or service affected is considered 'essential' or constitutes a large proportion of people's expenditure.

2.29 While there is a degree of overlap between these concerns, this classification allows us to draw out a number of key implications when considering the loyalty penalty and the different types of remedies that can be used to tackle it.

2.30 Table 2.1 summarises the key questions to consider in relation to how concerning the loyalty penalty is and when there is a greater need to act, based on these four key factors. We explain each of these considerations and questions in the rest of this section.

2.31 In Annex B we set out some initial evidence on customers' awareness of the loyalty penalty and some of the key factors that determine whether it is likely to result in an increase in average prices in the five markets that were highlighted by Citizens Advice. We also present some summary information on the potential 'winners and losers' from the loyalty penalty.

Table 2.1: Key questions when considering how problematic the loyalty penalty is and when to act

Evidential question	Greater desire to act when
Does the loyalty penalty involve confusing or misleading people?	
Does the loyalty penalty pricing itself confuse or mislead people?	People lack awareness or understanding of the pricing practice which leads to poor decision making or undermines their trust or engagement in the market.
Does the loyalty penalty arise because of action by businesses to confuse or mislead, or otherwise make switching or negotiating more difficult?	Action by businesses makes it more likely that customers struggle to assess and act on the loyalty penalty
Does the loyalty penalty raise average prices?	
Does it facilitate the targeting of low prices at rivals' customers or at consumers who might otherwise not buy?	The loyalty penalty is focussed on charging very high prices to the most inactive customers rather than charging low prices to new customers.
Is competition in the market weak, and do people find it hard to choose the right deal?	Upfront competition is weaker, meaning that profits from longstanding customers are less likely to be competed away through low upfront prices.
Does the loyalty penalty lead to harmful distributional effects?	
Who is harmed?	The people paying higher prices are vulnerable in terms of the impact of higher prices or are less able to avoid the loyalty penalty.
How much are these individuals harmed?	The people who pay the high price are harmed a large amount.
How many people are harmed?	A significant group of customers is harmed.
Is the product or service essential or does it account for a large proportion of expenditure?	
Is it essential?	The product or service is considered essential.
Does the good or service constitute a large proportion of consumers' expenditure?	It comprises a large proportion of people's expenditure.

Does the loyalty penalty involve confusing or misleading people?

2.32 The loyalty penalty is of particular concern where:

- it involves businesses exploiting the difficulties people have in engaging effectively in markets, or increasing these difficulties through their own actions;³⁶ and
- the pricing practice misleads or confuses people or undermines their trust in markets.

³⁶ This point broadly relates to the idea of 'procedural fairness' used by the FCA in its recent research note: [FCA, Price discrimination in financial services: how should we deal with questions of fairness?, 2018.](#)

- 2.33 Chapter 7 sets out a number of harmful practices by businesses that make it more difficult for consumers. Chapter 6 sets out what we think can be done to give people better support to engage effectively in markets.
- 2.34 Loyalty penalty pricing can potentially itself cause consumers to be, or feel, confused or misled. For example:
- (a) if, when signing up for a new deal, consumers are not aware of the price they are likely to pay later on, they may not make the best choice about the deals on offer;
 - (b) where consumers are unaware of the loyalty penalty and that they could save by switching, they may be less inclined to switch; and
 - (c) where consumers consider it unfair that loyal customers pay more,³⁷ or where they are surprised and feel 'ripped off' as a result, this can be frustrating and undermine their trust in markets. This can make them even less likely to engage in future.
- 2.35 Customer confusion or mistrust is therefore fundamental to consider when deciding whether to intervene directly in relation to how suppliers set their prices (as discussed in chapter 8) or in how those prices are advertised to consumers (as discussed in chapters 6 and 7). In doing so, it is also important to consider whether the ways in which businesses can implement their pricing differ in their potential to confuse customers. Price walking and legacy pricing might in some cases be harder for customers to notice and understand the effects of, than one-off price jumps after the expiry of introductory offers.
- 2.36 Taking both concerns into account, it is important to understand the causes of the loyalty penalty and its effect on consumer understanding and trust. Relevant evidence includes:
- (a) the causes of consumers' lack of engagement, including how easy it is to avoid the loyalty penalty;
 - (b) the complexity of the pricing practice, and how clearly they are advertised to the customer at the point of joining the provider and each time the price increases;
 - (c) consumers' awareness and understanding of the loyalty penalty; and

³⁷ In our qualitative research we explored perceptions of the loyalty penalty issue with vulnerable consumers and a control group of 'non-vulnerable' consumers. Many participants felt that the loyalty penalty was 'unfair' and that vulnerable consumers were likely to experience disproportionate financial harm from it - see chapter 3 for further details.

(d) how people feel about its fairness, and how it affects their levels of trust and engagement.

2.37 In summary, we believe there is a strong case for intervening where the loyalty penalty involves confusing or misleading consumers.

Is the loyalty penalty likely to increase average prices?

2.38 This section sets out some of the key factors that determine when some or all consumers are likely to be better or worse off when businesses adopt pricing that results in a loyalty penalty - rather than charging everyone the same price. There are three main mechanisms through which prices and consumer welfare can be affected by the loyalty penalty:

- (a) by charging higher prices to people who are less price sensitive, the business is better off, and these people are worse off;³⁸
- (b) by charging some customers less than they would if everyone were charged the same price, customers who would have bought the product at the higher price are better off and may buy more of it. Some customers who would not otherwise have bought the good or service at all may now purchase it, expanding the output sold;³⁹ and
- (c) it can trigger increased competition between businesses, as each business is better able to target customers of other businesses with a competitive price offer. Businesses may have to respond by cutting prices for their own customers to discourage customers from switching⁴⁰ – this can put downward pressure on the prices of all customers.⁴¹

2.39 Loyalty penalty pricing may be more likely to reduce prices overall when:

- (a) businesses target price cuts at their rivals' least active customers,⁴² activating and promoting competition, or at consumers who might otherwise not purchase at all. This contrasts with a situation where

³⁸ In the economics literature this is described as the business appropriating some of the 'consumer surplus', ie the difference between the maximum amount a consumer would be willing to pay and the price that they actually pay.

³⁹ For an explanation of this output expansion effect in a monopoly setting see [OFT, *The economics of online personalised pricing*, 2013, chapter 3.](#)

⁴⁰ Although we note this incentive may sometimes be diluted in some markets. For more discussion see [Ofcom, *Strategic review of consumer switching*, 2010.](#)

⁴¹ For an explanation of this 'intensification of competition effect' see [OFT, *The economics of online personalised pricing*, 2013, chapter 3.](#)

⁴² This captures the idea of 'best response asymmetry', where each business finds their rivals' customers difficult to win and target price cuts at them – this pattern, of one supplier's 'strong' market being its rival's 'weak' market and vice versa, is associated with a greater likelihood that price discrimination is positive overall. For more explanation see [OFT, *The economics of online personalised pricing*, 2013, section 4a.](#)

suppliers primarily use it to segment more strongly within their own set of loyal customers, to charge the highest prices to those least likely to switch;⁴³

- (b) the profits that businesses make on consumers later in their tenure are competed away through fierce competition to win the customer in the first place (the ‘waterbed effect’); and
- (c) customers typically periodically search and switch, rather than there being distinct groups of customers who more consistently do or do not engage.⁴⁴ This is because where the same group of customers always engage, businesses will not have a strong incentive to attract these customers as they will switch again if the price rises in the future. In contrast, where most customers periodically engage with the market, suppliers will have an incentive to set a low initial price to attract these customers as they can charge them higher prices in subsequent periods before they switch again.⁴⁵

2.40 Price differences also mean that consumers gain when they switch provider or negotiate. This motivates and compensates consumers for the effort involved in searching, switching, and negotiating.⁴⁶ Without this there may be more limited competition between businesses.

2.41 It is possible that under certain circumstances the effect on competition could be so strong that the prices paid by less active customers are also lower than a uniform price would be.⁴⁷ On the other hand, where competition between businesses to attract new consumers is weak, the loyalty penalty is more likely to lead to an overall increase in average prices.

⁴³ Price discrimination may not increase overall competition, if businesses are simply segmenting their strong group of consumers (those that have already purchased from them) into two subgroups: a very strong group and a strong group. In this case, it reduces consumer surplus. See [Shin, J. and Sudhir, K., *A customer management dilemma: When is it profitable to reward one's own customers?*. *Marketing Science*, 29\(4\), pp 671-689, 2010.](#)

⁴⁴ There are also distributional considerations, since in the case where all customers engage periodically we would expect more customers to benefit from the low price at least some of the time, whereas when there are distinct groups of consumers it will always be the same customers who pay the low price and the same ones that pay the high price.

⁴⁵ See for example Klemperer, P. *Markets with consumer switching costs*, Quarterly Journal of Economics 102, pp 375-394, 1987.

⁴⁶ Research in relation to domestic energy consistently finds monetary savings to be a key driver of switching. See for example: [Deller, D et al. *Switching energy suppliers: it's not all about the money*, CCP working paper pp 17-5, 2017.](#)

⁴⁷ For more explanation see [OFT, *The economics of online personalised pricing*, 2013, chapter 3.](#) and (for example) [Corts, K. *Third-Degree Price Discrimination in Oligopoly: All-Out Competition and Strategic Commitment*, Rand Journal of Economics, 29\(2\), pp 306–323, 1998.](#)

- 2.42 In assessing whether the loyalty penalty leads to higher average prices, it is therefore important to collect evidence on whether:
- businesses are using the pricing mechanism to target their rivals' customers and win new business, or are instead using it to segment strongly within their own set of loyal customers;
 - there is intense competition for active customers in the market concerned or not; and
 - many customers typically periodically search and switch, or there are distinct groups, where some customers switch frequently but others do not.
- 2.43 These factors should inform not only the assessment of whether the loyalty penalty is problematic, but also the design of any remedy to deal with it.
- 2.44 Some initial information on the characteristics of the five markets highlighted by Citizens Advice is presented in Annex B, but further work is required to develop this evidence base. This will be a key part of the ongoing work by Ofcom and FCA in these markets (see Annexes C and D).

Is the loyalty penalty likely to have harmful distributional effects?

- 2.45 The discussion in the previous section highlights that the loyalty penalty can create winners and losers – any intervention that directly limits the extent of the loyalty penalty may similarly create winners and losers. This section discusses when and why we may be concerned about who wins and who loses. In this discussion we have drawn on the framework that the FCA recently set out for approaching the fairness of price discrimination.⁴⁸
- 2.46 In determining whether to act on distributional grounds the key questions to consider are who is harmed and how big is the harm.

Who is harmed by the loyalty penalty?

- 2.47 We will be more concerned about the distributional effects where it involves consumers who are vulnerable paying more, and those who are not vulnerable paying less.⁴⁹ This would involve higher prices for customers

⁴⁸ FCA, *Price discrimination in financial services: how should we deal with questions of fairness?*, 2018. Note that the FCA has asked for comment on this draft framework; it has not consulted on its formal adoption.

⁴⁹ Note that this in addition to the concerns embodied in The Equality Act 2010 which prohibits, with a few exceptions, discrimination on the basis of protected characteristics such as age, disability, pregnancy, gender or sex related issues, marital status, race or religion.

who are particularly likely to be harmed by paying a high price, or at high risk of being unable to engage effectively in a market to get a good deal.

- 2.48 Chapter 3 discusses the nature of consumer vulnerability and why vulnerable consumers may be more at risk of experiencing a loyalty penalty, and chapter 4 considers the impact of the loyalty penalty on consumers, and whether vulnerable consumers are more likely to pay it.
- 2.49 There may be other circumstances in which consumers (even if they are not vulnerable) struggle to avoid the loyalty penalty. There can be situations where customers become locked in to a particular provider or have very limited options regarding the providers they can use, for example ‘mortgage prisoners’ who cannot switch providers because of changes in lenders’ eligibility criteria over time, or those living in areas with mobile coverage from only one provider.
- 2.50 More generally, when deciding whether to act or what actions might be necessary to address the loyalty penalty, we may wish to take account of the extent to which consumers are able to avoid the loyalty penalty. For example, we may consider that it is more appropriate to act where:⁵⁰
- customers are not aware of the existence of the loyalty penalty or that they are paying it; or
 - customers are unable, or find it particularly difficult, to avoid the loyalty penalty, where those that find it hard to switch do not have the option of choosing not to consume the product at all.
- 2.51 In markets where those who pay high prices tend to be vulnerable and those who pay low prices tend not to be, it may be desirable to limit the high prices even if it means that the low prices might go up. In markets where vulnerable consumers sit in both groups, it may be appropriate to target protections on vulnerable groups paying more, in order to reduce the extent of increases for those paying lower prices.
- 2.52 The initial information we have gathered on the five markets identified by Citizens Advice suggests that customers with long tenure include those that are likely to be vulnerable, although there is also evidence that in some markets vulnerable customers may also be among those that may benefit from the current pricing practices.

⁵⁰ These factors have recently been highlighted by the FCA in its [Discussion Paper](#) on fair pricing in financial services.

How big is the harm to those affected?

- 2.53 In considering whether it is appropriate to take action to address the loyalty penalty or its impact, the extent of the harm to those affected will be relevant.
- 2.54 The extent of the harm has two dimensions – how many people are harmed and how much they are harmed. Taking action to tackle the loyalty penalty will be more desirable when there is either a large number of customers harmed by it, or when the amount of harm to each affected customer is large. It is more desirable to take action where the harm to those affected is large relative to the benefits to those that gain from the loyalty penalty.
- 2.55 In assessing the scale of harm from the loyalty penalty, it is important to have a meaningful benchmark in mind. While a comparison between the high and low prices on offer is informative, it is likely that the low prices would increase if businesses were required to offer everyone the same price.
- 2.56 It is also important to make sure that comparisons are on a like-for-like basis controlling for any variation across customers in the costs of serving them. These issues, along with the kind of empirical evidence that is relevant to assessing the size and incidence of harm, is explored in more detail in chapter 4.

Is the product or service affected ‘essential’?

- 2.57 A final set of considerations in assessing to what extent loyalty penalty pricing is a concern relates to the characteristics of the product or service affected, and in particular whether it can be considered ‘essential’.
- 2.58 Essential services refer to services that consumers need to participate in society and the economy, and where significant harm might arise if consumers are not able to access the service. There are likely to be high levels of public concern where loyalty penalty pricing is applied to essential services, as consumers typically have little choice but to use such services.
- 2.59 Several of the markets that are identified in the super-complaint could be considered essential against this criterion. In telecoms, for example, mobile and broadband are seen as essential as consumers use these services as the means to contact the emergency services, keep in touch with family and friends, or provide access to information, education and entertainment.⁵¹ Some insurance products will be essential. For example, motor insurance is a legal requirement for anyone who owns or drives a vehicle, and it is a

⁵¹ Ofcom, *Affordability of communications services essential for participation: quantitative research*, July 2014.

standard condition of mortgage agreements that the owner has to have buildings insurance in place.

- 2.60 While recognising that this is an important consideration, we have not focussed exclusively on essential services in our response. Many of the practices that we identify in chapter 7, for example, occur across the economy, leading to substantial consumer harm. Other product characteristics are also relevant in assessing concerns about the loyalty penalty. For example, we are likely to be particularly concerned where a good or service comprises a relatively high proportion of a consumer's expenditure.

Conclusion

- 2.61 This chapter has explained what the loyalty penalty is, the causes underlying it, and some factors that should be taken into account in considering whether the loyalty penalty raises greater or lesser concerns.
- 2.62 The loyalty penalty arises because some consumers are less likely to switch or negotiate, and businesses often choose to charge these consumers more. There are a number of reasons why some consumers are more likely or able to engage in markets relating to features of the market, behaviours and characteristics of consumers and behaviour by businesses.
- 2.63 The impact of the loyalty penalty on the prices that consumers pay will not always be harmful - it can lead to lower average prices and higher consumer welfare – but it creates losers as well as winners.
- 2.64 We will be particularly concerned about the loyalty penalty where:
- it involves suppliers confusing or misleading customers, exploiting difficulties people have in engaging effectively in markets, or increasing these difficulties through their own actions, including through the pricing practice itself. We think that price walking and legacy pricing might be particularly difficult for customers to assess and act upon;
 - market characteristics suggest the ability of businesses to charge different prices to different customers based on loyalty is likely to increase average prices. This is less likely to be the case where it helps suppliers to target price reductions at their rivals' least active customers or at new customers. It is more likely to be the case when weak upfront competition means that the profits from high price customers are not fully competed away through low prices for new customers and there are distinct groups of customers who do and do not engage;

- it leads to harmful distributional effects. We will be particularly concerned where those paying higher prices are vulnerable, where they are unable to act to avoid the loyalty penalty or are not aware of it. Concerns about distributional effects will be greater where either many people are affected or those that are affected are paying a very high price;
- the product or service affected is considered essential or constitutes a large proportion of people's expenditure.

2.65 Interventions that remove barriers to switching and negotiating and address harmful business practices will help reduce the number of people affected and drive more effective competition for the benefit of all consumers. These have significant benefits across the board. However, in some cases these will not reach all consumers, so regulators should also look at targeted pricing interventions.

2.66 Pricing interventions that directly limit the prices that customers pay, are likely to create both winners and losers, and depending on the characteristics of the market and the intervention chosen, risk leading to higher average prices. It is therefore important to collect evidence on those market characteristics, and to build a detailed understanding of the likely winners and losers from any intervention. We explore the challenges faced by vulnerable consumers and who is impacted by the loyalty penalty further in the next two chapters.

3. Vulnerable consumers

- Many consumers can be vulnerable at certain times and in certain markets.
- However, some individuals also have certain characteristics that can lead to greater risks of experiencing problems across a range of markets. These include being on a low income, being elderly, having physical disabilities or mental health problems, among others.
- Many such individuals can face additional challenges in switching or negotiating with suppliers, including psychological and cognitive barriers, accessibility barriers, low financial resilience, and time pressures; and therefore may need additional support.
- Most participants in our qualitative research were aware of the loyalty penalty and felt it was unfair and hit vulnerable consumers hardest.

Introduction

3.1 In its super-complaint, Citizens Advice stated that certain subsets of consumers who can be considered vulnerable are likely to struggle with shopping around and switching. They are also likely to experience the financial impact of the loyalty penalty disproportionately where it arises.⁵²

3.2 Throughout our response, we have given particular consideration to vulnerable consumers' experience of the loyalty penalty. This chapter is structured as follows:

(a) what we mean by consumer vulnerability, including a consideration of the regulators' approach to vulnerability in the five markets;

(b) the cross-cutting challenges that vulnerable consumers can face in markets when getting deals, including barriers to switching and negotiating; and

(c) vulnerable consumers' awareness and perceptions of the loyalty penalty.

3.3 We have drawn on a range of sources. This includes our programme of work on vulnerable consumers which was launched earlier in 2018.⁵³ This work has comprised wide-ranging stakeholder engagement, evidence gathering and

⁵² Citizens Advice, *Excessive prices for disengaged consumers: a super-complaint to the Competition and Markets Authority*, 2018, chapter 2.

⁵³ The CMA's *2018/19 Annual Plan* identified a priority focus on vulnerable consumers, which has continued in the *draft 2019/20 Annual Plan* (under consultation at the time of writing).

analysis to understand the different dimensions of consumer vulnerability across markets and considered how the CMA can help. We will be publishing our findings in a separate paper in early 2019.⁵⁴

- 3.4 We have also drawn on qualitative research that we commissioned from BritainThinks with people who are on low incomes, have poor mental health or a physical disability or are elderly. The aim of the research was to provide an understanding of the challenges which such individuals can face across a range of markets - including mobile, broadband and insurance - and identify what support may help to address these. We refer to the research findings throughout this response.⁵⁵
- 3.5 We consider whether vulnerable consumers are more likely to pay a loyalty penalty in the five markets, in chapter 4.

What is consumer vulnerability?

- 3.6 In a broad sense, consumer vulnerability can refer to any situation in which an individual may be unable to engage effectively in a market and as a result, is at a particularly high risk of getting a poor deal.
- 3.7 Anyone can be vulnerable in a specific context or market such as when going through a difficult period in their lives, for example a bereavement. We have considered the impact of bereavement on market engagement further in our recent market study into funerals.⁵⁶ Vulnerability can also arise if a market is particularly complex and it is difficult to understand the options available - such as in certain digital or financial services markets.
- 3.8 Individuals with certain characteristics can be at risk of facing particularly severe, persistent problems across markets. Our qualitative research focussed on four such characteristics - age, low income, physical disability and mental health problems. This is not a definitive list of characteristics that are likely to be associated with vulnerability; others include: low levels of education; being time-poor; indebtedness; English as a second language;

⁵⁴ Further detail on the CMA's programme of work on vulnerable consumers, including summaries of roundtable discussions on different aspects of vulnerability, is available on our [vulnerable consumers webpage](#). See BritainThinks, *Getting a good deal on a low income: qualitative research conducted with vulnerable consumers on behalf of the Competition and Markets Authority, December 2018*.

⁵⁵ In September 2018 we commissioned BritainThinks, an independent research agency, to conduct qualitative research comprising 49 face-to-face depth interviews, two-day ethnographic interviews and online activities, with consumers who may be considered vulnerable because they are on low incomes (defined as less than 60% of median income). Across the sample, participants also had other vulnerabilities, such as having mental health problems, a physical disability, or being elderly. The research explored participant's experiences across multiple markets, including telecoms (mobile, broadband, fixed line telephone and pay TV), insurance (home and motor) and energy. The full research findings are available in the published report by BritainThinks, available on the [CMA vulnerable consumers webpage](#); chapter 6 considers awareness and experiences of the loyalty penalty.

⁵⁶ CMA, *Funerals market study: interim report and consultation, 29 November 2018*.

lacking skills or confidence online; being digitally excluded; or living in social isolation or a remote geographical area. For ease of reference, we use the general term ‘vulnerable consumers’ in our response to refer to people with at least one of these characteristics.⁵⁷

- 3.9 Not all individuals with such characteristics are necessarily vulnerable, or vulnerable in the same way. For example, taking age: individuals aged 65 to 74 have the highest level of net financial wealth compared to all other age groups.⁵⁸ In our qualitative research, elderly participants tended to have the most ‘thought out’ approaches to money management, such as filing systems for old and new bills. In addition, most participants on a low income⁵⁹ had taken some kind of action to switch, shop around or negotiate a better deal.⁶⁰
- 3.10 We also recognise that many individuals with characteristics associated with vulnerability do not self-identify as ‘vulnerable’ or want to be labelled as such.⁶¹ Their behaviour and level of engagement can also vary across markets. Vulnerability is therefore not a binary concept; it is multidimensional and often highly context specific. Some characteristics are also correlated with each other, such as problem debt and mental health problems.⁶²
- 3.11 Throughout our response, we have given particular consideration to the four subsets of consumers identified as vulnerable by Citizens Advice in its super-complaint, as well as physical disability which we explored in our research.

⁵⁷ We note that vulnerability has a specific meaning within the context of the Consumer Protection from Unfair Trading Regulations 2008 (CPRs), which apply a particular definition of vulnerability to determine when a trader may have breached consumer law protections for a ‘vulnerable group of consumers’. Under this definition, consumers may be vulnerable due to ‘a mental or physical infirmity, age or credulity’. See [OFT, *Consumer protection from unfair trading guidance on the UK regulations, 2008*](#). In chapter 7 of this response, where we consider whether business practices may be in breach of consumer law, we apply this definition of vulnerability.

⁵⁸ [ONS, *Summary of net financial wealth banded by age*, released 23 October 2018](#).

⁵⁹ Defined as below 60% of median income.

⁶⁰ Other research has similarly found variation in shopping around among different groups of vulnerable consumers. For example, the FCA found that unemployed renters and those with low credit scores had a tendency to shop around in home insurance. Source: [FCA, *Pricing practices in the retail general insurance sector: household insurance*, 31 October 2018](#).

⁶¹ In our qualitative research, many participants, all of whom were on a low income, did not see themselves as vulnerable.

⁶² For example, half of people in problem debt also have mental health problems and people with problem debt are twice as likely to develop major depression than those not in debt. Mental health problems are also correlated with financial difficulty - a quarter of British adults with a mental health problem are in problem debt. Source: [Money and Mental Health Policy Institute, *Money and mental health: the facts*, June 2017](#).

Key statistics on groups of vulnerable consumers considered in our research

- Elderly people, defined as those aged 65 or over. Close to a fifth (18%) of the UK population fall into this group, equivalent to around 12 million people.⁶³ Elderly consumers can have other characteristics associated with vulnerability. For example, the prevalence of certain health conditions, such as dementia, can increase with age.⁶⁴
- Individuals on low incomes, defined as income below 60% of the median. Just over a fifth (22%) of the UK population (around 14 million people) live in low income households.⁶⁵
- People with mental health problems. There are a wide range of mental health conditions with varying levels of severity - from depression to affective psychoses to schizophrenia. A quarter of the population in England experience a mental health problem each year⁶⁶ and one in six report experiencing a common mental health problem (such as anxiety or depression) in any given week.⁶⁷ People experiencing mental health problems are less likely to be in paid employment (43% vs 74% of the general population and 65% with other health conditions) and more likely to be in low pay, high turnover, temporary or part-time work.⁶⁸
- Individuals with low levels of education. Just under 30% of the UK population have educational qualifications below NVQ level three (equivalent to two A levels) and 8% of the UK population aged 16 to 64 have no educational qualifications (close to four million people).⁶⁹
- People with physical disabilities. Just over a fifth (22%) of the UK population (around 14 million people) report having some form of disability.⁷⁰

⁶³ [ONS, Overview of the UK population, July 2017.](#)

⁶⁴ For example see [Alzheimer's Society, Dementia UK: second edition, 2014.](#)

⁶⁵ [ONS, Family resources survey, 2017.](#) Survey of 19,000 UK households. This figure is calculated after housing costs are taken into account.

⁶⁶ [Adult psychiatric morbidity survey, 2007.](#) This is the main national survey of health and wellbeing in England, which takes approx. 7,000 adults through clinical screeners for mental health problems once every seven years).

⁶⁷ [Mental health and wellbeing in England: adult psychiatric morbidity survey, 2014.](#)

⁶⁸ [Money and Mental Health Policy Institute, Money and mental health: the facts, June 2017.](#)

⁶⁹ Annual Population Survey (from Nomis), covering January 2017 to December 2017.

⁷⁰ [DWP, Family resources survey 2016/17, 2018.](#) Estimate is based on [ONS Family resources survey data](#) and draws on the definition of having a longstanding illness, disability or impairment which causes substantial difficulty with day-to-day activities.

Regulator approaches to vulnerability

3.12 The regulators for the five markets identified in the super-complaint - Ofcom and the FCA - actively consider vulnerable consumers in their work. As public bodies, both regulators are also subject to the Public Sector Equality Duty under the Equality Act 2010.⁷¹

Ofcom

3.13 Ofcom has a statutory duty to consider the needs of consumers with disabilities, or who are elderly, or on low incomes.⁷² It has rules which require communications providers to take into account certain characteristics when giving consideration to vulnerable consumers, namely 'age, physical or learning disability, physical or mental illness, low literacy, communications difficulties or changes in circumstances, such as bereavement'. Under Ofcom's rules, regulated providers must establish, publish and comply with clear and effective policies and procedures for the fair and appropriate treatment of consumers whose circumstances may make them vulnerable.

3.14 Ofcom's 2017 'Access and inclusion' report examined the take up and use of communications services by vulnerable consumers.⁷³ The next report, due to be published in January 2019, will update many of the metrics from the 2017 report (including disability research), and include a section on consumer engagement.

3.15 Separately, Ofcom has recently launched a review into price differentiation in the fixed broadband market, with a focus on vulnerable consumers (see Annex C for more detail).

The FCA

3.16 The FCA has an operational objective to secure an appropriate degree of protection for people in financial markets. It identifies four key drivers that could lead to consumers being 'potentially vulnerable', related to: low financial resilience; a recent life event such as a divorce; low financial capability or a health issue that affects day-to-day activities a lot. The FCA defines a vulnerable consumer as 'someone who, due to their personal circumstances

⁷¹ The Public Sector Equality Duty requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not, when carrying out their activities.

⁷² Ofcom's statutory duties are set out under the Communications Act 2003. Ofcom introduced new [general conditions \(C5.2-5.5\)](#), effective from 1 October 2018, that aim to ensure that communications providers give sufficient consideration to the particular needs of people with disabilities and people whose circumstances may make them vulnerable.

⁷³ [Ofcom, Access and inclusion report, March 2017.](#)

is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care'.⁷⁴

- 3.17 The FCA consulted on and published its 'Approach to consumers' in July 2018 as well as a Discussion Paper on the case for introducing a duty of care.⁷⁵ The FCA will consult on guidance for firms on the identification and treatment of vulnerable consumers in early 2019. The guidance will seek to provide clarity of its expectations on firms and ensure good outcomes for all consumers, particularly vulnerable consumers.
- 3.18 While there are commonalities in these approaches to understanding consumer vulnerability - such as vulnerability being related to personal circumstances - there are also differences in emphasis and focus. In chapter 4 we consider differences in data collection by regulators across markets on the different indicators of vulnerability.

What additional challenges do vulnerable consumers face?

- 3.19 Vulnerable consumers can experience additional challenges in searching, switching and negotiating with suppliers to get a good deal, compared to those faced by consumers generally. We recognise that not all vulnerable consumers will necessarily experience challenges, and that for those who do, the nature and extent of these challenges will vary for each individual depending on their vulnerability, or the interaction between multiple vulnerabilities. Nonetheless, it is possible to identify some common challenges, which we consider briefly here. We will be exploring these challenges in detail in a forthcoming paper on vulnerable consumers.
- 3.20 We also recognise that there are a range of unacceptable practices which some suppliers use to hinder consumers from engaging, switching or getting a better deal. Such practices can have a particularly negative impact on individuals who may be vulnerable. We consider this further in chapter 7.

Psychological and cognitive barriers

- 3.21 Some vulnerable consumers may choose not to switch supplier or to negotiate with an existing supplier, due to a fear or aversion to change. For

⁷⁴ FCA, [Approach to consumers, July 2018](#). In this document the FCA sets out how it considers vulnerable consumers as a regulator. The [FCA Mission](#) states that understanding vulnerability is central to how the FCA makes decisions. It states that consumers in vulnerable circumstances are more susceptible to harm and generally less able to advance their own interests. The FCA Mission makes clear that the FCA will prioritise consumers who are unable to shop around over consumers who can shop around but choose not to do so. For example, the FCA will prioritise consumers who are vulnerable because they cannot exit an existing contract or have a restricted choice of alternative providers.

⁷⁵ FCA, [A duty of care and potential alternative approaches, 17 July 2018](#).

example, people with mental health problems such as stress, anxiety or depression, may avoid switching because they require stability and routine to help maintain their mental wellbeing, and change can be highly disruptive.⁷⁶

- 3.22 In some cases, vulnerable consumers may lack the necessary cognitive skills to carry out activities such as comparing prices, particularly in highly complex markets (such as where there are bundled products such as in broadband or compounding effects such as in mortgages or cash savings).
- 3.23 For example, people with dementia (which elderly consumers are more at risk of developing) are often less able to assess and remember complex information and make accurate decisions. Normal cognitive ageing can also mean that elderly people find it more difficult (or need more time) to deal with complex⁷⁷ or unfamiliar decisions, such as changing insurance provider.⁷⁸ Some mental health conditions can also impair cognitive skills. For example, individuals with depression or borderline personality disorder can experience attention problems.⁷⁹

I'm not quite as sharp as I used to be ... My vocabulary used to be much bigger.

Qualitative research participant, long term health condition, aged 75+, Nottingham.

The thoughts in my head, the mental health they make my life hectic ... I am rubbish with money and I'm useless at organisation.

Qualitative research participant, mental health problems, aged 35-44, Watford.

- 3.24 Some vulnerable consumers can also struggle with money management and financial capability. In our qualitative research, younger participants without a degree were less likely to feel confident in their ability to manage money and finances, or in their ability to get a good deal for products and services. Similarly, Citizens Advice presented evidence in its super-complaint that individuals without a degree perform less well in complex tasks than those with a degree.⁸⁰ People with particular mental health conditions such as ADHD or bipolar disorder can also struggle with financial management.⁸¹

⁷⁶ Citizens Advice, *Essential service markets and people with mental health problems*, 2018.

⁷⁷ Alzheimer's Society, *What is dementia? Factsheet*, January 2017.

⁷⁸ The big window, *The aging population: aging mind literature review report*, 2017 and The big window, *The aging population: coping mechanisms and third party access*, 2017.

⁷⁹ Money and Mental Health Policy Institute, *Seeing through the fog*, February 2017.

⁸⁰ Citizens Advice, *Excessive prices for disengaged consumers: a super-complaint to the Competition and Markets Authority*, 2018, page 26.

⁸¹ Money and Mental Health Policy Institute, *Seeing through the fog*, February 2017.

I'm not confident with my money ... I do try and budget but it never works. When I've got less money I find I budget better. A bit more money and I find I end up throwing money at things I don't need.

Qualitative research participant, mental health problems, aged 35-44, Glasgow.

Accessibility barriers

- 3.25 Vulnerable consumers may lose out on deals because they do not have adequate skills or the confidence to engage in activities online, such as using price comparison websites (PCWs) to compare suppliers or are digitally excluded and so do not have access to the internet and online deals. For example, Ofcom found that the proportion of adults in socio-economic group DE households (semi-skilled and unskilled occupations and the unemployed) who do not go online is almost double the UK average (22% vs 12%), and that just under half (47%) of people aged 75+ do not use the internet.⁸²

I'm not too sure about that [online banking]. It's alright for you young people but I'm very cagey about it and [bank X] is only a mile and a half up the road.

Qualitative research participant, long term health condition, aged 75+, Glasgow.

I prefer not to use the internet. I never learned how to use a computer properly. I find it difficult. I'm not built that way.

Qualitative research participant, mental health problem, aged 45-54, Watford.

- 3.26 Lack of access to key enabling products, such as a car or a bank account, can also be a barrier to vulnerable consumers getting a good deal: 62% of individuals without a bank account have an income of less than £15,000.⁸³
- 3.27 Vulnerable consumers can also struggle to communicate with suppliers through particular channels. This can mean that they disengage from their service and may become more likely to auto-renew or roll over their contract. For example, individuals with mental health problems often have serious difficulties engaging via at least one commonly used communication channel such as telephone, face-to-face contact, or postal letters.⁸⁴ Conversely, older people tend to prefer face-to-face or telephone contact and may struggle to

⁸² Ofcom, *Adults' media use and attitudes report*, 2018.

⁸³ FCA, *The financial lives of consumers across the UK: key findings from the FCA's Financial Lives Survey 2017*, June 2018.

⁸⁴ Money and Mental Health Policy Institute, *Access essentials*, July 2018.

use digital communication channels such as email or Skype due to a lack of digital skills and/or internet access.⁸⁵

If I get letters they just go in the bin, I don't [read] anything. I don't like to pick up the phone. I just want to shut everything out and be alone in my room.

Qualitative research participant, mental health problem, aged 35-44, Glasgow.

- 3.28 People may be vulnerable because they are isolated geographically and/or socially. This can act as a barrier to their ability to switch suppliers. For example, qualitative research participants who were living in particularly remote rural areas reported that in some markets, such as broadband, they had a limited number of suppliers to choose from - in some cases, only one.

One elderly participant who lived in a very rural area and had a very small social network, had not switched her energy provider for 20 years - partly because she trusted them to provide a good service, but also because her relative isolation meant she had very limited knowledge of the ability to, and benefits of, switching.

Low financial resilience

- 3.29 Financial resilience refers to an individual or household's ability to withstand unforeseen life events which can have an impact on finances - for example, being made redundant or being diagnosed with a long term health condition. Therefore, having low financial resilience can also be a barrier to vulnerable consumers being able to shop around or switch suppliers. It can mean that the impact of something going wrong, or of paying a loyalty penalty, causes greater financial harm to vulnerable consumers than to consumers generally.

All you need is something to go wrong with the house or something to go wrong with the car and then you're not ticking over anymore.

Qualitative research participant, physical disability, aged 45-54, Watford.

- 3.30 Fear of the risk of something going wrong as a result of changing suppliers was a recurring theme in our qualitative research. Participants on low incomes often chose to stay with their existing provider because they wanted reliability and continuity of service and feared being disconnected. For some participants, aversion to the risks arising from constrained finances sometimes meant that they were unwilling to switch for fear that something

⁸⁵ For example, see [Age UK, *Later life in a digital world*, December 2015.](#)

would go wrong or that contractual arrangements would result in them being penalised. In cases where participants had had previous debts written off by suppliers, there was a fear that they may be charged more or lose out on certain tariffs with new suppliers.⁸⁶

Say you moved from [supplier X, supplier Y], whatever, to another supplier, you've no idea if you've got, like, say 12 months contract rolling 18 months, two years, 20 years, I don't know. You don't know if there'll be any, sort of, fines for moving to another supplier. Not a clue.

Qualitative research participant, physical disability, aged 75+, Rhyl.

I think they're [energy supplier] expensive but I think that I'm stuck. I've heard that you lose your Warm Home Discount if you switch, you've got to start from scratch with claiming it again and you can lose out on it, and if you've got any credit left [on your prepayment meter] when you switch, you don't get it back. It's catch 22. Switching would just be another thing to battle with.

Qualitative research participant, low income, aged 25-34, Watford.

Time pressures

- 3.31 As we explore in more detail in chapter 7, switching suppliers or negotiating a better deal with an existing supplier can involve significant 'hassle' and time costs. In the case of vulnerable consumers, these barriers to accessing better deals can be exacerbated to the point where it is no longer an option.

One research participant said that as the carer for her six year old son, she was concerned about being on the phone for longer than 15 minutes at a time, in case her son's school contacted her to administer emergency medication. She could not afford another phone and the school was not insured to store the medication onsite.

'I have to be available within 15 minutes so I'm always on a time limit and I can never go very far while he's at school.'

- 3.32 As a result of the different types of challenges that they can face, vulnerable consumers may require additional support to engage effectively in markets. This could be in the form of family, friends, or third party intermediaries, as well as suppliers. A number of research participants described that they were reliant on others to support them when engaging with markets. A lack of such

⁸⁶ For further detail, see BritainThinks, *Getting a good deal on a low income: qualitative research conducted with vulnerable consumers on behalf of the Competition and Markets Authority*, December 2018.

support can therefore act as a barrier to engagement. We consider the role of intermediaries in more detail in chapter 6.

One research participant who suffered from alcohol dependency explained that he was reliant on his long term girlfriend to help with financial management for the household. His daughter also helped him financially when needed.

'I'm not so confident managing money. I'd forget about things, my girlfriend keeps me on track. The best way is for her to manage it. My daughter helps out, she'll pay towards the bills.'

What do vulnerable consumers think about the loyalty penalty?

3.33 We explored the concept of the loyalty penalty with participants in our qualitative research.⁸⁷ We recognise that the views presented are not necessarily representative of vulnerable consumers generally (which, as highlighted earlier, are not a homogenous group), and only of the sample of individuals we spoke to. Nonetheless, it has provided us with some interesting insights.

3.34 At least half of participants spontaneously raised the loyalty penalty issue during interviews, and the majority recognised the concept when prompted, and said that they were unsurprised by it.⁸⁸ The minority of participants who were surprised by the idea of a loyalty penalty tended to be isolated or digitally excluded, have mental health problems or low levels of education. These groups often found the topic of shopping around and switching in general to be complicated and sometimes overwhelming.

Newer customers get good deals ... [provider X] often have offers I'm not eligible for. That's how they get their customers. But they shouldn't hide it in the small print, things like the fact that your tariff often doubles after six months ...

Qualitative research participant, physical disability, aged 75+, Watford.

They [longstanding customers] definitely pay more. Every single offer you see is always for new customers.

Qualitative research participant, physical disability, aged 18-24, London.

⁸⁷ BritainThinks, *Getting a good deal on a low income: qualitative research conducted with vulnerable consumers on behalf of the Competition and Markets Authority*, December 2018, chapter 6.

⁸⁸ Awareness among participants may have been influenced by media coverage of the loyalty penalty issue while the research fieldwork was being conducted.

- 3.35 Most participants felt the loyalty penalty was unfair. For many, this was due to a sense that being a longstanding customer was a positive, and something that should be rewarded as a matter of principle.

I hope that longstanding customers pay less. I've been with [provider X] for a long time, I would expect a good deal.

Qualitative research participant, mental health problems, aged 35-44, Nottingham.

- 3.36 Most participants also expected vulnerable consumers to be more likely to pay a loyalty penalty. This was linked to the view that to get a better deal and avoid paying a loyalty penalty requires consumers to do all of the 'work' to switch, shop around and negotiate - which vulnerable consumers can find more difficult. For several participants, this was reflective of a broader perception that life is particularly hard and unfair for vulnerable consumers. The fact that vulnerable consumers may suffer greater financial harm from paying a loyalty penalty, was also considered unfair.

It's not fair ... especially if you're ill as well - all this running around and then the thought of having to do it all again next year would just be horrendous ... They should offer deals to existing customers.

Qualitative research participant, physical disability, aged 45-54, Watford.

Your higher earners are not as worried about if they're paying a couple of pounds extra each month because they can afford it.

Qualitative research participant, physical disability, aged 45-54, Watford.

Conclusion

- 3.37 This chapter has set out our understanding of vulnerability, with a particular focus on the four groups which Citizens Advice identified in its super-complaint - those on low incomes, with mental health problems, low levels of education, and the elderly.
- 3.38 Such individuals can face additional challenges when searching, switching and negotiating with suppliers. As a result, they may be more likely to pay a loyalty penalty where it arises. We explore this in further detail in chapter 4.
- 3.39 We have also considered awareness and perceptions of the loyalty penalty issue among vulnerable consumers in our qualitative research. While these views are not necessarily representative of a wider population, they provide interesting insights - the loyalty penalty is considered unfair, and to be disproportionately harmful to vulnerable consumers for whom the financial impacts of a loyalty penalty can be greater.

4. How big is the loyalty penalty and who pays it?

- Existing estimates suggest there is a substantial loyalty penalty paid by consumers each year in each of the five markets identified by Citizens Advice, and this penalty may be around £4 billion in total across the five markets.
- Markets differ significantly in terms of the average penalty paid by customers and the number of people who could be affected, ranging from under one million people in mortgages to over 12 million in home insurance.
- The estimates we have reviewed have some limitations and estimates from different sources can arrive at materially different numbers. This highlights the importance of using robust methodologies and data. Estimates with the biggest gaps are in mobile, broadband and home insurance, and work is already underway by regulators to address this.
- Better data on which consumer groups pay the highest loyalty penalty is required. There is limited evidence on the extent to which vulnerable consumers are paying a loyalty penalty and on whether the same consumers are paying a loyalty penalty across different markets.
- To address this gap, we recommend that regulators assess the feasibility of a data matching exercise to identify the size of the loyalty penalty and who pays it across markets.
- Regulators should also publish informative and simple metrics on the loyalty penalty on a regular basis, in key markets and for each supplier.

Introduction

- 4.1 As set out in chapter 2, concerns about the loyalty penalty are greater where: the difference in prices paid by longstanding and new customers is large, where many consumers pay this price difference, and where groups of vulnerable consumers are particularly affected. In such cases, regulators may consider that stronger action is justified.
- 4.2 This chapter assesses the available evidence on the size of the loyalty penalty across the markets identified by Citizens Advice, and who pays it. It is structured as follows:
- (a) the size of the loyalty penalty in the five markets based on different available estimates;

- (b) the evidence on who pays the loyalty penalty, and in particular whether vulnerable consumers are more likely to pay it;
- (c) filling gaps in the evidence base on the size and who pays the loyalty penalty;
- (d) regular publication of estimates of the loyalty penalty; and
- (e) recommendations on measuring and publishing estimates of the loyalty penalty.

Size of the loyalty penalty

- 4.3 Table 4.1 summarises the available estimates of the loyalty penalty in the five markets identified in the super-complaint. These estimates show that in each market, there appears to be a substantial loyalty penalty paid by consumers each year. This penalty is around £4 billion in total across the five markets: nearly £1 billion in broadband and £0.3 billion in mobile (for handset inclusive contracts); £1.1 billion in savings accounts; £0.7 billion in home insurance and £0.8 billion in mortgages, based on the estimates in bold in Table 4.1.
- 4.4 Table 4.1 also shows that the markets differ significantly in terms of the number of people affected and the average loyalty penalty paid by customers or households. On one end of the spectrum, in home insurance the annual average loyalty penalty per person is relatively small in absolute terms (£57), although it can be significant relative to the average insurance premium and is higher for people who stay with their provider for a long time. But it could be paid by over 10 million households.
- 4.5 In contrast, in mortgages, the loyalty penalty affects a relatively small number (0.8 million)⁸⁹ and proportion of consumers, but the average loyalty penalty those consumers pay (£1,000) is particularly high when compared to other markets, due to the large financial size of mortgages. This can have implications for interventions considered by regulators (for example how targeted those interventions should be).⁹⁰

⁸⁹ This is because of high levels of consumer engagement in this market: three-quarters of consumers switch to a new mortgage deal within six months of moving onto a reversion rate. See [FCA, *Mortgages market study interim report*, May 2018, paragraph 1.13](#).

⁹⁰ As a consumer may pay a penalty in more than one market, it is not possible to determine from the various estimates the total number of people who pay a loyalty penalty in the markets we looked at altogether. However, the consumer survey by Citizens Advice, which covered all five markets, suggests that eight in 10 people responsible for household bills are paying the loyalty penalty at least in one of these markets.

- 4.6 While these estimates are indicative of the relative size of the issue in different markets, there are some gaps in the evidence, as discussed in paragraphs 4.29 to 4.32.
- 4.7 It is important to note that estimates of the loyalty penalty are measures of difference between the price paid by longstanding customers and new customers for similar goods.⁹¹ These differences represent the potential saving that individual longstanding customers might currently make if they switched to another deal.⁹² They do not represent the total saving that would result if the gap between prices charged to longstanding and new customers were reduced. This is because if providers were required to reduce this gap, then the price charged to new customers would likely be higher than the current new customer price (which would in turn reduce the potential savings available to longstanding customers).^{93,94}
- 4.8 As a result, the loyalty penalty estimates we present should not be interpreted as a measure of the extent to which prices are currently too high overall.

⁹¹ The exact definition may differ on a case by case basis but could be, for example, customers whose tenure with their current supplier is within their initial fixed contract period or who have been with the same provider for less than a certain duration.

⁹² Subject to any switching costs.

⁹³ This is illustrated by the FCA's estimate of the potential waterbed effect of the Basic Savings Rate (BSR) policy option, in the form of lower interest rates to new customers and 'mid-book' customers. See [FCA, *Price discrimination in the cash savings market*, July 2018](#).

⁹⁴ See chapter 2.

Table 4.1: Summary of estimates of the loyalty penalty

Market	Number of people/ households (proportion of customers) potentially affected	Total loyalty penalty (per year)	Average penalty per 'loyal' person/ household (per year)	Definition of the penalty	Source
Mobile (handset inclusive)†	1.5 million (6%)	£330 million	£222	Overpayment based on estimated average monthly handset charge when acquired with a pay monthly mobile service and number of pay monthly mobile handset contract customers who said they continued to pay the same price outside of their contract period.	Ofcom, 2018.
	4 million (34%)	£473 million	£264	Difference between the initial fixed term contract price and continuing price for people who remain on the contract longer than the initial fixed term length.	Citizens Advice, 2018.
Broadband packages	8.7 million (37% of dual-play and 41% of triple-play customers)	£990 million	£112 (£72 for dual-play and £156 for triple-play)	Difference between average spend per customer for 'in contract' and 'out of contract' customers and number of customers 'out of contract'.	CMA calculations
	11 million (43%)	£1,1280 million	£113	Difference between price paid after and during the initial contract period (based on cheapest basic broadband contract) for households which began their current broadband contract at least three years ago.	Citizens Advice, 2018.
Savings accounts	Not known	£1,136 million	£48 (typical customer for cash ISA only)	Difference in the average interest rate offered to accounts less than two years old and more than five years old, for people with saving accounts that are more than five years old.	Citizens Advice, 2018 based on FCA, 2018.
Home insurance	12.4 million (47%)	£709 million	£13-90, depending on tenure (£57 on average)	Difference between policy price after renewal and the policy price offered to new customers, for people who renew with their provider (ie everyone who has been with the provider with more than a year).	Citizens Advice, 2018 based on FCA, 2015.
Mortgages	0.8 million (10%)	£800 million	£1,000	Potential savings consumers who remained on the reversion rate for six months or more could make if they switched to a new two-year fixed deal with the same provider, taking into account that some consumers actively choose to stay on the reversion rate.	FCA, 2018.
	1.2 million (10%)	£527 million	£439	Difference between standard variable rate and fixed rate (also considering fees associated with switching) for people on standard variable rates.	Citizens Advice, 2018.

† We note that the bases for the two data sources are different. For more detail on sources and notes see Annex E.

4.9 Table 4.1 shows that estimates from different sources can arrive at materially different numbers (for example in mobile), which highlights the importance of using robust methodologies when measuring the loyalty penalty. We go on to examine each of the five market estimates in more detail.

Mobile

4.10 For handset inclusive mobile deals, the estimates from Citizens Advice and Ofcom of the number of people affected are very different (4 million and 1.5 million respectively). Both estimates are based on extrapolation of survey data, but these surveys used different methodologies (online survey vs face-to-face), sampling techniques and questioning. This highlights the potential

limitations of using survey evidence for estimating the number of affected people and the sensitivity of the results to survey design.

- 4.11 We note that the estimate from Citizens Advice appears implausible when considered alongside recent Ofcom analysis based on provider data. This Ofcom analysis suggests that the total number of customers who have exceeded their initial contract period and who have mobile with handset contracts is approximately 3.7 million (many of whom will no longer pay charges related to their handset after their initial contract term).^{95,96} The estimate by Citizens Advice of customers who are beyond their initial contract term and continue to pay for their handset (4 million) exceeds Ofcom's data on the total number of people beyond the initial contract term.⁹⁷ This reiterates the need for more consistent estimates in this market and suggests that Citizens Advice may have overestimated the number of people who pay a loyalty penalty.
- 4.12 In terms of the average price differential for those who pay a loyalty penalty in mobile, the two estimates presented in Table 4.1 are similar (£264 and £220) but are based on different methodologies.⁹⁸ However, while indicative, neither of these methods identify the price actually paid by customers who are beyond their initial contract term or identify a comparator price which takes into account the actual specification of the services purchased by these customers.
- 4.13 Alternative Ofcom analysis based on provider data finds that, on average, prices beyond the initial contract term are lower than prices within the initial contract term. According to Ofcom, one explanation for this is that some of these customers are not on contracts that require them to continue paying for their handset. Another reason for higher spend within the initial contract term could be a compositional effect, that is, consumers with more recent contracts could have taken out offers with larger data packages and/or more expensive handsets. Uncertainty of the size of the price differential and lack of clarity on what proportion of contracts are likely to result in the customer still paying for the handset after the initial contract period, highlights the need for more work

⁹⁵ Some mobile providers offer 'split' contracts whereby the usage and handset element are separated, and the handset element of the change is removed after the expiry of the initial contract period. According to Citizens Advice, providers with around 50% market share offer these kinds of contracts (see page 51 of *Citizens Advice, 2018*). However, this does not mean that all customers of these providers would be on 'split' contracts.

⁹⁶ Ofcom, *Consultation on end-of-contract and out-of-contract notifications*, July 2018, page 32.

⁹⁷ We note that for its calculations, Ofcom gathered data from only a subset of providers and extrapolated the results to the market based on providers' market shares (see Ofcom, *Helping consumers to engage in communications markets*, April 2018, Annex 7).

⁹⁸ Citizens Advice uses desk research to identify the difference between the price of a selection of mobile handset inclusive deals and equivalent airtime SIM-only deals as the basis for generating an estimate of the difference in prices paid by longstanding and new customers. Ofcom uses provider data to estimate the average cost of a mobile handset provided in a mobile handset inclusive contract as their estimate of this difference.

in this market to understand the severity of the loyalty penalty issue, which Ofcom is currently undertaking

Broadband

- 4.14 In broadband, Citizens Advice has estimated the loyalty penalty as the difference between listed prices for customers beyond and within their initial contract term. We have estimated the loyalty penalty using data published by Ofcom on the spend by customers beyond and within their initial contract term. The two approaches (review of contracts by Citizens Advice and CMA analysis based on provider data from Ofcom) give similar estimates for the average price difference across products (£113 and £112 per year respectively).⁹⁹ However, they arrive at these estimates using very different methodologies. We note that results from other analyses of price differences for broadband packages are broadly consistent, as discussed in Annex E.
- 4.15 These estimates indicate a significant difference between the prices paid by longstanding and new customers, although they have some weaknesses. As Ofcom highlights, its method does not consider differences in the composition of service purchased by customers. This issue is likely to be particularly important in relation to triple-play packages.¹⁰⁰
- 4.16 As a result, the average spend difference could be, at least in part, the result of differences in the types of services purchased by customers within and beyond the initial contract term.¹⁰¹ Equally, the desk analysis by Citizens Advice does not allow for identifying actual prices paid by consumers or identify comparator prices on a like-for-like basis.¹⁰²
- 4.17 Ofcom told us that further work was necessary to produce a reliable estimate of the loyalty penalty in broadband. Ofcom said that the triple-play price differential in particular may be affected by differences in the products chosen by in and out of contract customers respectively or reflect differences in the pricing of pay TV. It also said that the figures based on dual-play were more

⁹⁹ Our calculation of the penalty based on Ofcom data does not consider the length of period for which the customer pays the higher price. For example, if customers only pay the higher price for a few months, then the numbers presented overestimate the loyalty penalty.

¹⁰⁰ This means that the price difference could be materially different after controlling for service quality differences.

¹⁰¹ In addition, Ofcom's average spend data does not account for any connection or activation fees charged to new customers, which would increase the average spend of customers within their initial contract term and thus reduce the estimated loyalty penalty.

¹⁰² The actual price paid by customers will often be different from the advertised current price (for example because of negotiations with the provider) and the broadband services purchased may be differentiated by speed, download limitations etc which means that care should be taken to make a like-for-like comparison.

likely to give a reliable indication of the size of the loyalty penalty and would indicate a loyalty penalty in the region of £675 million.

- 4.18 Therefore, further work is required to identify more robust price differentials, based on data from providers. We understand Ofcom is undertaking this work in its review of price differentials and consumer vulnerability in the fixed broadband market.¹⁰³
- 4.19 As regards the number of customers who are beyond their initial fixed contract term, there is some difference between the estimates by Ofcom and Citizens Advice. Citizens Advice's survey based estimate suggests that 11.7 million broadband customers are beyond the initial contract term, whereas Ofcom's estimate based on provider data suggests 8.7 million.¹⁰⁴ We consider that provider data is likely to be more accurate and hence the most reasonable available estimate of the loyalty penalty appears to be £990 million, combining Ofcom's published data on the number of people affected and the average price difference.
- 4.20 This is the best available estimate, although this number should be interpreted with caution because of the limitations of the pricing data. Also, because not all customers who are beyond the initial contract term may pay a penalty (for example because they may have negotiated a better deal with their provider) (see paragraph 4.17). As noted, Ofcom is undertaking further work in this area.

Cash savings

- 4.21 For cash savings, Citizens Advice's calculations, which rely on provider data collected by the FCA,¹⁰⁵ appear to be the most comprehensive estimate that is currently available on the loyalty penalty. This estimate indicates that the loyalty penalty is a significant issue in this market (£1,136 million per year), measured by the difference in average interest rates of customers who have held accounts for less than two years and those who have held accounts for more than five years.¹⁰⁶ However, it should be noted that the estimate for

¹⁰³ Ofcom, *Helping consumers get better deals: consultation on end-of-contract and annual best tariff notifications, and proposed scope for a review of pricing practices in fixed broadband*, December 2018. We note that Ofcom's review examines the extent of price differentials by contract status in the fixed broadband dual-play market, but triple-play and quad-play bundles are outside the scope of the review.

¹⁰⁴ The Ofcom number only looks at dual-play (landline and broadband) and triple-play (landline, broadband and TV) whereas the Citizens Advice definition may also capture quad-play (landline, broadband, TV and mobile) customers.

¹⁰⁵ FCA, *Price discrimination in the cash savings market*, July 2018. The analysis is based on a data request from 21 providers on the average balances and interest rates for easy access saving accounts and easy access cash ISAs.

¹⁰⁶ The analysis does not estimate the price difference for those customers who have held an account for two to five years and it does not consider all potential differences in the types of account held by customers of differing tenures.

cash savings is based on relatively old information (from 2013) and therefore may not represent the current situation.

Home insurance

- 4.22 Producing robust estimates of price differences in home insurance is particularly challenging as there are significant differences across customers in the products purchased, based on their requirements and risk profile. Therefore, average prices across broad customer groups may not give an accurate picture.
- 4.23 The only available estimate of the loyalty penalty in this market is by Citizens Advice. This combines findings from its consumer research on the proportion of customers who have been with their provider for a specified period of time, with data on price differences from past work by the FCA. However, this estimate should be viewed with caution as each element of the analysis has some limitations.¹⁰⁷
- 4.24 As part of its diagnostic work preceding its market study of the general insurance market, the FCA undertook some analysis of how provider margins for home insurance products differ by customer tenure.¹⁰⁸ The work draws on a fairly substantial evidence base and also makes attempts to control for differences in product types.¹⁰⁹ These initial findings support the view that a substantial number of customers stay with their insurance provider for many years, and that the average margin providers earn from individual customers increases substantially with the customer's tenure. The FCA is undertaking further analysis of this issue in home insurance, as well as in other insurance markets as part of its market study.

Mortgages

- 4.25 For mortgages, both Citizens Advice and the FCA have published estimates of the difference between payments by customers whose introductory deal has ended and are now on a reversion rate, such as a standard variable rate (SVR), and the payments they might make if they were to switch to another deal with the same provider. The two available estimates arrive at different

¹⁰⁷ The number of people affected is based on consumer research which may be subject to recall bias; the information on price increases over the lifetime of the contract is based on historic information from a limited number of providers; and the pricing information is based on the average cheapest premium which may not be the price paid by the majority of policy holders. In addition, these different pieces of information cover different time periods.

¹⁰⁸ FCA, *General insurance pricing practices: terms of reference*, October 2018, pp 7-8. This analysis shows that 31% of consumers having renewed with their insurer more than five times.

¹⁰⁹ The FCA's analysis is based on a data request to 18 providers that accounted for 40% of policies sold in 2016.

results for both the average difference in payments and for the number of people affected.

4.26 Citizens Advice estimates that 1.2 million people pay £439 on average per year as a loyalty penalty. These estimates are based on desk research (for calculating the rate difference between different mortgage deals) and Bank of England survey data (for the number of people on a reversion rate).

4.27 In contrast, the estimate by the FCA suggests that fewer people pay a significantly higher penalty on average (that is, 0.8 million people pay on average nearly £1,000 per year). This is based on regulatory reporting and transaction data and includes a robust analysis of the number of customers who are paying the loyalty penalty, based on the identification of comparator products for each customer. The FCA also made a number of adjustments to assess whether those on a reversion rate would genuinely benefit from switching:

(a) it excluded customers on a mortgage reversion rate who were coming to the end of their mortgage term or only had a small amount to repay;¹¹⁰ and

(b) it then assigned a comparator product to the remaining customers based on the most popular two-year fixed rate deal with the same provider for which the customers were eligible. On this basis, about half the customers who were on a reversion rate would have benefitted from moving to the comparator deal.¹¹¹

4.28 Using this approach, the FCA estimated that consumers could have saved approximately £800 million per year in aggregate by switching to a better mortgage deal. We consider this to be the best available estimate of the loyalty penalty in this market.¹¹²

Limitations in the evidence base

4.29 Existing estimates give a broad indication of the size of the loyalty penalty, but they typically have some limitations, even in cases where numbers from various sources are broadly consistent. These factors may lead to over or

¹¹⁰ These exclusions reflect the fact that, after weighing up the benefits of staying on the reversion rate or switching, many customers on reversion rates may choose to stay on them, even if they may be more expensive than alternative mortgage deals.

¹¹¹ The other half would not have benefitted from switching because the annual percentage rate (APR) of the new deal (taking account of fees for a new deal) was higher than the APR on the existing reversion rate. This reflects that some customers are on a relatively low legacy reversion rate or that savings from switching to a new deal do not outweigh the costs.

¹¹² We note that this estimate is based on data from 2016 and more up to date information may give slightly different results.

underestimating the size and the number of people affected. We summarise them here:

- (a) most estimates use a broad definition of longstanding customers (for example based on tenure) and do not analyse detailed pricing data to identify those customers who are paying a higher price compared to what they could pay;^{113,114}
- (b) in many existing estimates, average prices for longstanding customers and average prices of new customers are not compared on a like-for-like basis;¹¹⁵
- (c) using averages also conceals that some individuals or particular groups of consumers (for example vulnerable consumers) may pay significantly more (or pay the penalty longer) than others. This is further discussed in the following section;
- (d) some estimates calculate the loyalty penalty by selecting a given product specification (for example cheapest basic broadband contract) and apply the price difference calculated for this product to all longstanding customers;¹¹⁶ and
- (e) in many cases, the calculations of the total loyalty penalty combine information on the average price differential with data from different sources on the number of affected people, and these components sometimes cover different time periods. This can lead to inconsistencies.

4.30 In order to address these caveats and produce more robust estimates of the total size of the loyalty penalty, regulators and providers should collect and analyse data in a more granular and systematic way, taking into account product differences where possible. In Annex E we summarise the main factors that need to be considered when estimating the loyalty penalty. We set out our recommendations for regulators on the collection, analysis and publication of data on the size of the loyalty penalty in paragraphs 4.54 and 4.55.

¹¹³ In contrast with most other estimates, the FCA's approach to identifying those paying a loyalty penalty in mortgages aimed to do this.

¹¹⁴ Therefore, these estimates may capture people who do not pay more than new customers, for example because they are on good legacy deals or because they negotiated with their provider when the initial contract term came to an end. This can lead to an overestimation of the number of people who pay a loyalty penalty.

¹¹⁵ This is particularly an issue in markets where there is a variety of offers that change over time (for example broadband packages or mobile services) or where the offer is relatively bespoke (for example insurance). This can lead to either an underestimation or overestimation of the loyalty penalty paid by longstanding customers.

¹¹⁶ An exception to this is the FCA's estimate for mortgages which is based on a granular comparison that identifies a benchmark for individual consumers.

Conclusion on size of the loyalty penalty

- 4.31 Based on the best available estimates, the loyalty penalty across the five markets highlighted by Citizens Advice appears to be around £4 billion in total. The number of people who pay a loyalty penalty varies by market, with estimates ranging from under one million in mortgages to over 12 million in home insurance.
- 4.32 These estimates give a broad indication of the size of the loyalty penalty in the markets we have looked at, although some of these estimates are more robust than others, and most of them have some limitations. The criteria we have set out for estimating the loyalty penalty (see Annex E) and our recommendations for regulators in paragraphs 4.54 and 4.55 are aimed at improving the existing evidence base by producing robust and informative metrics on the loyalty penalty.

Who is more likely to pay the loyalty penalty?

- 4.33 Given the additional challenges that vulnerable consumers can face when shopping around and switching, as discussed in chapter 3, we consider here whether they are more likely to be longstanding customers, and therefore more likely to pay a loyalty penalty in markets where it arises. To inform our assessment, we draw on the existing evidence base.
- 4.34 In doing so, we recognise that some consumers, including vulnerable consumers, may stay with their existing supplier for a range of different reasons. Some consumers may be unable to switch; others may actively choose to stay with an existing provider. This latter group may include some vulnerable consumers, and we found this to be the case for some participants in our qualitative research.

I don't feel like I need to switch. I'm happy with who I am with and I don't pay a lot so it's not a massive expense.

Qualitative research participant, physical disability, aged 25-34, Watford.

Mobile and broadband

- 4.35 The existing evidence base for mobile and broadband suggests that some particular groups of vulnerable consumers - those on low incomes, and the elderly - are significantly more likely to be longstanding customers:
- (a) in mobile, Ofcom's 2018 Switching Tracker showed that those aged 65+ were likely to have been with the same mobile service provider for longer

(43% aged 65+ had been with their provider for 10 or more years, compared with 21% of under 65s);¹¹⁷

- (b) in broadband, Ofcom's 2018 Switching Tracker found that broadband customers aged 65+ were significantly less likely than those aged 16 to 64 to have ever changed broadband provider (55% vs 67% respectively). Older consumers were also significantly less likely to have changed their broadband provider within the last 12 months (6% aged 65+ vs 12% aged under 65);^{118,119}
- (c) the 2018 Money Advice Service Financial Capability Survey found that in telecoms (phone, internet and pay TV) markets, consumers on a low income (defined as earning less than £17,500) were significantly more likely to say that they did not shop around for better deals. Around half (51%) of consumers on low incomes, compared to 39% on medium incomes (£17,500 - £49,999) and 31% on high incomes (£50,000+), said they shopped around 'not very much or not at all';
- (d) a similar pattern is found for older consumers. Three quarters (74%) of consumers aged 75+ said that they shop around 'not very much or not at all'. Notably, the proportion of respondents saying they did not shop around, increased from the age of 25;¹²⁰ and
- (e) research by Citizens Advice similarly indicates that in mobile, consumers aged 65+ are likely to stay with their provider after the end of the minimum contract period ended, for longer than people aged under 65.¹²¹ In broadband, consumers aged 65+ and on low incomes, are more likely to stay with their provider for longer.^{122,123}

¹¹⁷ Those aged 65+ were also less likely than under 65s to have ever changed their mobile service provider (50% vs 68% respectively).

¹¹⁸ Ofcom, *Core switching tracker 2018, 30 August to 30 September 2018*. Question 28 'Have you or your household ever changed the company that provides your fixed broadband service? IF YES – When did you most recently change provider for your fixed broadband service? Answer options: In the last 6 months 7 – 12 months ago, 13 – 18 months ago, 1.5 – 2 years ago; 2 – 3 years ago; More than 3 years ago; Have never changed. Tested at 95% confidence level.

¹¹⁹ Consumers aged 65+ are also significantly less likely than average to have considered deals from other broadband providers (17% vs 28% respectively). Source: Ofcom, *Core switching tracker 2018, 30 August to 30 September 2018*. Question 23 and question 27. Activities asked about were: discussed deals/offers with another provider, looked at deals/offers from another provider and talked with friends and family for recommendations about providers.

¹²⁰ Money Advice Service, *2018 Financial Capability Survey*, (forthcoming).

¹²¹ Citizens Advice, *Three of the largest mobile phone providers are overcharging loyal customers, October 2017 and Mobile phone networks overcharging loyal customers by up to £38 a month, October 2017*, Citizens Advice, *Reviewing bundled handsets*, September 2018.

¹²² Citizens Advice, *Exploring the loyalty penalty in the broadband market*, April 2017, Citizens Advice, *Excessive prices for disengaged consumers: a super-complaint to the Competition and Markets Authority*, 2018, page 20.

¹²³ A broadband provider submitted to us that there are no meaningful differences in terms of the likelihood of being out of contract, between different groups of their consumers based on characteristics such as age and income.

Cash savings, home insurance and mortgages

4.36 A similar pattern is found in the three financial services markets: those on low incomes and the elderly are significantly more likely to be longstanding customers.¹²⁴ There is also some evidence to suggest that consumers with a physical disability or mental health problems are more likely to have long tenures:

(a) in the three financial services markets, the FCA Financial Lives Survey shows that people with certain characteristics of potential vulnerability¹²⁵ are more likely to have long tenures than those who do not show these characteristics. For example, the FCA found that:

- i. two-fifths (43%) of those aged 65+ with home insurance (contents and building) have held their insurance with the same provider for 10 years or more, compared with 16% of all adults with this form of insurance. In cash savings, the same proportion of consumers aged 65+ (43%) with a savings account had held it with the same provider for 10 years or more, compared to 27% of all adults with a saving account. In mortgages the proportions were highest, at 72% of consumers aged 65+ and 31% of all adults with a residential mortgage, respectively;¹²⁶
- ii. the same survey draws similar conclusions for people with a physical or mental health condition lasting or expected to last 12 months or more. For example, 37% of those with a physical or mental health condition stayed with the same home insurance provider for 10 years or more, compared with 12% who did not have such a condition. A similar proportion (34%) of those with a physical or mental health condition had their savings account with the same provider for 10 years or more, compared with 25% who do not have such a condition. In mortgages the proportions were 48% and 29% respectively;¹²⁷ and

(b) in insurance (home and motor), the 2018 Money Advice Service Financial Capability Survey found that 44% of consumers on a low income (defined as earning less than £17,500) said that they shopped around ‘not very

¹²⁴ We note that there are other groups of consumers who may also be on a low income but fall outside of the definitions here, which other research has found to benefit from shopping around and switching. For example, the FCA found that unemployed renters and those with low credit scores had a tendency to shop around in home insurance. Source: [FCA, *Pricing practices in the retail general insurance sector: household insurance*, 31 October 2018.](#)

¹²⁵ The definition takes into account a wide range of characteristic, including: low financial resilience, experience of recent life events, low financial capability, health issues.

¹²⁶ [FCA, *The financial lives of consumers across the UK: key findings from the FCA's Financial Lives Survey 2017*, 20 June 2018.](#)

¹²⁷ [FCA, *The financial lives of consumers across the UK: key findings from the FCA's Financial Lives Survey 2017*, 20 June 2018.](#)

much or not at all', compared to 23% on medium incomes (£17,500 - £49,999) and 15% of consumers on high incomes (£50,000+). Over half (56%) of those aged 75+ said that they had shopped around 'not very much or not at all' in insurance, a significantly higher proportion than for any other age group. The proportion saying that they did not shop around, increased from the age of 25.¹²⁸ Both Citizens Advice and Which? have found that consumers aged 65+ or 75+ are more likely to have longstanding policies in home insurance when compared to the rest of the population.¹²⁹

- 4.37 In summary, the available evidence indicates that older consumers and consumers on low incomes are more likely to stay longer with their providers in the five markets. In financial services, survey results also show that people with other vulnerabilities, such as a physical or mental health condition, are more likely to have long tenures. As a result of being longstanding customers, these groups of vulnerable consumers may be more likely to pay a loyalty penalty in these markets.

Limitations in the evidence base

- 4.38 There are gaps in knowledge about different groups of vulnerable consumers due to a lack of research and data.
- 4.39 In mobile and broadband, while there is data and evidence on age and some focus on income in existing research, there are some gaps in the profile of vulnerable people paying the loyalty penalty. We note that Ofcom has recently launched a review of price differentiation in the fixed broadband market which will have a particular focus on vulnerable consumers, which may include people who are older, on low incomes, or who have a physical disability or mental health problem.¹³⁰
- 4.40 In the financial services markets, while the FCA collects data on vulnerable consumers through its Financial Lives Survey, there are gaps - for example specific data on mental health conditions is not collected at present.¹³¹

¹²⁸ Money Advice Service, *2018 Financial Capability Survey* (forthcoming).

¹²⁹ Citizens Advice, *The insurance loyalty penalty: unfair pricing in the home insurance market*, November 2017, Citizens Advice, *Excessive prices for disengaged consumers: a super-complaint to the Competition and Markets Authority*, 2018, page 20, Which?, *Loyal customers pay 38% more for staying with their home insurer*, 28 August 2018.

¹³⁰ As part of its review of price differentiation in the fixed broadband market, Ofcom has undertaken preliminary analysis on the data that providers hold on vulnerable consumers. This has highlighted inconsistencies in data collection practices, for example different providers recording different categorisations of vulnerability. Ofcom will be considering this as part of its review. Further details are available on [Ofcom's website](#), see also Annex C.

¹³¹ We note that a general wellbeing question which includes 'mental health' as a response category is included in the FCA Financial Lives Survey.

- 4.41 Therefore, while there is an evidence base for some groups of vulnerable consumers - such as older consumers - the data for other groups is limited.
- 4.42 In addition, existing studies focus only on whether particular groups of vulnerable consumers have been with the same provider for a long time, or whether they are in or out of contract. While this provides a high level indication of the likelihood of these groups paying a loyalty penalty,¹³² it does not directly measure whether they are in fact paying a loyalty penalty, the size of any loyalty penalty and whether vulnerable consumers on average pay a higher penalty than others across key markets. This sort of evidence can only be produced by matching price data from suppliers to survey data, which is why we recommend to regulators that they assess the feasibility of undertaking such a data matching exercise, as set out in paragraphs 4.54 and 4.55.

Conclusion on who is more likely to pay the loyalty penalty

- 4.43 Vulnerable consumers are more likely to be longstanding customers and stay with their provider out of contract, on auto-renewed or roll over contracts. This indicates that vulnerable consumers may be more likely to pay a loyalty penalty where it arises.
- 4.44 However, the existing evidence base does not allow for further conclusions to be drawn; it is currently not possible to establish whether vulnerable consumers are indeed paying a loyalty penalty, and whether they on average pay a higher penalty than others. Therefore, further work is needed to address these evidence gaps.
- 4.45 We set out a recommendation for filling this evidence gap in the next section. In subsequent chapters and throughout this response, we consider whether additional protections should be put in place for vulnerable consumers and what these might look like, to help tackle the loyalty penalty for these groups.

Filling gaps in the evidence base

- 4.46 We noted in the previous two sections that there are some gaps in the evidence base that hinder our ability to understand the size of the loyalty penalty in different markets, and who pays it.
- 4.47 Currently, regulators can address these questions through market studies that allow price data from suppliers to be linked to consumer surveys that include

¹³² While the length of the contract/relationship with the same provider can be indicative, this does not consider the fact that consumers may stay with the same provider but negotiate a better deal.

demographic characteristics. These give powerful insights but are conducted on an ad hoc basis, with evidence becoming out of date over time. Furthermore, such studies do not allow for comparisons across markets.

- 4.48 We have therefore considered the scope for identifying whether the loyalty penalty is paid by different subsets of consumer on an ongoing basis, and across markets. A potential way of doing this would be to ‘match’ price and tariff data (such as on tariff type, and tenure) from the five markets with a recurring survey that contains comprehensive information about respondents’ characteristics, including those associated with vulnerability (age, income, etc). This data would be provided by suppliers in the markets, which regulators would collect using their data gathering powers.
- 4.49 Such an approach would potentially provide a number of significant benefits. In particular, linking transaction data from several markets to a high quality recurring survey would allow us to compare outcomes across markets, to identify whether the same individuals are suffering from poor outcomes in different markets. Matching transaction data to a longitudinal survey would have the further advantage of offering opportunities for understanding the experiences of consumers over time and providing a baseline against which regulators can consider how and why particular problems are occurring, and for whom. As one party’s submission to our invitation to comment stated, ‘an aligned approach would enhance regulatory efforts to protect vulnerable consumers’.
- 4.50 We recognise that a number of practical implementation issues would need to be addressed in assessing the suitability of this approach, including for example, identifying the types of price data that could be collected and a suitable recurring survey to which they could be matched. We are therefore recommending that the regulators undertake a feasibility study into the scope for such data matching; this could be taken forward through the UK Regulators Network (UKRN).

Regular publication of estimates of the loyalty penalty

- 4.51 Robust estimates of the loyalty penalty in different markets are of clear value to regulators. It would help them to decide which markets they should investigate further and enable them to evaluate the impact of their interventions on the size of the loyalty penalty over time or for particular groups of consumers. In addition, we believe there is a strong case for regularly publishing estimates of the loyalty penalty. This can incentivise companies applying the loyalty penalty to change their behaviour, inform public debate and raise general awareness.

- 4.52 Reputational incentives can be a powerful force in recognising and rewarding good conduct and discouraging exploitative behaviour or unsatisfactory performance. The potential impact on businesses' brand value of reputational harm can focus minds at board level. Publishing business-level estimates of the loyalty penalty, and the associated media coverage and customer awareness, may prompt suppliers to offer better deals to longstanding customers and reduce the price differential in order to build a good reputation.¹³³
- 4.53 We therefore recommend that regulators should collect and publish indicative metrics on the existence and size of the loyalty penalty (ie price differences or number of longstanding customers) on a regular basis (such as annually, through for example a loyalty penalty report).¹³⁴ Alongside this, other potentially relevant metrics could be published such as switching levels, call waiting times and potentially speed of exit and entry (see chapter 7 for a discussion of these issues). This could be taken forward through the UKRN's work on performance scorecards, as set out in the government's consumer green paper.¹³⁵

Recommendations

- 4.54 Producing and publishing estimates of the loyalty penalty in key markets can help regulators to design, prioritise, target and evaluate interventions. Publishing information on price differences may influence the pricing of providers.
- 4.55 Taking this into account, we have made two recommendations in relation to key markets where the loyalty penalty arises. In doing so, we recognise that there is ongoing relevant work by regulators and others, such as the UKRN, in some of these areas. We expect these recommendations to complement and build on this existing work as appropriate, or to be started where it has not yet been carried out:
- (a) Regulators should explore the feasibility of producing and publishing robust estimates of the size of the loyalty penalty and who pays it, taking into account the principles set out above, for example through the UKRN.

¹³³ Examples of this kind of reputational incentive include Ofgem's SVT league table and SVT quarterly indicator. As Ofgem told us, the information from these publications have been promptly and prominently captured by the media. This can act as a powerful prompt for customers which is demonstrated by the fact that some of the biggest energy switching peaks observed to date have coincided with high levels of media attention on the large energy suppliers. This, in turn, puts pressure on the prices charged by energy suppliers.

¹³⁴ We note that regulators already publish information on prices: for example, information on [pricing trends for communication services](#) is published annually by Ofcom.

¹³⁵ BEIS, *Modernising consumer markets consumer green paper*, April 2018, paragraphs 68-69.

In particular, regulators should assess the feasibility of collecting data from providers and linking the findings from a recurring consumer survey containing information on consumer characteristics¹³⁶ to pricing and tariff information from providers, to identify the size of the penalty (by individual customers and in aggregate) across markets, for example through the UKRN.

(b) In line with the government's consumer green paper,¹³⁷ regulators should capture and publish informative and simple metrics on the loyalty penalty on a regular basis. These could, for example, be published in an annual loyalty penalty report, in the context of the specific sectors where it arises, including information related to individual suppliers.

¹³⁶ To the extent data on consumer characteristics is gathered by providers, regulators should also aim to capture this data.

¹³⁷ BEIS, *Modernising consumer markets: consumer green paper*, April 2018, paragraphs 68-69.

5. Approaches to tackling the loyalty penalty

- Regulators can act in various ways to tackle the loyalty penalty. Interventions range from ‘lighter touch’ information and disclosure remedies as well as other more active measures to help consumers to find better deals, taking enforcement action against specific supplier practices and regulating prices directly.
- Performance-based regulation and reputational incentives can help encourage suppliers to act in the best interests of consumers.
- Publishing business-level estimates of the loyalty penalty in key markets and for each supplier, would be beneficial in putting pressure on suppliers to act to reduce it, while also raising awareness of the issue.
- To maximise the impact of remedies, regulators should consider explicitly the needs of vulnerable consumers to ensure they are able to benefit from planned interventions.
- Regulators should work together to learn from past experience, capturing best practice on remedies introduced to promote consumer engagement and their effects.

Introduction

- 5.1 This chapter summarises the types of action that could be taken (ie remedies) to address the causes of the loyalty penalty and its impact on consumers. Subsequent chapters consider these remedies in further detail, as well as their application to the five markets: mobile, broadband, cash savings, home insurance and mortgages.
- 5.2 This chapter is structured as follows:
- (a) a description of what we are trying to achieve with remedies;
 - (b) an overview of the different remedy strategies that are available to address the loyalty penalty;
 - (c) an outline of the main factors that are relevant to choosing between remedy options;
 - (d) key points on maximising the impact of remedies; and
 - (e) recommendations on the different remedy approaches.

What we are trying to achieve with remedies

- 5.3 The goal of interventions to tackle the loyalty penalty should be to ensure that existing customers are able to get a fair deal for goods and services without having to exercise unreasonable effort, taking into account their expertise, circumstances and capabilities.
- 5.4 In pursuing this goal, regulators generally should avoid measures whose negative consequences outweigh the benefits they generate. An example would be remedies that narrow the loyalty penalty, but which result in very large costs or inefficiencies that leave all customers worse off (ie higher overall prices). As discussed in chapter 2, where there are concerns around fairness, it may be desirable for regulators to put in place targeted interventions to protect certain consumers.

Different remedy strategies to address the loyalty penalty

- 5.5 Our response considers three main ways in which regulators can act to improve outcomes for existing customers who are paying a loyalty penalty.¹³⁸ This reflects the variety of causes of the loyalty penalty and its severity in different markets. These three broad strategies are:
- (a) helping consumers engage and switch to better deals;
 - (b) stopping harmful business practices; and
 - (c) regulating prices.

Helping consumers engage and switch to better deals

- 5.6 A major focus of regulators to date has been on interventions aimed at helping consumers engage with the market and switch to better deals.
- 5.7 Building on earlier work and research,¹³⁹ we know that to motivate engagement and switching, consumers need accurate information, sufficient time, reward and opportunity to assess products or service offerings and the option of acting by switching to a new provider or product.

¹³⁸ In assessing the super-complaint, the CMA has not made any findings nor formed an opinion about the possible effects on competition of practices or regulating provisions of the FCA or features of the market that could be addressed through practices or provisions of the FCA. It follows that none of the recommendations in this response can amount to advice to the FCA under section 140B of FSMA.

¹³⁹ UKCN, *Helping people get a better deal: lessons learned about consumer facing remedies*, October 2018. See also Professor Amelia Fletcher, *Disclosure and other tools for enhancing consumer engagement and competition*, 2018.

- 5.8 However, people often do not operate as 'ideal' or 'textbook' consumers. As detailed in chapter 3, individuals' income, physical and mental health, age, demands on their time and other aspects of vulnerability, may restrict their ability to access, assess and act to get better deals. For this reason, remedies which actively help consumers, for example to interact in markets, shop around and/or make the process of switching easier, are more likely to be effective in tackling the loyalty penalty than those which, for example, simply provide information.
- 5.9 Remedies aimed at improving consumer engagement and switching are covered in more detail in chapter 6.

Stopping harmful business practices

- 5.10 Suppliers can also make it more difficult for existing consumers to get better deals, as it is often profitable for them to do so. For example, they may present information about price changes in a way that fails to make clear that a price rise has occurred. They can also make the process of switching more difficult for existing consumers, for example, requiring customers to cancel their contract in writing, or by telephone and being kept waiting, in order to exit a contract.
- 5.11 It is therefore also necessary to tackle the behaviour of suppliers so that they are not complicating, obstructing or confusing consumers and their decision making.
- 5.12 Each of these issues, along with possible remedies, are considered in detail in chapter 7.

Regulating prices

- 5.13 Remedies can also be designed to regulate prices directly in order to limit the harm arising from the loyalty penalty. Regulators should consider targeted pricing regulation where engagement remedies and measures to tackle harmful business practices are unlikely to be sufficiently effective in driving competition, would only act slowly, or would not adequately protect the interests of some consumers, particularly the vulnerable. These types of remedies directly address the harm arising from the loyalty penalty as they restrict prices, for example, by limiting price differences or introducing absolute price caps. They can be targeted at particular groups of consumers in markets, such as those most affected by the loyalty penalty particularly if they are vulnerable.

5.14 Pricing remedies and how they can be targeted, are discussed in detail in chapter 8.

Choosing between remedy options

5.15 As set out earlier, a variety of different approaches are available to regulators to tackle the loyalty penalty. Some approaches, for example enforcing basic standards of transparency and taking action against harmful business practices, are likely to be of wide application. Others will need to be considered on a case by case basis. For markets with deep-seated problems, a range of interventions may be needed.

5.16 The choice between remedy options to tackle the loyalty penalty in any given situation will depend on a range of factors, including:

- (a) the underlying causes and size of the problem (see chapter 2);
- (b) the extent to which the problems identified in a market are entrenched; and
- (c) the characteristics of consumers who are adversely affected, particularly where vulnerable consumers may be experiencing harm (see chapter 3).

5.17 The overarching principles by which regulators are guided include two key considerations:¹⁴⁰

- effectiveness: the need to choose remedies that will succeed in tackling the loyalty penalty and secure better outcomes for consumers; and
- proportionality: the duty on regulators to act reasonably, not to impose unnecessary burdens and to ensure that remedies do not give rise to unintended consequences that outweigh the benefits.

Maximising the impact of remedies

5.18 We set out some key points that are important in maximising the impact of interventions to secure a better deal for existing customers. Regulators can do this by:

- (a) focussing on supplier behaviour;
- (b) being clear about the outcomes that remedies seek to achieve;

¹⁴⁰ CMA, *Guidelines for market investigations*, April 2013.

- (c) giving greater consideration to the needs of vulnerable consumers; and
- (d) using evidence and experience to guide thinking.

Focussing on supplier behaviour

- 5.19 We think that there needs to be a rebalancing of regulatory attention, with more emphasis on the behaviour of suppliers.
- 5.20 Charging less active existing customers a high price for goods or services is a decision that is made by suppliers, not customers. However, much of past debate and many previous interventions have focussed on improving consumer engagement as a means of increasing switching and increasing pressure on suppliers. As we set out in chapter 6, there are useful consumer-focussed interventions that can make a positive difference, and more can be done to make these remedies more effective. However, consumer behaviour is itself significantly influenced by conditions set by suppliers.
- 5.21 There are a number of ways in which regulators and government can work together to alter suppliers' incentives, so that they no longer perceive it to be in their commercial interest to dampen consumer engagement and exploit their existing customer base, and instead focus on offering a better deal to all consumers:
- (a) robust enforcement is essential to ensure that suppliers take their regulatory and consumer law obligations seriously. The ability to impose fines and penalties for non-compliance is a vital tool that is available to some regulators and should be actively used;
 - (b) reputational incentives can be a powerful force in recognising and rewarding good conduct and discouraging exploitative behaviour or unsatisfactory performance. The potential impact on businesses' brand value of reputational harm can focus minds at board level. Publishing business-level estimates of the loyalty penalty in line with the principles set out in chapter 4, for example, would raise awareness of the issue and put pressure on suppliers to act to reduce it. To be effective, reputational incentives need to be easily understandable, powerfully communicated and based on comparable data. Publication of fines and completed enforcement action against businesses can also have a powerful reputational and deterrent effect; and
 - (c) positive incentives to innovate and disrupt markets can also be a powerful force for change. Regulators can play a proactive role in facilitating the entry and expansion of businesses that introduce innovative models that

improve outcomes for consumers. The creation of prize funds, such as the Nesta Open Up Challenge, is one way of facilitating such entry.¹⁴¹

Clarity about the outcomes that remedies are seeking to achieve

- 5.22 There should also be greater clarity about what remedies are seeking to achieve.
- 5.23 Some previous interventions (for example compliance disclosures) have focussed on requiring suppliers to take a particular action, with the presumption that having done so, suppliers' regulatory obligations towards consumers had been fully discharged. This can mean suppliers do not take accountability for the ultimate outcomes that consumers experience.
- 5.24 Performance-based regulation is an innovative approach that seeks to shift attention towards better consumer outcomes, while holding suppliers accountable for delivering those outcomes.¹⁴² It has three key components:
- (a) a regulator determines the outcomes for consumers that suppliers need to deliver. For example, a regulator might target improvements in service quality, or consumer understanding of terms and conditions;
 - (b) the regulator sets up a process for auditing suppliers' performance in delivering these outcomes. This might involve measurement of observable performance indicators – such as how much time it takes to exit a contract – or research with consumers, for example on whether they are aware of a particular contract term that affects them (for example the length of a minimum contract period); and
 - (c) the regulator establishes a framework of sanctions for underperformance, which aligns the goals of the regulator and the incentives of the supplier. Sanctions might be financial (for example penalties), reputational (for example 'naming and shaming') or commercial (for example contracts may be deemed unenforceable if few consumers understand them).
- 5.25 Having set this framework, regulators could focus less on precisely how suppliers deliver better outcomes. Instead, it gives suppliers flexibility to determine how to achieve the desired outcomes most efficiently. Suppliers can tailor approaches to different consumer segments (for example vulnerable consumers) and adapt approaches over time. It also avoids the 'game playing'

¹⁴¹ Ofgem is currently working with Nesta on a challenge programme aimed at identifying innovative ways of stimulating switching in the energy market, following recommendations made by the CMA in its energy market investigation. See the [Open Up Challenge webpages](#) for further details

¹⁴² Lauren E Willis, *Performance-based consumer law*, 82 *University of Chicago Law Review*, pp 1309, 2015.

that can arise where regulation focuses more narrowly on specific supplier behaviour. This approach has potential for application in relation to the loyalty penalty, particularly regarding the various harmful business practices discussed in chapter 7.

Greater consideration of vulnerable consumers

- 5.26 Regulators need to continue to pay greater attention to the needs of vulnerable consumers.
- 5.27 An exclusive emphasis on transparency or smart nudges may leave some people behind. As set out in chapter 3, some groups of vulnerable consumers may be more likely to experience the loyalty penalty as they can face additional challenges to switching and negotiating with suppliers.
- 5.28 Regulators should explicitly take these challenges into account when designing remedies and consider additional targeted protections, such as pricing interventions, where needed.

Using evidence and experience to guide thinking

- 5.29 Regulators need to be guided by evidence about the likely success or failure of different approaches in tackling the loyalty penalty.
- 5.30 The experience of previous demand side interventions has been variable.¹⁴³ Over the past five years, regulators have focussed much more on evaluating the likely impact of interventions. This should continue, particularly in the following areas:
 - (a) testing and trialling potential remedies before implementation where possible. Consumers can behave differently in practice to how regulators anticipate. Testing can be used to compare the efficacy of various remedies, individually and as a package. It also means that remedy design can be amended to achieve maximum impact;¹⁴⁴ and
 - (b) evaluating whether remedies have had the desired impact after they have been put in place. Regulators should review previous interventions to ensure that they have been properly implemented and are acting as

¹⁴³ Professor Amelia Fletcher, *Disclosure and other tools for enhancing consumer engagement and competition*, 2018.

¹⁴⁴ UKCN, *Helping people get a better deal: lessons learned about consumer facing remedies*, October 2018, chapter 5.

intended. For example, consumers may change their consumption patterns following full scale roll out of an intervention.

- 5.31 Regulators should work together to share and capture best practice around remedies to promote consumer engagement, including where remedies have failed to have the intended effect as well as where they have been successful in increasing switching rates. Future interventions could be improved by applying lessons learned from other regulators.

Recommendations

- 5.32 Regulators have grappled with issues relating to the loyalty penalty over many years, but the problem clearly remains material in many markets. While regulators are becoming more effective in designing and testing disclosures and ‘nudge’ type remedies, many existing and longstanding customers are still getting a bad deal. Too much has been asked of consumers and not enough has been demanded of suppliers.
- 5.33 Based on our review of past remedies in the five markets and more widely, we think a step-change is needed in terms of how we and regulators tackle this issue. In our view, the most promising approaches are:
- (a) actively helping people engage and move to a better deal, through smart data, intermediaries and collective switching (see chapter 6);
 - (b) enforcement to tackle harmful and exploitative supplier practices (see chapter 7); and
 - (c) a greater willingness to use targeted price controls where there is substantial harm to some consumers, particularly where this harm impacts those who may be vulnerable (see chapter 8).
- 5.34 We consider these approaches in detail in the following chapters. Within each, we focus on the need for additional or targeted measures for vulnerable consumers.
- 5.35 We also recommend that further work is undertaken by regulators to capture and share best practice on ‘nudge’ remedies, to ensure that lessons are learnt on when these types of remedies are more or less effective. This could be taken forward by the UK Competition Network.

6. Helping people engage and switch

- Regulators have become more adept at developing and testing information remedies which prompt people to search for and switch to better deals ('nudges'). While this encourages some consumers to switch, new and bolder measures are needed to help people find better deals, especially those hardest to reach.
- Emerging technologies can be revolutionary. Putting people in charge of their own data means that consumers can find the best deals for their needs and can empower intermediaries, such as automatic switching services, to act on their behalf.
- In mobile and broadband, the complexity of tariffs makes data-driven technologies particularly powerful.
- Innovative intermediary services can encourage shopping around by greatly reducing the costs of searching and switching. In all five markets, regulators should maximise the opportunities for consumers to benefit from these technologies by creating favourable conditions for their development.
- Collective switching is another potential route to engaging consumers. Ofgem's recent collective switch trial shows what can be achieved. We recommend that Ofcom and the FCA consider its feasibility for broadband and cash savings.
- These remedies have the potential to engage many more people in the five markets, to help protect them from the loyalty penalty.

Introduction

6.1 In this chapter we examine various measures intended to help existing customers engage in markets and switch providers. We consider approaches that have been tried to date in different markets and in which situations these measures are most likely to be effective in tackling the causes of the loyalty penalty. We then assess their current use and likely effectiveness in the five markets covered by the super-complaint. This chapter is structured as follows:

(a) a summary of engagement remedies, covering:

- i. information remedies;
- ii. smart data;
- iii. intermediary-based remedies; and
- iv. collective switching;

(b) the applicability of engagement remedies to the five markets; and

(c) recommendations.

Summary of engagement remedies

- 6.2 The measures that we discuss in this chapter are aimed at promoting consumer awareness and reducing friction in the ‘customer journey’ from one supplier or product to another. Interventions can be targeted at different stages of the customer journey and can vary in the degree of help that they provide – ranging from information disclosures to actively providing assistance to consumers to compare or switch suppliers.
- 6.3 In some cases, interventions have been intended to prompt (or ‘nudge’) consumers to take action themselves. In other cases, regulators have sought to encourage the entry of intermediaries whose role can vary from simply identifying better deals for customers through to actively managing their move to a new supplier.
- 6.4 Historically, regulators have frequently focussed on the design of information remedies. As set out in chapter 5, the provision of accurate and timely information to consumers continues to play a significant role in making markets work generally. However, there is a need for additional interventions – such as smart data, intermediary-based remedies and collective switching – that can provide active help and support to less active customers. We explore information remedies as well as these newer solutions in this chapter.

Information remedies

- 6.5 Remedies which increase transparency in markets help consumers to compare products and services and make well informed decisions. In designing information-based (‘disclosure’) remedies, regulators need to consider carefully how consumers make decisions in practice, being conscious of the demanding lives that people lead and the multiple and varied priorities competing for their attention.
- 6.6 Disclosure remedies aimed at tackling the loyalty penalty need to be clear and understandable and, ideally, designed in such a way as to increase the relevance of the decision in consumers’ minds. Through targeted timing of interventions, for example at important trigger points in a customer’s relationship with their supplier (such as towards the end of a minimum contract period), regulators can maximise the likelihood that existing consumers will engage with the information being provided and will be prompted to take action.

- 6.7 Over recent years, regulators have become more adept at designing information remedies. These increase transparency in markets and act as prompts to remind existing consumers to consider their options and to help them switch to a better deal.
- 6.8 Experience shows that well-designed and properly tested information remedies can have some success in prompting existing customers to engage and get a better deal. For example, following testing of various types of disclosure, the FCA found that including last year's premium on renewal notices prompted 11 to 18% more customers to switch or negotiate their insurance policy.¹⁴⁵
- 6.9 In our view, this type of disclosure is worth testing and, if it increases switching, implementing in other markets. Its effect could be strengthened by requiring providers to prominently display complementary information, such as the cumulative effect of price rises since the customers' initial contract.
- 6.10 This information could raise awareness of the impact of price walking in some markets (such as insurance). By clearly displaying the consequences of remaining with a single provider for a long period of time, it could also alert consumers to the importance of shopping around and if necessary, switching.
- 6.11 Ofgem's recent collective switch trial has produced some useful insights into how disclosures can be designed to appeal to less active, longstanding customers who can be difficult to engage (see paragraph 6.57 for further detail). The trial demonstrates some useful examples of good practice in disclosure remedies which may be applicable to other markets, including:
- the provision of personalised projected savings to attract consumers' attention;
 - offering multiple information channels and routes to action the switch (for example telephone as well as online) to appeal to different customers' needs;
 - having a clear deadline to increase saliency, combat inertia and trigger action; and
 - using a trusted messenger (for example a regulator, government) to instil confidence and credibility in the remedy.¹⁴⁶
- 6.12 However, despite some success, evidence also suggests that information remedies may not be sufficient in all markets and for all consumers. This is

¹⁴⁵ FCA, *Increasing transparency and engagement at renewal in general insurance markets*, December 2015.

¹⁴⁶ Similar themes emerged from our commissioned qualitative research. See BritainThinks, *Getting a good deal on a low income: qualitative research conducted with vulnerable consumers on behalf of the Competition and Markets Authority*, December 2018, chapter 7.

because they place the onus of finding and moving to a better deal almost entirely on consumers, which can require considerable attention, effort, perseverance and resourcefulness on their part. Providing information to consumers is often not enough to trigger action, particularly among those who face the most difficulty when participating in markets, such as vulnerable consumers.

The power of smart data

- 6.13 Since smart data cuts across many of the engagement remedies, we begin with an explanation of the concept, describe its application to the retail banking sector and explore its use in other markets.
- 6.14 Smart data is a term used to denote data-driven technologies and services to improve consumer outcomes in regulated markets.¹⁴⁷ It can help consumers affected by the loyalty penalty in two ways:
- it can make it easier for people to find good deals by themselves, by helping them understand their usage and the products most suited to their needs; or
 - it can help intermediaries do that job, and more, for consumers.
- 6.15 While we believe that smart data has tremendous potential, we also recognise that technological innovation is unlikely to be a solution to all of the problems associated with the loyalty penalty. We are particularly mindful that some vulnerable and/or inactive consumers, particularly those who are not digitally active, face additional challenges and require additional support or protections.
- 6.16 Smart data is not a single remedy in itself but provides a platform for enabling other specific interventions in markets which may themselves be led by private sector innovators, government or regulators, or by the third sector.
- 6.17 The government is currently conducting a Smart Data Review to consider how it can accelerate the development and use of data-driven technologies and services in regulated markets. The review will consider intermediary services such as automatic switching, as well as new business models.¹⁴⁸ It aims to

¹⁴⁷ BEIS and Department for Digital, Culture, Media and Sport, *Smart Data Review: terms of reference*, September 2018.

¹⁴⁸ BEIS, *Modernising consumer markets: consumer green paper*, April 2018, page 23.

build on the work being pioneered in the retail banking sector by Open Banking.¹⁴⁹

- 6.18 Open Banking is currently among the most advanced applications of this approach in any market worldwide.¹⁵⁰ Following the CMA's market investigation into retail banking,¹⁵¹ we required the nine leading banks in the UK to adopt common and open application programming interfaces (APIs),¹⁵² data and security standards. It enables consumers and small businesses to share their banking transaction data securely with trusted third party providers (TPPs) of banking services. These services fall into two main categories:
- (a) those whose functionality is described as 'read-only' and which help the consumer manage their personal finances (for example aggregators) or identify the best value products for them (such as PCWs); and
 - (b) those which take a more active role in managing a consumer's finances, including moving money into and out of their payment accounts - described as 'read/write' functionality.¹⁵³
- 6.19 Open Banking services in the first category (read-only) facilitate shopping around. For example, a consumer can share their transaction history with a PCW, which can then offer information about other current accounts which might better fit the way they use their account.¹⁵⁴
- 6.20 This type of service is, clearly, most useful where providers charge per transaction and where consumer usage patterns are highly differentiated. The use of smart data can help provide personalised projected savings, making comparisons more relevant to consumers. It is therefore likely to be highly relevant in the mobile and broadband markets.
- 6.21 Services in the second category (read/write) are capable of offering more proactive help to consumers.
- 6.22 The Smart Data Review is currently exploring applications of the principle of data sharing in the regulated sectors. Its conclusions will be announced in the first half of 2019. Although Open Banking has been 'live' for just over six

¹⁴⁹ HM Treasury has also established a [Digital Competition Expert Panel](#) led by Professor Jason Furman which is examining the UK's competition regime in the context of the digital economy.

¹⁵⁰ The concept is being extended to the energy and telecoms sectors in Australia through the implementation of the Consumer Data Rights legislation.

¹⁵¹ [CMA, Retail banking market investigation final report, August 2016.](#)

¹⁵² APIs enable applications to share data and functionality. They are commonly used in consumer applications, for example where one user's location is shared with another.

¹⁵³ These broadly correspond to the distinction between account information service providers (AISPs) and payment initiation service providers (PISPs) in the revised Payment Services Directive (PSD2).

¹⁵⁴ For example, by taking account of the number of times and the extent they overdraw, or the number of foreign currency transactions they make a year.

months, it is possible to draw some provisional conclusions on its effectiveness and thus its potential relevance to other markets.

- 6.23 Based on the experience to date, read-only smart data solutions which provide consumers with better information or tailored recommendations – such as ‘smarter’ PCWs – seem most likely to be effective where usage patterns are highly differentiated and where providers’ pricing models are based on usage.
- 6.24 Read/write functionality, as described in paragraph 6.18, has a great deal of potential for tackling the loyalty penalty for some consumers. This is because it enables certain intermediaries (which we refer to as ‘concierge’ services) to overcome consumers’ inability or unwillingness to change suppliers or products, by automating this process. Such services have the potential to be of considerable value for less active consumers.
- 6.25 Consumers are likely to have concerns regarding the security of the data they are sharing and the trustworthiness of the entities with whom they are sharing it. Unless consumers feel secure sharing their data, they will be unlikely to use services facilitated by smart data. Smart data remedies, therefore, need to be accompanied by ancillary measures to build confidence in the security of data shared. For example, in Open Banking, TPPs are regulated by the FCA.¹⁵⁵
- 6.26 Overall, we believe that the use of smart data has great potential as part of a wider strategy for tackling the loyalty penalty in a number of markets. It is important, however, that issues regarding consumer trust are considered in the implementation of smart data remedies.
- 6.27 While this important work takes place, regulators may want to look at other, interim measures to help consumers to benefit from their own usage data. In markets where open, standard APIs have not been adopted by the industry to facilitate data sharing, providers could be required to make relevant usage data easily available to customers in ways that can be used to make comparisons, for example via an app.

Using intermediaries to empower and support consumers

- 6.28 New technology and smart data are opening up more possibilities to help consumers, but we also recognise the importance of personal support, particularly for vulnerable consumers.

¹⁵⁵ See [the FCA website](#). Additionally, the [Open Banking Directory](#) enables banks to verify the identity of TPPs. Further, in terms of redress, under PSD2, consumers are entitled to compensation from their bank if an unauthorised payment is made.

6.29 We next consider the potential role that can be played by different types of intermediaries in supporting and empowering consumers, to help them achieve a better deal and avoid paying a loyalty penalty. The role played by intermediaries varies, including the amount of practical help they offer consumers.

6.30 We consider four broad categories of intermediary:

- (a) PCWs;
- (b) concierge services (also known as automatic switching services);
- (c) switching services; and
- (d) human intermediaries.

PCWs

6.31 PCWs are a well-used and understood feature of many retail markets. They are run on a commercial basis often by well-resourced businesses and can come in a variety of forms. Simple PCWs will categorise deals in a variety of ways (for example by price), leaving the consumer to check whether their offerings match their particular requirements.¹⁵⁶ Data sharing has the potential to enhance the usefulness of PCWs by enabling them to provide information tailored to the needs of individual consumers.

6.32 PCWs generally benefit consumers in two main ways:

- they make it easier for people to shop around, saving them time and effort, particularly in markets that can be complicated and uninteresting; and
- they make suppliers compete harder by providing lower prices and better choices to consumers.

6.33 The CMA conducted a market study in 2017 in this area and we noted that PCWs can also benefit people who do not use them.¹⁵⁷ This is because the competitive pressure that they exert on suppliers drives competition more generally.¹⁵⁸

¹⁵⁶ For example, a PCW may list loan products with their APRs, terms and conditions but will not generally be able to relate the terms that an individual will be offered on the basis of their creditworthiness and the lender's eligibility criteria.

¹⁵⁷ CMA, *Digital comparison tools market study final report, September 2017*.

¹⁵⁸ CMA, *Digital comparison tools market study final report, September 2017, pp 43-46*. In October 2018, the UK Competition Network also published a report on lessons learned about consumer facing remedies which contains principles for supporting the development of PCWs and good practice to ensure they work well for consumers. See UKCN, *Helping people get a better deal: lessons learned about consumer facing remedies, October 2018, page 30*. Similarly, recent work by Professor Amelia Fletcher sets out ways to develop third party comparison

- 6.34 As part of our market study, we noted the harmful impact that non-resolicitation clauses can have on competition between suppliers, particularly where they cover a customer's renewal period.¹⁵⁹ These clauses limit the ways in which consumers can receive prompts to engage and shop around. Their effect on consumers remains of interest to the CMA.
- 6.35 Commercially-funded PCWs rely on consumers being willing and able to seek out information and then act on it. This in turn generates commission revenue from the provider acquiring the new customers. PCWs therefore have a business incentive to promote consumer engagement. They have made significant investments in advertising the benefits of shopping around and switching as well as using rewards to encourage ongoing comparisons.¹⁶⁰
- 6.36 Where consumer engagement is very low, PCWs may find the market relatively unattractive and be unwilling to invest in it. There have been instances of regulators requiring the funding and creation of PCWs.¹⁶¹ The CMA, for example, required the major banks to fund a challenge prize, managed by Nesta, to encourage the creation and market entry of DCTs for SMEs.¹⁶²
- 6.37 PCWs offer a range of different approaches, from static lists of 'best buy' tables to generating tailored quotes based on individual customer requirements and/or usage patterns. As new approaches to data sharing are developed, more sophisticated PCWs are becoming available which can provide bespoke recommendations (for example using a customer's historic patterns of usage). Where PCWs can access supplier information, potentially through an open data licence, or where consumers grant access to usage data from their incumbent supplier, PCWs can provide more useful comparisons more easily. Smart data can therefore facilitate the comparison of complex usage patterns.
- 6.38 'Smarter' PCWs are likely to provide more useful comparisons in some markets. However, the onus will still be on consumers to act, as PCWs will identify suitable deals and offer information, rather than actively helping people to switch.

tools and to facilitate their development. See Professor Amelia Fletcher, *Disclosure and other tools for enhancing consumer engagement and competition*, 2018.

¹⁵⁹ Non-resolicitation clauses in contracts between DCTs and suppliers require DCTs not to contact customers who have purchased a supplier's product from that DCT (in respect to the same product type) for a certain period.

¹⁶⁰ [CMA, *Digital comparison tools market study final report*, September 2017, page 32.](#)

¹⁶¹ For example the creation of LendersCompared following the Competition Commission's market investigation into [home credit](#), where it found that PCWs were unlikely to emerge spontaneously because of the perceived lack of commercial incentives.

¹⁶² See the [Open Up Challenge webpages](#) for further details.

Automatic switching services or ‘concierge’ services

- 6.39 Concierge services (also known as automatic switching) take the use of data sharing further to help understand consumers’ requirements, offer them more proactive help and act on their behalf.
- 6.40 Concierge services, which are relatively new, offer something closer to a one-stop-shop for identifying suitable deals and moving customers on to them. Some will not only switch consumers to a new supplier but will, if authorised to do so, continue to monitor offers and automatically switch consumers to a new tariff or supplier where beneficial.
- 6.41 By taking action on behalf of consumers, such services can take away much of the hassle and stress that can often act as deterrents to switching. As they greatly reduce both the time and effort required to manage contracts, concierge services can add particular value for inactive consumers affected by the loyalty penalty. Customers only need to make one decision – to sign up to a service – rather than requiring perpetual vigilance to ensure they are on the best rate for them.
- 6.42 Concierge services are likely to be most relevant where suppliers’ marketing strategy is to offer low initial prices/high rewards which default at a later date to a higher price/lower reward, or which gradually rise over time (ie price walking, as described in chapter 2).
- 6.43 Where this model has been adopted by suppliers, consumers may forget, not notice or not have time to take action if subsequent deals could be better elsewhere. For these reasons and particularly where they are combined with smart data, we believe concierge services have potential to be effective in tackling the loyalty penalty. They could be especially beneficial to time-poor consumers.
- 6.44 However, there are groups of consumers who may be more reluctant to allow third parties to manage services for them. Consumers on low incomes, for example, may need or want to keep tight control over their finances.¹⁶³ Some may also be worried about being switched onto a supplier or product that does not meet their needs. However, some of these concerns may diminish as these services become more established.

¹⁶³ BritainThinks, *Getting a good deal on a low income: qualitative research conducted with vulnerable consumers on behalf of the Competition and Markets Authority*, December 2018.

Switching services

- 6.45 Intermediary switching services allow consumers to switch providers more easily and quickly. They help consumers to manage the switching process once they have decided to switch and identified their preferred new supplier. Switching services seek to encourage higher levels of switching by reducing the time it takes to switch and making the process more reliable and less risky.
- 6.46 'Pure' switching services such as the Current Account Switch Service (CASS) and the Cash ISA Transfer Service operated by BACS,¹⁶⁴ perform the process of closing a consumer's existing account and opening and 'onboarding' to the new one. Ofcom has also implemented schemes to make it easier for consumers to switch in mobile¹⁶⁵ and parts of the broadband¹⁶⁶ market.
- 6.47 Switching services are likely to be of particular value in markets where the switching process is complex or daunting and/or where the costs or inconvenience of something going wrong are significant. In such markets the provision of a guarantee of a safe and swift transfer, such as that offered by CASS, is likely to be a useful element in lowering the barriers to switching.
- 6.48 However, switching services do not help consumers all the way through the switching process. They handle the last phase, the mechanics of closing the account with the current supplier and onboarding with the new one. But switching services do not provide an assessment of alternative suppliers or products and, where there are low levels of engagement, are unlikely to be sufficient without accompanying measures.

The role of human intermediaries

- 6.49 Some consumers may be less able to benefit from the solutions that we have described earlier and are likely to require additional measures to help avoid paying the loyalty penalty. This is particularly the case for some vulnerable consumers, who may not have online access or be less confident in engaging online. In these circumstances, the availability of information and recommendations either in person or over the telephone can be an important accompaniment to any remedy.

¹⁶⁴ See the BACS website, [Current Account Switch Service](#) and [Cash ISA Transfer Service](#) for further details.

¹⁶⁵ Ofcom, [Decision on reforming the switching of mobile communication services, 2017](#).

¹⁶⁶ For details of the gaining provider-led switching arrangements for customers with suppliers using the Openreach network see the [Ofcom website](#). See also the discussion of gaining provider-led switching in chapter 7.

- 6.50 Local advisory services, such as Citizens Advice, could be well placed to help in this regard and to ensure that vulnerable consumers are able to benefit from innovative technologies. For example, we believe that Citizens Advice could play a more active role in providing information to consumers in local bureaux or through online tools (for example web chat), including directing consumers to trusted intermediary services, or even potentially helping consumers to switch. Such an approach would help to extend the reach of innovative intermediaries to less active consumers, would provide a point of contact for such consumers to discuss queries or provide advice, and would help overcome some of the scepticism that exists around automatic switching.
- 6.51 The positive effect that human intermediaries have in helping consumers can be seen in markets where the provision of face-to-face information and recommendations is already more common. In the mortgages market, for example, consumers can talk to lenders directly about the products available to them, or they can speak to mortgage intermediaries.¹⁶⁷
- 6.52 While there is still more to be done in the mortgages market,¹⁶⁸ it is nonetheless clear that consumers value being able to discuss options with experienced intermediaries and feel that they are able to make better choices as a result.¹⁶⁹
- 6.53 The success of Ofgem's recent collective switch trial (described in detail in paragraph 6.57) in triggering action among previously disengaged customers also demonstrates the value of providing a point of contact with whom to discuss options. In addition to providing an online route to switching, the scheme enabled consumers to switch via telephone, whereby they could also talk through any specific queries that they had. The ability to talk through options with an intermediary appears to have contributed to the success of the scheme, with 71% of switchers via the intermediary using the telephone route (vs 29% who switched online).

Collective switching

- 6.54 Collective switching typically entails a third party negotiating a better 'group' deal and offering this to consumers. It may involve an intermediary signing up

¹⁶⁷ The FCA's interim report on its mortgages market study finds that, of those who have taken out a residential mortgage (or switched product) in the last three years and arranged this through a mortgage intermediary, 89% agree they understood their needs and 75% agree they got a better deal than they would have got on their own. [FCA, *Mortgages market study interim report*, May 2018, page 28.](#)

¹⁶⁸ The FCA's interim report on its market study observed links between more expensive mortgages and intermediaries that typically place business with fewer lenders, for example.

¹⁶⁹ Another example includes the provision of specialist advice to people with pre-existing medical conditions when seeking insurance. See [FCA, *FCA challenges industry to improve access to insurance for people with pre-existing medical conditions*, June 2018](#), for further detail.

customers and then approaching suppliers to negotiate special deals. In its simplest form, a collective switch provider would then offer each member of the group the same single offer on an opt in or opt out basis.¹⁷⁰ More complex forms include offering more than one deal for customers to choose between.

- 6.55 Collective switching schemes go beyond other engagement measures, as they do not simply scan the market for better deals for their customers. They also try to negotiate exclusive deals by harnessing the bargaining power of a group.
- 6.56 Alternatively, an intermediary such as a PCW might be able to negotiate exclusive deals for visitors to its website. Comparison and switching services such as uSwitch, are able to negotiate exclusive deals across a range of markets, including mobile, broadband and energy.
- 6.57 Following the CMA's energy market investigation in 2016,¹⁷¹ Ofgem recently trialled a collective switching exercise which, as we describe here, produced some encouraging results.

¹⁷⁰ Centre for Competition Policy, *Collective switching and possible uses of a disengaged consumer database*, August 2017.

¹⁷¹ CMA, *Energy market investigation: final report*, June 2016.

- Ofgem appointed Energyhelpline to negotiate a deal for 50,000 disengaged customers (who had been on a SVT for at least three years).
- Results show that 22.4% of customers in the trial switched vs 2.6% in the control group who received no information. Customers who switched to a new tariff saved around £300 on average.¹⁷² Of those who received letters and switched as part of the trial, 2.6% chose another tariff with their existing supplier, and 19.8% chose a tariff with another supplier. Of those who chose a tariff with another supplier:
 - just over half switched to the collective deal negotiated by Energyhelpline;
 - a quarter switched to other providers or tariffs after getting their open market results when they contacted Energyhelpline; and
 - just under a quarter chose another tariff without using Energyhelpline.
- Results suggest that there are a number of factors which appear to have contributed to the trial's success, including:
 - offering a 'switching shortcut' (switch managed by Energyhelpline rather than the customer);
 - offering various routes to switch (telephone as well as online);
 - providing personalised projected savings calculations, without the customer needing to provide consumption or tariff data;
 - providing open market search results along with the exclusively negotiated tariff, helping consumers make an informed choice;
 - a well-designed multipart direct mail series comprising three letters: announcement, saving and reminder letters (including a clear deadline, to combat inertia); and
 - regulator endorsement, leading to greater trust and credibility.

6.58 The success of collective switching depends on the ability to aggregate consumers into groups with similar requirements. This enables the group to benefit from their collective bargaining power and to negotiate a better deal through the collective switch. Collective switching is therefore most likely to be effective in markets where customers have high levels of similarity. One example might be in the cash savings market where there is a limited set of product features and customer requirements, or potentially in broadband.

6.59 As is apparent in the Ofgem trial, collective switching schemes can be designed specifically to target previously inactive consumers and can benefit

¹⁷² Excludes savings for customers who switched to deals without using Energyhelpline.

participants by acting more generally as encouragements to switch. Even where participants do not take the collective deal (as was the case for half of the switchers in the Ofgem trial), potentially because it does not represent the cheapest deal for them,¹⁷³ the communication around it can act as a prompt and motivate participants to move to other available deals.

Applicability to the five markets

Mobile

- 6.60 Ofcom has introduced various measures aimed at improving engagement in the telecoms market (see Annex C for further details on previous interventions).
- 6.61 Ofcom is currently consulting on its final proposals to require all providers to send an end of contract notification, which will include information about the provider's best tariffs. For bundled handset and mobile customers, best tariff information must include at least one SIM-only deal.¹⁷⁴ It also published a consultation on mobile handsets in September 2018 which discusses the potential for further transparency measures and intends to publish detailed proposals to take this forward in 2019.
- 6.62 The complexity of tariff offers in the mobile market can often make it difficult for consumers to compare deals accurately and find the most suitable offers for them. While information remedies have led to improvements for some consumers and there is valuable work taking place in this area already, there is more to be done to improve consumer awareness of the options available to them. For example, consumer engagement research conducted by Ofcom in 2018 found that a quarter of consumers on a mobile handset contract were unaware of the possibility of moving to a SIM-only deal at the end of their minimum contract period.¹⁷⁵
- 6.63 Ofcom also found that some major mobile providers did not inform consumers of this option after minimum contract expiry.¹⁷⁶ A targeted campaign to increase awareness and understanding of SIM-only deals could be a simple and effective way of protecting out of contract mobile customers from the loyalty penalty. It could also complement Ofcom's proposals on best tariff information. We recommend that Ofcom consider and test how information

¹⁷³ This may be the case where, for example, supplier participation is limited to include only those with a minimum third party quality rating.

¹⁷⁴ Ofcom, *Helping consumers get better deals: consultation on end-of-contract and annual best tariff notifications, and proposed scope for a review of pricing practices in fixed broadband*, December 2018.

¹⁷⁵ Ofcom, *Consultation on end-of-contract and out-of-contract notifications*, July 2018, page 25.

¹⁷⁶ Ofcom, *Consultation on end-of-contract and out-of-contract notifications*, July 2018, page 20.

remedies can be designed to increase awareness and understanding of SIM-only deals, including the potential for setting targets for providers in raising awareness of such deals.

- 6.64 Smart data solutions could also significantly help consumers in the mobile market by enabling them to access and share their usage history with PCWs and other trusted intermediaries. Innovative intermediaries could then recommend a product to consumers based on their volume of calls, texts and data use, as well as the signal quality in their home or areas where they most frequently make or receive calls.
- 6.65 Such a solution could be considered the ‘gold standard’ of data portability and may take some time to implement. Ofcom should consider whether it can build on the existing usage data disclosures that the major mobile providers already provide to customers and how this can be improved – for example, in terms of completeness, accessibility, standardisation and how it can be accessed by third parties such as PCWs.¹⁷⁷
- 6.66 Ofcom currently has a programme of work underway looking at new ways to use data to benefit and help engage consumers, including how to implement data portability in telecoms, which we support.
- 6.67 Intermediaries can also provide a range of services for consumers in the mobile market, from simple notifications and reminders of contract end dates to more complex solutions, for example through the application of automatic switching technology to the mobile market. While this may present some challenges in telecoms,¹⁷⁸ we recommend that Ofcom consider how it can best support the development of commercial initiatives that can help consumers to switch, particularly in light of the potential benefits for vulnerable consumers.
- 6.68 It seems unlikely that collective switching would be effective in the mobile market. For this reason, we understand that Ofcom will focus on smart data and intermediary-based remedies to complement its current interventions.

Broadband

- 6.69 Various forms of intervention have been introduced in recent years to make it easier for consumers to engage in the broadband market. Ofcom’s proposed

¹⁷⁷ This would be similar to the work that is currently being taken forward by Ofgem to revise the Midata programme. The CMA recommended, following our investigation into the retail energy market, that the government revise the Midata programme to ensure customers can access their data electronically, in order to conduct an accurate cross-market comparison.

¹⁷⁸ For example, in terms of compatibility with the EU’s Common Regulatory Framework and the new EU Electronic Communications Code introduced in December 2018.

rules for end of contract and annual best tariff notifications (see paragraph 6.62) would also apply to fixed broadband services. Ofcom has also recently launched a review into price differentiation in the fixed broadband market as well as a consumer awareness campaign to help people get a better deal.¹⁷⁹ Further details on this review and other interventions in the broadband market can be found in Annex C.

- 6.70 The broadband market is characterised by moderately diverse customer requirements, with providers offering varying levels of quality and download speeds. It is often sold as part of a bundle, usually with landline and often with pay TV and other ancillary services.
- 6.71 As with the mobile market, we consider that smart data solutions, particularly when used by concierge intermediaries, can and should be harnessed in broadband as this could be of great benefit to consumers.
- 6.72 We recommend that, as part of its engagement with the Smart Data Review, Ofcom consider how open APIs can be used to improve outcomes for longstanding consumers in the broadband market.¹⁸⁰ This could include, for example, enabling PCWs to access provider data on broadband speed and quality in different areas. This would allow consumers to make much more useful product comparisons than they can at present.
- 6.73 To maximise opportunities for intermediary services, Ofcom should also consider whether it would be feasible to require providers to hold consumers' usage data in a standardised, easily portable format and to make such data available through APIs to providers of DCTs.
- 6.74 While we expect there may be some challenges, there are features of the broadband market which may make it easier for some consumers to make use of concierge services, for example where they are switching within the Openreach network. Concierge services, which can assess which deals best match the needs of individual consumers, can potentially be a valuable supplement to the existing gaining provider-led switching process within the Openreach network, which makes the switching process easier once a consumer has identified their preferred new provider. We encourage Ofcom to consider how it can create favourable conditions for the development of innovative business models.

¹⁷⁹ See [the Ofcom website](#) for further details on the Boost your Broadband campaign.

¹⁸⁰ We understand that Ofcom will be releasing two APIs, making connected nations fixed and mobile coverage data available at a premise level on a request by request basis. Providing wider access to this data can have significant benefits, for example by allowing consumer facing websites and apps to present coverage data within their own offerings and services. [Ofcom's Boost your Broadband website also includes a broadband availability checker.](#)

- 6.75 It is also possible that a collective switching service could be viable in the broadband market. We recognise that consumers' broadband requirements are variable but note that almost a third of UK households purchase broadband as part of a dual-play package with landline services.¹⁸¹
- 6.76 While there is a degree of heterogeneity in customer requirements (for example choice of broadband speeds), a carefully designed collective switch offering may be able to overcome this challenge. If a sufficient number of customers' requirements could be aggregated to the more commonly used packages of components and service levels, a collective switching service may be possible and beneficial.
- 6.77 To be viable in the broadband market, a collective switching service would also need to collect information on the availability of different broadband services in specific locations, to ensure that consumers were only presented with relevant offers. The use of smart data could enable a collective switching service to access this information, potentially overcoming some of the searching costs (regarding technical constraints) that can make engagement in the broadband market difficult.
- 6.78 We also note that some switching services are able to negotiate exclusive deals with providers for customers of broadband packages. Such deals are similar in principle to a collective switch.¹⁸² We are aware of exclusive deals that are negotiated in this way for dual-play as well as for triple-play packages. Therefore, we consider that there may be scope to extend collective switching to more complex broadband packages.
- 6.79 Given the success of the recent Ofgem collective switch trial, we recommend that Ofcom review the feasibility of collective switching in broadband as part of its work in that market.

Cash savings

- 6.80 There have been various attempts to improve outcomes for longstanding consumers in the cash savings market. Some of the key interventions are summarised here, with more detail provided in Annex D.

¹⁸¹ See Annex C. Customer usage of such packages is not as complex and diverse as where triple-play (including pay TV) (31% of UK households) or quad-play (adding mobile) (5% of UK households) packages are purchased.

¹⁸² By understanding what products and services consumers are searching for on their websites, switching services are able to identify where large groups of individuals are searching for similar packages. This information can then be used to negotiate exclusive deals that can be offered through the website of the switching service.

- 6.81 In December 2015, the FCA introduced a package of remedies, including various disclosure and switching remedies.¹⁸³ In addition the FCA proposed a ‘switching box’ and a ‘return switching form’ to make the switching process less burdensome. Results from trials, however, showed that these interventions would not be sufficient to change consumer behaviour to any material degree.
- 6.82 The FCA published a Discussion Paper on price discrimination in the cash savings market in July 2018 which set out various further options. These ranged from remedies to improve consumer engagement (by improving the previous trialling of the ‘switching box’) to remedies which focus on controlling outcomes. It is currently deciding whether to take any proposals forward.
- 6.83 Based on the evidence gathered to date, the FCA notes that demand side remedies are unlikely to address the harm caused to longstanding customers in the cash savings market.¹⁸⁴ We agree that there is a need to consider other remedies, including pricing regulation which is discussed in chapter 8.
- 6.84 We also see some potential for smart data together with the market development of concierge services as a potential remedy to the loyalty penalty in cash savings. Such services would track the returns being earned from an existing account and compare them with those available from others. They could, if instructed and subject to the rules on anti-money laundering (AML) and know your customer (KYC), move money from one account to another.
- 6.85 We recognise that to have maximum impact this remedy would require intermediaries to have read/write access to customers’ cash savings accounts. However, the data sharing provisions of the revised Payment Services Directive apply only to payment accounts and while some cash savings accounts are also payment accounts, not all are.
- 6.86 We recommend that, as part of the Smart Data Review process, government and the FCA consider whether and, if so, how, the principles of Open Banking could be applied to cash savings. Given the work that has already been undertaken, the cost of adapting the Open Banking API, data and security standards to savings products should be relatively modest.
- 6.87 Services already exist which ‘sweep’ surplus cash out of current accounts to a (higher) interest bearing account. Open Banking technology, together with the emergence of intermediaries, including banks themselves acting in this

¹⁸³ Including for example remedies such as a standardised summary box, trialling the publication of data on the lowest-paying interest rates and improved switching within a provider.

¹⁸⁴ [FCA, Discussion Paper on price discrimination in the cash savings market, July 2018, page 18.](#)

capacity, makes such services likely to be feasible from a technical and regulatory perspective.¹⁸⁵

6.88 We also consider that, because of the relatively limited range of consumer requirements in the cash savings market, collective switching could have potential in this market. While consumer decisions are unlikely to be solely driven by the interest rate offered,¹⁸⁶ the variation in product offerings and requirements is not as diverse as, for example, in the mobile market.

6.89 We recognise that taking forward collective switching would not be without its complications.¹⁸⁷ However, we recommend that the FCA consider the lessons learned from Ofgem's recent trial and consider the application of collective switching to the cash savings market.

Home insurance

6.90 A number of engagement interventions have been made in the home insurance market. In particular in 2014, the FCA launched a large scale trial¹⁸⁸ to assess disclosure improvements to engage consumers at renewal. Of the disclosures tested, the inclusion of the last year's premium was found to be the most effective in increasing engagement.¹⁸⁹

6.91 The FCA introduced new rules from April 2017, applicable across general insurance renewals, requiring various disclosures by firms to encourage consumers to shop around, including disclosing last year's premium at each renewal. For more details on these and other interventions in the home insurance market see Annex D.

6.92 In October 2018, the FCA published its terms of reference for a market study into general insurance pricing practices.¹⁹⁰ The market study will examine pricing practices in retail home and motor insurance.

6.93 The results of the FCA's testing of disclosures are encouraging and demonstrate the impact that well-designed and well-timed information remedies can have in prompting more consumers to shop around.

¹⁸⁵ Though might, if adopted on a large scale, give rise to concerns from a prudential regulation perspective.

¹⁸⁶ Consumers may consider additional factors in choosing a savings product (for example risk, access to savings, the convenience of having products with the same provider).

¹⁸⁷ For example, the difficulties that banks may face in onboarding large numbers of clients over a short period and their obligations as regards AML and KYC.

¹⁸⁸ The trial was carried out with over 300,000 customers from one home insurance and two motor insurance providers.

¹⁸⁹ 11 to 18% more consumers switched or negotiated their home insurance policy. [FCA, *Increasing transparency and engagement at renewal in general insurance markets*, December 2015, page 10.](#)

¹⁹⁰ [FCA, *General insurance pricing practices: terms of reference*, October 2018.](#)

- 6.94 As noted in paragraph 6.9, we consider that there may be scope to further strengthen the rules on provider disclosure. A requirement to disclose the cumulative impact of price changes since a customer's first insurance premium, for example, could act to draw greater attention to the need to switch. In our view, such a disclosure is worth further consideration, and could complement the FCA's current rules on additional disclosures for existing customers.
- 6.95 Given the requirement for consumers to provide extensive information to potential providers, there is also potential for the application of smart data solutions in the home insurance market. These new technologies would allow consumers themselves or intermediaries acting on their behalf to share data with potential suppliers and generate bespoke quotes.
- 6.96 Concierge services could automatically switch customers if subsequent premiums rose above the new customer offer price of other insurers. As the use of smart data becomes more sophisticated, the development of open APIs could enable intermediaries to access third party product performance metrics, including quality ratings. They could also take account of these in switching decisions to guard against the 'hollowing out' of insurance products – for example, by only switching consumers to products with an agreed minimum service quality rating or pay-out ratio.
- 6.97 While the Smart Data Review is ongoing, the FCA should consider whether it can implement 'semi-smart' solutions in the short to medium term that could be beneficial for consumers. By requiring the standardisation of information that home insurers ask customers, for example, intermediaries could capture customer data and use that information to inform individual customers of 'best buy' products. Customers could easily compare this information against their current provider's renewal quote to assess whether they should switch.
- 6.98 We recommend that the FCA continue its focus on developing intelligent nudges that can trigger consumers to act. In doing so, it is important that the FCA consider how providers may be able to improve the way that they communicate information about insurance products to be as clear as possible for all consumers,¹⁹¹ and particularly bearing in mind the needs of vulnerable consumers.
- 6.99 Research suggests that, although consumers often view receiving prompts favourably, they find the insurance market the most difficult to understand of

¹⁹¹ We are aware of significant work already undertaken at EU level to standardise the way that basic information about insurance products are presented to consumers. See the FCA webpages on the [Insurance Distribution Directive](#) for further details.

the five markets identified in the super-complaint, and the terminology to be particularly complex. This is likely to lead to disengagement by consumers and can further entrench vulnerable consumers' mistrust of suppliers.¹⁹²

6.100 In our view, the nature of the home insurance market (and insurance products more generally) would make collective switching difficult to achieve.

6.101 We encourage the FCA to be bold in its market study in its consideration of possible remedies, where lighter-touch engagement remedies may not be sufficient. Our views on regulating prices are discussed in detail in chapter 8.

Mortgages

6.102 In recent years, the FCA has introduced various transparency remedies to help mortgage consumers at different stages of the decision making process.¹⁹³

6.103 The FCA's mortgage market study, which published its interim report in May 2018 found that, overall, the mortgage market is working well in many respects. In particular:

- the market has high levels of consumer engagement: currently over three-quarters of consumers switch to a new mortgage deal within six months of moving onto a reversion rate; and
- consumers who use an intermediary do so for a range of reasons, in particular valuing their experience and expertise.¹⁹⁴

6.104 As part of its ongoing market study, the FCA is consulting on a number of further engagement measures, which we discuss here. Further details on interventions in the mortgage market can be found in Annex D.

6.105 The generally high levels of switching that can be observed in the mortgage market suggests that consumers, on average, are more engaged in this market than in the other markets identified in the super-complaint. However, there are still further improvements that could be made.

6.106 As part of the next phase of the FCA's market study, it is consulting on helping consumers to assess and choose an intermediary and challenging the industry to develop tools to help consumers in this regard. Given the

¹⁹² BritainThinks, *Getting a good deal on a low income: qualitative research conducted with vulnerable consumers on behalf of the Competition and Markets Authority*, December 2018.

¹⁹³ This includes requiring firms to provide a standardised Initial Disclosure Document, setting out key information about the service that customers should expect, and the provision of a Key Facts Illustration, detailing personalised product information, early in the mortgage sales process as well as at the offer stage.

¹⁹⁴ FCA, *Mortgages market study interim report*, May 2018, page 4.

importance of intermediaries to the market, we strongly support this approach by the FCA.

- 6.107 The FCA is also consulting on lenders making information available to intermediaries. This would make it easier for intermediaries to more quickly and easily identify the mortgages that a consumer may qualify for. We support the FCA's proposed work with industry which could develop new and innovative tools that can make it easier for consumers to engage in the market and find the right deals for them.
- 6.108 In addition, applying smart data principles and empowering consumers to give intermediaries access to their information can add further value in the mortgage market, for example by speeding up affordability assessments.¹⁹⁵ We recommend that the FCA also consider how data portability can benefit mortgage customers as part of its engagement with the Smart Data Review.
- 6.109 Given high switching rates and other factors in mortgages, it seems unlikely that collective switching would be effective or practicable in the mortgage market.¹⁹⁶

Recommendations

- 6.110 In this chapter we have identified new and innovative approaches which could increase engagement among some consumers and help them to switch to avoid paying the loyalty penalty.
- 6.111 Well-designed nudges can have a positive effect on some consumers, and testing and trialling should continue to help regulators fine tune interventions in this area. In particular:
- (a) in insurance, we recommend that the FCA continue to develop renewal disclosures and explicitly consider the needs of vulnerable consumers, who can find terminology in the insurance market complex. To complement its existing rules on renewal disclosures, we also recommend that the FCA consider whether these can be strengthened by including additional information (for example cumulative impact of price rises); and

¹⁹⁵ The Australian Competition and Consumer Commission's report on its [residential mortgage products price inquiry](#), proposes the adoption of a portable data solution as part of the Consumer Data Right programme, to enable borrowers to share their financial data with prospective mortgage lenders.

¹⁹⁶ A collective switch was trialled with 40,000 mortgage holders in Australia in 2011. We have not examined this trial in detail but note that the switching rate was low (at best 5%) with 2,000 individuals entering into detailed discussions with banks. In our view, the necessity of subsequent individual discussions highlights the difficulty in designing a collective switch for mortgage holders. More detail can be found in [Centre for Competition Policy, Collective switching and possible uses of a disengaged consumer database, August 2017](#).

(b) in mobile, low levels of awareness and understanding of SIM-only deals could be tackled through a targeted campaign which could complement Ofcom's proposals on best tariff information.

6.112 Smart data can be transformative in how consumers engage with markets.

Open Banking is a good start and shows what can be achieved. Regulators in other markets, the CMA and government need to work together to ensure that consumers in other regulated markets benefit from new data-driven technologies, particularly in telecoms where it would be highly beneficial.

6.113 However, we also recommend that regulators consider where semi-smart solutions can be introduced more quickly or maximised to help tackle the loyalty penalty, such as in insurance and mobile, to help people make quicker and easier comparisons.

6.114 Intermediaries can be leveraged to support switching and can be particularly valuable for vulnerable consumers, who may require additional support in searching and switching to better deals (see chapter 3 for more detail). In particular, we recommend that:

(a) the FCA explore how intermediaries can continue to benefit the home insurance market;

(b) as part of the Smart Data Review, government and the FCA consider the feasibility of extending the data sharing requirements of Open Banking to cover savings accounts; and

(c) Ofcom review how it can create favourable conditions for the development of innovative intermediaries in the mobile and broadband markets.

6.115 The availability of personal support should also not be underestimated. Local advisory services can play an important role in this regard where consumers reach out to them for help. Organisations such as Citizens Advice could potentially play a more active role here and we recommend that government consider this further.

6.116 Ofgem's collective switching trials are very promising and show that collective switching can be successful in increasing switching rates among long term inactive customers. We recommend that both Ofcom and the FCA review carefully the results of the trial, applying lessons to their own interventions and consider its feasibility in broadband and cash savings.

7. Stopping harmful business practices

- Business practices across a wide range of markets can hinder consumers from engaging, switching or getting better deals - such as making it harder to exit a contract or to find information about deals. These can have especially negative impacts on consumers who may be vulnerable.
- We have set out a number of clear principles to stop these unacceptable practices, including:
 - people must be able to exit as easily as they can enter into a contract;
 - consumers should be aware and properly notified of the renewal and any price changes in good time;
 - auto-renewal onto a new or fixed term should generally not be used;
 - auto-renewal should generally be on an opt in basis upfront;
 - switching should generally be managed by the gaining supplier; and
 - exit fees should not be used after any initial fixed or minimum term.
- We have opened enforcement cases to investigate whether there have been breaches of consumer law in the anti-virus software market.
- We will undertake further work to identify targets for enforcement action as part of a wider consumer law compliance campaign.
- Many of the practices identified and our recommendations can be addressed through existing consumer law or regulator action. But we will also assess the case for legislative change to ensure the core principles are applied, alongside new powers for the CMA to seek substantial fines where law is breached.

Introduction

7.1 This chapter considers the range of harmful practices which businesses use to hinder consumers from engaging, switching or getting better deals, such as making it hard to exit a contract or to find information about deals. Such practices have been described as 'sludge' - practices which 'appear intentionally designed to discourage behaviour which is in the consumers' best interests'.¹⁹⁷ Where such practices are combined with price rises,¹⁹⁸ this can make it more likely that customers stay with their existing provider and as a result, may pay a loyalty penalty (rather than switch or negotiate to better

¹⁹⁷ Richard Thaler, *Nudge not sludge*, *Science Magazine*, Vol. 361, Issue 6401, page 431.

¹⁹⁸ Or in cash savings, a reduced interest rate.

deals). These practices occur in a broad range of markets (both regulated and non-regulated).

7.2 This chapter is structured as follows:

- a) the different types of harmful business practices and how these could be addressed:
 - i. practices around auto-renewals and roll over processes;
 - ii. lack of choice over auto-renewal;
 - iii. difficulties in switching or cancelling a contract;
 - iv. unfair or disproportionate exit fees; and
 - v. making it hard for consumers to access the information they need;
- b) what can be done to stop these harmful practices in current consumer law; and
- c) conclusion – setting out core principles for businesses.

7.3 The laws and sectoral rules that apply to these practices are largely principles-based, and therefore can be applied flexibly to tackle emerging problems. We describe the relevant legal framework and key sector-specific rules more fully in Annex F. In some areas there has been enforcement to tackle these issues in the five markets highlighted by Citizens Advice - mobile, broadband, cash savings, home insurance and mortgages - and in other similar markets. However continued action is required, both within the five markets and across the rest of the economy, to ensure businesses are fully held to account.¹⁹⁹

7.4 Although these practices have an impact on all consumers, they can have an especially negative impact on people who may be vulnerable, such as the elderly, those with mental health problems, on a low income or with low levels of education. Such consumers can face additional challenges to engaging in a market and may find the process of switching providers daunting (see chapter 3 for more detail). Areas of vulnerability which are particularly relevant in this chapter include:

- lack of or poor digital skills which make it hard for people to access information sent only by email or uploaded to an online account;

¹⁹⁹ Action the CMA or Trading Standards can take includes civil enforcement to change suppliers' behaviour and potentially to secure redress under Part 8 of EA02, and criminal prosecution of offences under the CPRs. Regulators can also address business practices using their own consumer enforcement and regulatory powers, targeting the sectors they cover. In addition, individual consumers may have private rights of redress under the Consumer Rights Act 2015 (CPA) or the CPRs (see Annex F for further details).

- visual impairment which makes reading small print and lengthy terms and conditions difficult;
- cognitive difficulties or poor English language skills which can mean people to struggle to understand the effect of an exit fee or realise the significance of any minimum term; and
- mental health problems which can mean individuals become overwhelmed with information and can disengage completely as a coping mechanism or cannot use the telephone to contact suppliers.

7.5 This chapter is informed by the evidence contained in the super-complaint, supplemented with complaint information from the regulators and relevant ombudsmen, stakeholders (including insights directly from consumers), and desk research. We also draw on legacy work by the Office of Fair Trading, particularly previous work on principles for the use of continuous payment authorities and the report on ongoing contractual relations,²⁰⁰ and commissioned qualitative research with vulnerable consumers.²⁰¹

Summary of harmful business practices

Practices around auto-renewals and roll over processes

7.6 A recurrent theme that we have seen across a number of markets,²⁰² relates to what happens when the initial deal that a consumer originally agreed to expires and the contract is either renewed (such as a subscription beginning again for a further year) or the individual is rolled onto a different deal (such as a fixed rate savings account reverting to a low rate).²⁰³ Where the price increases, it is possible that consumers could get a better deal elsewhere. Sometimes consumers may not want to continue receiving the product at all.

7.7 Auto-renewals and roll overs can be beneficial for consumers who want to ensure they continue to receive a product or service or where it is easier and more convenient than repeatedly purchasing it. However, we have found in some circumstances these can also lead to consumer harm, for example:

²⁰⁰ OFT, *Key issues in ongoing contracts: a practical guide*, June 2013.

²⁰¹ The examples included in this chapter are illustrative of the practices of concern. The inclusion of an example does not imply the practice is prevalent across the market concerned or that all practices described occur in all markets.

²⁰² Mortgage contracts are long term products that operate generally over the course of 25 to 35 years and do not renew or roll over in the sense described in this chapter. Consumers may view the expiry of the fixed rate element of the mortgage contract as a roll over onto the reversion rate.

²⁰³ In telecoms, auto-renewal refers specifically to customer contracts being renewed into a new minimum term (see further at paragraph 7.15) and roll over describes the customer reverting to a rolling 30-day contract while continuing to receive and pay for services.

- there is sometimes insufficient transparency and warning about price increases;
- where customers are locked into a fresh minimum term on renewal or roll over, possibly with fees for early exit; and
- when it is difficult for consumers to prevent the renewal or roll over or there is insufficient warning about it.

7.8 These problems can mean that consumers find themselves trapped in a contract that they did not consent to and are receiving goods or services they did not want or paying a price that is higher than the initial or previous contract. This has significant potential to exploit consumers' trust in suppliers, especially when combined with repeated price rises.

Unexpected and/or continual price rises

7.9 We have seen multiple complaints from consumers who on renewal, the price they are being asked to pay has gone up. Sometimes this comes as a surprise, and it is a particular problem where the individual has not expressly agreed to it, is unaware, or not warned in advance. In some cases, where suppliers continually raise prices year on year the longer a customer stays (price walking), this can lead to very significant increases from the original price.²⁰⁴ We consider price walking and how to address it, in chapter 8.

7.10 We would generally expect businesses to obtain consumers' agreement upfront to the potential change, as well as setting out how the price might change (by reference to clear criteria that consumers can understand).²⁰⁵ We are concerned where price rises are unrelated to changes to the cost of supplying a service (and risk in relation to insurance), and that this may not be fair to consumers. We also think that consumers generally would not expect their supplier to set their prices in this way.

7.11 Where a change is unexpected, or consent has not been obtained, we think that generally consumers should be asked to explicitly agree to the new terms. That is, their contract should not be extended automatically on terms which increase the price.²⁰⁶ It is also important that suppliers provide consumers with sufficient notification and clear information about changes in advance to inform their decision of whether to renew.

²⁰⁴ The inverse is where the price paid by the supplier is reduced - as in cash savings.

²⁰⁵ Where telecoms contracts are changed mid-term, the provider is required under Ofcom's general conditions to notify the customer and to allow them to exit the contract without penalty if that change is of 'material detriment' to the customer ([general condition C1.6](#)). The FCA is publishing guidance on the fairness of variation terms in financial services consumer contracts on 19 December 2018.

²⁰⁶ The fact that a consumer may be able to switch does not prevent a price increase from being unfair.

7.12 From 1 April 2017, insurers have been required to send a renewal notice to customers which sets out the renewal premium and last year's premium, to enable easy comparison.²⁰⁷ However, we have seen reports of firms failing to meet this obligation by either not providing the notice or by including inaccurate premium information.²⁰⁸ The FCA has recently launched a package of work looking at pricing practices in general insurance, including a market study looking at home and motor insurance.²⁰⁹ The FCA is also conducting an evaluation of its recent rule on renewal notices, aiming to increase transparency and engagement at insurance renewal. It has also taken action in relation to firms that are potentially not complying with the rules.²¹⁰ Chapter 6 considers information remedies in more detail.

A customer with dementia had the same home insurer for 15 years and was auto-renewed each year. The insurance company also told him that he was being given discounts for his loyalty and lack of claims. However, over this time his premium rose from £200 to £1,499. Equivalent cover was available online for £150.

7.13 Ofcom has recently published a consultation on requirements for communication providers to send end of contract notifications to their customers, with information included on the 'best tariff' available to the customer for their service.²¹¹

Locking consumers into a new fixed term

7.14 An automatic renewal onto a new fixed term is unlikely to be appropriate for most products or services. We would always expect businesses to be able to clearly justify why a minimum period is in a customer's interests or otherwise essential to service provision. Generally, we would expect any continuation of service to be on a rolling basis, which could be terminated on no more than 30-days' notice, unless otherwise agreed.

7.15 In cases where consumers would expect a product or service to continue after the end of the initial minimum term, this should be made clear upfront to give consumers the opportunity to agree or stop the renewal when first contracting.

²⁰⁷ FCA, *Insurance Conduct of Business Sourcebook (ICOBS)*, rule 6.5 (renewals).

²⁰⁸ FCA, *Admiral agrees to contact customers who have been given inaccurate information in renewal documents*, 16 June 2017.

²⁰⁹ FCA, *General insurance pricing practices market study*, 31 October 2018.

²¹⁰ FCA, *Insurance firms still failing to meet FCA general insurance renewal rules*, 3 April 2018.

²¹¹ Ofcom, *Helping consumers get better deals: consultation on end-of-contract and annual best tariff notifications, and proposed scope for a review of pricing practices in fixed broadband*, December 2018. Ofcom is also proposing that providers will be required to send this 'best tariff' information to customers annually once they are out of contract. See Annex C for further details.

Even where continuity of supply is in a consumer's interests, they should have the option of stopping it. We discuss this in the next section.

- 7.16 Communications providers are prohibited from automatically renewing customers for a further fixed term contract unless the customer has expressly consented.²¹² In practice this means customers generally roll onto a new 30-day contract once their initial contract ends. This ensures continuity of service while giving the customer a chance to search and switch if they wish to. However, we have heard that some mobile providers (and third party sellers) circumvent this rule by inviting customers to 'upgrade' but failing to make clear that they are committing to a new two-year contract. Such conduct would likely contravene Ofcom's regulations.²¹³
- 7.17 In the insurance market, a number of consumers report experiencing difficulties. We have seen complaints of people being locked into a fresh 12-month policy, with fees payable for changes and early termination, when they would have preferred to amend their cover, stop it altogether, or switch to another provider.²¹⁴ In several cases these renewals were combined with insufficient notice, and premiums being taken before the expected renewal date. It is possible that some firms are not complying with the requirement to give a 14-day cooling off period or providing notice of the renewal in a manner which is not reaching some consumers. We note that the FCA is considering the information that firms provide to consumers on renewal as part of its market study on general insurance pricing practices. We recommend it examines how insurance renewal is working in practice, as part of this.
- 7.18 Consumers complain most frequently about the penalties they need to pay on auto-renewal. One of example of this would be, while an insurance customer can usually give notice to terminate their cover as long as they have not yet made a claim and receive a pro-rated refund of their premium (outside of a cooling off period), they may still face administration fees of sometimes £50-75. We consider exit fees later in this chapter.²¹⁵

Difficulties preventing auto-renewal and insufficient notification

- 7.19 Businesses should warn customers before their contract is going to auto-renew or roll over. They should also provide appropriate information to enable

²¹² Ofcom's general condition [C1.3](#).

²¹³ This may also breach Ofcom's general condition [C1.3](#) because it requires that customers give their 'explicit consent' to upgrade. In addition, [C8.5](#) requires mobile providers to inform customers at the point of sale what their contract duration is.

²¹⁴ [FCA ICOBS rule 7.1.1](#) requires a minimum 14-day cancellation or 'cooling off' period, allowing the customer to cancel without penalty.

²¹⁵ When we refer to exit fees, we mean additional fees that do not reflect supplier costs.

customers to take action if they wish to prevent this. This notification should be sufficiently in advance to give customers time to compare deals.²¹⁶ This is especially important if any aspect of the contract is being changed or the opt in process was at the start of a contract, as the customer's needs or wishes may have changed, or they may simply have forgotten.

7.20 However, we have seen instances where consumers do not have sufficient warning about renewal or face unnecessary difficulties in preventing their contract being renewed or rolled over. Examples include:

- not being clearly informed that their renewal notice would only be made available in an online account;
- receiving no prompt or reminder that renewal was going to take place;²¹⁷
- the supplier taking payment for the next period at the end of 10 months, when 12-month contracts are the typical term for the product; and
- the renewal notification being sent to an old and unused email address as supplier records have not been updated.

7.21 We have also seen practices across non-regulated markets, which have the effect of overruling the consumer's stated intention not to agree to auto-renew, such as:

- suppliers changing the customer's selection after they have opted out of auto-renewal;
- regular, irritating onscreen pop ups to prompt users to auto-renew;
- payment of monthly instalments by direct debit being made conditional on auto-renewal; and
- complaints that payment is taken even though the consumer opted out of auto-renewals.

7.22 Consumers can also experience difficulty in contacting their supplier to prevent auto-renewal, which can dissuade them from cancelling. We discuss difficulties switching or cancelling a contract in the next section.

²¹⁶ [FCA ICOBS, rule 6.1.5](#) requires firms to ensure that a customer is given appropriate information about a policy in good time. Industry standard is to send a renewal notice six to eight weeks before renewal. In cash savings, [FCA Banking Conduct of Business Sourcebook \(BCOBS\) rule 4.1.2](#) requires a pre-contractual explanation in a summary box explaining what happens at the end of a fixed term. Ofcom is currently consulting on a requirement for communication providers to send end of contract notifications with information on the 'best tariff' available to the customer for their service, which will implement requirements under the EU Electronic Communications Code (EECC). See Annexes C and F for further details on the EU Code and this consultation.

²¹⁷ Failure to provide renewal notice in good time before renewal would constitute a breach of FCA ICOBS rules [6.1.5R](#) and [6.5.1R](#).

Stopping harmful business practices around auto-renewals

- 7.23 In order to address these practices, we consider that it is necessary, across all markets, for consumers to have greater control of the renewal process. In particular:
- suppliers should provide customers with an easy to find and use function to stop the roll over or renewal at any time;
 - consumers should be aware and properly notified that the contract will renew, and of the contract terms (ie through notifications made sufficiently in advance). Suppliers should be able to demonstrate that customers are aware of the renewal;
 - any changes to the price or the product or service should generally not be made without consumers' agreement, either based on clear information in the original contract, or a new agreement at the time of the renewal;
 - renewal onto a fresh minimum term should not generally be used and only where clearly in the customer's interests; and
 - consumers should be given a cancellation right and have an easy means to exercise it after the renewal.²¹⁸

Lack of choice over auto-renewal

- 7.24 Customers should generally be presented with a clear and prominent option to enter an initial contract without needing to agree to roll over or renew.
- 7.25 Consumers may wish to receive certain products automatically, for example insurance products which may be legally required (eg motor insurance), or products such as magazine subscriptions or pay TV which the customer considers desirable to continue. Generally, suppliers should not assume that this will always be the case and regardless of the form of the contract, should not use negative options to automatically extend contracts. Consumers should be given the opportunity to opt in to being auto-renewed.
- 7.26 It is especially important that auto-renewal is not abused where the consumer would not expect to continue receiving the product at the end of the initial contract. For example, where it is clear that a consumer is not using a product, suppliers should have systems in place to prevent continued auto-renewal and should seek fresh consent, rather than continuing to charge

²¹⁸ As a renewal generally consists of a new contract, a cancellation right exists for distance contracts under the CCRs and for banking products, under the FCA's [BCOBS](#), although some products such as fixed rate savings products and products linked to market performance do not have a cancellation right (rule 6.1). Similar rights exist for insurance products under the FCA's [ICOBS](#). In telecoms, the EECC includes provisions on renewals. See Annex F for more detail.

customers for a product they are not using. We have seen a wide range of different examples of this latter practice across a number of different markets.

One individual's car insurance was auto-renewed even though the insurance company knew that his car had been stolen, had already paid out on this claim, and would need fresh information in order to continue to provide cover.

- 7.27 In some regulated markets, such as energy and telecoms, continued service is critical and there may be clear reasons why auto-renewal is necessary to ensure services are not cut off or ended unexpectedly. In such cases, it is sufficient for suppliers to make very clear that supply will continue at the end of any initial fixed period or to offer other protections that customers will not experience the harmful practices that can accompany auto-renewal.
- 7.28 In these types of markets, there is no auto-renewal after a discounted fixed period on a contract ends - as these contracts have an indefinite duration. However, it is important that customers have agreed and are alerted to the non-discounted price that will be charged after the initial rate has ended.²¹⁹
- 7.29 Often the reason suppliers are able to auto-renew is because they are in control of taking payment by virtue of an arrangement such as a continuous payment authority (CPA). This is a mechanism which authorises businesses to take recurring payments from a customer's bank account or credit card whenever the business considers it is due. It should also allow the customer to cancel via their bank and recover funds paid in error.²²⁰ Without a CPA, for a consumer to continue receiving a product they would need to consciously agree to new terms of supply.
- 7.30 While beneficial, the use of CPAs is open to abuse. Consumers can get caught in a 'subscription trap' and face a situation where their supplier has increased payments directly with their bank.²²¹ This is especially problematic where suppliers continue to take payments even when the consumer has instructed them to stop. Card issuers must refund these payments and any related charges immediately. Where banks fail to prevent payments being

²¹⁹ Where the supplier finds it difficult to explain what price will be charged at the end of the minimum period, this practice is likely to be problematic under consumer law, for lacking transparency.

²²⁰ The OFT previously issued principles about the proper use of CPAs, which stated that businesses should not fail to highlight, at sign up or roll over (or both), where the subsequent tie in period is on less favourable price or other terms than the first, fail to make clear that the contract and payment is continuous, require unduly complicated procedures for cancellation or opt out, or an unduly long minimum contract, or cancellation period.

²²¹ The government announced its commitment to tackling subscription traps in the [Spring Budget 2017](#).

taken after the consumer has revoked authority, this is contrary to consumers' legal rights.²²²

Stopping harmful business practices around whether a contract auto-renews

7.31 In order to address these practices, we consider that it is necessary for consumers to understand what will happen at the end of a contract. While auto-renewals are important in many markets, the process must be properly agreed to. Consumers should generally be presented with a clear and prominent (and no less convenient) option to take the contract without auto-renewal, and businesses should not pressure them to agree to auto-renewal.

Difficulties in switching or cancelling a contract

7.32 We have heard a number of concerns from people about the difficulties they face in exiting contracts with their existing supplier, for example when they wish to stop receiving the product or want to change supplier. Ofcom found that 35% of customers who had switched in the previous two years reported 'cancelling your previous service' as a difficulty during the process.²²³

7.33 Where consumers fear or experience issues such as loss of supply, monetary cost, stress or inconvenience, this may lead them to stay with their existing supplier, even if they are unhappy with the overall service or they could get a better deal elsewhere. This increases the risk of such customers suffering the loyalty penalty and allows businesses to continue charging higher prices to existing customers.

7.34 While it can sometimes be complicated to change provider, we are concerned that businesses do not always do all they can to make it easy to switch and may make switching more difficult.²²⁴ For example, we have seen evidence of customers:

²²² Under the Payment Services Regulations (PSRs) 2017 section 67(3), customers can withdraw their consent to the execution of a series of payment transactions at any time with the effect that any future payment transactions are not regarded as authorised. Where an unauthorised payment is made by the bank, the consumer is entitled to a refund (section 74). Where a contract is entered into by distance means, the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 provides that all payments taken from a consumer must be expressly consented to - where they are not, it is likely that they are not authorised for the purposes of PSR.

²²³ Ofcom, [Triple plan switching: online research main findings, 2016](#).

²²⁴ In 2016 Ofcom concluded an enforcement programme into cancellation arrangements, which was launched in response to concerns that providers were making it difficult for customers to cancel, including some of the practices highlighted in this section. As part of this work Ofcom also undertook a formal investigation into Sky's procedures, which looked at agent behaviours on calls with customers. This enforcement work resulted in providers making a number of improvements and changes to their procedures to make it easier for customers to cancel, and Ofcom has subsequently [published guidance on its approach to investigating practices in this area](#).

- requiring customers to phone customer service to cancel or switch, when they were able to sign up in various ways (including online or by email), or use other onerous processes not required on sign up;
- having to contact the losing provider repeatedly to ensure the cancellation is registered or the switch initiated;
- having to chase both the losing and gaining providers to ensure the switch occurs at the right time and for the right service;
- losing access to their telephone and/or broadband service at the point of switching; and
- experiencing loss of important rights such as their phone number, email address, no claims bonus or other discount, and data, when trying to switch.

7.35 Some suppliers exploit these obstacles to impose even more barriers, for example by:

- not answering the phone or keeping customers on hold for long periods, or call centres operating at limited or inconvenient times;
- requiring customers to make repeated requests to switch/cancel or telephone contact to be followed up in writing; or
- training customer service staff or using scripts that encourage obstructive practices, or incentivising customer service staff to upsell (for example by paying commission). This makes it harder for customers to switch, or in effect means they have to threaten to cancel, to negotiate a better deal.²²⁵

7.36 We have seen examples of customers facing hour-long call waiting times to get through to a cancellation team and having no option to cancel online (despite having signed up online). In one case, a customer was given a response waiting time of two days, by which time his policy would have renewed. Some customers have been able to agree a contract via an online chat function but have had to contact a call centre if they want to cancel.

7.37 Customers have experienced call centres disconnecting calls, including after waiting for extended periods, as the call centre had closed. Consumers have also reported 'hassle costs' from being passed on to a number of agents and having to re-explain their issue or query a number of times. When attempting to cancel through call centres, some consumers - especially those who may be vulnerable - report facing unacceptable difficulties, such as being sold inappropriate products or having their instructions disregarded.

²²⁵ Should this practice occur in insurance markets, it would likely not be compliant with the requirement to act in the customer's best interests under the Insurance Distribution Directive (further discussed in Annex F).

An elderly widow called her telecoms provider to cancel the service after her husband died as she could no longer afford it. The cancellation agent offered to transfer the contract to her name to keep a limited service. After hearing the cost, she declined as it was still too expensive. The agent confirmed the cancellation and said the new provider would confirm the switch. She re-contracted with a new supplier but four months later received a bill for £150, and another for £180. On enquiring, the agent confirmed the original contract had not been cancelled, it was now in her name and she could not cancel for four months. Despite being told she would be contacted, she was not and subsequently received a bill for £200.

Stopping the practices that make it difficult to exit or switch

- 7.38 Consumers should find it at least as easy to exit a contract as it was to enter. For example, where a supplier permits consumers to sign up online, the same facility should be offered to all customers to exit, without being required to speak to the supplier. Consumers should also have the flexibility to cancel in the way that best suits their needs and is practical given the subject matter of the contract. For instance, customers should be given the option to cancel a contract over the phone without having to speak to someone about available deals or offers. We expect suppliers to simplify the process of exiting a contract as much as practicable.
- 7.39 Customer service and exit handling also needs to improve, both by restricting call times and call waiting. Suppliers should be required to handle customer service and exit calls expeditiously and effectively, and invest sufficiently in staff, including in training and systems to make it a professional process.
- 7.40 Where it is necessary for the supplier to provide information or take action to enable switching, the switch should generally be managed by the supplier the customer is switching to ('gaining provider-led switching'). This incentivises the provider to give the customer a good switching experience. They are also better placed to overcome any obstacles to the switch by the losing provider. This approach (or similar variants) is in place in some of the five markets already (see chapter 6 for some examples).

Unfair or disproportionate exit fees

- 7.41 Consumers also report facing unfair charges for cancelling a contract or leaving their existing supplier after a minimum term has expired (exit fees). An exit fee (when it is in addition to the supplier's incurred costs) can be

particularly harmful if it inhibits a consumer from taking action where the supplier has changed the deal in some way, or where the contract has been renewed onto a new minimum term without express agreement.

- 7.42 We have seen numerous examples of problematic exit fees. This includes fees that are disproportionately high, lack of clarity that exit fees are required because a new contract had been entered into and where the standard of service falls short but customers are still charged exit fees.

When a customer who realised their mobile data speeds were insufficient attempted to cancel within their cooling-off period they were told they would have to pay a £150 cancellation fee if they wanted to keep their number and obtain a PAC

One broadband customer wanted to cancel as they were not receiving broadband speeds they had expected and was told they could not exit without paying a contractual penalty.²²⁶

- 7.43 Unjustified exit fees make it difficult for customers to end their contracts and switch supplier. This can have a number of negative impacts. It can lead to customers paying more than they need to or continuing to receive a product they do not want or need. It also weakens competition between suppliers, as it makes it harder for another supplier to gain the locked-in customer's business. It is also very unfair to the individual faced with the fee.

Stopping the practice of unfair exit fees

- 7.44 In general, we consider there should be no exit fees after any initial minimum or fixed term, during any cancellation period, or in any situation where a supplier is not providing the agreed standard of service. Where a customer has rolled over and is, for instance, on a 30-day rolling contract, exit fees should not be applied if they subsequently wish to exit. Exit fees are often linked to the remaining term within a fixed term contract.

Making it hard for consumers to access the information they need

- 7.45 Consumers need access to relevant and timely information about products before they decide to enter into a contract, as well as at key points during the

²²⁶ This practice is explicitly banned by Ofcom through the broadband speeds Code of Practice – customers have to be given the right to exit, penalty free. Ofcom has an ongoing enforcement programme looking at exit fees in its markets, in particular to ensure that these fees are not excessive and are fair and transparent and it recently issued fines against Virgin Media and EE charging excessive exit fees. See [Ofcom, *Enforcement programme into early termination charges*, June 2018](#). [Ofcom, *Investigation into Virgin Media's early termination charges*, November 2018](#). [Ofcom, *Investigation into EE's early termination charges*, November 2018](#).

contract and renewal. Suppliers can make it harder than necessary for consumers to get this information, which can lead them to make poor decisions and hinder them from exiting contracts. Chapter 6 discussed the effectiveness of information remedies to increase engagement. Here, we look at examples of poor practice: where businesses are failing to meet the minimum requirements expected of them and the impacts on consumers.

False or deceptive statements

7.46 Consumers are entitled to be given information which is truthful and helpful. They should not have to double check statements made by their suppliers.²²⁷ It is therefore a problem when businesses:

- misrepresent the extent of a price increase over the previous year's price;
- give the impression that a customer is getting a 'good deal' for being loyal, when they are getting a worse deal (or at least no better deal) than is on offer to new customers;
- tell customers a deal on offer is the 'best' deal for them, when the salesperson has authority to negotiate a better deal if challenged;
- describe a renewal as an 'upgrade' when the consumer is simply entering into a new fixed term contract; or
- misstate the process needed to exit a contract.²²⁸

7.47 These practices appear to occur more frequently through direct selling by telephone. Consumers report being induced to renew or upgrade contracts by statements which later turn out not to be true.

A customer stated they had been telephoned by their service provider and offered a 'new deal' without being told they were entering into a further 24-month contract which they would have to pay an exit fee to cancel.

7.48 It is a particular problem when businesses justify a price rise at renewal as due to increased costs, or their assessment of the consumer's risk, when in fact the price is open to negotiation. This practice adversely impacts those

²²⁷ The CPRs bans misleading actions and omissions. The FCA's principle for businesses 7 requires firms to have regard to customer information needs and to ensure that all communications are clear, fair and not misleading and there are specific rules in insurance ([ICOBS 2.2.2R](#)) and retail banking ([BCOBS 2.2.1R](#)) that mirror this principle. Ofcom general condition C1 sets out minimum terms and information that must be included in broadband and mobile contracts in a 'clear, comprehensive and easily accessible form'. This information includes, among others, the minimum service quality levels, details of prices and tariffs, duration of the contract and conditions for cancellation.

²²⁸ Such statements are problematic when used in advertising to attract new customers, too, since these also mislead existing customers planning to renew. For an example of such a misleading statement see [ASA, Ruling on Vodafone Ltd, 10 October 2018](#).

consumers who assume that the renewal quote is the best the supplier will offer or are unable to negotiate. The latter is likely to include vulnerable consumers. It is also not in consumers' best interests to have to engage in time consuming or pressured negotiations.

Failing to give information that consumers need

7.49 It is also a problem when businesses fail to give information that consumers need. We have come across examples of consumers finding it hard to discover what other products their supplier offers, which might be more suitable for them. Other information that customers need, especially at renewal, relates to how much they have been paying for the product and how they have been using it (such as how much data they use per month). We consider how information on usage can assist customers in switching in chapter 6.

Giving information too late or in a format that is not useful

- 7.50 Consumers can struggle to process information effectively when they feel overloaded or are placed under time pressure. In one complaint we saw, a car insurance customer was offered a number of different products over the telephone, with subtle variations in price and cover. He felt unable to fully evaluate the choices over the phone as he felt under pressure from the agent and the upcoming renewal date.
- 7.51 This can be a particular problem for vulnerable consumers who have poor digital skills or limited internet access and may miss important information.

One customer complained that his elderly father (83) had been offered 'free' telecoms equipment instore but did not realise he would be charged at the end of the contract. The information about the bill and the package had been emailed to an address the customer did not use and did not know how to access, resulting in the customer unknowingly paying for five years.

Stopping the practice of making it hard to access information

7.52 Information given to consumers needs to be truthful, comprehensive and accessible. It must not be misleading. Businesses should provide consumers with the information they need to make informed decisions and ensure customers can access important information. For example, suppliers should ensure they have up to date contact details, and communicate clearly in a

way that enables individuals, including the vulnerable, to access and understand it.

What can be done to stop these harmful practices?

- 7.53 The practices outlined in this chapter are harmful to consumers and are unacceptable. They have serious consequences for consumers, especially the vulnerable, and in some cases are a deliberate attempt by businesses to take advantage of customers. These practices also impose a cost on the economy, both in terms of the amount of time consumers have to spend negotiating or switching to get a better deal, and because those who do not negotiate or switch can end up paying far more than others.
- 7.54 There are laws and rules which apply to this area. Businesses that engage in these practices may face enforcement action - whether by the CMA, Trading Standards or the relevant regulator, who can use their powers to enforce consumer law as well as under their sector-specific rules.
- 7.55 In Annex F we describe these relevant laws, and Ofcom and the FCA's regulatory powers in further detail. This includes relevant examples of enforcement action and other areas of work which they have been undertaking using their sector-specific powers.
- 7.56 Both Ofcom and the FCA have taken enforcement action to tackle the harmful business practices that we have discussed earlier in this chapter, in their regulated markets. For example:
- a) Ofcom has an ongoing enforcement programme looking at exit fees in its sectors, in particular to ensure that these fees are not excessive and are fair and transparent. It recently issued fines against Virgin Media and EE for charging excessive exit fees;²²⁹ and
 - b) the FCA has taken action for example a fine against Homeserve Membership Ltd of £30.6 million for mis-selling of home emergency and repairs insurance cover and providing inadequate information to customers.²³⁰
- 7.57 Our illustrative evidence of such practices covers markets across the economy. While this is not an in-depth review, it nevertheless shows that there is more to do to protect consumers. There must be a concerted effort by

²²⁹ Ofcom, *Enforcement programme into early termination charges*, June 2018, Ofcom, *Investigation into Virgin Media's early termination charges*, November 2018; Ofcom, *Investigation into EE's early termination charges*, November 2018.

²³⁰ FCA *Final Notice to HomeServe Membership Ltd*, 12 February 2014.

the CMA and regulators to identify and stop these harmful practices across different markets. Here we briefly consider the existing general legal framework across markets to enable this.

Current consumer law applicable across markets

- 7.58 Consumer law in the UK is primarily principles-based and applies to all markets, including the five markets identified in the super-complaint. It stipulates a number of practices and contract terms that should not be used by businesses against consumers. We have set out further detail about the specific laws in this area in Annex F and include a brief summary here.
- 7.59 Suppliers have to provide their services with reasonable care and skill, and in accordance with any statements they make to consumers.²³¹ This includes where they are taking steps to renew contracts or organise switching.
- 7.60 Terms in contracts or notices used by suppliers must be fair and properly transparent.²³² This includes terms governing renewal of contracts, changes to the price, and where a supplier may try to exclude liability for statements made by their sales staff during negotiations. Terms that are unfair are not binding on the consumer, and it can be a criminal offence for a supplier to try to rely on them. For example, it could be unfair if a contract term required the consumer to give excessive notice or to follow an onerous process to prevent the contract being renewed against their will, if they are locked into an excessively long contract, or if the supplier could arbitrarily change the price.
- 7.61 To enable consumers to take properly informed decisions about products, supplier's practices or statements cannot be misleading or aggressive, and they must exercise professional diligence.²³³ Telling a consumer their renewal rate is a 'great deal' when the supplier offers cheaper deals could be a misleading action under these regulations. If a company fails to answer calls within a reasonable time, this may be an aggressive practice on the basis that it is a non-contractual barrier to consumers exercising their contractual rights, particularly if a call centre is the only method of cancellation.
- 7.62 Where a supplier signs up customers on the internet, over the phone, through doorstep selling or by stopping them in the street, they have to provide specific pre-contract information. Consumers also have 14 days in which to change their minds and exit the contract without penalty where they have

²³¹ Part 1 of the CRA, sections 48-60.

²³² Part 2 of the CRA. There are limited exemptions to this rule. See [CMA guidance on unfair contract terms \(CMA37\)](#).

²³³ CPRs. See also [OFT, Consumer protection from unfair trading: guidance on the UK regulations, May 2008](#).

entered into a contract via the internet, telephone or post.²³⁴ These rules require suppliers to be very clear about the price that has to be paid, and they outlaw consumers being signed up to additional products without their agreement (for example where a contract is set to auto-renew by means of a pre-ticked box).

- 7.63 We have the power to enforce consumer law and engage with a business in order to stop, or to prevent, infringements of consumer law and ensure they are not repeated. In certain circumstances, we can use ‘enhanced consumer measures’ such as requiring the business to pay compensation in cases where consumers have suffered loss. Regulators have the power to impose fines in relation to breaches of their own rules, and to amend those rules where appropriate (see Annex F).
- 7.64 While we have the power to prosecute businesses in appropriate circumstances, we do not have a similar power to seek fines under consumer law. Fining powers would improve deterrence and better align our competition and consumer enforcement work.²³⁵
- 7.65 Principles-based consumer law is often open to some interpretation, and there can be different views taken as to whether a practice causes harm and is therefore unlawful. Ultimately only a court can rule on whether a term or practice is unlawful. Therefore, we will be doing further work to identify if there are areas of harm related to the loyalty penalty that cannot be addressed fully by existing law or regulations. This may result in legislative and/or regulatory changes to ensure these harmful practices are stopped.

Conclusion

- 7.66 There are a range of business practices that obstruct and hinder consumers from switching and negotiating in markets. These are particularly harmful in auto-renewal, roll over or subscription-based products and services, which are a common feature of many markets today. These practices enable businesses to exploit customer inertia and charge higher prices for existing customers who struggle to shop around or switch.

²³⁴ Consumer Contract (Information, Cancellation and Additional Charges) Regulations 2013. There are limited exceptions to these rules. Where a company supplies financial services, the Financial Services (Distance Marketing) Regulations 2004 apply.

²³⁵ Either as part of the Part 8 process or under an administrative fining system. For further detail, see [CMA, Modernising consumer markets green paper: CMA response to government consultation, 17 July 2018](#).

7.67 We have identified a number of principles businesses should follow in order to avoid causing harm to consumers and infringing the law as it currently applies. We will be undertaking further work to develop these.

- To address the harmful practices around auto-renewals and roll overs:
 - suppliers should provide their customers with an easy to find and use function to stop the roll over or renewal at any time;
 - consumers should be aware and properly notified that the contract will renew, and the terms of the renewal should be notified in good time for them to take action;
 - any changes to the price or the product or service should generally not be made without the consumer's express agreement, either based on clear information in the original contract, or a new agreement at the time of the renewal;
 - auto-renewal onto a fresh fixed term should generally not be used and only where it is clearly and demonstrably in the customer's interests; and
 - after the renewal has taken place, consumers should be given a cancellation right and have an easy means to exercise it.

- To address the problem of lack of choice customers have in auto-renewal or roll over contracts:
 - any auto renewal must be properly agreed to; and
 - consumers should (in most markets) be presented with a clear and prominent (and no less convenient) option to take the contract without auto-renewal and businesses should not put pressure on them to agree to auto-renewal.

- To address the problems experienced in exiting or cancelling a contract:
 - it should be at least as easy to exit a contract as it was to sign up;
 - exit fees should not be used after any initial minimum term, during any cancellation period, or in any situation where the supplier themselves is not providing the standard of service that they have agreed; and
 - any initial minimum term should be restrained and no longer than is strictly necessary to reflect any price advantage the consumer has received, or to allow the supplier to recover expenses they have paid out to provide the product.

- To address the problem of making it harder for consumers to access information:
 - all information suppliers provide to customers should be truthful and not misleading as stipulated clearly under current consumer law;
 - businesses should provide consumers with the information they need about product availability and usage to make properly informed decisions, rather than making this hard to find or access; and
 - suppliers should ensure their customers can access important information, for example by ensuring they have up to date contact details. They should communicate clearly in a way that enables individuals, including those who are vulnerable, to access and understand key information.

7.68 Enforcement of existing consumer law can go a long way towards achieving these recommendations. The CMA has opened enforcement cases and this will be the first step in a wider programme of enforcement work in this area.

7.69 Much of general consumer law is principles-based and therefore sufficiently flexible to tackle these types of business practices. However, this also allows for different views of what constitutes breaches of law and causes harm. Ultimately, this is decided by the courts. Therefore, we will also look at whether changes are needed to law and/or regulations to ensure there is sufficient clarity and that these practices are stopped.

8. Regulating prices

- Pricing interventions are a direct way to address harm arising from the loyalty penalty. They can limit price differences (for example by restricting price walking or price jumps) or restrict the overall level of prices (for example through absolute caps).
- There has been some reluctance to use pricing interventions in the past given that they can have unintended consequences, potentially undermining investment and innovation. They have therefore only been considered in limited circumstances.
- However, while providing active help for consumers and tackling harmful business practices can bring benefits to many, some people still struggle and end up paying much higher prices.
- In these situations, there is a strong case for regulators to consider targeted pricing interventions to protect these consumers, particularly if vulnerable.
- We welcome the further work that Ofcom and the FCA are undertaking in the five markets and make a number of recommendations about possible pricing interventions for them to consider as part of their ongoing work.

Introduction

8.1 In this chapter we review various remedies that regulate prices. The chapter is structured as follows:

- a) the general approach and background to regulating prices;
- b) a summary of the different types of potential pricing interventions to address the loyalty penalty and how they could be targeted;
- c) the applicability of pricing interventions to the five markets; and
- d) recommendations on pricing interventions to consider in the five markets.

Approach to regulating prices

8.2 Pricing intervention remedies control the prices that businesses offer and therefore can directly control harmful pricing practices. This is why they are an attractive option to consider when looking to tackle the loyalty penalty.

8.3 Pricing regulation has historically been used to control the prices of monopoly suppliers, such as networks in energy, telecoms and water. These suppliers

face no competitive pressures and could charge high prices in the absence of pricing regulation. In retail markets with several competing suppliers, however, pricing interventions have typically been used sparingly and only where there have been major problems with competition and overall consumer harm has been significant.²³⁶

- 8.4 This is because regulating prices can have some challenges. It can be complicated to determine and can have unintended consequences, such as leading to price increases for some consumers and negatively affecting innovation, quality and new entry in a market.
- 8.5 For these reasons, when faced with concerns such as longstanding customers paying higher prices, the CMA and regulators have largely used 'enabling' measures. These seek to open up markets and remove obstacles to competition, such as those described in chapter 6, and therefore enhance the competitive process.
- 8.6 However, in some cases these measures may not help all consumers, particularly the vulnerable. Therefore, engagement remedies may not always be sufficient in tackling the loyalty penalty and preventing its harmful effects. As described in chapter 4, it has become evident that in some markets although there may be fierce competition for new customers, there are other longstanding customers who are losing out by paying much higher prices or staying on much poorer legacy deals. These consumers can end up paying a loyalty penalty, despite competition working well to keep prices low for others.
- 8.7 Remedies which enable greater engagement and strengthen competitive pressures on businesses in the market continue to be necessary and beneficial. These ensure that businesses continue to work hard to attract and keep customers. In addition, targeted pricing regulations could be used to protect those who are not being reached by these measures and are therefore continuing to lose out.²³⁷ This would also retain the benefits of active competition elsewhere.
- 8.8 Targeted pricing regulations could focus either on certain products or protecting particular groups of consumers, such as those who are unable or find it very difficult to switch, those who end up paying significantly higher

²³⁶ The energy market provides recent examples of such interventions, with the CMA introducing a cap on the prices paid by prepayment customers due to substantial supply side problems that undermined competition, and government introducing a broader price cap on all SVTs to address the loyalty penalty in energy. Further information is available on Ofgem's webpages on the [prepayment energy price cap](#) and [default price tariff cap](#).

²³⁷ See paragraphs 8.27 to 8.34.

prices and those who are vulnerable. As they are targeted, the risk of unintended consequences can also be significantly reduced.

Summary of approaches to regulate prices

8.9 In this section we consider two main ways to regulate prices in order to reduce the harm to some consumers from the loyalty penalty:

- (a) limiting price differences: controlling the relative prices faced by individual customers relative to prices charged to other customers by the same supplier, or controlling the permissible change over time in prices paid by a particular customer; and
- (b) absolute price caps: controlling prices through setting an overall maximum price (not relative to other prices), for example based on costs or affordability.

8.10 Both of these approaches can be implemented either on the basis of prescriptive rules (ie detailed formulae that prescribe maximum price levels) or on the basis of broader regulatory principles (for example that price increases must be justified by increases in costs).

Limiting price differences

8.11 Limiting price differences would directly constrain the ability of suppliers to charge higher prices to longstanding customers than to new customers. These approaches address the harm arising from the loyalty penalty by limiting the overall size of the price difference.

8.12 We review four main ways to limit price differences, which reflect different forms of a loyalty penalty:

- (a) restricting price walking: limiting how an individual customer's price is permitted to increase after the initial discount period;
- (b) limiting the spread of legacy deals: restricting price differences across groups of longstanding customers who are on otherwise directly comparable contract terms (or banning these price differences which would, in effect, introduce a single default tariff);²³⁸

²³⁸ Removing the price difference between these customers in markets where the range of services purchased is relatively narrow will have the same effect as bringing in a default tariff, as there would only be one tariff for customers purchasing the same products and services. An example of this is the option which the FCA is considering of introducing a Basic Savings Rate for cash savings after an account has been open for a period of time (see from paragraph 8.52).

- (c) limiting price jumps: restricting one-off increases in price such as the difference between introductory prices and later prices across customers; and
 - (d) requiring suppliers to move customers to their best available deal: so that longstanding customers are charged the same price as newer customers purchasing the same product.
- 8.13 Limiting price differences is potentially an attractive option for two reasons. First, it directly addresses the key concern arising from the loyalty penalty, namely that longstanding customers pay much higher prices than new customers. Second, it does not require detailed information about costs to implement.
- 8.14 However, such pricing interventions can have unintended consequences. For example, there may be a risk of waterbed effects, whereby reducing prices for longstanding customers (and businesses' profits) may reduce the incentive and ability for businesses to offer low upfront prices to attract consumers. As a result, upfront prices to new customers may rise, and the overall strength of competition may be weakened.
- 8.15 Linking prices together through restricting the difference between them, can also cause a 'tying effect'. This is where suppliers may have weaker incentives to cut prices to attract or retain customers, because if they do so they will also be required to cut prices for other customers. This is likely to be of particular concern where a price control applies across a wide group of customers.
- 8.16 Further, if one of these price controls is applied to address a particular form of loyalty penalty, suppliers may seek to follow a different approach while maintaining higher prices for longstanding customers. For example, if price walking were banned, suppliers might move towards a price jump model.
- 8.17 There are also practical challenges in designing and applying these interventions in some markets. For example, in some markets different customers present different levels of risk (as in insurance and mortgages) or buy genuinely different products (as in mobile and broadband where products vary in quality and in the components included in the bundle purchased). These challenges could make it particularly difficult in these markets, for example, for a regulator to set a monetary or percentage limit on price differences between specific customer groups.
- 8.18 Reflecting these challenges, regulations to limit price differences have rarely been used in recent times. In the energy market, limits on price differentiation which applied in the retail market were assessed to have coincided with a

decline in switching rates and evidence of weakening competition over the SVT,²³⁹ and an absolute price cap on SVTs is subsequently being implemented.²⁴⁰

8.19 We recognise there are risks and challenges in regulating price differences, which are important to consider in designing effective interventions. However, these are not insurmountable. Where the case for intervention is strong, they can be mitigated through the design of the remedy and in particular by:

- (a) targeting the intervention so that the customer group being protected is smaller. This means that businesses are less likely to increase the prices paid by other customers by a significant amount. More generally, any intervention which is targeted at a smaller group of customers is less likely to have an unintended adverse effect on competition across the market;
- (b) allowing sufficient flexibility or 'headroom' within the pricing rules, to mitigate the risk that any pricing regulation does not properly reflect the costs to service different customers. This could also include the flexibility to maintain true introductory offers which promote switching and support the benefits of competition; and
- (c) where feasible, applying the price controls using regulatory principles which describe unfair pricing approaches, rather than prescriptive formulae. This type of approach could be effective in regulated markets where there is normally extensive data and regulatory reporting to demonstrate compliance.²⁴¹

Absolute price caps

8.20 Absolute price caps seek to directly limit the adverse outcomes of the loyalty penalty by setting a maximum permitted price. A price cap is set relative to an external measure rather than relative to prices that the same supplier offers to other customers. Remedies of this type can vary in respect of:

- the scope of the price cap: whether it applies to all customers or a targeted subset of customers such as those who may be vulnerable or particularly longstanding; and

²³⁹ CMA, *Energy market investigation: final report, June 2016*. The rule banning regional price discrimination was introduced in 2009 and lapsed in July 2012 and was not reinstated. See *Ofgem, Decision on Standard Condition 25A in the gas and electricity supply, October 2012*.

²⁴⁰ See Ofgem webpages on the [default price tariff cap](#).

²⁴¹ Under this approach, compliance would normally be demonstrated ex post through monitoring and reporting. Suppliers could be still at risk of paying fines or have to pay redress to customers in the event that a breach of the rules is identified by the regulator.

- the level of the price cap: which in turn affects the proportion of customers for whom the cap is likely to be binding. If the cap includes significant ‘headroom’ above predicted costs of providing the service, it becomes a ‘safeguard’ cap that limits only the very highest prices.
- 8.21 An absolute price cap is most likely to be practicable where there are relatively homogenous products, readily available information on costs and where the tariffs offered by suppliers differ as to price (or per unit price) but with a broadly similar level of service and otherwise comparable terms and conditions. Under these circumstances, absolute price caps have the benefit over limiting price differences in that they do not cause a tying effect (described in paragraph 8.15). They are however more challenging to implement where there are larger variations in products, such as quality and other elements (for example risk in insurance, data or speed in telecoms).
- 8.22 Price caps have typically been set where there is either a monopoly or a business with a dominant position, described as significant market power (SMP) in telecoms. For example, regulation applies to the wholesale charges made to retail broadband providers by the network operator, Openreach, which has SMP. Ofcom consulted on proposals to regulate BT’s standalone landline tariffs, as it identified that BT had SMP for customers on this tariff.²⁴²
- 8.23 A price cap is also being implemented for all retail energy customers on a SVT, by means of the Domestic Gas and Electricity (Tariff Cap) Act 2018.²⁴³ The FCA and Ofcom have also imposed price caps where they have identified specific risks of harm to customers in the relevant markets.
- 8.24 For example, the FCA has applied price caps in respect of high cost, short term credit (payday loans)²⁴⁴ and is consulting on proposed rules that would apply a price cap to rent-to-buy agreements.²⁴⁵ Ofcom has recently imposed a price cap on 118 directory enquiries numbers.²⁴⁶ These price caps have been introduced to limit harm and protect consumers, in particular vulnerable consumers, which we support.

²⁴² Ofcom consulted on its findings that BT had SMP in this market, but then subsequently accepted a voluntary offer from BT to reduce these tariffs. See [Ofcom, Review of the market for standalone landline telephone services, February 2017](#).

²⁴³ [Domestic Gas and Electricity \(Tariff Cap\) Act 2018](#). While there are many energy suppliers, the CMA found in its energy market investigation that these suppliers were able to exert market power over their less active customers, resulting in higher prices for them. See [CMA, Energy market investigation: final report, June 2016](#).

²⁴⁴ [FCA, Detailed rules for the price cap on high-cost short-term credit Including feedback on CP14/10 and final rules, November 2014](#).

²⁴⁵ [FCA, Rent-to-own and alternatives to high-cost credit – feedback on CP18/12 and consultation on a price cap, November 2018](#).

²⁴⁶ [Ofcom, Directory enquiries \(118\) review: statement, November 2018](#).

- 8.25 However, absolute price caps, particularly where applied across a large group of customers, raise some design challenges. Unlike limitations on price differentiation, absolute price caps explicitly constrain suppliers' ability to recover total costs from at least some customers and therefore risk undermining the financial stability of the market. There are also other risks associated with absolute price caps, which include setting the cap too low (either due to error in design or changes in costs), providing a focal point where suppliers price up to the cap and the waterbed effect described in paragraph 8.14).
- 8.26 These can be minimised by directly targeting the cap at specific customer groups or tariff types. For example, the cap on gas and electricity prepayment meter tariffs (the PPM cap) introduced by the CMA in its energy market investigation.²⁴⁷ A further example is in the postal market, where Ofcom applies a safeguard cap to second class standard letters, to ensure an affordable universal service product is available to all.²⁴⁸

How to target pricing regulations

- 8.27 The targeting of pricing regulations (whether the control limits price differences or imposes an absolute price cap) can be a way to realise their benefits while mitigating the risks of unintended consequences. In this section, we consider how measures can be targeted to groups of consumers and some practical questions about how this can be achieved.
- 8.28 In some cases, it may be more straightforward to identify the groups targeted for protection, such as those on poor value legacy deals, those who have stayed with their supplier over a certain period of time, those unable to switch or those paying much higher prices than others. However, there may be some challenges in identifying consumers who are more at risk or may be vulnerable.
- 8.29 One way of addressing this is to use supplier's data on their customers to identify those who may have characteristics associated with vulnerability (see chapters 3 and 4). However, suppliers may not necessarily collect this data, and there may be inconsistencies of approach or definitions. This also

²⁴⁷ See Ofgem's webpages on the [prepayment energy price cap](#). In Ofgem's initial assessment of the impact of this protection, it reported that over 90% of PPM customers were on tariffs priced at or close to the cap and there were still opportunities to switch to cheaper tariffs. However, PPM customers' engagement with the energy market remained below average and Ofgem noted that information directly provided by the six large suppliers suggests that there have been lower churn rates following the implementation of the safeguard tariff. See [Ofgem, State of the energy market 2018 report, October 2018, pp 32-37](#).

²⁴⁸ Ofcom imposes safeguard caps on second class standard letters, large letters and packets up to 2kg (see [Ofcom, Securing the Universal Postal Service, March 2012](#)). The current caps are set to expire on 31 March 2019 and Ofcom has consulted on the level and scope of the safeguard caps to be imposed from 1 April 2019 (see [Ofcom, Review of the second class safeguard caps 2019, July 2018](#)).

requires customers to self-identify as vulnerable, which they may not wish to do. Therefore, this approach could have practical limitations and vary between markets.

- 8.30 Existing examples of interventions targeted at vulnerable consumers include Ofgem's price cap for consumers who receive the Warm Home Discount (WHD),²⁴⁹ and BT's social tariff, BT Basic.²⁵⁰ The eligibility criteria for both schemes are based on Department for Work and Pensions benefits data. Under the WHD, suppliers also provide the discount to customers they deem in or at risk of fuel poverty (subject to criteria and guidelines) and that apply for it, or that suppliers have identified as potentially vulnerable.²⁵¹
- 8.31 In comparison to the WHD, take up of the BT Basic social tariff in telecoms is relatively low, although the potential reach of the tariff is higher.²⁵² Ofcom has noted this may be due to low awareness – eligible customers are not automatically placed on the tariff. It may also be that the bundle of services does not meet customer needs.²⁵³ The BT Basic landline-only tariff, which is provided by BT in its role as a universal service provider (USP), originally had over 600,000 customers following an initiative by Ofcom to encourage BT to identify eligible customers.²⁵⁴ This had fallen to around 300,000 by 2016. In 2014, BT introduced a voluntary add on BT Basic bundle including broadband, but take up of this service has been very low.
- 8.32 We consider that measures which require suppliers to offer cheaper tariffs to vulnerable consumers will be more effective where those tariffs can be designed to meet customers' needs, and where there are sufficient incentives or requirements on providers to encourage customers to switch to these tariffs. In addition, it would be necessary to ensure that, where particular categories of consumers are targeted through a price control, these same consumers are not discriminated against by suppliers in terms of the availability of introductory offers.

²⁴⁹ The [Warm Home Discount Scheme](#) is targeted at the fuel-poor, and offers £140 discount to qualifying customers of participating suppliers. Fuel-poor pensioners receiving Pension Credit Guarantee Credit are eligible and most are identified by the suppliers through a data matching exercise and so receive the discount automatically. These customers also need to be on a SVT or default tariff. Government has stated in its [consultation response on the 2018/19 scheme](#) that the WHD benefits two million households.

²⁵⁰ As described on [BT's website](#).

²⁵¹ This refers to the 'broader group' element of the [Warm Home Discount](#) scheme.

²⁵² Ofcom's analysis of BT Basic take up is included in its [Access and inclusion report, 2016](#). Ofcom estimated that over four million customers would be eligible for BT Basic. KCOM also offers a social tariff in the Hull area where it is the universal service provider.

²⁵³ The [BT Basic](#) bundle including broadband offers 15GB per month, and was designed to be a light user tariff.

²⁵⁴ BT Basic was introduced following Ofcom's review of the universal service obligation in 2006. Ofcom determined that BT could withdraw a previous low user tariff only if it identified 600,000 customers for its new social tariff. See [Ofcom, Review of the universal service obligation, March 2006, page 11](#).

- 8.33 There may be further ways to improve the ability of suppliers to identify and help vulnerable consumers. Recent work by Ofwat and Ofgem through the UKRN is an interesting example of what may be possible through data sharing. The UKRN has been supporting the launch of a pilot vulnerability data sharing programme in the North West.²⁵⁵ In November 2018, UKRN published a progress report that showed that, while there were practical challenges, there had been significant progress towards cross-sector data sharing.²⁵⁶ This demonstrates the potential for identifying vulnerable consumers for targeted interventions.
- 8.34 There remain a number of challenges and we encourage regulators and government to continue to consider ways to more effectively identify groups of vulnerable consumers in markets where targeted pricing interventions or protections would be beneficial. The most effective way to target remedies may vary across markets. Nonetheless we welcome and encourage ongoing efforts to investigate what more can be done in this regard.

Which approach to use

- 8.35 The most appropriate form of any pricing intervention will vary across different markets. In determining this, a range of factors need to be taken into account, including the following:
- (a) the form of the loyalty penalty. We have identified a number of ways to limit price differences, which can be targeted at the particular pricing practices observed in the markets where the regulator has concerns;
 - (b) the proportion of customers to be protected. If, as in energy, a very broad range of customers must be protected, then an absolute price cap may be more effective at lowering prices than limiting price differences;
 - (c) the characteristics of the product. Absolute price caps can be applied in markets where products are relatively homogenous, such as energy, or where there is a core product, such as Ofcom's proposed safeguard cap in broadband,²⁵⁷ and where robust information on costs is readily available. Where these conditions do not hold, controls on price differences may be the only available option;

²⁵⁵ The pilot aims to make better use of water and energy supplier customer data with a view to identifying customers in vulnerable situations, thereby creating a joint priority services register to avoid vulnerable consumers having to register on multiple occasions with different suppliers.

²⁵⁶ UKRN, *Making better use of data to identify customers in vulnerable situations: a follow up report*, November 2018.

²⁵⁷ Ofcom, *Delivering the broadband universal service*, December 2018.

- (d) the ability to identify and separate a group of customers which should be protected. In some markets, there may be a clear relationship between vulnerability and higher priced tariffs. In others, some vulnerable customers might also be paying lower prices, and so might pay more as a result of an intervention which reduces the gap between the most expensive and cheapest tariffs; and
- (e) the stringency of the control to be imposed. Any intervention will require a detailed assessment of the trade-off between increasing effectiveness by imposing a tighter or more universal intervention and reducing the risk of unintended consequences, by targeting the intervention or setting it in a way that gives suppliers greater flexibility to charge higher prices.

8.36 The most appropriate intervention in any individual case will therefore depend on a number of different factors. Any of the forms of price control described here will have both benefits and risks of unintended consequences. The appropriate form of intervention will be one which is best able to achieve the benefits of reducing consumer harm, while mitigating these risks.

Conclusion

8.37 There are a number of different types of pricing interventions that could directly address the harm arising from the loyalty penalty. They can either limit price differences between customers, limit prices changes (for example by restricting price walking or price jumps) or restrict the overall level of prices (for example through absolute caps). The appropriate choice between these approaches will depend on a number of factors, including the form the loyalty penalty takes, the proportion of customers to be protected and the characteristics of the product.

8.38 There is a strong case for regulators to give greater consideration to targeted pricing interventions to protect particular groups of consumers from the effects of a loyalty penalty. These could include:

- (a) customers who are unable to switch;
- (b) longstanding customers who do not switch for a number of years and end up paying much higher prices; or
- (c) groups of vulnerable consumers which can be identified by the regulator or by suppliers, and which are on relatively expensive tariffs.

8.39 Pricing interventions may have distortionary effects, but these are likely to be more limited when they are targeted to an identifiable customer group subject to the greatest financial harm. We recommend that regulators consider the

potential benefits of such targeted pricing interventions when assessing markets more generally, and in particular as part of the ongoing work in the five markets, as discussed in the next section.

Applicability to the five markets

- 8.40 In this section we review the potential for pricing interventions in the five markets and highlight the potential interventions which we recommend the regulators consider further. These would need careful consideration by regulators to weigh up the risks and benefits to different consumers.
- 8.41 In some areas, where the pricing practice is unfair as a matter of principle or may be considered misleading or unfair as set out in chapter 7, we take a firmer view that an intervention is required. Examples of this are the practice of charging for mobile handsets beyond the minimum term, and opaque price walking practices.
- 8.42 The FCA and Ofcom currently have certain legal powers to implement pricing regulations if appropriate. Before implementing remedies, they are required to undertake a legal assessment on the basis of their statutory objectives and duties.²⁵⁸ This would also require the rules to be compliant with the relevant EU legislation.²⁵⁹ We have not sought to undertake such an assessment, which would in any case depend on a range of factors including the scope, structure and design of any remedies.

Mobile

- 8.43 As set out in chapter 4 there is evidence that in mobile:
- (a) There is a loyalty penalty where customers on bundled contracts including handsets, continue to pay the same price at the end of their minimum term even though, in effect, their handset may have already been paid off.²⁶⁰ In many cases, these customers are not aware that they have the

²⁵⁸ For example, the Communications Act 2003 requires Ofcom to assess whether any regulations imposed through the use of regulatory conditions are proportionate, objectively justified, transparent and do not unduly discriminate. Ofcom also has powers to impose SMP conditions on operators with SMP and has powers to impose USP conditions on the designated USP. Ofcom is consulting on USP conditions in respect of the new broadband universal service obligation, which it proposes to apply to BT and KCOM. See [Ofcom, *Delivering the broadband universal service*, December 2018](#).

²⁵⁹ For example, the European Electronic Communications Code. See [Ofcom, *Helping consumers get better deals: consultation on end-of-contract and annual best tariff notifications, and proposed scope for a review of pricing practices in fixed broadband*, December 2018](#).

²⁶⁰ Ofcom's current data suggests that approximately 1.5 million people may be paying more than necessary on their mobile handset contracts and that collectively, UK mobile consumers could be overpaying by around £330 million each year. However, Ofcom is currently collecting further information to arrive at a more precise estimate as it has had some indications that a larger number of consumers may be affected. See [Ofcom, *Pricing trends for communications services in the UK*, May 2018, page 22](#).

option to move to a SIM-only tariff which may provide directly comparable services for a lower price.²⁶¹ Ofcom is currently consulting on requirements for communication providers to send annual end of contract notifications to their customers, with information included on the 'best tariff' available to the customer for their service. For bundled handset and mobile customers, best tariff information must include at least one SIM-only deal.²⁶²

(b) Further detailed evidence collection is necessary to understand whether longstanding SIM-only customers pay a penalty. The existing aggregate data does not suggest that they do, but Ofcom is undertaking further analysis.²⁶³

8.44 There are currently no pricing regulations in place for retail mobile services. However, as part of Ofcom's consultation on mobile handsets it is consulting on two options. The first is based on improving transparency and the second is based on requiring providers to move bundled handset and airtime contract customers onto a fairer tariff (for example a SIM-only tariff) when their minimum contract period ends. The latter is a form of pricing intervention.²⁶⁴

8.45 As a matter of principle, the practice where customers continue to pay a higher combined handset and airtime price after the minimum contract period ends, so the customer has effectively already paid for the handset, is unfair and should be stopped. We therefore support the second option that Ofcom is consulting on, which would introduce fairer tariffs that would apply at the end of a fixed commitment period. We recognise, however, that there are a number of implementation issues and we do not conclude on which of the mechanisms within Ofcom's second option is appropriate.

8.46 We do not consider other possible price caps in the mobile market given that the existing evidence does not appear to show a widespread loyalty penalty outside of bundled handset and airtime contracts. We welcome Ofcom's ongoing work to gain more evidence on the prices paid by different customer groups. If there is evidence that particular groups of vulnerable consumers are paying much higher prices, consideration could be given to introducing a

²⁶¹ See chapter 6 for more details.

²⁶² Ofcom, *Helping consumers get better deals: consultation on end-of-contract and annual best tariff notifications, and proposed scope for a review of pricing practices in fixed broadband*, December 2018.

²⁶³ As part of the data gathering exercise on mobile handset contracts, Ofcom is also collecting data on SIM-only prices for further analysis.

²⁶⁴ Ofcom, *Helping consumers to get better deals in communications markets: mobile handsets*, September 2018.

safeguard tariff for those customers, drawing on similar approaches currently in place in fixed telecoms.²⁶⁵

Broadband

- 8.47 As set out in chapter 4 there is evidence that in broadband, on average, out of contract customers pay more, with average spend increasing with tenure.²⁶⁶ There are a wide range of prices for broadly similar products and the use of promotional pricing, after which there is a sharp jump in price at the end of the minimum contract period.²⁶⁷
- 8.48 Ofcom has not to date introduced any pricing regulation remedies in the retail broadband market. However, it is currently consulting on a safeguard cap for customers using a universal service obligation broadband service.²⁶⁸ We welcome Ofcom's recent announcement that it is in the process of reviewing broadband pricing in more detail.²⁶⁹
- 8.49 The evidence suggests there may be some out of contract customers who are paying more than necessary or receiving a more limited package of services than other customers receive for a similar price. If Ofcom's review finds this is a sufficiently large problem, we think Ofcom should consider an intervention which requires providers to identify obsolete or legacy deals offered to customers on monthly rolling contracts, and to move customers onto better tariffs available to other existing customers on otherwise comparable terms (ie other tariffs with no fixed contract period).
- 8.50 Ofcom's review of pricing practices in fixed broadband will seek to identify the prices paid by vulnerable consumers.²⁷⁰ If some vulnerable groups are on poor value tariffs, we recommend that Ofcom, as part of its review, consider whether there is a case to impose targeted protection for those customer groups. This would go beyond the voluntary undertakings currently offered by BT, for example, either through an agreement to offer a safeguard cap for a group of identifiable vulnerable customers which is sufficiently flexible to meet

²⁶⁵ The basis for BT's social tariff in fixed telecoms is specific to the universal service obligation, and there is no equivalent in mobile. Therefore, the basis for any comparable tariff would need to be different. However, the principle of offering a targeted discounted tariff could apply equally in mobile, which is now used by some consumers on low incomes as an alternative to fixed telecoms.

²⁶⁶ See Annex C, Figure 6. Although this demonstrates a pattern of higher spend for customers with longer tenure, it is not able to separate out the effect of tariffs from the possibility that different customer groups have different usage patterns.

²⁶⁷ The impact of discounting is reviewed in chapter 10 of Ofcom's [2018 pricing trends report](#).

²⁶⁸ Ofcom, *Delivering the broadband universal service*, December 2018.

²⁶⁹ Ofcom, *Helping consumers get better deals: consultation on end-of-contract and annual best tariff notifications, and proposed scope for a review of pricing practices in fixed broadband*, December 2018.

²⁷⁰ Ofcom, *Helping consumers get better deals: consultation on end-of-contract and annual best tariff notifications, and proposed scope for a review of pricing practices in fixed broadband*, December 2018.

those customers' needs, or through a targeted discount scheme for qualifying customers purchasing relevant tariffs.

Cash savings

- 8.51 The FCA has identified that interest rates on easy access cash savings products are lower for longstanding customers. The average rates identified by the FCA fell sharply for customer accounts open for more than two years.²⁷¹ The FCA has sought views on alternative options to address the financial harm to customers caused by the loyalty penalty and are due to publish the feedback and its next steps in early 2019.²⁷²
- 8.52 The FCA indicated in a recent discussion paper that its current preferred intervention in this market is the Basic Savings Rate (BSR) remedy. The BSR would require providers to apply single (default) interest rates, respectively, to all easy access cash savings accounts and to all easy access cash ISAs which have been open for a set period of time (for example, one year). Each provider could decide the level of their BSRs, and would be able to vary them, subject to applicable legal requirements.²⁷³
- 8.53 This remedy would essentially prohibit price discrimination within long tenured savings accounts (ie prevent price walking or legacy pricing) but allow differentiation between short and long tenured savings accounts (ie allow introductory pricing). However, this intervention could result in lower interest rates for some groups of consumers as an unintended consequence. As part of assessing the BSR option, the FCA modelled how it could work and the estimated potential impacts.²⁷⁴ This analysis used an economic model which captures 'the main dynamics of the market and simulates firms' responses'.²⁷⁵ From this modelling it appears that the benefits to longstanding customers will be greater than the losses to those that may receive lower interest rates as a result.
- 8.54 We welcome the FCA's further consideration of plans to tackle the loyalty penalty in this market. Although we have not undertaken a detailed review of the BSR, it is an approach that might limit the harmful effects from the loyalty penalty. The proposal might also bring wider additional benefits, relating to transparency in the interest rates that banks set, by lowering search costs for consumers.

²⁷¹ FCA, *Price discrimination in the cash savings market*, July 2018, Figures 2 and 3.

²⁷² FCA, *Price discrimination in the cash savings market*, July 2018.

²⁷³ FCA, *Price discrimination in the cash savings market*, July 2018, paragraphs 5.1 and 5.2.

²⁷⁴ FCA, *Price discrimination in the cash savings market*, July 2018.

²⁷⁵ FCA, *Price discrimination in the cash savings market*, July 2018, paragraph 5.8.

- 8.55 If the FCA implements the BSR, we recommend it evaluate whether the BSR has had the intended impact and if not, consider further pricing interventions such as a targeted absolute price floor on the savings rate.

Home insurance

- 8.56 The evidence provided by Citizens' Advice and the FCA shows that in insurance markets, many longstanding customers are paying more than new customers.²⁷⁶ The FCA's evidence indicates that prices paid can rise to around double the initial price after five years with the same provider,²⁷⁷ and that the pricing in the first year is often below cost to encourage switching. However, the evidence indicates that the practice of real price increases continues long beyond any introductory period.
- 8.57 The FCA has recently launched a market study looking at how general insurance firms charge their customers for home and motor insurance.²⁷⁸ It has said it will consider all potential remedies that may be required to make the market work well for customers. Where it finds that there is harm to customers, remedies could include changes to the way firms price insurance, contractual changes or limits on differences in prices between different groups.²⁷⁹
- 8.58 We support the FCA's work in this area and, as part of its review, we recommend that the FCA assess whether consumer harm associated with price walking should be limited through pricing intervention.
- 8.59 For example, the FCA could consider the option of applying rules which define regulatory principles on what level of price walking in insurance is fair to customers. This could set principles which insurers are required to comply with when setting renewal prices to existing customers.²⁸⁰ Therefore, we recommend that the FCA consider a targeted pricing intervention as one of the potential options in its market study and assess the potential costs and benefits of this intervention, as part of any package of remedies.

²⁷⁶ This is often although not always as a result of an opt out auto-roll over at the end of each contract period onto new contract terms which are worse than the contract terms prior to the auto-roll over. The auto-roll over increases the price, with no corresponding increase in service.

²⁷⁷ See Annex D, Figure 1. The FCA analysis illustrates that prices change from approximately 65% of cost to 130% of cost over five years.

²⁷⁸ FCA, *General insurance pricing practices market study: terms of reference*, October 2018.

²⁷⁹ FCA, *General insurance pricing practices market study: terms of reference*, October 2018, paragraph 4.15.

²⁸⁰ Although insurance pricing is personalised and complex, it should be feasible to set rules on what level of price increases is justified for some subgroups of existing longstanding customers. We expect there would be complexity in understanding the potential effects of any pricing intervention, as for example any ban on price walking could lead to a greater use of price jumping. The FCA would need to assess this using the data available from its market study.

- 8.60 As discussed earlier, any intervention has risks of unintended consequences. For example, there could be adverse distributional consequences. If customers on low incomes benefit from lower prices on average more than higher income customers, any interventions could increase the amount these low income customers pay. Equally there could be risks that insurers are able to ‘game’ any new rules in terms of how they set prices, and to make the case for continued price walking, justified by increases in costs for certain customer groups.²⁸¹
- 8.61 The purpose of the FCA’s market study is to understand more about how pricing works in practice. This should provide further evidence to determine the nature of the consumer harm, who is affected by it and whether a proportionate remedy can be designed which mitigates these risks. If the FCA’s analysis indicates that the harm from the loyalty penalty is sufficiently large to justify further action, we expect that the market study will consider a wide range of remedies designed to limit this. As part of that study we recommend that targeted pricing interventions should also be considered as part of the FCA’s overall assessment, alongside other potential remedies.

Mortgages

- 8.62 In 2016 the FCA launched a market study which found that overall the mortgage market is working well in many respects, but that it could work better in a number of ways, including the fair treatment of customers who do not or cannot switch, ie those impacted by the loyalty penalty.²⁸² See Annex D for more details.
- 8.63 There are two harms to longstanding customers that have been identified in mortgages. They are:
- (a) that customers who are rolled onto a reversion rate such as a SVR at the end of an introductory deal face a sharp jump in the price paid, with the reversion rate being high relative to the prices that customers could receive from a new introductory deal;²⁸³ and

²⁸¹ There are a number of potential ways to mitigate risks of any pricing intervention, including allowing some flexibility for insurers and a sufficient introductory period for new customers before it starts to apply.

²⁸² [FCA, *Mortgages market study: interim report*, May 2018, paragraph 1.12 and from paragraph 1.27.](#)

²⁸³ In the FCA’s work, the term ‘introductory deal’ includes internal transfers ie where customers switch to a new fixed deal with the same provider.

(b) that some of these customers are unable to switch mortgages, due to changes in eligibility criteria, and are therefore unable to access the competitive prices available in the market (mortgage prisoners).²⁸⁴

8.64 The FCA is actively looking into how to reduce the harm to customers who are unable to switch, which we support. There has already been progress for customers of active lenders who are unable to switch. Lenders have come to a voluntary agreement, whereby the lender offers an internal switch to customers who are currently unable to switch.²⁸⁵

8.65 Some borrowers are with inactive firms which are no longer lending or are part of a mortgage book which has been sold to entities not authorised for mortgage lending. The FCA currently has far fewer options to improve the ability for these consumers to switch compared to customers with active lenders. The FCA has begun discussions on possible solutions for inactive lenders with relevant firms, consumer groups and government.²⁸⁶

8.66 In addition, given the scale of the difference between reversion rates and the pricing of introductory deals, we also recommend that the FCA investigate the characteristics of other customers who have been on a reversion rate for long periods of time and the reasons why they stay on the rate. If this work indicates that these customers are vulnerable, the FCA should consider measures to help or protect these customers.

Recommendations

8.67 In this chapter, we considered a range of pricing interventions to tackle the loyalty penalty, and the applicability of these measures to the five markets identified in the super-complaint.

8.68 These measures directly deal with the effects of the loyalty penalty and for that reason are an attractive option. There are risks and potential unintended consequences, however, with any pricing intervention, particularly if these are widely applied.

8.69 We therefore recommend that regulators consider more targeted pricing interventions, for example to protect groups of consumers. This could include

²⁸⁴ The FCA estimated that approximately 30,000 customers are mortgage prisoners. See [FCA, *Mortgages market study: interim report*, May 2018, paragraph 1.29.](#)

²⁸⁵ [FCA, *Statement on the voluntary agreement*, July 2018.](#)

²⁸⁶ In particular, the FCA is looking at whether it can make any changes to its rules and guidance that could facilitate switching. The FCA will provide an update on this work as part of the final report of its mortgage market study in early 2019.

those who are unable to switch or who find it very difficult and end up paying much higher prices, or vulnerable consumers on higher tariffs.

- 8.70 In relation to the five markets, in all cases there is work ongoing by the regulators to consider price differences and potential remedies. In some cases, such as cash savings and mortgages, analysis on the extent of the problem and potential interventions is more developed.
- 8.71 In others, such as mobile, broadband and insurance, the regulators are currently gathering further evidence and undertaking analysis to consider pricing practices and outcomes for consumers in greater detail. This is important to ensure the nature of the problem is sufficiently understood before considering and designing any interventions.
- 8.72 Where the evidence indicates that there is harm to a group of consumers, and that targeted remedies are feasible and would be expected to achieve better outcomes, we support the regulators in taking forward pricing interventions in these and comparable markets.
- 8.73 Our recommendations in the five markets are as follows:
- (a) in mobile, of the options set out in Ofcom's consultation, we support a requirement on providers to move bundled handset and airtime contract customers onto a fairer tariff (eg a SIM-only tariff) when their minimum contract period ends. It is clearly unfair in principle where suppliers continue to price at the same level after the initial contract when, in effect, the handset has been paid off. This should be stopped;
 - (b) in broadband, Ofcom is currently gathering information on pricing practices and how they affect consumers. We think that as part of this work Ofcom should consider protections for those that suffer a loyalty penalty, particularly if they are vulnerable. Ofcom should consider whether this could be through a remedy that moves customers on poor value legacy deals onto newer better value deals. We also recommend that Ofcom consider whether pricing interventions such as targeted safeguard caps could be put in place to protect vulnerable consumers more effectively than existing social tariffs;
 - (c) in home insurance, we welcome the FCA's ongoing work in this market. As part of that work, we recommend that the FCA investigate pricing practices and consider targeted pricing interventions that limit price walking, for example rules to restrict this practice, as part of a package of remedies to address loyalty penalty in this market;

- (d) in cash savings, we support plans to tackle the loyalty penalty. If the FCA introduces the BSR or a comparable remedy, we recommend that it subsequently evaluate whether it needs to be strengthened through further pricing interventions such as a targeted absolute price floor, particularly to protect vulnerable groups of consumers; and
- (e) in mortgages, we support the FCA's work to help customers who currently cannot switch. We also recommend further work is undertaken to understand the reasons why some customers are staying longer, whether they show vulnerable characteristics, and if so, what if any, further targeted interventions may be necessary.

9. Conclusion, recommendations and next steps

- 9.1 This chapter summarises our overall conclusions on the issues raised by Citizens Advice, sets out our recommendations for action and the next steps we and others will take following this response.
- 9.2 We have found that there is likely to be a substantial loyalty penalty paid by consumers each year. Existing estimates suggest this could be around £4 billion across the five markets highlighted by Citizens Advice (mobile, broadband, cash savings, home insurance, mortgages). However, it is also likely to arise in many other markets where services are automatically renewed or rolled over.
- 9.3 While some very active consumers are getting cheap deals, many others are losing out. Some think that staying 'loyal' will pay off, do not realise they are paying much more or struggle when they try to shop around as it can be difficult, confusing or time consuming. These challenges can be even greater for those who may be vulnerable. This erodes people's trust in markets and many consumers feel let down or frustrated.
- 9.4 Businesses can make this worse by making it even more difficult or confusing for their existing customers to either change or get better deals. Examples of these practices include imposing continual 'stealth' price increases, not giving customers enough warning before being rolled over or making it more difficult to leave than it is to sign up.
- 9.5 Tackling these problems head on is overdue. There have been and are continued efforts by regulators and government. But these have not made sufficient progress. In many cases too much has been asked and expected from consumers, and not enough from suppliers. There is a clear case for intervention to protect those who are hardest hit, particularly those who are vulnerable.
- 9.6 Based on our investigation we consider the best ways to achieve change are:
- providing genuine support to consumers through the use of smart data, intermediaries (PCWs, automatic switching services and local face-to-face advisory services) and collective switching which offers exclusive tailored deals;
 - enforcement to tackle harmful and unacceptable business practices; and
 - targeted pricing interventions to limit price differences, such as restricting price walking or capping prices for those worse off, in particular vulnerable consumers.

Recommendations

9.7 We are recommending eight key reforms to address the problems related to the loyalty penalty across markets.

A. Stopping harmful business practices

1. Bolder use of existing enforcement and regulatory powers to tackle harmful business practices. We are launching investigations in the anti-virus software market. [\[Recommendation to regulators and action by the CMA\]](#).
2. Legislative and/or regulatory change may also be needed to tackle these practices, alongside new powers for the CMA to seek substantial fines where law is breached. [\[Recommendation to government\]](#).

B. Publicising the loyalty penalty to hold suppliers to account

3. Publish metrics on the size of the loyalty penalty in key markets and for each supplier, for example in an annual joint loyalty penalty report. [\[Recommendation to regulators\]](#).

C. Giving people more help in getting better deals

4. Empower intermediaries to support switching, for example considering giving a greater role to local consumer-facing advisory organisations, such as Citizens Advice, who could do more to support switching for vulnerable consumers. [\[Recommendation to government\]](#).
5. Press ahead with the Smart Data Review and roll this out in those sectors such as telecoms where it has the greatest potential to transform markets. [\[Recommendation to government and regulators\]](#).
6. Capture and share best practice on 'nudge' remedies that have been tested and shown to work or not, so that lessons across markets are learnt. Some remedies (such as requiring suppliers to give last year's price on renewal) could be rolled out across markets and potentially strengthened. [\[Recommendation to regulators \(through the UKCN\)\]](#).

D. Protecting customers from harm, particularly vulnerable consumers

7. Consider targeted pricing regulations - such as limiting price differentials, or price caps - alongside other measures where there is clear harm, particularly to protect vulnerable consumers. We also make a number of

recommendations about potential pricing interventions to be considered as part of ongoing work in the five markets. [Recommendation to regulators and the CMA].

E. Better understanding the loyalty penalty across markets

8. Assess the feasibility of matching price data to a recurring large scale UK survey to improve our understanding of who pays the loyalty penalty across markets, and whether vulnerable consumers are particularly adversely affected. [Recommendation to regulators].

Our recommendations in the five markets

- 9.8 We also make a number of recommendations to the FCA and Ofcom on measures to tackle the loyalty penalty, which should be considered as part of their current work in these markets and any other potential remedies.

Telecoms: mobile (bundled handset and airtime) and broadband

- 9.9 In mobile, we do not consider that providers should continue to charge customers the same rate once they have effectively paid off their handsets at the end of the minimum contract period. This is unfair and must be stopped, and we welcome Ofcom's recent consultation on this.
- We support a requirement on providers to move customers on bundled handset and airtime contracts onto a fairer tariff when their minimum contract period ends. [Recommendation: Ofcom].
 - Low levels of awareness and understanding of SIM-only deals could also be tackled, for example through a targeted campaign to complement Ofcom's proposals on best tariff information. [Recommendation: Ofcom].
- 9.10 Loyalty penalty problems in the broadband market must be thoroughly investigated and we welcome the review recently launched by Ofcom. As part of its review we recommend that Ofcom:
- Consider a number of possible interventions including tackling broadband legacy pricing and targeted safeguard caps to protect vulnerable consumers. [Recommendation: Ofcom].
 - Review the feasibility of collective switching for broadband customers, learning lessons from Ofgem's recent experience. [Recommendation: Ofcom].

9.11 Smart data could also be highly beneficial in telecoms markets, both directly to help consumers engage in markets but also to better empower intermediaries.

- We support pushing forward with implementing smart data through the government's current review. [Recommendation: Ofcom].
- We also recommend Ofcom review how it can create favourable conditions for the development of innovative intermediaries in the mobile and broadband markets. [Recommendation: Ofcom].

Financial services: cash savings, home insurance and mortgages

9.12 In cash savings, the FCA has recognised that interventions to date have had limited impact on addressing the harm to longstanding customers. It is currently considering a 'Basic Savings Rate'. We welcome this further work.

- If implemented, we recommend the FCA evaluate whether the Basic Savings Rate has had the intended impact and if not, consider further pricing interventions such as a targeted absolute price floor in cash savings. [Recommendation: the FCA].
- We also recommend the FCA consider whether collective switching can be applied to the cash savings market. [Recommendation: the FCA].

9.13 In insurance markets, evidence suggests that many longstanding customers are paying more than newer customers, with firms repeatedly increasing prices year on year. Therefore we welcome the FCA's current market study and as part of this study we recommend that the FCA:

- Investigate insurance pricing practices and consider pricing interventions that limit price walking, for example rules to restrict this practice. [Recommendation: the FCA].
- Explore how intermediaries can continue to benefit the home insurance market (for example where semi-smart solutions can improve the existing infrastructure of PCWs). [Recommendation: the FCA].

9.14 In mortgages, the FCA is currently undertaking a market study. As part of that study we understand that the FCA is taking immediate action to help those who cannot switch in this market (mortgage prisoners) move onto better tariffs, where feasible. We strongly support that work.

9.15 But there are still 10% of longstanding customers who could switch and make significant savings, but do not.

- We recommend that the FCA find out more about these mortgage customers and why they are not moving and look at what measures can be taken to help or protect these customers if needed. [Recommendation: the FCA].

Next steps

- 9.16 We have set out a package of recommendations, both across markets and specifically in relation to the five markets identified by Citizens Advice.
- 9.17 A number of the market-specific recommendations can be taken forward immediately by regulators through their existing studies or ongoing work in each of these markets. Some of the recommendations require further consideration and oversight by the CMA and others such as government and regulators.
- 9.18 The CMA will be undertaking further work on the loyalty penalty, working closely alongside regulators, government, business and organisations such as Citizens Advice. This will take forward a number of recommendations, as set out in Table 9.1.

Table 9.1: Taking forward our cross-cutting recommendations

Recommendation	Lead
1. Taking forward enforcement cases on these practices.	CMA/Regulators.
2. Explore legislative and/or regulatory changes to clarify harmful practices and develop principles on these.	CMA/Government.
3. Publish key metrics on the loyalty penalty.	Regulators and CMA; for example through the UKRN – as part of its performance scorecard work.
4. Empower intermediaries; greater role to consumer facing advisory organisations.	Government/consumer organisations.
5. Rolling out smart data.	Government/FCA/Ofcom/CMA – as part of the Smart Data Review.
6. Capturing best practice on ‘nudge’ remedies.	CMA/UKCN.
7. Consideration of targeted pricing regulation when assessing markets.	Regulators.
8. Who pays the loyalty penalty across markets: feasibility of matching price data to a UK survey.	CMA and regulators – for example through the UKRN.

- 9.19 In addition to the cross-cutting market recommendations, we also expect the FCA and Ofcom to take into account our recommendations on the five specific markets, through their current work in these markets which is summarised in Table 9.2.

Table 9.2: Ofcom and the FCA's key work in the five markets

Market	Latest publication	Next steps/timing	Regulator
Mobile	Helping consumers to get better deals in communications markets: mobile handsets (published September 2018)	Findings to be published in summer 2019 and final statement in early 2020.	Ofcom
Broadband	Review into price differentiation (published December 2018)		Ofcom
Insurance	Insurance market study: terms of reference (published October 2018)	Interim report to be published in summer 2019. Final report to be published in December 2019.	FCA
Cash savings	Price discrimination in the cash savings market Discussion Paper (published July 2018)	Consultation Paper in 2019 (if proposals are taken forward).	FCA
Mortgages	Market study: interim report (published May 2018)	Final report -early 2019	FCA

- 9.20 We will provide an update on progress to the newly established joint government-regulator Consumer Forum, led by the Minister for Consumer Affairs, in six months. An update will also be published on our website. The FCA and Ofcom will also provide an update on their progress in the five markets.
- 9.21 The Consumer Forum provides an important opportunity for us to work more closely together. We support its development and continued oversight on key consumer issues such as tackling the loyalty penalty across key markets and addressing challenges faced by vulnerable consumers.
- 9.22 We have considered Citizens Advice's request that we undertake a market study into the loyalty penalty across the five markets. We do not believe this is the right approach at present, given the work we have already done and the project we will be undertaking to take forward our cross-cutting recommendations. In relation to the five markets, our recommendations to regulators can be taken forward now in their ongoing work without the need for a market study. We consider this is the most efficient way to achieve results quickly.
- 9.23 We will consider whether sufficient progress has been made in taking forward both our cross-cutting recommendations and recommendations in the five markets over the next 12 months. At that stage we will take a view on what next steps are necessary, such as whether a market study is needed. The CMA is committed to continuing to drive this work forward to maintain momentum and ensure changes are achieved.

MADE ON BEHALF OF: APPLICANT / PROPOSED CLASS REPRESENTATIVE
NAME OF WITNESS: JUSTIN LE PATOUREL
NUMBER OF STATEMENT: 1
EXHIBITS: JLP1 – JLP22
DATE: 15 JANUARY 2021

Case Number: []

IN THE COMPETITION APPEAL TRIBUNAL
BETWEEN

JUSTIN LE PATOUREL

Applicant / Proposed Class Representative

and

BT GROUP PLC

Respondent / Proposed Defendant

EXHIBIT JLP10

This is the exhibit marked "JLP10" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021



1. Home (<https://www.gov.uk/>)
2. Consumer protection (<https://www.gov.uk/topic/competition/consumer-protection>)
3. Vulnerable consumers (<https://www.gov.uk/government/publications/vulnerable-consumers>)



- [Competition & Markets Authority](https://www.gov.uk/government/organisations/competition-and-markets-authority) (<https://www.gov.uk/government/organisations/competition-and-markets-authority>)

Research and analysis

Consumer vulnerability in later life: challenges and solutions

Updated 13 November 2018

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Developing Solutions

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On 24 September 2018, the Competition and Markets Authority (CMA) hosted a roundtable discussion with Age UK on consumer vulnerability in later life.

The roundtable focused on the challenges experienced by vulnerable consumers in later life and the potential solutions to these challenges.

The roundtable comprised presentations from the CMA, Age UK, the Research Institute for Disabled Consumers (RiDC) and plenary discussions.

Representatives of Government departments, regulators, consumer groups, charities, and business representative organisations attended. The roundtable was held under Chatham House rules.

The remainder of this summary sets out key points from the presentations and some of the issues raised by attendees during plenary discussions.



Vulnerable Consumers

Understanding the challenges

Speaker Presentations

The CMA introduced the roundtable outlining its overall programme of work on consumer vulnerability and recent relevant projects, including care homes, funerals and its energy market investigation. It also highlighted recent work undertaken by other UK regulators with implications for older people.

Age UK provided insight on the links between ageing and vulnerability. It highlighted that older people face the same challenges and have the same strengths as consumers of all ages. Age UK suggested that vulnerability arises from the interaction of personal characteristics, life circumstances and wider environmental factors (such as firm behaviour and market interactions).

Key markets for older people include regulated essential services (such as energy, financial services, telecoms and water) and later life relevant services (such as care homes, assistive products, funerals and retirement home products). Older people face a range of challenges when navigating markets, including those arising from sensory impairment, disability and cognitive impairment. Further challenges are also posed when older people experience multiple health conditions, bereavement and isolation. Digital exclusion and limited digital capabilities are also factors in vulnerability and can constrain the ability of older people to engage. Age UK noted that people 65+ are more likely to pay a higher price for the same service in key markets (e.g. energy and insurance) and noted recent research that had been undertaken on loyalty penalties across markets.

Age UK also presented findings from research on cognitive ageing, highlighting the range of different thinking skills involved. A particular policy challenge relates to recognising and responding to normal cognitive ageing - where older people have substantial knowledge but are not as quick as younger people to work things out, for example – and greater degrees of age-related decline. People with normal cognitive ageing may be slower at processing information but are perfectly able. However, there is marked variation in how well or poorly thinking skills age. The level of help and support older people require will therefore vary in practice and depend on which thinking skills have been affected through the cognitive ageing process, and to what extent they have been affected.

Plenary discussion

Participants raised the following issues when discussing the challenges facing vulnerable consumers in later life.

- There is a need for caution in using age as an indicator of vulnerability characteristic as being older does not necessarily make you vulnerable.
- Whilst there is a lack of homogeneity amongst older people, age still offers a useful practical lens of analysis, especially as some issues can become more prevalent with age.
- The retreat of public sector services (such as social services) has impacted older people, with gaps in support only being partially filled by the charity sector. This changing landscape has also led to a greater onus being placed on older people to purchase assistive products.
- The growing marketisation of services has posed challenges for older people as it is difficult to adapt to developments during older age. More markets and greater levels of choice combined with increased product complexity is likely to result in disengagement and defaulting into what is familiar. Older people are less likely to shop around and more likely to pay the RRP for products.
- In some markets, such as energy and telecoms, it may have never occurred to older people to switch supplier to get a better price or deal, particularly if they didn't think there was an issue or didn't feel they needed to do so.
- Given the lack of homogeneity amongst older people, there should not be a one size that fits all approach to digital inclusion. It is a mistake to push everybody in a digital direction, particularly as there are risks associated with encouraging certain cognitive ageing groups with impaired judgement to go online as they may be overconfident and more vulnerable to mistakes.
- Research has shown that older people tend to be more concerned and mistrusting about how their data is used. When online, older people are less likely to keep software up to date, with implications including missing out on services and possible product obsolescence.

Developing Solutions

Speaker Presentations

The CMA provided an overview of its approach to developing consumer remedies and its 'remedies universe' (the range of interventions available for making markets work well for consumers), reflecting on the themes of technology, distressed purchases and engagement with markets.

The Research Institute for Disabled Consumers highlighted its work in user-centred research. It involves disabled and older consumers in the design of products and services, including drawing on a UK wide consumer panel. It has tended to undertake user-centre research in either regulated markets or with companies committed to corporate social responsibility.

Plenary Discussion

During the plenary discussion the following points were raised:

- Inclusive design is important as by designing products and services with older people in mind you are more likely to include everybody, in contrast to designing for the young with the risk of excluding older people.
- Technology creates new opportunities for helping/enabling older consumers, particularly when coupled with use of trusted intermediaries.
- The role of technology in helping identify vulnerability is still a work in progress and there remain limits – for instance while automatic switching services have potential to open up better deals they may miss certain nuances/circumstances for older people which mean a certain deal wouldn't work for them (e.g. having to read own energy meter).
- Regulators and businesses are increasingly using technology to improve services, drawing on customer data to link up priority services schemes for vulnerable consumers.
- Water and energy companies are currently piloting data sharing approaches with the pilot delivering an increase in the uptake of services.
- Older people find other work arounds to solve vulnerability challenges – for instance, if housebound they may draw on support networks (family members, friends other third parties) – giving ATM cards to someone who can help, although such approaches can also pose risks.

Organisations which attended the roundtable

- Money and Mental Health Policy Institute
- Scope
- Dementia UK
- Carers Trust
- Ombudsman Services
- Citizens Advice
- Which?
- Ofgem
- Ofcom
- Ofwat
- UKRN (UK Regulators Network)
- FCA
- BEIS
- We are just
- ABI (Association of British Insurers)
- Behavioural Insights Team
- Centre for Policy on Ageing

- Consumer Council for Water
- DCMS
- Energy UK
- Fair by Design
- Financial Ombudsman Service
- The Finance Foundation
- The Money Carer Foundation
- National Audit Office
- Payment Systems Regulator
- Phone-paid Services Authority
- Sustainability First
- Financial Services Consumer Panel
- UK Finance
- Water UK

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EXHIBIT JLP11

This is the exhibit marked "JLP11" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021

Treating vulnerable customers fairly

A guide for phone, broadband and pay-TV providers

Contents

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1. Overview

- 1.1 This guide suggests measures providers could adopt to help make sure they treat vulnerable people fairly and give them the help, support and services they need. Many providers have already made progress in making sure they treat vulnerable customers fairly, but there is still room to do more.
- 1.2 One of Ofcom's priorities is to make sure broadband, phone and TV customers, especially vulnerable customers, are treated fairly.¹ We want vulnerable people to receive a high level of customer care to help them to manage their communications services effectively, and to help them get the right deal for their needs at a fair price. So, we put in place rules – specifically General Conditions C5.1-5.5, which came into force in October 2018 – requiring providers to have policies and procedures in place to make sure vulnerable customers are treated fairly.
- 1.3 Many people already find dealing with essential service providers (for example, energy, water and telecoms companies) a stressful experience. For example, 37% of people who have experienced a mental health problem exhibit significant levels of anxiety when dealing with essential service providers.² If a provider delivers poor service or creates unnecessary difficulties for vulnerable customers, this could make their situation worse.
- 1.4 Anybody can face circumstances that lead to them becoming vulnerable - temporarily or permanently. This might include 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. The Covid-19 pandemic and the steps taken to protect public health in response have increased the potential for customers' circumstances to change suddenly, making them more vulnerable.

¹ Ofcom, [2020/21 Plan of work](#).

² Money and Mental Health Policy Institute, *Access Essentials, Giving people with mental health problems equal access to vital services*

What does our new vulnerability guide cover?

Our guide suggests practical measures that providers could adopt to help make sure they are treating vulnerable customers fairly, and offers examples of good practice. It sets out, among other things, the measures companies could take in areas such as:

- establishing and publishing policies and procedures for treating vulnerable customers fairly;
- identifying vulnerable customers;
- recording information about vulnerable customers' needs;
- communicating with vulnerable customers;
- staff training and resources; and
- monitoring and evaluating success.

The guide not only highlights best practice in treating vulnerable customers fairly, for example people in debt, victims of crime, or customers with physical or mental health problems, but also suggests ways to help the relatives or carers supporting them.

The measures suggested in this guide are not intended to be prescriptive or exhaustive and will be subject to ongoing review. We will continue to work with providers and expect to review the guide in future. We also expect providers to review their own performance and take steps to continually improve their approach. We will monitor companies' performance, including against our Fairness for Customers commitments which are designed to strengthen how companies treat their customers fairly, especially those who might be vulnerable.

Although clearly relevant to the fair treatment of vulnerable customers during the Covid-19 pandemic, this guide's focus is more general. Information on the specific ways in which providers are responding to the unique challenges linked to Covid-19 can be found [here](#).

Vulnerability in the UK

14.1 million



UK residents have a disability

1 in 6 adults

experience common mental health problems every week



Also, **23%** of us suffer anxiety when dealing with service providers



2.5 million

people in the UK are living with cancer

Dementia affects almost **1** million



people in the UK

318 people

declared bankrupt or insolvent **per day** Oct-Dec 2019



Sources:

Department for Work and Pensions, [Family Resources Survey 2018 2019](#)

Macmillan, [Cancer statistics](#)

Mental Health Foundation, [Fundamental Facts about Mental Health 2016](#)

Money and Mental Health Policy Institute, [Access Essentials](#)

Alzheimer's Society & Dementia Statistics Hub, [Prevalence projections in the UK](#)

The Money Charity, [Money Statistics March 2020](#)

2. Background

- 2.1 In September 2019 we consulted on our proposed guide to help providers treat vulnerable people fairly. We received responses from a number of providers, consumer bodies and individual customers and have carefully considered these when producing our guide.³
- 2.2 This guide suggests practical measures that providers could adopt, to help make sure they are treating vulnerable customers fairly and delivering good outcomes for those customers. This guide aims to bring together current examples of good practice based on our engagement with industry, consumer bodies, charities and other regulators and responses to our consultation.
- 2.3 The suggested measures, as set out in sections 3-7 of this document, cover:
- establishing and publishing policies;
 - treating vulnerable customers fairly;
 - recording information;
 - monitoring performance; and
 - staff training.
- 2.4 In this document, we refer to people whose circumstances have led them to becoming vulnerable as '**vulnerable customers**'. We recognise that organisations use a range of different terminology and some people might not like to be labelled as a vulnerable customer. However, the term is well-recognised among communications providers (to whom we refer as 'providers' in this guide) and allows us to discuss the topic openly and clearly, so we can seek improvements for customers in the communications sector.

Regulatory framework

General duties

- 2.5 Section 3(1) of the Communications Act 2003 (the "Act"), sets out Ofcom's principal duty:
- a) to further the interests of citizens in relation to communications matters; and
 - b) to further the interests of consumers in relevant markets, where appropriate by promoting competition.
- 2.6 Section 3(3) says that, in doing this, our activities should be transparent, accountable, proportionate, consistent, and targeted only at cases in which action is needed, as well as conforming to best practice.
- 2.7 Section 3(4) goes on to say that where relevant, we must also consider the needs of people with disabilities, the elderly and those on low incomes, and the vulnerability of children and of others whose circumstances mean they need special protection.

³ We have published a [summary of stakeholders' responses](#).

- 2.8 Some customers can be more vulnerable to unfair treatment than others, due to their personal characteristics or circumstances. The fair treatment of vulnerable customers is a priority for us.

General Conditions of Entitlement

- 2.9 Section 45 of the Act gives us a power to set (and modify) general conditions, which are regulatory conditions that all providers of electronic communications networks and services must comply with if they provide services in the UK. Under section 51(1)(a), those conditions might include measures aimed at protecting the customers of communications providers.
- 2.10 Ofcom's General Conditions of Entitlement (the "General Conditions") are the conditions we have put in place using these powers. General Condition ("GC") C5 aims to ensure that providers consider the needs of people with disabilities and vulnerable customers.
- 2.11 The General Conditions set out the services that providers must provide to certain groups of people, including people with disabilities or certain accessibility needs. These services include text relay services (on mobile and home phone), emergency SMS (mobile only), bills and contracts in accessible formats such as large print and Braille, priority fault repair (fixed broadband and landline), free directory information and third-party bill management. These services must also be widely publicised by providers, using appropriate communication channels (as per GC C5.6).⁴
- 2.12 This guide focuses on the provisions set out in GC C5.1-C5.5, which came into force on 1 October 2018.⁵ Ofcom introduced these provisions to ensure providers have policies and procedures in place to treat vulnerable customers fairly and appropriately:

"C5.1 This condition applies to all providers of Public Electronic Communications Services, each of whom is a 'Regulated Provider' for the purposes of this Condition.

C5.2 Regulated Providers must establish, publish and comply with clear and effective policies and procedures for the fair and appropriate treatment of Consumers whose circumstances may make them vulnerable.

C5.3 Such policies and procedures must include, as a minimum:

(a) practices for ensuring the fair and appropriate treatment of Consumers who the Regulated Provider has been informed or should otherwise reasonably be aware may be vulnerable due to circumstances such as age, physical or learning disability, physical or mental illness, low literacy, communications difficulties or changes in circumstances such as bereavement;

(b) how information about the needs of Consumers who the Regulated Provider has been informed or should otherwise reasonably be aware may be vulnerable will

⁴ Ofcom, [A guide to publicising services available to disabled people](#) 2016.

⁵ Ofcom, [General conditions of entitlement: unofficial consolidated version](#), 2020.

be recorded and the different channels by which these Consumers will be able to make contact with, and receive information from, the Regulated Provider; and
(c) how the impact and effectiveness of the policies and procedures are monitored and evaluated.

C5.4 *Regulated Providers must provide to Ofcom, on request, any information considered by Ofcom to be necessary to demonstrate compliance with this Condition.*

C5.5 *Regulated Providers must ensure that all staff are made aware of the policies and procedures and appropriately trained, including (if applicable) on how to refer Consumers to specialist teams or members of staff who have received additional training.”*

2.13 Our view is that publishing a guide on treating vulnerable customers fairly in light of the current General Conditions, as opposed to imposing new regulation, is an appropriate and proportionate way forward. It should give providers flexibility in how they comply in this area in order to achieve the fair treatment of vulnerable customers. Where necessary we will still take formal regulatory action.

Scope of this guide

2.14 This guide suggests measures that providers could adopt to help ensure they treat vulnerable customers fairly and give them the help, support and services they need. Our aim is to help providers to understand and respond appropriately to the needs of vulnerable customers, including ensuring their staff are equipped to meet these needs.

Who the guide is addressed to

2.15 GCs C5.1-5.5 apply to each “*Regulated Provider.*” They are defined in GC C5.1 as all providers of “*Public Electronic Communication Services.*” That is, providers of “*any Electronic Communications Service that is provided so as to be available for use by members of the public.*”

2.16 An “*Electronic Communications Service*” (“ECS”) is defined in the GCs as “*a service consisting in, or having as its principal feature, the conveyance by means of an Electronic Communications Network of signals, except in so far as it is a content service.*”

2.17 An “*Electronic Communications Network*” (“ECN”) is in turn defined as:

“(a) a transmission system for the conveyance, by the use of electrical, magnetic or electro-magnetic energy, of signals of any description; and

(b) such of the following as are used, by the person providing the system and in association with it, for the conveyance of the signals:

(i) Apparatus comprised in the system;

(ii) Apparatus used for the switching or routing of the signals; and

(iii) software and stored data...”

- 2.18 Providers must establish, publish and comply with policies and procedures that help to ensure vulnerable customers are treated fairly.
- 2.19 This guide is addressed to Regulated Providers. The measures suggested in the guide are examples of reasonable, practical steps that we consider will help to ensure vulnerable customers are treated fairly. The guide is designed to help providers build on current practices to improve how they treat vulnerable customers, in light of their regulatory obligations. The guide does not amend or replace their previous obligations or introduce new rules and the suggested measures do not constitute legal advice on how to comply with GCs C5.1-5.5. Having taken their own advice, providers may choose to adopt additional or other practices which also ensure vulnerable customers are treated fairly.

Potential future changes to the guide

- 2.20 We acknowledge that providers' practices in treating vulnerable customers fairly are a dynamic and evolving area, and practices and factors that may influence them such as technological advances may change over time. Providers should therefore aim to keep up to date with future industry developments. We will do the same.
- 2.21 We will also be mindful of government initiatives that may be relevant to the guide. And we welcome feedback from providers on how they find working with the guide in practice. If we identify alternative or additional measures we think it would be appropriate to include, we might decide to update the guide and would look to work with industry to ensure any changes are clear and appropriate.
- 2.22 Vulnerability is a key issue across several market sectors and providers may find it useful to look at examples of what providers are doing in other sectors to inform their own approach. For example, the UKRN document on the support vulnerable people should receive in regulated markets and the report of the UKRN vulnerability event both include case studies within and across several market sectors.⁶

Equality impact assessment

- 2.23 Ofcom is required to consider any potential impacts our proposals might have on particular groups, such as people sharing a protected characteristic as defined by the Equality Act 2010. These include sex, disability and race. In addition, our equality duties in Northern Ireland, under section 75 of the Northern Ireland Act 1998, require us to consider the desirability of promoting good relations between people of different religious belief, political opinion or racial group.
- 2.24 The contents of this guide are consistent with our duties in this area. We do not consider that the measures suggested in this guide would result in any negative impact on any

⁶ UKRN Vulnerability Event, [Driving fair outcomes for vulnerable consumers, 2020](#). UKRN response, [Consumers in vulnerable situations: the support consumers should receive in regulated markets, 2020](#).

protected groups. We further consider that the suggested measures reinforce the benefit of GC C5.1-5.5 to vulnerable customers.

3. Establishing and publishing policies

C5.2 Regulated providers must establish, publish and comply with clear and effective policies and procedures for the fair and appropriate treatment of customers whose circumstances may make them vulnerable.

3.1 In this section, we suggest measures for providers to consider when establishing and publishing their policies and procedures for treating vulnerable customers fairly.

Proactive senior level engagement

3.2 Senior leaders should play a part in making sure their vulnerable customers are treated fairly. This includes making sure the treatment of vulnerable customers is high on their agenda, discussed regularly in senior meetings and across the organisation.

3.3 Many providers have appointed senior sponsors to oversee their organisation's work in this area, and we welcome this. We encourage providers to avoid having just one person responsible for overseeing how vulnerable customers are treated. We also recommend that accountability is held at the appropriate level of seniority and influence, such as board or executive level. We recognise this might in practice work differently across providers.

3.4 We encourage senior sponsors to take the lead on making sure that fairness, especially for vulnerable customers, is embedded into the organisation's culture. This should help make sure that the fair treatment of customers, especially vulnerable people, is considered at all levels of an organisation.

3.5 We also encourage sponsors to actively monitor how their organisation is performing when it comes to treating vulnerable customers fairly. This can include through staff performance and customer feedback. This will also help them take the lead on improving outcomes for vulnerable customers, as they will have a greater understanding of where things are not going well.

Taking an inclusive approach to who is potentially vulnerable

3.6 GC C5.3 provides some examples of circumstances that could indicate that a customer is vulnerable. These include age, a physical or learning disability, a physical or mental illness, low literacy, communications difficulties or changes in circumstances such as bereavement.

3.7 This is not an exhaustive list, and some people might face other circumstances that could be a driver of vulnerability, for example low income or a sudden reduction in regular income, job loss, or living in an isolated rural area. We further recognise that people can experience a combination of circumstances at any point and that vulnerability might also change over time.

3.8 So, when designing policies and procedures on treating vulnerable customers fairly, we expect providers to take an inclusive approach to who may be considered vulnerable. This

means having an approach that includes and takes account of the different types of vulnerabilities that their customer base might be facing, recognising they can be sudden and dynamic in nature, as the current challenges brought about by the Covid-19 pandemic illustrate. This will make sure that their policies and procedures cover the wide range of people who might need their help, support and services, helping providers to respond quickly and sensitively to customers changing circumstances.

- 3.9 As the examples on page 3 illustrate, a large proportion of people in the UK might already be or could potentially become vulnerable due to their personal circumstances.⁷ So, providers should continuously seek to develop their understanding of the different issues that could affect their customers and use this when designing their policies and practices, and when designing customer services.
- 3.10 Providers will not always know when someone is vulnerable. Taking an inclusive approach to design of services can help to make sure that the widest range of customers can benefit from better service, whether or not they have been identified by their provider as vulnerable. We encourage providers to consider taking such an approach.
- 3.11 Several providers have worked with consumer bodies and charities when developing their policies and procedures. Drawing on such expertise can help providers continue to develop their understanding of the different groups of vulnerable customers (and what help, support and services they may need). Providers could also consider engaging with a range of customers when designing support and services, to make sure they are accessible, easy to understand and are used as much as possible.

Publishing policies on treating vulnerable customers fairly

- 3.12 GC C5.2 requires providers to publish their policies and procedures on treating vulnerable customers fairly. Doing so can help set out clear expectations and provide transparency for customers. When publishing them, we expect the information to be accurate and up-to-date, easy to understand, clearly signposted and easy to find.
- 3.13 Information should specifically be designed for and meet the needs of vulnerable people. Providers should use simple language, minimise jargon and avoid technical terms. They should not overcrowd information. Key pieces of information should be highlighted for example using bold or colour. Some providers might also wish to use videos or infographics to explain certain products or services. Providers could consider testing their communications with vulnerable people and/or consumer bodies to check the content is sufficiently clear and engaging for vulnerable customers.
- 3.14 As many customers will use providers' websites to access such information, we expect policies and procedures to be published on those websites. We encourage providers to take the following steps to make sure the relevant webpages are easy to locate and useful for vulnerable customers.

⁷ Though the profiles of each provider's respective customer base may vary

- Make sure the policies and procedures and contact, help and accessibility webpages are easy to find, and prominently linked from the homepage, and include all available contact methods.
- Make sure website search functions bring up relevant policies, procedures and useful information, including the information included in contact, help and accessibility web pages.⁸
- Include summaries of the services required by the general conditions (such as priority fault repair or text relay)⁹ within published information, including how the services can be accessed. ¹⁰
- Make information accessible for example by making sure it is readable by screen reader software.

3.15 As some people might not use the internet, we expect providers to offer information about relevant help, support and services in different formats or through other communication channels. These could include providing paper copies by post on request or printing them in store or given through other contact methods such as over online chat facilities or verbally over the telephone, with agents trained to use plain, jargon-free language.

⁸ This could, for example, include the provider's approach to providing paper bills and any costs attached (under Ofcom rules providers can charge a reasonable fee for providing this service).

⁹ See General Conditions C5.6-5.13.

¹⁰ Ofcom, [A guide to publicising services available to disabled people](#) 2016 sets out good practice in relation to publicising services for disabled people.

4. Treating vulnerable customers fairly

C5.3 Such policies and procedures must include, as a minimum... (a) practices for ensuring the fair and appropriate treatment of Consumers who the regulated provider has been informed or should otherwise reasonably be aware may be vulnerable...

4.1 This section sets out some suggested measures providers could take to identify vulnerable customers and treat them fairly.

Identifying vulnerable customers

4.2 Identifying someone who might be a vulnerable customer is the first step in providing the support they might need. Without taking effective steps to identify these customers, those who need and are entitled to support might not get it, unless a service is truly inclusively designed.

4.3 Our evidence suggests there is much more progress providers can make in this area. While some providers have some records of vulnerable customers in certain groups, the overall number of customers identified by providers as potentially vulnerable is significantly smaller than we might expect.

4.4 We recognise that identifying who is potentially vulnerable can be challenging for providers, who in some cases will have limited information about a person's life or circumstances. In addition, people's individual circumstances can change at any point. A new customer might not be vulnerable at the time of signing up to a new provider, but changes in their personal circumstances might lead to them becoming vulnerable in future.

4.5 So, we encourage providers to raise awareness of the help, support and services available to all new, existing and re-contracting customers (promoting the extra help, support and services that are available is covered at paragraphs 4.32 to 4.36 below). This will help customers, especially vulnerable people, to decide if these would be useful to them. Customers might be more willing to share information about a vulnerability if they know they can get extra support from their provider by doing so.¹¹ Providers should encourage customers to tell them about any specific accessibility or customer services needs they have, to avoid creating any difficulties to them receiving the help they need. We encourage providers to:

- ask all customers at the earliest opportunity whether they have any specific accessibility or customer service needs that the provider could help with;

¹¹ For example, Citizen's Advice, *Counting on it (2019)*, page 14, which states that 40% of people with a mental health problem have disclosed or are willing to disclose in the right circumstances, with 21% of those people only being willing to disclose if it meant they got support from their provider as a result. (Based on Citizen's Advice analysis of polling from a March 2018 ComRes survey with a base of 1,530 adults with mental health problems).

- provide information to all customers on the help, support and services they offer customers who might be vulnerable or have specific accessibility or customer service needs;
 - clearly explain how customers can sign up for help, support or services at any time;
 - have a range of methods for customers to inform or update them about any vulnerability they may be experiencing, or any specific accessibility or customer service needs they have. These could include online forms, a phone number or web chat function; and
 - tell customers what will happen if they share information about a vulnerability, what additional support they are likely to receive as a result and what is likely to be discussed. This should help manage expectations and minimise concerns and anxiety in sharing personal details. This could be via information published on a provider's website or explained in conversations.
- 4.6 The information should be easy to understand and should be published on providers' websites,^[2] so it is widely accessible to customers. Over the telephone, webchat, or in store, customer-facing representatives could refer to the information and offer to send it to customers or verbally explain the services available.
- 4.7 Some people might not be willing or feel able to tell providers they are vulnerable or have a specific customer service need. Talking about their personal circumstances might cause them anxiety or distress. So, providers should train their employees to be aware of potential characteristics, behaviours or verbal cues of someone who might be vulnerable. Employees will then be able listen carefully and proactively offer or explore with the customer the help, support and services that are available and may benefit them. This could increase providers' ability to offer the help that vulnerable customer's need.¹²
- 4.8 As set out in section 5, where providers think it would be appropriate to record information about a customer's vulnerability or needs, they must do so in line with data protection legislation.
- 4.9 It is important that providers take steps to improve how they identify vulnerable customers so that they can give them the right help and support. While these steps might not result in all such customers being identified, we would expect them to result in substantial improvements in the numbers who are identified in the communications sector.

How providers can help vulnerable customers

- 4.10 We set out below a range of suggested measures that we encourage providers to consider including in their policies and procedures.

^[2] See section three for discussion on publishing policies.

¹² For example, Money Advice Trust [BRUCE tool](#).

- 4.11 As set out in paragraph 3.10, providers will not always know when someone is vulnerable. To help overcome this problem, in addition to inclusive design,¹³ we suggest that providers consider applying the following measures to all customers. This will make sure a wider range of vulnerable customers receive the appropriate help, support and services they need even if their provider does not know they are vulnerable. It will also mean customers who are not currently vulnerable, or whose circumstances change suddenly, will benefit from these measures.

Offer a wide range of communication channels

- 4.12 We expect providers to offer a range of communication channels to customers, which reflect the needs of their customers. These channels should be clearly displayed and easy to find.¹⁴ These should include, where appropriate, telephone, post, email, webchat, and video and text relay. Providers should also make sure customers can carry out important account activities such as sharing information about their customer service or accessibility needs, sales, re-contracting, switching, billing or complaints using these channels. As noted above, providers are also required to provide text relay services and bills in large print or Braille.¹⁵ Providers should offer to record their customer's preferred communication channel so that they can take this into account when they need to get in touch.
- 4.13 Having a wide range of communication channels is important as different customers will have different preferences or needs, sometimes due to their personal circumstances or characteristics. For example, 54% of customers who have experienced mental health problems have serious difficulties using the telephone and might therefore prefer an alternative communication channel.¹⁶ In addition, partially sighted or blind customers might prefer a combination of telephone conversations and large print/Braille correspondence by post. Conversely, some people are not comfortable with telephone calls or find receiving post stressful, so they might prefer digital channels.

¹³ See section 3.10 above for what we mean by inclusive service design and the benefits it may bring.

¹⁴ With any attached costs to using such channels made clear.

¹⁵ See GC C5.8-9 on relay service and C5.13 on bills and contracts in accessible formats. We consulted on expanding this condition in Ofcom's [proposals to implement the new European Electronic Communications Code, 2019](#) and will be publishing our statement later in 2020.

¹⁶ Money and Mental Health Policy Institute's *Access Essentials, Giving people with mental health problems equal access to vital services*.

“My hearing has recently deteriorated. I find it hard to communicate as I always use the phone.”

When a customer says they have particular needs, it is important that this is noted on their account, with the customer’s agreement. Relevant services should be outlined and agreed before communication channels are updated, where necessary.

In this scenario, appropriate services to suggest may be alternative communication channels for contacting the provider like email or webchat, text relay, different hardware (a telephone that works well with hearing aids) or a referral to specialist organisations.

Make customer interactions a positive experience

- 4.14 We encourage providers to focus on making customer interactions positive for all their customers, especially vulnerable people, including when the customer is switching or otherwise terminating their contract.
- 4.15 Frontline staff should be trained¹⁷ to communicate with vulnerable customers with empathy and support, and listen carefully to what they say, to help them feel more comfortable in speaking to their provider or sharing their customer service needs.
- 4.16 Often small changes in approach will have a meaningful impact on a customer’s experience, for example, allowing more time on a telephone call to ensure a high-quality conversation, rather than focusing on call-time targets. Providers should also allow customer service advisors some degree of flexibility to go ‘off-script’ when speaking to vulnerable customers, as they might need more detailed information or a specific approach that suits their needs.
- 4.17 We also encourage providers to do what they can to avoid vulnerable customers having to explain their personal circumstances each time they contact them, which could be frustrating and/or distressing. In addition to the points covered about recording information chapter 5, this could include:
- direct contact to specialist teams or members of staff who have received additional training should be available for customers who would benefit from this; and
 - customer service advisors being clear on what will happen next and the likely timescales for next steps.
- 4.18 Some providers are taking steps to also improve face-to-face interactions with customers. Examples include checking in advance if someone might take longer to answer the door if an engineer’s visit is necessary, deploying engineers for relatively minor issues like installing equipment, where this would help the customer and is available, having dedicated sessions with British Sign Language interpreters in-store or made available digitally.

¹⁷ See section seven on staff training.

Being responsive and sensitive to vulnerable circumstances

- 4.19 We encourage providers to be responsive and sensitive to customers in vulnerable circumstances.
- 4.20 Sometimes customers can find themselves in vulnerable circumstances very suddenly. For example, if a crime has been committed against an individual, they might quickly find themselves without their mobile phone if it has been taken by the police as evidence.
- 4.21 In these circumstances, we would expect providers to be patient and empathetic and focus only on the information that they need (for example avoiding unnecessary questions about the crime). They should recognise the importance third parties can play in these circumstances, helping customers avoid reliving their experiences when they engage with their provider.¹⁸
- 4.22 We understand and welcome the fact that many providers already have policies covering such circumstances, including ensuring that customers do not pay for mobile phone services they have not been able to use, and other types of measures such as those also mentioned in the scenario below

¹⁸ We would expect the involvement of third parties to be subject to any reasonable verification and consent procedures, or clear concerns about fraud or other concerns.

“Someone committed a crime against me and now I don’t have my mobile phone because the police have taken it for evidence.”

In this example, a customer who might not have required any extra help, support or services in the past is now potentially vulnerable.

When a customer is in these circumstances, they are likely to be upset and distressed. Contacting their provider to inform them of what has happened to their phone might be a significant step in the circumstances. They might not feel able to talk to their mobile phone provider directly and may ask a trusted friend or family member or an organisation like Victim Support to make contact on their behalf.

Good customer service would include the agent showing empathy and compassion, listening carefully and taking the time to ensure they have the key information they need (this might, for example, include a crime reference number, which the provider can then verify with the police).

The customer should not feel pressured to provide any more information than is necessary. Where a third party makes the contact, identification and verification procedures should be clearly explained and appropriate to the circumstances to avoid unnecessary repeat contacts with the customer.

In this scenario, it would be appropriate to make sure customers don’t pay for mobile phone services they have not been able to use while their mobile phone is in police custody. Where possible and appropriate, new numbers, temporary SIMs and/or temporary handsets should be offered to customers.

Provide clear accessible written communications

- 4.23 We encourage providers to make sure their key written communications, including web chat, bills, terms and conditions, policy documents and contracts are clear and use plain English where possible.¹⁹ In doing so, providers should be aware that some customers have lower levels of literacy or health conditions that affect their ability to process information. We are aware that some providers use videos and infographics to help communicate with customers.
- 4.24 Where possible, we encourage providers to tailor content to customers’ specific needs and be clear if there is an action for the customer to take, for example, if they are expected to get in touch or make a payment. Where relevant, written communications should also include information on the help, support and services that are available to vulnerable groups.

¹⁹ General Condition C1.2 requires that minimum contractual requirements be provided in a ‘clear, comprehensive and easily accessible form’. Section 64(3), Part 2 of the Consumer Rights Act 2015 requires that consumer contracts and consumer notices be expressed in plain and intelligible language.

¹⁹ Where appropriate, providers should signpost customers to external sources of help, see paragraphs 4.41 to 4.45.

- 4.25 Many people use the internet to access information. Providers' websites and apps should be easy to understand and navigate, with useful information and access to help, support and services. Providers should carefully consider what titles and search terms are used for this information as words like 'vulnerability' or 'accessibility' might not mean much to customers.
- 4.26 We also recommend that websites and apps are accessible for those with disabilities. For example, tested with screen readers to make sure they work correctly for people with visual impairments and, where possible, websites allowing for keyboard-only navigation to support customers with motor impairments.
- 4.27 Providers should review their communications regularly, particularly those that are most commonly used, to ensure they are fit for purpose and take account of any feedback or good practices shared by charities and consumer bodies. They could also test their communications with a range of customers with different accessibility needs, cognitive problems and literacy levels, where possible.

Offer follow-up information in writing

- 4.28 Some people might find it useful to receive information and/or a recap of actions agreed in writing (for example by email, online accounts or SMS) following a telephone call or web chat, so they can review and digest in their own time. For example, they might not remember information well, have memory problems due to a health condition or find it hard to process what is said to them in real time, particularly over the telephone.
- 4.29 We therefore suggest that providers offer follow-up information in writing at the end of conversations with vulnerable customers who would benefit from this, to make sure customers are aware of this option and can make use of it if they want to. We acknowledge in some cases this service is already provided following an online or SMS-based conversation.
- 4.30 Offering follow-up information in writing will be useful for many people, especially vulnerable people. Where appropriate, this should include information about services they are purchasing, changes they are making, for example upgrading or downgrading or account/billing changes and any help, support or services that might assist them.
- 4.31 If a provider has specialist teams or members of staff who have received additional training, it may be appropriate for them to deal with these requests.

“My husband has died. How do I transfer the phone account at our house into my name?”

In this example, the caller might be upset and distressed. Good customer service would include the agent showing empathy and compassion, listening carefully and taking the time to discuss all the details of their account, including how the account holder’s name can be changed.

Where possible, queries should be dealt with during the first point of contact, to avoid further upset to the customer. Providers should also make sure they do not send any further correspondence in the customer’s husband’s name, as this could distress the customer. It might be useful to provide a summary of the changes and discussions in writing after the call, so the caller can refer to it in their own time.

Promote the extra help, support and services that are available

- 4.32 We encourage providers to promote the full range of extra help, support and services they offer to customers. We also remind providers that they are obliged to promote the services they offer to meet the needs of customers with disabilities.²⁰
- 4.33 In addition, providers could consider working with consumer bodies and charities to increase awareness of the help, support and services that are available. For example, providers could raise awareness of their accessibility services to relevant customers by collaborating with relevant charities on how to promote these services effectively.
- 4.34 As set out in paragraphs 4.2 to 4.9, we encourage providers to provide all customers with information around the time they take out a new contract, for example, sent alongside their new contract documents or welcome pack, that sets out:
- a) details of the help, support and services they offer customers who might be vulnerable or have specific accessibility or customer service needs; and
 - b) clearly explains how customers can sign up for help, support or services at any time.
- 4.35 The information should be easy to understand and should be published on providers’ websites,^[2] so it is widely accessible to customers. Over the telephone or webchat or in store, customer-facing representatives could refer to the information and offer to send it to customers or verbally explain the services available.

²⁰ Ofcom’s 2016 guidance document, [A guide to publicising services available to disabled people](#) sets out good practice in relation to publicising services for disabled people, which is still relevant when publicising services to those customers.

^[2] See section three for discussion on publishing policies.

“I’m 86 and don’t see or hear too well anymore, and I didn’t catch everything you said on this call, but I’m sure it’s going to be fine.”

Good customer service could include the agent noting the customer’s specific accessibility or communication needs (in line with data protection legislation), being empathetic with the customer, identifying that they may benefit from taking longer to talk to them and offering to follow the call with a written summary (especially if the customer made changes or signed up for additional services). We would also expect the provider to make the customer aware of the help, support and services that are available, such as text relay and bills in large print.

- 4.36 We encourage providers to send a reminder of the available help, support and services to existing customers on a regular basis, for example, once per year with billing or other customer service communications. We are aware that providers in the energy sector give their customers this sort of reminder alongside their annual account update. One example we have observed in the energy sector states: *‘Let us know if you need extra help. If you’re elderly, disabled, sick... we can help make your life easier. Sign up here [link] to get help that best suits you’*.

Implement specialist customer service teams /staff members who can help

- 4.37 We encourage providers to have in place specialist staff who have had training on helping vulnerable customers.²¹ This could be in a separate team, or a selection of employees who receive further training on particular customer issues, for example handling suicide threats, problem debt and mental health problems.
- 4.38 Where a vulnerable customer’s needs will be better met by a specialist, they should be referred as soon as possible. Staff should be trained to understand how and when to refer customers to specialist teams or staff members.
- 4.39 We encourage providers to allow specialist members of staff to dedicate the time to certain customers, regardless of the channel they are using to communicate. We also encourage providers to ensure specialist staff are empowered to offer flexible solutions to people who have specific customer service needs.
- 4.40 Most of the larger providers are taking this approach. We welcome this and other initiatives including dedicated telephone lines for vulnerable customers and specialist staff in teams responsible for debt collection (where there is often a higher likelihood of speaking to vulnerable customers).

²¹ We discuss the use of specialist teams further in section seven.

Signpost other organisations that support vulnerable customers

- 4.41 In some cases, it might be appropriate to refer customers to a third-party organisation such as Citizens Advice, debt charities, mental health charities or the Samaritans.²² This is because they may be better equipped to provide specialist help and support.
- 4.42 We therefore encourage providers to promote third-party organisations and services in their conversations with customers or send links to useful information. This will enable customers to consider these services and get in touch with the relevant organisation when they are ready to do so.
- 4.43 Providers should have clear procedures for signposting third-party organisations and train staff to know about the different organisations and when and how to refer customers.
- 4.44 We also encourage providers to build links with third-party organisations. Where possible, this could include having direct telephone or digital routing available for customers or organising follow up contacts for customers who might need urgent assistance and who consent to being transferred or referred and having their personal information passed on. However, providers will need to work with the third-party organisations to ensure they have the capacity and staff available to deal with referrals.²³
- 4.45 There are also external resources available from consumer bodies which could help providers to implement processes and train staff to help vulnerable customers.²⁴

Help third parties, such as relatives or carers, who are supporting vulnerable customers

- 4.46 Vulnerable customers are sometimes helped by people such as relatives or carers, or consumer bodies. We encourage providers to be sensible when communicating with these people or organisations when required so they can deal with queries or issues on behalf of customers, subject to any reasonable verification and consent procedures. The boxed example below suggests what this might look like.
- 4.47 This includes staff being aware of which types of third party can act on a customer's behalf, how they can act and on what basis, and recognising that in addition to trusted friends and family members, organisations that support vulnerable customers can act as third parties.²⁵ If specialist staff or teams deal with these matters, frontline staff should be trained on when to refer customers to them.
- 4.48 Providers are required to offer third-party bill management services, which can benefit vulnerable customers. These services should be accessible and easy to set up. Providers

²² This list is non-exhaustive.

²³ Providers may also want to consider offering such organisations a direct way to contact them on the customer's behalf rather than via general customer service contact channels.

²⁴ For example, Money Advice Trust, [Vulnerability, mental health and the energy sector: a guide to help identify and support customers](#).

²⁵ For example, Ofcom, [Power of attorney and bill management](#) and UKRN, [Supporting customers who do not make their own decisions, 2019](#).

should promote awareness to customers where appropriate, so those who might benefit are aware of these services.

- 4.49 We also encourage providers to offer other third-party services where possible, including the ability for a customer to switch any third-party permissions on and off and set up additional notifications for the person acting on their behalf, such as potential spending or usage alerts.²⁶ These can really help, for example where a customer experiences fluctuating mental capacity.²⁷
- 4.50 Providers' procedures should be consistent with the law on mental capacity and decision making, including powers of attorney, recognising that mental capacity can fluctuate. Providers should make sure their frontline staff are appropriately trained in handling the different types of third-party representatives, including deputyship, power of attorney and appointees.²⁸

“My brother has suffered a head injury and can no longer manage his own affairs. Finalising the deputyship order is likely to take two or three months. In the meantime, he is paying for broadband services he cannot use.”

We would expect the provider to speak to the person representing the customer with compassion and empathy. We would also expect the provider to use suitable verification methods, for example, asking to see paperwork regarding the deputyship order. In relation to the account, good customer service could include the provider allowing the account to be frozen for an initial period (at least as long as it takes to obtain the deputyship order).

Act fairly when a customer is facing problem debt²⁹

- 4.51 Debt can be stressful and can have a significant impact on a person's mental health. Research by the Money and Mental Health Policy Institute shows that, each year, 13% of people in problem debt³⁰ think about suicide and three per cent of people in problem debt attempt to take their own life.³¹
- 4.52 We expect providers to recognise that customers who are in arrears are likely to be vulnerable. We therefore encourage providers to take extra measures to make sure

²⁶ As suggested in Citizens Advice publication [Minimum standards support for people with mental health problems](#).

²⁷ Money and Mental Health Institute, [A little help from my friends, 2019](#).

²⁸ See also Ofcom's guide on [Powers of attorney and third party bill management](#).

²⁹ This guide is primarily focused on day to day fair treatment. Information on the specific ways providers are responding to the unique challenges linked to covid-19 can be found [here](#).

³⁰ Money and Mental Health Policy Institute's *A Silent Killer Report* defines 'problem debt' as meaning someone who has been seriously behind on payments for bills or credit agreements or have been disconnected by a utilities provider in the past year.

³¹ Money and Mental Health Policy Institute's *A Silent Killer Report*.

customers in debt or customers struggling to meet their regular payments are treated fairly.³²

- 4.53 Providers should be aware of the requirements of the Government's *breathing space scheme*.³³ At the time of publishing this guide, this is due to be implemented in early 2021 and will allow eligible customers 60 days' respite from creditor action.
- 4.54 Providers should, wherever possible, prevent customers from being disconnected. Disconnection is a serious step that should only be used as a last resort and we suggest several steps to be taken before it is considered.
- Use a range of communication channels when contacting a customer about their debt (including their preferred method of communication) before taking any follow-up action, including enforcement or debt recovery. Allow a customer some time to get help, support and advice on how to manage their debts (without the threat of enforcement action or disconnection during the same period).³⁴
 - Consider offering payment holidays or deferrals, or freezing additional fees and charges where a customer is experiencing problem debt, particularly while the customer is seeking debt help and advice.
 - Ask questions to understand the customer's financial situation and ability to pay.
 - Discuss and agree a realistic and reasonable payment plan which is flexible and repayable over a period of time and based on their ability to pay (including considering any advice or proposals from a debt adviser).³⁵
 - Help the customer understand the payment plan and any additional costs involved, and clearly explain any consequences of non-payment (including any impact on services).
 - Offer tariff advice, whether that is switching to a cheaper tariff or social tariff. For example, customers who have experienced higher out of contract charges and have recently fallen behind with payments could benefit from such engagement with their provider. Providers could consider waiving early termination charges if a customer does switch tariff due to their debt.
 - Make customers aware of services that might cost more than they are expecting and discuss implementing bill or usage checkers and limits.
 - Refer customers to debt organisations or charities that can provide free debt advice and support (directly where possible).³⁶ Consider offering to set up and action such a referral for the customer - see signposting section.
 - Make sure the customer can easily access their billing information to help prevent debt building up again in the future.

³² Ofcom's General Conditions rules place obligations on providers to ensure that any measure they take to effect payment or disconnect services are proportionate and not unduly discriminatory (GC C3.11). Providers must also publish details of the measures they may take to obtain payment or disconnection, where a customer has not paid all or part of a bill.

³³ Providers could consider using the [Standard Financial Statement](#) to assess a customer's ability to pay.

³⁴ HM Treasury, [Breathing space scheme: response to policy proposal, 2019](#).

³⁵ Providers should also be aware of the requirements of Government's *statutory debt repayment plan*, currently due to be implemented alongside the *breathing space scheme* in early 2021.

³⁶ For example, StepChange, the Money Advice Service, National Debtline, Business Debtline, Debt Advice Foundation, Citizen's Advice and Christians Against Poverty.

- 4.55 To benefit customers who are struggling to pay their bills, providers could work with consumer bodies or other organisations specialising in financial support. For example, to increase awareness of the help, support and services that are available, and to ensure that any information required to support their work is accurate and timely.
- 4.56 Ultimately, providers might need to be flexible in their policies and procedures when dealing with customers facing problem debt as their circumstances and needs might be more complex.

“I suffer from mental health problems and have difficulties with my memory and remembering information. My income fluctuates as a result and I have had to deal with the collections team before, which has brought on severe anxiety and scares me.”

One in four people will experience a mental health problem each year and over a third of people experiencing a mental health problem have never been diagnosed. We therefore expect providers to be aware that a high proportion of their customers will be affected by mental health problems and they should be equipped to offer them the appropriate help, support and services.

In this example, good customer service would include the provider giving clear and accessible information, via the customer’s preferred communication method. The provider could offer to send details of any verbal conversations in writing, so the customer has time to digest what they have been told. It may be appropriate to offer tariff advice due to the customer’s income fluctuations.

If the customer is in arrears, the provider should allow them time to get help and support without the threat of enforcement action or disconnection during that period. The provider should also act fairly when pursuing debt recovery, including discussing and agreeing a reasonable repayment plan (including considering any advice or proposals from a debt adviser).

5. Recording information

C5.3 Such policies and procedures must include, as a minimum... (b) how information about the needs of Consumers... will be recorded and the different channels by which these Consumers will be able to make contact with, and receive information from, the Regulated Provider.

5.1 This section sets out some suggested measures for providers on recording information about vulnerable customers' needs.

Recording vulnerable customers' needs

5.2 Providers' policies and procedures must include details of how they record information about the needs of vulnerable customers. Providers should understand and capture their customers' needs, so they can provide support and services that help. Capturing this information can also help providers to identify potential areas for improvement in existing services. As noted above, when collecting this information, frontline staff should be patient, empathetic and sensitive to the customer and their circumstances.

5.3 We have described above how providers can encourage customers to share their specific accessibility or customer service needs. These steps will help providers to identify vulnerable customers, and give them the additional help, support or services they need. Vulnerable customers should not need to repeat themselves when they are put through to another person or department. This can be achieved by, for example, customer service advisors discreetly passing on relevant information, having checked with the customer that they are happy for them to do so.

5.4 We expect providers' frontline staff to accurately record their customers' needs and/or any personal information that a customer discloses³⁷ which is relevant to their services and which can be recorded in line with data protection legislation. It might be helpful if they explain to the customer that they are making notes to help avoid customers having to repeat the same information in future. Providers should ensure that this information is visible to other frontline staff on internal systems, with appropriate access controls in place.

5.5 To support accuracy, frontline staff could check if a customer's circumstances have changed by making use of opportunities to discuss this with them. For example, if a member of staff gets in touch with a customer to discuss their account or services, they could take a moment to ask if the customer has any specific accessibility or customer service needs or, if they have already recorded specific needs, check if these are still relevant to the customer.

³⁷ Such information should be date-stamped, so that it is clear when it was recorded on the system.

- 5.6 We would expect providers to update their systems when they are made aware that a customer is no longer vulnerable or no longer has specific customer service needs. Accurate recording should reduce the need for customers to repeat personal information at each contact point, which could be frustrating or distressing. As set out below, where providers think it would be appropriate to record information about a customer's vulnerability or needs, they should do so in line with data protection legislation. Examples include recording when someone needs paper documents sent in large print or Braille or that someone needs longer on telephone calls. Providers' systems should be able to capture this type of information and easily amend it.

“I suffer from cerebral palsy and every time I contact my provider; I have to repeat myself and ask them to take a bit longer on the call with me.”

Good customer service could include actively listening to the customer and recording the customer's needs accurately on their system the first time they are told (subject to data protection legislation). This will enable the provider to meet the customer's needs and offer a better service, and avoid the customer having to repeat themselves each time they contact their provider. The provider should ensure the customer is given more time on telephone calls, as they have requested.

Data protection considerations

- 5.7 When recording information about customers, providers will need to comply with relevant data protection legislation, including the General Data Protection Regulation, ensuring it is accurate, relevant and limited to what is necessary.³⁸ Providers should take steps to ensure they record, hold, use, process and protect this information in line with data protection legislation. They should establish an appropriate basis in law and (where special category data may be being recorded) a condition for processing, before personal data is recorded.³⁹
- 5.8 Providers should refer to other relevant guidance from the Information Commissioner's Office, such as documents on the conditions for processing special category data,⁴⁰ data-sharing,⁴¹ data retention,⁴² data minimisation⁴³ and data protection impact assessments.⁴⁴
- 5.9 Under data protection legislation, providers must provide information to customers about what to expect when they collect their personal information and the rights they have for example regarding the processing of information and to withdraw consent. This must be concise, transparent, intelligible and easily accessible. The ICO has published detailed

³⁸ Regulation (EU) 2016/679.

³⁹ ICO [guidance](#) and lawful basis [interactive tool](#). See also conditions for processing special category data in ICO's [special category guidance](#)

⁴⁰ ICO, [special category guidance](#)

⁴¹ ICO, [data sharing code of practice](#), under review at the time of publication.

⁴² ICO, [storage limitation](#).

⁴³ ICO, [data minimisation](#).

⁴⁴ ICO, [data protection impact assessments](#).

information covering the customer's right to be informed. We expect providers policies and procedures to reflect, and appropriately reference, their published privacy information.⁴⁵

⁴⁵ ICO, [privacy information to provide](#) , [right to be informed](#) , [create a privacy notice](#)

6. Monitoring performance

C5.3 Such policies and procedures must include, as a minimum... (c) how the impact and effectiveness of the policies and procedures are monitored and evaluated.

6.1 In this section, we outline suggested measures for how providers can effectively monitor and evaluate the impact and success of their policies and procedures for treating vulnerable customers fairly.

Evaluating staff performance

6.2 We noted above how senior management should take an active role in monitoring their organisation's performance in treating vulnerable customers fairly. This is so they have clear oversight of the service being delivered and can bring about improvements where necessary.

6.3 Providers will generally already monitor the service being provided to customers by their employees, and we acknowledge that providers will have different approaches to this. We expect such monitoring to include assessing the quality of customer service being delivered to vulnerable customers.

6.4 In relation to evaluating frontline staff performance, we encourage providers to consider the following practices, some of which we have observed already being used by providers.

- Include measures in their performance measurements relating to the service provided to vulnerable customers. This could be linked to the providers' annual reporting processes or similar reviews.
- Conduct random quality assurance evaluations to make sure the right information and services are provided to vulnerable customers, this could include different points in the customer journey, such as handling disclosures of vulnerability or escalations to specialist teams.
- Carry out call monitoring or mystery shopping to ensure high quality customer service is being delivered by frontline staff, especially for vulnerable customers.
- Make sure staff are not penalised for spending more time talking to vulnerable customers.
- Acknowledge and reward employees who deliver great service to a vulnerable customer, for example following positive customer feedback.
- Deliver comprehensive feedback and coaching to employees to highlight where things have gone well and where improvements are needed, including exploring whether follow-up training would be beneficial.⁴⁶

⁴⁶ See section seven on staff training.

Gathering and using customer feedback

- 6.5 We also encourage using feedback from customers, including those who might be vulnerable, to see how to improve the customer service being provided to vulnerable customers. This could include data from customer satisfaction surveys and complaints, insights from social media channels and online forums.
- 6.6 Frontline staff might also have useful suggestions on improving customer service for vulnerable customers. Providers could therefore consider regularly asking staff for recommendations based on customer feedback through focus groups, staff surveys or internal forums. These channels can also be used to discuss issues or concerns or share tips for good practice and should be open to all staff. If appropriate, there could be an option for employees to raise issues anonymously.
- 6.7 This feedback can be extremely helpful in identifying areas where a provider is falling short of expectations and improvement is needed to deliver a high level of customer service, especially for vulnerable people.
- 6.8 We encourage providers to utilise customer feedback in the following ways.
- Regularly monitor changes in complaints levels, customer service survey results or other customer feedback.
 - Carry out root-cause analysis where potential shortcomings or concerns are identified.
 - Speak directly to vulnerable customers who have complained to an in-depth understanding of how their experience could have been handled better (rather than relying on high-level feedback).
 - Work with panels of customers who have specific or additional customer service needs when implementing changes or new initiatives to ensure they are fit for purpose and will be helpful.
 - Work with consumer bodies that have experience working with vulnerable groups and/or make use of their published resources.⁴⁷
 - Use customer feedback in staff training, to bring to life customer experiences and improve training materials.⁴⁸
- 6.9 We have also observed one provider putting in place a complaints-related steering group to highlight and discuss complaints trends and how they can be addressed.

⁴⁷ For example, the Money Advice Trust's [Vulnerability resource hub](#).

⁴⁸ See section seven on staff training.

7. Staff training

C5.5 Regulated Providers must ensure that all staff are made aware of the policies and procedures and appropriately trained, including (if applicable) on how to refer Consumers to specialist teams or members of staff who have received additional training.

7.1 In this section, we set out some suggested measures on the staff training providers are obliged to provide to ensure vulnerable customers are treated fairly.⁴⁹

Delivering effective training to all staff

7.2 Staff training is crucial to giving employees the skills and confidence to provide a high level of service to customers, especially vulnerable people.

7.3 The level of training received by a staff member might differ depending on their role.

Content of training

All staff

7.4 It is important for all employees to have an understanding and awareness of the issues facing their organisation's customer base, so they can take into account vulnerable customers when designing products, implementing new initiatives or taking other commercial decisions.

7.5 So, we encourage providers to provide training to all staff members on their policies and procedures for treating vulnerable customers fairly, including raising awareness that extra support is available for vulnerable customers. This training could also include examples of circumstances that might lead to someone becoming vulnerable and the challenges that vulnerable customers might face. This will help to build a culture centred around fairness and inclusivity.

Frontline staff

7.6 Customer service representatives (whether located on- or offshore, in-store or in other locations), providers' engineers and third-party contractors are more likely to speak to vulnerable customers or people with specific customer service needs, so they should be provided with more in-depth training. For these employees, training should cover the following topics:

- An overview of the types of personal circumstances that might lead to someone becoming vulnerable (and what impact they might have).

⁴⁹ Ofcom, [A guide to publicising services available to disabled people](#) 2016.

- How to identify customers who might be vulnerable or who might benefit from specific help, support or accessibility services, for example, actively listening and asking further questions where appropriate.
- How to communicate empathically with vulnerable customers.
- The different methods of communication available, including how assistive technology and services work (for example, text relay, video relay) for employees who might be in contact with customers using those methods.
- What additional services can be offered to people who might be vulnerable or need specific support (including from third party organisations), and how these services could help those people.⁵⁰
- How to promptly refer customers to staff who specialise in this area if they cannot answer the query, without delay or inconvenience for the customer.
- An understanding of how their role helps their organisation to meet its obligations to its customers and deliver a good customer experience to all people.

7.7 Staff training should give any employees who have contact with customers the ability and confidence to help and support them and provide a level of service that meets their needs.

7.8 Several providers offer specific training, such as basic British Sign Language for engineers, and suicide awareness training.

Specialist staff

7.9 Additional training might also need to be given to specialist staff who help vulnerable customers. Depending on their experience, these employees might need specific further training on top of that given to all or frontline staff.

7.10 We have seen larger providers implement additional training to teams who focus solely on communication with vulnerable customers. As well as receiving additional training, sometimes delivered by charities,⁵¹ they share best practice about more complex cases and discuss if the customer experience could have been improved (see also monitoring chapter). Contacts from frontline staff will often be transferred to this team when specific expertise is required.

7.11 We also suggest that additional training be delivered to frontline staff who work with customers in financial difficulty. This is because people facing problem debt are more likely to be vulnerable and their customer service needs will be more complex. Training could help agents to be empathetic towards the specific circumstances of the individuals they are listening to and enable agents to better support customers.

⁵⁰ This could also include accreditation schemes offered by organisations such as the British Standards Institute, for example, [the standard that helps vulnerable consumers](#).

⁵¹ Any training, whether produced/delivered internally or with assistance of third parties such as relevant charities, would need to be tailored to the needs of the provider's customers.

Frequency and evaluation of training

- 7.12 As a provider's range of services might change over time, they should review and, if necessary, update their training materials on a regular basis, for example at least once a year. They should also update their training ahead of any significant changes to the services available to their customers.
- 7.13 Staff members could also be prompted to regularly refresh their knowledge by retaking the training or by completing other types of refresh activity, such as briefings, seminars or internal events.
- 7.14 We encourage providers to include an evaluation method at the end of the training to ensure it has been well understood and implemented effectively.

Providing resources for staff

- 7.15 Frontline staff might not be asked about providers' different types of help, support or services on a regular basis. So, we encourage providers to make sure their staff have appropriate resources and reference materials at their disposal, so they can speak with vulnerable customers with knowledge and confidence. This could include:
- a) an intranet page or centralised hub, including resources relating to vulnerable customers and links to additional or external services that staff can refer to in real time (including call-handling scripts, internal guidance, useful links to information produced by the provider and by external organisations and relevant telephone numbers); and
 - b) appointing internal vulnerability 'champions' or representatives who can assist in raising knowledge and awareness on a local basis (and who might be responsible for reporting to more senior staff members).
- 7.16 We also encourage providers to check that their internal systems' search functions bring up relevant and helpful information when common words or phrases are searched for by employees. They should take steps to address any shortcomings in their systems in this regard.

Collaborating with consumer bodies and charities

- 7.17 Several providers collaborate with consumer bodies and/or charities when implementing policies and procedures on treating vulnerable customers fairly.⁵²
- 7.18 Some larger providers have also collaborated with consumer bodies and/or charities when developing their training programmes to bring real-life customer insight and specialist knowledge into staff training and ensure that appropriate language around customer

⁵² Providers should evaluate how policy changes may impact customers and their rights. For example, The Consumer Council, other consumer bodies and regulatory organisations test their policy by considering the effect on consumer access, choice, safety, information, fairness, representation, redress and education.

vulnerability is being used. We strongly welcome this approach and encourage other providers to make use of such expertise when developing their training.

- 7.19 For example, one provider partnered with the mental health charity, MIND, in designing its staff training. This aimed to help employees to identify people who might be experiencing mental health problems and communicate with them empathetically and confidently. Money Advice Trust has also worked with a provider to deliver training for staff on vulnerability, including dealing with challenging conversations, implementing early interventions, enhancing soft skills and effective signposting.
- 7.20 Other providers have created similar partnerships with other consumer bodies and charities. We have also seen similar examples of industry and charity partnership in the energy sector.⁵³
- 7.21 While this level of collaboration might not be an option for smaller providers or might be too resource-intensive for certain charities, providers can still take the time to use information on charities' or consumer bodies' websites when developing the skills and knowledge of their employees. For example, The Money and Mental Health Policy Institute's Mental Health Accessible standards are designed to help essential services firms, such as telecoms providers, better understand the challenges that customers with mental health problems face and to make their services easier to use.⁵⁴

⁵³ Ofgem, [vulnerable customers in the energy market](#), 2018, page 46.

⁵⁴ [Mental health accessible](#).

MADE ON BEHALF OF: APPLICANT / PROPOSED CLASS REPRESENTATIVE
NAME OF WITNESS: JUSTIN LE PATOUREL
NUMBER OF STATEMENT: 1
EXHIBITS: JLP1 – JLP22
DATE: 15 JANUARY 2021

Case Number: []

IN THE COMPETITION APPEAL TRIBUNAL
BETWEEN

JUSTIN LE PATOUREL

Applicant / Proposed Class Representative

and

BT GROUP PLC

Respondent / Proposed Defendant

EXHIBIT JLP12

This is the exhibit marked "JLP12" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021

Getting a good deal on a low income

Britainthinks

Insight & Strategy

December 2018

Getting a good deal on a low income

Qualitative research conducted with vulnerable
consumers on behalf of the Competition and
Markets Authority (CMA)

Final report

britainthinks.com

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1. Executive summary

Background to this research

In September 2018, the Competition and Markets Authority (CMA) commissioned BritainThinks to undertake qualitative research with consumers on low incomes, with and without additional vulnerabilities. This was conducted as part of the CMA's programme of work on vulnerable consumers, to inform its understanding of the challenges that such consumers can face in engaging with markets.

A smaller group of 'control consumers' on higher incomes and without any additional vulnerabilities were also included in the research as a comparator group and to highlight which impacts and experiences of each market are felt by consumers in general, and which may be specific to those with vulnerabilities. The markets explored in this research in greatest detail are telecommunications (particularly mobile and broadband), energy, insurance and credit.

The findings of this qualitative research reflect the perceptions, feelings and attitudes of the participants, and focus on what these consumers considered to be their priorities and experiences, both overall and in relation to each market.

Understanding vulnerability and the context of vulnerable consumers' engagement with markets

This research, and existing research consulted as part of a literature review, suggests that consumers' vulnerability has an impact on their ability to get value for money for products and services. Vulnerability is often multi-layered, complex and fluid, meaning that the experiences of vulnerable consumers when engaging with markets, and the nature of the challenges they face, tend to vary from person to person and may fluctuate over time.

Nonetheless, despite the diversity of circumstances, experiences and challenges facing vulnerable consumers, this research has identified a set of common needs which the individuals interviewed considered to be particularly important:

1. **Certainty over finances and billing.** Consumers on low incomes often struggle with constrained and fluctuating finances, particularly if they have a health condition which fluctuates in and of itself, or if they have dependent children and are a single parent. This means that as much certainty as possible in the cost of goods and services, and in the contracts for those services, is considered to be important.

2. **Reliability of products and services.** Consumers on low incomes can find that a lot of their energy or 'headspace' is taken up with worry about managing to balance finances or other problems in their lives. This means that the reliability of services 'running in the background' without any problems or disruption is also very important. The need for reliability is heightened for consumers with an increased dependency on certain services such as energy and telecommunications, such as disabled consumers or older consumers.
3. **Real and effective choice in products, providers and contracts.** A number of consumers on low incomes feel that they do not have effective choice as a result of numerous barriers, including barriers related to the area in which they live (particularly for more rural consumers) and those related to their past behaviour, such as historic debt problems. This means that they can find that they do not have the ability to 'shop around' to get a good deal in some service markets.
4. **Clarity and simplicity in marketing, contracts and billing.** This research suggests that challenges in engaging with marketing, contracts and billing from service providers can be experienced by all consumers, but are particularly heightened among vulnerable consumers, and especially those with no formal education and/or limited experience dealing with markets and providers.
5. **Supportive customer service and communications.** Some consumers on low incomes, especially those with mental health problems, can lack the confidence to engage with providers and can feel that any needs specific to their vulnerability are not necessarily understood or recognised by their supplier. Participants identified supportive customer service, greater clarity and simplicity in communications, and providing a range of different ways of communicating with suppliers as particularly important.

Managing finances on a low income

Many consumers on low incomes are in a careful balancing act with their finances, whereby even small deviations from what they expect to happen can throw everything off kilter. This means that 'knowing where you stand' financially at any given time is a priority for vulnerable consumers to keep their carefully balanced lives moving and to pay for essentials. As a result, research participants often had a detailed knowledge of their income flow and regular outgoings, as well as the exact amounts of their bills and when they are due to be paid.

In this context, being 'good' or 'confident' with money is often about managing a limited pot sufficiently effectively so that there is enough to cover what you need. Many consumers on low incomes describe themselves as feeling relatively confident in managing their money in this way. Tools and tactics that are felt to help with

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managing money allow consumers to keep track of where they stand at any given moment, including online and mobile banking, and using direct debits and standing orders to provide confidence that bills will be paid on time. This is in comparison to a control group of consumers on higher incomes who spoke much more of 'making their money work for them' and utilised a variety of money management tools and financial products to help them to do so.

Defining value for money and getting a good deal

For most consumers on low incomes, value for money is primarily (and in some cases exclusively) defined by price. This often comes down to finding a product or service for the cheapest price possible through 'bargains', 'savings' or 'discounts' – something that is easy to identify for products in the grocery market, but less so for service markets such as telecommunications, energy, insurance and credit.

Aside from price, three other factors were used by the vulnerable consumers consulted as part of this research as determinants of value for money. These are:

1. **Reliability:** ensuring that products and services can be trusted to run without outages or problems.
2. **Time impact:** for some, the best value deals are those that take the least 'hassle' to find and have the smallest impact on their time.
3. **Quality:** where affordability and price are not barriers, many consumers on low incomes want to know that the products they purchase will last.

Price was also an important factor for the control group of higher income consumers. However, this group were less likely to frame value for money in terms of 'discounts' and 'bargains', and more likely to mention additional factors related to customer service and quality. Control group consumers were also more likely than vulnerable consumers to be make long-term judgements such as spending more in the short-term to save money in the long-run.

Experiences of engaging with service markets

In line with their circumstances and experiences more widely, vulnerable consumers' experiences of service markets tend to be diverse and complex. However, this research points to a number of consistent themes in the barriers that consumers on a low income feel may be preventing them from getting a good deal in key service markets.

1. **A lack of effective choice.** For some vulnerable consumers, factors such as location, credit history and housing type can make it seem very difficult to

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switch provider. For example, in telecommunications, participants talked about poor credit history being a barrier to accessing a mobile contract, while those participants who are tenants of social housing or a private landlord can sometimes find themselves restricted in the energy market by what has already been installed in the property.

2. **A lack of flexibility.** Across the markets explored in the research, vulnerable consumers felt there to be a lack of flexibility in payment plans if their circumstances change. Where contracts are of a longer length (for instance, 18 or 24 months) and seemingly difficult to exit – particularly in the telecommunications and credit markets – and consumers' circumstances change, this can mean that the contract is no longer suitable, and some participants have run into unmanageable debt.
3. **A lack of clarity and transparency.** Seemingly complex terminology can make contracts and pricing hard to understand for some vulnerable consumers, and difficult to relate to their specific needs. Research participants described this challenge as particularly pronounced in the insurance and energy markets, with some feeling that complexity may even be a deliberate strategy to justify seemingly arbitrary price hikes.
4. **Poor customer service.** A significant proportion of consumers in the sample had experienced inconsistent and one-sided communications in general and when things go wrong with their services. This was especially identified in the telecommunications market, in which communication is felt to be particularly poor and problems not readily resolved.
5. **Inconsistencies in providers' and markets' treatment of (vulnerable) customers.** Some consumers felt that they had experienced particular flexibility and good customer service from a certain provider or in a certain market, while other customers of the same provider or in the same market felt that they had been treated poorly. Consistently, consumers with mental health problems were more likely to feel negative about the willingness of markets and providers to recognise and meet their needs than those without this vulnerability.

Getting a good deal in mobile, broadband, energy, insurance and credit

Drawing on their perceptions and experiences, vulnerable consumers identified a number of features in each of the service markets explored in this research that they felt could either help or prevent them from getting a good deal. These perceived features, as well as vulnerable consumers' wider levels of engagement with each market, are briefly outlined in the table below:

Figure 1: Key findings for each service market explored in this research

<p>Telecommunications (including mobile phone products and services, internet services such as broadband, landline line rental, and pay TV services)</p>	<ul style="list-style-type: none"> • Vulnerable consumers' levels of interest in this market were highest of all four markets. • However, despite these levels of interest, consumers were less likely to report switching in this market. Instead, this is the market in which consumers were more likely to describe negotiating with their existing providers in order to secure a better deal, if they were engaging at all. • Consumers felt that a number of features of this market supported them to get a good deal, including: using familiar language (such as texts and minutes for mobile services), and the <i>principle</i> of bundling. For vulnerable consumers specifically, the perceived availability of low cost, flexible options in the mobile market also stand out as positive (e.g. pay as you go and SIM-only deals). • However, there were also a number of perceived barriers to getting a good deal for vulnerable consumers which were not identified by the control group. These include, but are not limited to: <ul style="list-style-type: none"> ○ Long and inflexible contracts with a lack of prompting and communication when they end; ○ Poor customer service and communication when problems arise; and ○ Unexpected charges.
<p>Energy (including electricity and heating)</p>	<ul style="list-style-type: none"> • This is a very important market for many vulnerable consumers, and one that is heavily relied upon. This means that, while some were switching providers in this market, others often felt reluctant to do so for fear of compromising the reliability of service. • A number of features of this market were felt to offer vulnerable consumers better value for money including flexibility, financial support, and services that seem to enable greater control over spending (e.g. pre-payment meters). • However, there are also perceived barriers. Most notably, both vulnerable and control consumers point

	<p>to the lack of clarity and transparency in this market – particularly in relation to terminology.</p>
<p>Insurance (including home contents and building insurance and motor insurance)</p>	<ul style="list-style-type: none"> • Vulnerable consumers tended to have limited engagement with and experience of this market. For those that did have insurance products, switching was most commonly described in this market of all four service markets, despite limited engagement and interest. • A number of features of this market were felt to offer vulnerable consumers better value for money, including bundled policies and well-timed renewal notices. • However, there were also perceived barriers. In line with the energy market, the most important barrier to getting a good deal was felt to be the complexity of pricing and contracts. In addition, vulnerable consumers often felt that they can be penalised for factors outside of their control, such as the area that they live in, their age and health conditions. This diverges from the experience of the control group, who were less likely to mention such barriers.
<p>Credit (including credit cards, loans, payday loans and store cards)</p>	<ul style="list-style-type: none"> • Vulnerable consumers tended to strongly associate the credit market with high-cost, short-term products, which most seek to avoid as far as possible for fear of entering into unmanageable debt. In comparison, control consumers were more likely to associate this market with longer-term products such as mortgages, and those using credit cards often felt they had full control, and could see clear benefits. • In addition, many vulnerable consumers were unaware that switching credit products or consolidating debts is an option. The concept of ‘switching’ or ‘negotiating’ to get a better deal was particularly challenging for vulnerable consumers to engage with in the context of the credit market. • No features in this market were identified as helping vulnerable consumers to get a better deal, but vulnerable did point to a number of perceived barriers. These include seeming to having limited choice (often

	as a result of their financial history), aggressive sales tactics, a lack of clarity in charges and fees, and a lack of understanding and flexibility if their circumstances change.
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Awareness, perceptions and experiences of the ‘loyalty penalty’

For most vulnerable consumers interviewed, the existence of a ‘loyalty penalty’¹ was not surprising. The loyalty penalty was often viewed through the frame of generally low trust in business, but also directly identified by those who have seen a better deal advertised to new customers only. Consumers on a low income differed very little from the control group in terms of their awareness of and attitudes towards the loyalty penalty.

The loyalty penalty is strongly viewed as unfair by vulnerable consumers and there are three key reasons why participants felt this to be the case:

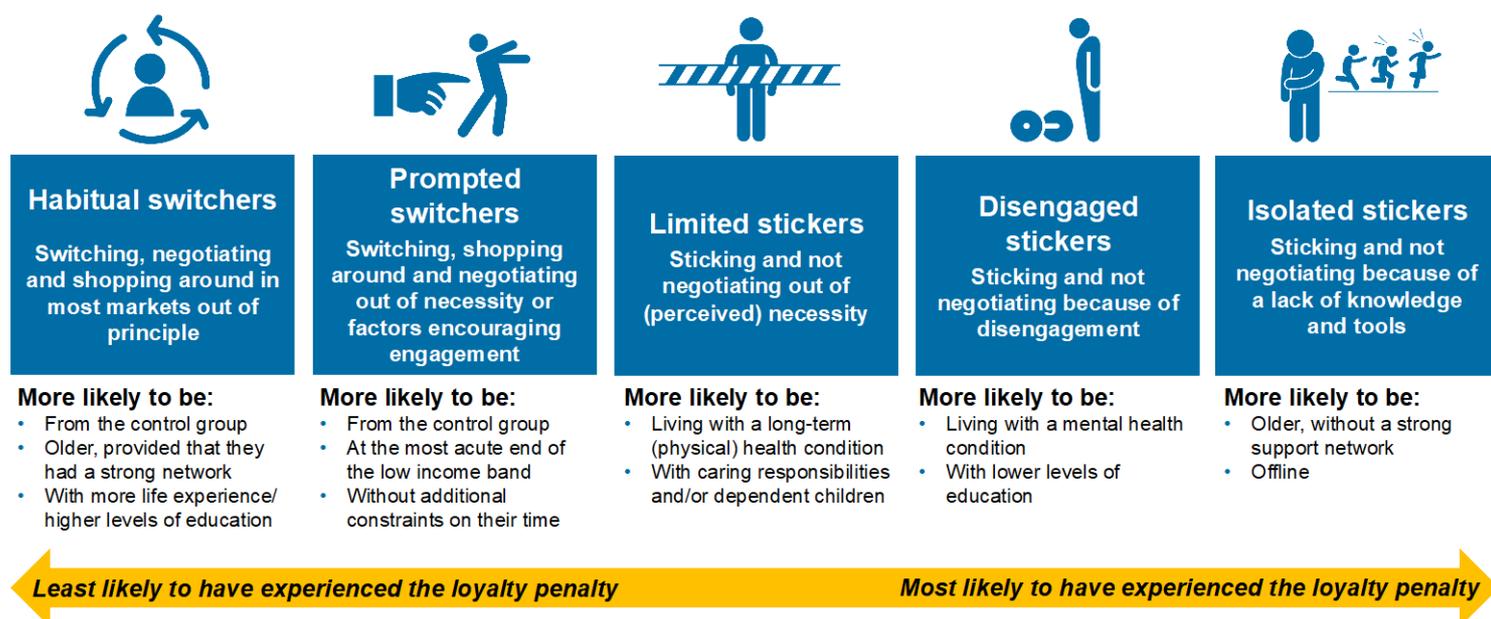
- It appears to put the onus on the consumer to switch or negotiate in order to get a good deal - behaviours vulnerable consumers feel that they face particular barriers to adopting;
- It seems to have the potential to disproportionately affect consumers living on a low income or with a vulnerability; and
- It confirms consumers’ suspicions that providers are not rewarding their loyalty at present.

The extent to which vulnerable consumers seemed to be affected personally by the loyalty penalty was dependent on the extent to which they shop around, switch or negotiate with their current providers in service markets. While there was significant variation across the sample in this research, there appear to be five broad typologies of consumer in relation to these behaviours:

¹ The loyalty penalty is the higher cost of being a long-standing customer, compared to a new customer receiving the same product or service.

Getting a good deal on a low income

Figure 2: Diagram outlining the five typologies of consumers in relation to engaging in switching, shopping around and negotiating behaviours (Habitual switchers, Prompted switchers, Limited stickers, Disengaged stickers, Isolated stickers)



Within these typologies, the consumers who appear to be least likely to be engaging in switching, shopping around and negotiating behaviours are those with lower levels of education or a mental health problem, and older consumers without a strong support network or access to gateway products such as the internet. These consumers may therefore be at greatest risk of experiencing a loyalty penalty.

Solutions to the challenges which vulnerable consumers face

Vulnerable consumers' own unprompted 'solutions' for overcoming the challenges that they feel can prevent them from successfully engaging with service markets and getting a good deal included:

- Having equal access to the same range of products and services available to consumers without any specific vulnerabilities. This was particularly important to vulnerable consumers who currently feel that their choice is in some way restricted because of factors outside their control, such as their location, living situation, or factors related to their vulnerability. It was also raised as important to provide the same services and prices to consumers irrespective of their access to gateway products, such as the internet.
- Greater flexibility in contracts so that these appear to be less focused on 'locking in' the customer, and allow for changes and fluctuations in

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consumers' circumstances over time. This was particularly important to those with fluctuating incomes, dependents and those with mental health problems.

- Simpler terminology in order to support consumers to align the services that they are buying to their circumstances and needs. This was particularly raised by consumers with lower levels of education and with mental health problems, who reported finding information more difficult to take in and remember.
- Seeing a greater emphasis on providers resolving problems as quickly and effectively as possible, offering greater flexibility in their options for communication, and demonstrating greater understanding of the needs of vulnerable consumers. This was particularly important to consumers who feel less confident communicating, and those who feel less confident that their vulnerability will be 'recognised', including those with mental health problems.

In the research we tested a series of solutions which might support consumers to engage with markets and to get a better deal.

Figure 3: Potential solutions tested with participants and their responses

Potential solution	Response
<p>Offering more favourable deals and discounts to consumers on a low income or living with a vulnerability who disclose their vulnerability or income</p>	<p>Most felt positive in principle about this potential solution, particularly when they related this to markets where some have already seen this happening, e.g. access to the Warm Home Discount in the energy market. However, some had practical questions about how this might be applied to markets beyond energy, such as when and how they would tell their supplier about their vulnerability, particularly with markets in which they feel less engaged.</p>
<p>Price Comparison Websites (PCWs)</p>	<p>Almost all were aware of PCWs, and the majority were already using them in some markets, particularly energy and insurance. PCWs are seen as essential for shopping around for a better deal, and most vulnerable consumers did not have any concerns or questions about them. However, PCWs were perceived to be 'closed off' to consumers who are offline <i>and</i> who lack a support network (e.g. family or friends who can use the internet on their behalf).</p>

<p>Prompts from a supplier or third party</p>	<p>This solution was viewed mostly positively, particularly in relation to longer term contracts (of 18-24 months) where consumers may lose track of renewal dates. Sending prompts feels like a basic expectation of providers, which is only being fulfilled in certain markets at present. There was greater concern about the idea of receiving prompts from an unknown third party, with some concerned about how they would gain this information.</p>
<p>Receiving quotes based on spending over time</p>	<p>Most viewed this potential solution positively, although there were some concerns and questions over data portability and privacy, which made this solution feel more time consuming and risky to vulnerable consumers.</p>
<p>Automatic switching by a supplier</p>	<p>The idea of an existing supplier switching a consumer on to a more favourable tariff was met largely positively. However, there were concerns over a perceived lack of control, such as being switched on to a lengthy contract for a deal which was not in fact the best option for the individual. Vulnerable consumers also raised the point that the most favourable tariff for them may not be the one that is lowest in price, particularly in markets where reliability of service is especially important to them.</p>
<p>A third party automatic switching service</p>	<p>This solution appealed to those who felt particularly overwhelmed by their services and who were most open to others taking control. These participants were more likely to be those with mental health problems or with lower levels of education. Others were concerned that this solution represents a lack of control, and the introduction of a third party was met with some suspicion.</p>
<p>Collective switching</p>	<p>The idea of power and safety in numbers appeals. However, the term 'collective' confused some, who</p>

	assumed this solution would not be relevant to them unless they lived in a coherent community, such as sheltered accommodation. This solution also carries the same perceived risks of a lack of control and involvement of 'unknown' third parties.
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As set out above, vulnerable consumers' responses to some of the potential solutions which were less familiar to them, and particularly any solutions involving an unknown third party, were characterised by suspicion and mistrust. This was somewhat in tension with their responses to existing prompts and tools in the market, including those involving third parties, such as price comparison websites.

By comparison, control group consumers were generally more willing to accept the solutions at face value. The responses of vulnerable consumers to these ideas highlighted the importance of the framing and communication of solutions which require consumer interaction, as well as the need to test and trial potential solutions.

Conclusions

The views and experiences of vulnerable consumers consulted in this research point to five key conclusions:

1. Vulnerability and vulnerable consumers' experiences are complex and there is no 'one size fits all' approach to understanding the challenges which vulnerable consumers can face when engaging with markets.
2. Vulnerable consumers' conceptions of value for money are often strongly price driven, but additional factors, such as reliability, can 'trump' the lowest cost in consumers' conception of what is and isn't a good deal.
3. Vulnerable consumers appear to be facing challenges to getting value for money in each of the service markets explored in this research.
4. While generally unsurprised by the existence of the 'loyalty penalty', relatively few vulnerable consumers in the sample were proactively and consistently taking action to engage with providers and to switch in order to get a better deal.
5. Participants' experiences, and the way in which they responded to potential solutions tested in the research, point to the importance of framing and communication of tools and solutions to support them to engage.

2. Introduction

2.1: Context

In September 2018, the Competition and Markets Authority (CMA) commissioned BritainThinks to undertake qualitative research with vulnerable consumers.

The CMA is a non-ministerial Government department that aims to make markets work well for consumers and ensure that companies follow competition and consumer law. Vulnerable consumers are a priority area for the CMA, as set out in its annual plan for 2018/19.² The CMA's programme of work on vulnerable consumers has focused on improving its understanding of the challenges facing groups of vulnerable consumers who are at high risk of experiencing poor outcomes in markets, and potential solutions to these challenges, with a view to informing its case selection and prioritisation, analytical approach and remedy design.

This research was commissioned by the CMA as part of its vulnerable consumers work, to inform its understanding of the challenges that vulnerable consumers can face in markets. The CMA was particularly keen to hear insights directly from vulnerable consumers themselves, rather than presupposing the nature of the challenges experienced.³

On 28 September 2018, the CMA received a super-complaint from Citizens Advice⁴ which raised concerns that longstanding customers, often on roll-over contracts or default tariffs, pay more than new customers. Citizens Advice term this financial harm a 'loyalty penalty'. This research has also informed the CMA's consideration of vulnerable consumers in its response to the super-complaint, which is published separately on its website.⁵

2.2: Aims of the research

The purpose of this research was to provide an understanding of the challenges which vulnerable consumers face in markets and what support may help to address this. Specifically, the research has been designed:

² The 2018/19 Annual Plan is available on the [CMA's website](#).

³ Further information on the CMA's programme of work is available on the CMA's [vulnerable consumers webpage](#).

⁴ [Citizens Advice, *Excessive prices for disengaged consumers: a super-complaint to the Competition and Markets Authority*, 28 September 2018.](#)

⁵ Available on the [CMA super-complaint investigation case page](#).

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1. To gain insight into the lives of vulnerable consumers and their experiences within and across markets: including their engagement across different markets, their specific needs and challenges they face and how this may vary both by market and by different groups of vulnerable consumers.
2. To understand vulnerable consumers' engagement and ability to get a good deal in different markets: are vulnerable consumers switching or negotiating with their suppliers and, if not, what is preventing them from doing so?
3. To test potential solutions and identify effective ways for overcoming the challenges vulnerable consumers face: what would make experiences of using and navigating markets better for these consumers?

The research interviews were particularly focused on exploring consumers' experiences of four service markets:

- **Telecommunications**, including mobile phone products and services, broadband, landline line rental, and pay TV services;
- **Energy**, including heating and electricity services;
- **Insurance**, particularly home (contents and building) and motor insurance; and
- **Credit**, covering a range of products including credit cards, loans, payday loans and store cards.

The research also covered consumers' experiences of transport and grocery shopping as a comparator with these service markets.

This research aims to inform the CMA's work more widely in a number of ways:

- To support the CMA in project selection and prioritisation by helping to identify markets where vulnerable consumers may face particular challenges.
- To inform the CMA's analytical approach, in terms of data collection and use of particular analytical techniques to understand the experiences of vulnerable consumers.
- To inform the CMA's design and development of remedies.

2.3: Methodology and sampling

We conducted qualitative depth interviews with vulnerable consumers, all of whom were on a low income (defined as below 60% of median income) and focus groups with individuals with higher incomes who comprised a 'non-vulnerable' control group.

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Given the nature of the objectives, this study is purely qualitative and is based on the responses of the research participants. As such, its findings reflect the perceptions, feelings and attitudes of the participants.

The vulnerable consumers sample of 49 individuals was further sub-divided to allow exploration of the interaction between low income and additional characteristics associated with vulnerability including mental health problems, age, and physical or sensory disabilities. In designing the sample, it was essential to recognise the complex nature of vulnerability, and the often intersecting factors that can exist in a vulnerable person's life. These particular characteristics were focused on in the research, to complement the CMA programme of work on vulnerable consumers.

Mental health problems and physical or sensory disabilities were defined as follows:

Adults who are on a low income and have mental health problems:

- Participants who self-identify as having a mental health problem, including:
 - A spread of mental health problems;
 - Those with undiagnosed conditions; and
 - Those with multiple conditions.

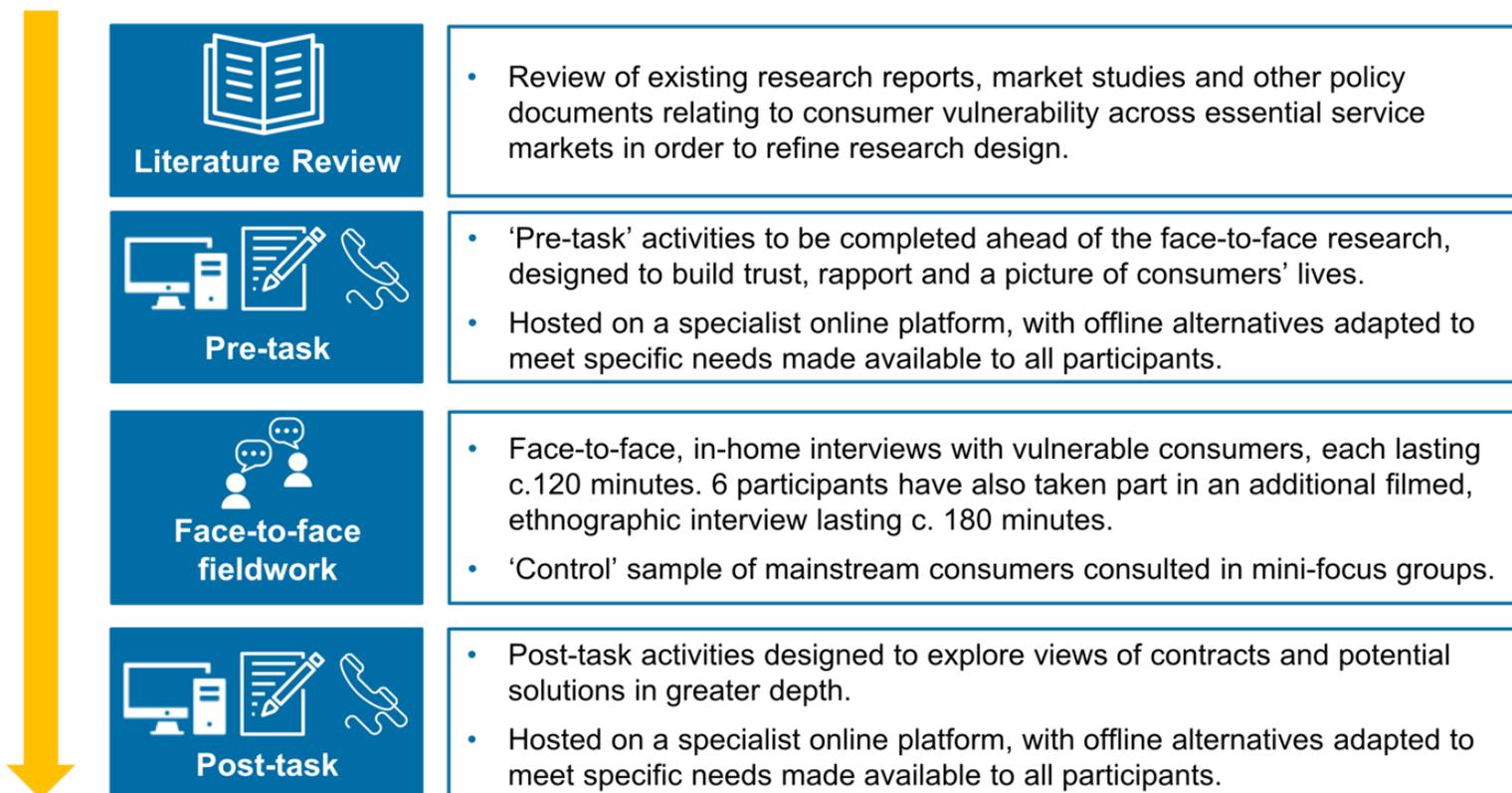
Adults on a low income with a physical or sensory disability:

- Participants who identify as having a long-term illness, health problem or impairment that limits their daily activities, including:
 - Those with physical impairments;
 - Those with visual impairments;
 - Those with auditory impairments;
 - Those with multiple conditions; and
 - Those with congenital and acquired impairments.

In parallel, we held focus groups with 20 consumers on higher incomes. The purpose of doing so was to provide a comparator group and to highlight which impacts and experiences of each market are felt by consumers in general, and which may be specific to those with vulnerabilities. Throughout this report, these 20 consumers are referred to as the 'control group'.

The research process has been iterative and comprised of four main phases, which are outlined in Figure 4:

Figure 4: Overview of full research process



Fieldwork was conducted during October and November 2018 across seven 'hub' locations (as shown in Figure 5), with participants recruited from surrounding areas to ensure that a mix of rural and urban locations were included. Locations were selected to ensure coverage across the four nations of the UK.

The recruitment focused on ensuring that 'hard to reach people', who may not usually take part in research of this nature were included. Recruiters embedded in their local communities were therefore used, with a focus on face-to-face recruitment methods.

A full overview of numbers of participants recruited is provided in Figure 6.

Figure 5: Fieldwork 'hub' locations



2.3.1 Summary of vulnerable consumer sample

An overview of the vulnerable consumer sample is provided below. Please refer to the Appendix for further detail of the sampling approach.

- 15 consumers were recruited on the basis that they were living on a low income according to the Households Below Average Income definition (HBAI)⁶.
- 16 consumers were recruited on the basis that they were low income *and* living with mental health problems. Mental health problems represented in the sample include: Anxiety, Depression, Post Traumatic Stress Disorder (PTSD), Personality Disorder and Alcohol dependency⁷.
- 18 consumers were recruited on the basis that they were low income *and* living with a physical condition or disability. Physical conditions represented in the sample include: Visual and hearing impairments, Mobility issues, Chronic Obstructive Pulmonary Disease (COPD), Arthritis and Fibromyalgia⁸. Throughout the report, the term 'physical disability/condition' is used to refer to sensory disabilities, long term health conditions and physical disabilities.

⁶ The Households Below Average Income (HBAI) report, published by the Department of Work and Pensions, presents information on living standards in the United Kingdom and is the leading source for data and information about household income, and inequality in the UK. The HBAI measure is defined as 60 per cent of median household income.

⁷ Mental health problems:

- *Anxiety*: a group of mental disorders characterised by significant feelings of anxiety and fear. These feelings may cause physical symptoms, such as a fast heart rate and shakiness.
- *Depression*: a mental disorder characterised by a low mood that stays present across most situations. Often accompanied by low self-esteem, loss of interest in normally enjoyable activities and low energy.
- *Post-Traumatic Stress Disorder (PTSD)*: a mental disorder that can develop after a person is exposed to a traumatic event, such as traffic collisions, or other threats on a person's life.
- *Personality Disorder*: a group of mental disorders characterised by patterns of behaviour and understanding that deviate from those accepted by an individual's culture or society.
- *Alcohol dependency*: a psychiatric diagnosis in which an individual is physically or psychologically dependent on alcohol.

⁸ Physical conditions and disabilities:

- *Visual and hearing impairments*: a loss of the ability to see or hear to a degree that causes problems not fixable by means such as glasses or hearing aids.
- *Mobility issues*: including those who need assistance to walk or need to use wheel chairs. Common causes include older age, low physical activity, obesity, impaired strength and balance, and chronic diseases such as diabetes and arthritis.
- *Chronic Obstructive Pulmonary Disease (COPD)*: a group of lung conditions that cause breathing difficulties, including emphysema and chronic bronchitis.
- *Arthritis*: the inflammation of the body's joints, causing pain, swelling and difficulty with mobility.
- *Fibromyalgia*: chronic pain across the body. Other symptoms include tiredness to an extent that normal activities are affected, sleep problems and troubles with memory.

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- The sample was evenly split by sex, with a good spread of ages, living situations and ethnicity.

Figure 6: Participant sample overview

	Watford	London	Nottingham	Rhyl	Colne	Belfast	Glasgow
Total	6	11	6	8	6	6	6
Low income 'only'	1	4	1	3	2	2	2
Low income plus mental health problem	2	4	1	3	2	2	2
Low income plus physical health condition	3	3	4	2	2	2	2

2.3.2 Summary of control group sample

- 20 consumers were recruited on the basis that they were living on an income above the HBAI measure.
- The sample was evenly split by sex, with a good spread of ages, living situations, employment status and ethnicity.

Further detail on the sampling approach is provided in the Appendix.

2.4 Report Structure

This report summarises the experiences and circumstances of vulnerable consumers, their levels of engagement with providers and markets and ability to get a good deal for products and services. Due to the confines of the research, the report outlines consumers' perceptions, feelings and attitudes towards their experiences in different markets and the extent to which they feel that they are getting a good deal. It is therefore possible that in some cases participants may misreport or misunderstand what is happening in different markets.

The report has six key sections, which are summarised in the table below.

Figure 7: Overview of key sections in this report

Participants' day-to-day lives Chapter 3	This section provides an introduction to the day-to-day lives of vulnerable consumers, particularly experiences
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	of living on a low income and how this interacts with other vulnerabilities.
Vulnerable consumers' tactics for managing finances and defining value for money Chapter 4	This section explores vulnerable consumers' approach to money management, what tools, if any, are seen as most useful and how 'getting good value for money' is viewed across markets.
Vulnerable consumers' experiences of service markets Chapter 5	This section outlines vulnerable consumers' experience of service markets and the factors enabling or preventing them from getting a good deal. As with the rest of the report, the four service markets of focus for the research are explored in depth: telecommunications, energy, insurance and credit.
Awareness, attitudes towards and experiences of the 'loyalty penalty' Chapter 6	This section discusses vulnerable consumers' knowledge and attitudes towards the loyalty penalty and level of experience and interest in engaging with or switching in the markets.
Responses to potential solutions Chapter 7	This section examines responses to potential solutions to enable vulnerable consumers to get better value for money in markets.
Conclusions Chapter 8	This final section summarises the overarching conclusions and implications from the research.

Please note that throughout this report, where reference is made to the proportion of vulnerable consumers in the research sample who experienced a specific circumstance or displayed a certain attitude, the following terms are used to represent the approximate values outlined in the table below. Please note that this is qualitative rather than quantitative research and, as such, these figures should be treated as indicative. They are provided to give an indication of how common a perception or view was among the sample.

Figure 8: Overview of terminology

Majority of consumers or most consumers	This refers to approximately 75% of the total sample size or higher.
Many consumers	This refers to approximately 50% to 75% of the total sample size.

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Some consumers or several consumers	This refers to a significant minority of consumers, less than 50% but more than 25%.
A few consumers or a handful of consumers	This refers to approximately 10% of the total sample size or less.
One or two consumers	This refers to one or two individual participants in the sample.

3. Understanding participants' day-to-day lives

3.1: Introduction

This research set out to understand the experiences of consumers on low incomes to inform the CMA's programme of work on vulnerable consumers. In particular, this research has sought to gain insight into the impact of vulnerability on consumers' ability and capacity to engage with providers and markets, with a focus on getting good value for money for products and services.

Vulnerability is multi-layered, complex and fluid, meaning that the challenges consumers can face vary from person to person and may fluctuate over time as circumstances change⁹. For this reason, this research has sought to include the voices of consumers living with multiple vulnerabilities in addition to financial vulnerability, including physical disability, mental health problems, old age, and lower levels of formal education. The research sheds light on the diversity of consumers on a low income and the multiple challenges they face, which have an impact on levels of engagement with providers and markets.

Chapter overview

This chapter uses insights gained in the interviews, focus groups and online activities, asking participants to describe their lives and the challenges they face on a day-to-day basis¹⁰. In doing so, it explores the lives of consumers on a low income, the complex nature of vulnerability, and how this has an impact on levels of engagement with markets.

While this chapter highlights the diversity of circumstances, experiences and challenges facing consumers on a low income, it also points to a set of common needs vulnerable consumers display which must be met to improve their ability to get a good deal for products and services. These are:

1. Certainty over finances and billing

⁹ See FCA: Consumer Vulnerability Occasional Paper (2015) for further consideration of the fluid nature of vulnerability and impact this has on individuals as consumers (<https://www.fca.org.uk/publications/occasional-papers/occasional-paper-no-8-consumer-vulnerability>).

¹⁰ For further detail about the research materials and lines of questioning, please refer to the Appendix.

2. Reliability of products and services
3. Flexibility in services and contracts
4. Real and effective choice in products, providers and contracts
5. Clarity and simplicity in marketing, contracts and billing
6. Supportive customer service and communications

3.2: Living on a low income

Circumstances, experiences and attitudes varied across the vulnerable consumer sample, both overall and in relation to finances specifically¹¹. However, when thinking about their financial situation, consumers on low incomes split into two distinct groups:

1. **Some saw themselves as living ‘on the breadline’ and regularly making sacrifices to make ends meet.**
 - Participants in this group were more likely to include those on the very lowest incomes in the sample (for example, a total household income after tax of less than £100 a week), as well as those who have seen their financial circumstances change significantly. This was often a result of either them or their dependents developing a physical or mental health problem, impacting on their ability to work in full-time employment, and highlighting the fluid nature of financial vulnerability.

“I get £220 ESA [Employment and Support Allowance] every two weeks... it is a struggle, you can’t go anywhere or do anything because you don’t have the money.”

(Consumer on a low income who has a mental health problem, 55-64, Glasgow)

“I worry a lot about how I’m going to afford things in life as being on a low income is hard. Especially when you have had good jobs [in the past] and not had to worry.”

(Consumer on a low income, 25-34, Watford)

¹¹ All vulnerable consumers were recruited on the basis that they were living on a low income at the time of fieldwork according to the Households Below Average Income (HBAI) definition: 60 per cent of median household income. To ensure the recruitment screening process was practical for a qualitative research project such as this one, household income was estimated on a before household costs basis only (BHC). For further information about the recruitment screening process, please refer to the Appendix.

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“I have to manage my money well now. It’s not like before when I was working full-time and before I started paying this extortionate rent. I have to be careful because I don’t have very much [money] now.”

(Consumer on a low income who has a physical impairment/condition, 45-54, London)

2. Other participants believed that they were relatively ‘comfortable’ financially compared to other people or their past financial situation.

- Older consumers were particularly likely to fall into this group, and would look to (often relatively extreme) examples of their children and grandchildren or their own previous financial circumstances as examples of living on a ‘low income’.
- Often these consumers had longstanding tactics for living within their (limited) means, including minimising use of heating and electricity, or shopping for clothes in charity shops. Many have normalised these behaviours and would not define them as ‘sacrifices’.

“I used to have £5 a week out of his [my husband’s] wages to feed the family [with four children]. I know how to make a big meal for practically nothing and we’re better-off now... we try to put a wee bit of money away for the children and grandchildren when we can, it’s hard for them.”

(Consumer on a low income who has a physical impairment/condition, 75+, Belfast)

“I’d say we’re relatively comfortable, me and my wife both know what’s going on when it comes to money...we get to Blackpool a few times a year for a holiday, so that’s alright... we used to go to Spain but we can’t get the travel insurance anymore.”

(Consumer on a low income who has a physical impairment/condition, 75+, Glasgow)

Despite the diversity in circumstances, experiences and outlooks, there are some consistent themes in how participants in the vulnerable consumer sample described their day-to-day lives, with implications for how they thought about their finances, their engagement with different markets, and ability to get a good deal:

- **For many, life is hectic, busy and stressful.** Constrained finances were often at the heart of these worries and required a careful balancing act in order for these consumers to keep their heads above water (i.e. managing to pay for essential goods and services without running into large amounts of debt). For many, achieving this (or seeking to) took up much of their available

energy and 'headspace', leaving little space for considering negotiating with or switching providers in key markets.

- As a result, many consumers on low incomes were living 'hand-to-mouth', making them strongly focused on the here and now and on short-term savings, rather than looking ahead to the future or thinking about long-term gains.
- In addition, consumers on a low income spend higher proportions of their income on essential goods and services¹², which compounds financial worries. For example, for those living in private rented accommodation, housing costs stand out as taking out a large percentage of income and can make juggling payments for goods and services in other markets feel very difficult. This is further affected by consumers on low incomes paying more for certain goods and services, such as using pre-payment meters in the energy market or facing higher APR rates in credit products¹³.

"You have to take each day as it comes. Life is stressful, it's all about keeping up with the mortgage payments, it's not like it used to be in your grandparents' day where the man could go out to work and the woman could stay at home. You get by. You focus on your bills. There's no pots of money left at the end."

(Consumer on a low income who has a mental health problem, 45-54, Watford)

- **Life is often precarious and unpredictable.** Income levels can fluctuate from week to week, particularly for those in insecure, low paid work, and for others moving in and out of eligibility for certain benefits has an impact. Several participants, especially those who have a physical disability/condition or mental health problem and who are wholly reliant on benefits, spontaneously referenced concerns about the potential impact of moving onto Universal Credit on their income. These concerns included fearing a short-

¹² See CMA: Understanding consumers on low incomes (2015) for further information about the cost of goods and services as a proportion of income for vulnerable consumers (<https://www.gov.uk/government/publications/understanding-consumers-on-low-incomes>).

¹³ The pattern whereby consumers on low incomes can pay more for the same products or services than people who are better off financially has been described as the 'poverty premium'. See University of Bristol: The Poverty Premium - When low-income households pay more for essential goods and services (2016) for further analysis on the impact of multiple vulnerabilities on consumers' ability to engage with markets and achieve good outcomes (<http://www.bristol.ac.uk/media-library/sites/geography/pfrc/pfrc1615-poverty-premium-report.pdf>) and SMF: Measuring the Poverty Premium (2018) for an exploration in to the true size and impact of the poverty premium (<http://www.smf.co.uk/wp-content/uploads/2018/03/Measuring-the-Poverty-Premium.pdf>).

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term loss of income while the transition takes place, as well as having to adjust to having a lower income in the longer term.

- This feeds into financial worries and stresses, meaning that the careful balancing act required to manage finances can take even more consideration and energy.

“My husband is contracted to work 30 hours a week at Lidl but they don’t always rota him in his full hours... some months he comes home with much less pay.”

(Consumer on a low income who has a physical impairment/condition, 18-24, London)

“Managing money is hard, there is not a day that you can go without spending money when you have kids, it’s a struggle... [my partner is] a self-employed mechanic. He gets his wages weekly on a Friday and you just hope it’s enough.”

(Consumer on a low income, 25-34, Rhyl)

“Because I claim disability benefit for my son, I get extra tax credits. I think I will lose out on money when I go to Universal Credit. I feel very nervous about it. I think people in my situation go last, so I don’t think it will happen until 2023. I am hoping my situation will be very different by then because I don’t want to go on to Universal Credit.”

(Consumer on a low income, 25-34, Watford)

- **Life can feel difficult and unfair.** Many vulnerable consumers in the sample were living in financial hardship as a result of factors which they saw as outside of their control. In addition, most felt that they were facing a number of challenges in their life and had been let down by ‘the system’ numerous times before.
 - In line with previous research, these feelings of unfairness and being let down led a number of participants to display very low levels of trust in government, business and institutions¹⁴.
 - As a result, consumers on low incomes often felt the need to be ‘fighting on all fronts’, challenging the government or their local council to get the support they require. This also applies to service providers, with consumers feeling they have to be ready to challenge their

¹⁴ See JRF: How poverty affects people’s decision-making processes (2017) for further analysis of the relationship between poverty and low levels of trust in strangers and institutions (<https://www.jrf.org.uk/report/how-poverty-affects-peoples-decision-making-processes>).

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providers to avoid being ‘mugged off’ and paying above the odds, or being trapped in ‘tricksy’ terms and conditions.

- However, ability to do this is challenging and varies significantly:
 - For those who do ‘rise to the challenge’, problems with housing, benefits or social services were commonly mentioned, such as trying to persuade their housing providers to conduct essential repair work, or appealing reversals to their benefits eligibility. Unsurprisingly, these challenges tended to trump concerns about service markets.
 - For other consumers on a low income, these challenges can feel overwhelming. In our sample, this was much more likely to be the case for consumers experiencing additional vulnerabilities such as mental health problems.

In contrast to consumers on a low income, while many consumers in the control group described their lives as busy, this was often due to balancing work with family and home life rather than a result of concerns about balancing finances. Life for these consumers is less likely to feel precarious or uncertain as a result of fluctuating income, and they also did not have the same sense of life being unfair or difficult.

In addition, this group were more likely than consumers on a low income to use positive adjectives to describe their lives, such as fun, exciting and happy, highlighting family, friends and hobbies as contributing to this fulfilment.

“I would describe my life as changing, busy and exciting. I’ve had lots of changes recently, I’ve moved into a new place and started a new job. It’s going well, I’m happy with the changes.”
(Control group consumer, London)

“I’m quite a positive person anyway. We’ve only been in the house for a few years, and my daughter has started in the local school. It’s a nice area, a nice school. Everything seems to be going well.”
(Control group consumer, Nottingham)

CASE STUDY: Amy, 25-34, Consumer on a low income who has a mental health problem, Belfast

Amy lives alone in a small Housing Executive flat in Newtownabbey. She has severe anxiety and depression and is unemployed. Amy describes her life as complicated, stressful and anxious, because of her son, who is seven, having been taken into care a few years ago.

Amy's current focus is on getting her son back to live with her, which means keeping track of court hearings and legal documents. She's recently had some good news – he is hopefully coming home in time for Christmas – but she is mistrustful of the authorities and does not want to believe it until it happens. In this context, things like engaging with her providers are not a priority. She can just about juggle her income to pay the bills, and has pre-payment meters and a pay-as-you-go mobile so that she has some flexibility on how much she spends on them.

"It's all about professionals, courts and social workers. It makes me feel constantly wary and anxious, but there's nothing I can do."

CASE STUDY: Louis, 84, Living on a low income, London

Louis lives with his wife in a council flat in London. He has six children and 13 grandchildren. He describes his life as being good as he still has his health, his family and leads an active life. He is very involved in his local church and local community activities and spends as much time as he can volunteering.

He and his wife are conscious that they have a limited income and are very careful to live within their means. They do not go out for meals or buy anything which is not essential. However, he is concerned about energy bills and feels disadvantaged due to his age causing him to be at home so much in the daytime – whereas if he was still working, he would be in the office in the day instead. He is also frustrated because there is a draught in his flat which he has been trying to get the council to fix for years to no avail.

"The draught is coming in, so you need to keep the house warm almost 24 hours. So that is why money goes."

"The younger generation will be at work. It is when they come back that they need electricity, radiator, or something like that to keep warm. We don't go anywhere. That is the reason why we are the people that pay more."

Exploring day-to-day life for consumers on low incomes point to specific needs these consumers have which must be met for them to achieve good outcomes in markets. These are:

1. Needing financial certainty, and reliable products and services.

Constrained and fluctuating finances means that consumers on low incomes

require as much certainty as possible in the cost of goods and services from month to month, to help them manage and balance their finances. In addition, the energy and headspace taken up with worry about money means that it is also important for products and services to reliably 'run in the background' without any problems.

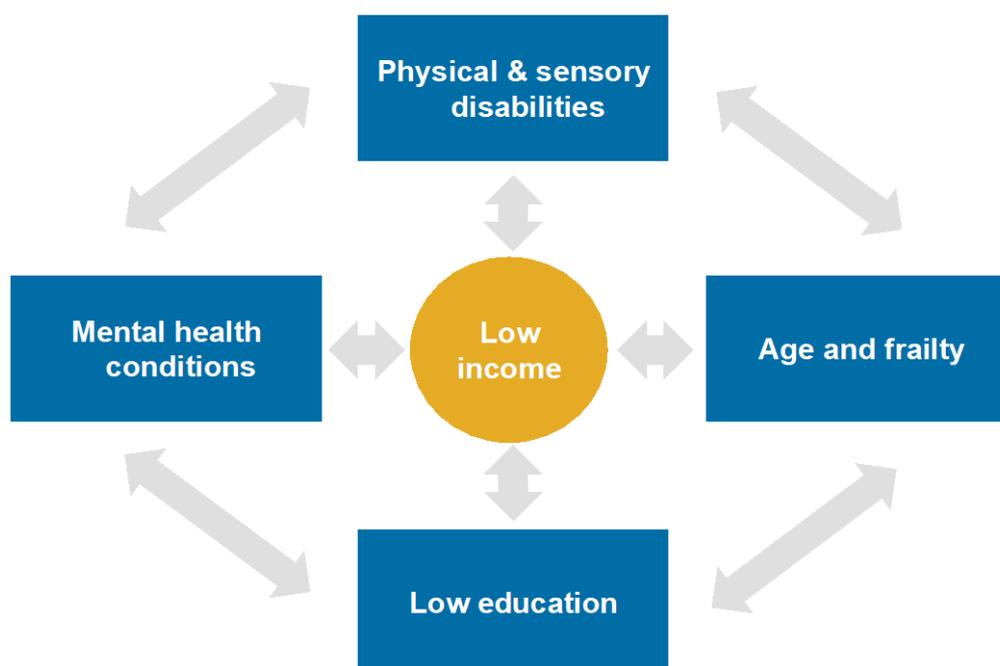
- 2. Needing flexibility in services and contracts.** Constrained and fluctuating finances also mean that consumers on low incomes also require the security of flexibility at times when financial circumstances and priorities significantly change. Payment 'holidays' or being able to exit contracts early at no extra cost are examples of the flexibility that would help consumers on low incomes manage at times when it is not possible to balance finances.
- 3. Requiring clarity and simplicity in marketing, contracts and billing.** In a context where consumers on low incomes have very low levels of trust in institutions more widely and providers specifically, ensuring that key documents such as contracts are clear and simple to understand will help encourage vulnerable consumers to engage with markets, rather than dismissing them as being intentionally difficult and 'tricksy'.

3.3: Living on a low income and with additional characteristics of vulnerability

For many vulnerable consumers, financial vulnerability is only one element of a complicated and multi-layered set of needs. Indeed, almost every participant in the vulnerable consumer sample was also facing some form of additional vulnerability beyond living on a low income.

This research has sought to investigate how multiple characteristics of vulnerability intersect, and the impact that this has on consumers' ability to engage with providers and markets, and get a good deal for key goods and services. To do so, it has focused on four further characteristics of vulnerability in addition to low income: physical disability/conditions, mental health problems, age and frailty, and lower levels of formal education. However, it is worth noting that additional vulnerabilities are numerous and go beyond the four characteristics that have been focused on in this research; including for example being time poor, or having caring responsibilities.

Figure 9: Characteristics of vulnerability explored in this report



Living with multiple vulnerabilities can enhance the impact of features of life described by consumers on a low income overall – stress, unpredictability, and difficulty – and subsequently can impact approaches to managing finances and engaging with different markets.

3.3.1 Living with a physical disability or health condition

As with consumers on a low income, the experiences and attitudes of the disabled consumers in our sample varied significantly and point to the complexity of physical disability as a form of vulnerability. While all disabled consumers tended to have a clear account of how their impairment/condition impacts on their day-to-day lives and ‘limits’ their activities, the claimed magnitude of these impacts differed. Two factors emerged as being key here:

1. **Severity of impairment/condition.** Unsurprisingly, the impacts of physical disability on daily life described by participants increase with severity – and also for consumers with multiple conditions.
 - For those with the most severe impairments/conditions, almost all aspects of daily life are felt to be extremely limited, rendering some effectively housebound and in need of regular care and support.
 - By contrast for others in the sample, while still feeling their impairment/condition impacts on their lives, this is felt to be to a much lower extent. Indeed, several participants in this group were managing their health condition alongside full- or part-time employment.

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“Actually, I just sort of exist really.”

(Consumer on a low income who has a physical impairment/condition, 75+, Colne)

“I want to work as much as I can. I don’t want to make excuses.”

(Consumer on a low income who has a physical impairment/condition, 18-24, London)

2. **Whether the impairment/condition is congenital or acquired.** In many cases, the claimed impacts of physical disability were far more pronounced for consumers who had an acquired impairment/condition compared to those with a congenital impairment/condition, and particularly for those who had acquired their impairment/condition suddenly (for example, as a result of an accident).
 - By contrast, those with congenital impairments/conditions often viewed them as an intrinsic part of their lives and something to ‘get on with’ rather than a factor that they were able to isolate as having a particular impact on their lives.

“[After having a stroke, leading to significant loss of vision]... you screw your eyes up and when you open them up again, your life's changed for good.”

(Consumer on a low income who has a physical impairment/condition, 75+, Rhyl)

Within this variation, disabled consumers on low incomes described a number of impacts of their impairments/conditions that have consequences for their engagement with key markets and providers. Common themes were that:

- **Physical disability can heighten financial vulnerability.** This manifests itself in two key ways:
 - Consumers with physical impairments/conditions often had an increased dependency on key products and services within markets such as energy and telecommunications, which increases the proportion of their income that they have to spend on them compared to non-disabled consumers on low incomes. This, coupled with the cost of specialist equipment such as light weight wheelchairs, stair-lifts or automatic cars, can have a big impact on financial vulnerability, something disability charity Scope have described as the ‘disability price tag’¹⁵.

¹⁵ On average, disabled people living in the UK face extra costs of £570 a month related to their impairment or condition. See Scope: The Disability Price Tag (2018) for further information (<https://www.scope.org.uk/campaigns/extra-costs/disability-price-tag>).

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- **Acquiring a physical disability or condition can have an impact on financial vulnerability**¹⁶. Within our sample, most working age consumers with an acquired disability or condition pointed to the financial impacts, often due to limiting employment opportunities.
- As a result, disabled consumers on low incomes can be even more likely to focus on short-term finances and savings than consumers living on low incomes overall.

“It took me eighteen months to take it [not being eligible for ESA after initial assessment] to court, and in that time, all I was living on was my PIP money. I needed money in the meantime and the only credit out there, because you’re unemployed, is high credit.”

(Consumer on a low income who has a physical impairment/condition, 45-54, Rhyl)

“You work all your life and we’re just on the scrap heap now, they just don’t care about us. We were just a number and a body, that’s all we ever were. It doesn’t matter which government is in, they treat us like rubbish.”

(Consumer on a low income who has a physical impairment/condition, 65-74, Rhyl)

- **Time and energy to deal with issues which do not feel urgent are often even more constrained.** Several of the consumers interviewed with a physical health condition felt tired and needed regular rest as a result of their condition or side effects of strong medication.
 - This meant that their time could feel particularly stretched and precious, and often decreased the amount of time available to engage with different challenges, including products and services.

“You feel very drowsy and drained and the [medication] also caused me to get gout all of the time which is very painful. The tiredness was so bad that it felt like I permanently had the flu and I’d hardly leave the house.”

(Consumer on a low income who has a physical impairment/condition, 45-54, Nottingham)

¹⁶ For example, across 2017 the majority of clients of debt management advice from charity StepChange who had cancer or another terminal illness cited this as the main reason for falling into debt. See StepChange: Breaking the link: a close look at vulnerable people in debt (2018): (<https://www.stepchange.org/policy-and-research/debt-and-vulnerability.aspx>).

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- **Physical conditions can have a major impact on mental health.** Many consumers with physical disabilities or health conditions described an impact on their mental wellbeing through negative feelings about their condition including frustration, but some also experienced mental health problems (self-reported or formally diagnosed), including anxiety and depression.
 - These conditions in and of themselves shape how consumers approach certain challenges, as explored in section 3.2.2.

“Now I’ve got no social life whatsoever. My family try to take me out for birthday meals, special occasions but I can’t sit for a long time because my arms and legs get painful. I find it embarrassing so I avoid going with them.”

(Consumer on a low income who has a physical impairment/condition, 75+, Belfast)

Image 1: A participant taking medication for various health conditions



CASE STUDY: Frank, 45-54, Consumer who has a physical impairment/condition, Rhyl

Frank was in a serious motorcycle accident four years ago which has left him with serious physical problems and Post Traumatic Stress Disorder (PTSD).

Before the accident he was very active and working as a landscape gardener. He has found the transition to no longer being able to work and to be solely reliant on

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benefits for his income challenging. He is determined to get his health in a better place so that he might work again but due to the severity of his conditions, this is likely to be a very long process.

As a result of the accident he now suffers with severe PTSD and depression and is sometimes unable to leave the house for days due to feeling very low. He also has trouble sleeping as he has visions of the accident in his mind's eye.

"I used to be quite laidback. Now, I'm quite uptight at times. Then, it's like fight or flight mode. If I go out somewhere and I get, like, a panic attack or anxiety, I have to get home."

"I get a lot of, say, flashbacks when I'm trying to sleep, because they say your life flashes before your eyes, and it actually does. You can play your whole life out in a split second."

The impacts of disability on day-to-day life for consumers on low incomes point to specific needs these vulnerable consumers have over and above those common to consumers on low incomes more broadly.

- In particular, these impacts point to a heightened need for reliability of products and services. Consumers with physical conditions or disabilities were particularly unwilling to tolerate any uncertainty or disruption in markets that they are dependent on (such as energy and telecommunications) compared to non-disabled consumers on low incomes.

"I've got a CPAP [continuous positive airway pressure machine] to help me breath at night, I have to have the electricity. If the electric goes off in the night, because I'm, sort of, half asleep, I don't know that the air pressure's stopped in my mask. So, I either wake up suffocating, like you've been drowned, because it's like hanging on to the wall, and trying to get my breath."

(Consumer on a low income who has a physical impairment/condition, 44-54, Rhyl)

3.3.2 Living with a mental health problem

In contrast to those with a physical impairment or condition, vulnerable consumers with mental health problems had more difficulty in articulating how their condition impacts them day-to-day.

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A key theme that emerged from the research, however, is fluctuation over time, making life even more unpredictable for consumers with mental health problems. There are periods where mental health problems are more and less pronounced, impacting on daily life more widely (for example, ability to work or socialise) as well as engagement in markets and ability to get a good deal¹⁷.

“The last fortnight I had two weeks when I was really down, and I don’t want to do anything. You just don’t want to do anything. I’ve always suffered with depression.”

(Consumer on a low income who has a mental health problem, 64-75, Rhyl)

“I have days where I do [feel down], probably a couple or three days a week, whereas it used to be all of the time. I’d shut myself in the bedroom for days. I’d shut the curtains, I wouldn’t answer the phone. I am slowly coming out of it.”

(Consumer on a low income who has a physical impairment/condition, 45-54, Rhyl)

In addition, when considering engagement with providers and markets, consumers with mental health problems as well as financial vulnerability appear to experience the following challenges:

- **Difficulty and/or reluctance communicating with others.** Consumers with mental health problems often described far lower levels of confidence in engaging with people and companies over the phone and face to face. This also applied to receiving communications from providers of services through email or letters, with examples of participants avoiding engaging with them at times of stress¹⁸.
 - This can also have an impact on consumers’ approaches to markets such as grocery shopping. For example, most participants with anxiety disorders in the sample described avoiding being in crowded or noisy places such as large supermarkets or public transport. For some, this

¹⁷ See Citizens Advice and BritainThinks: Mental health and essential service markets (2017) for further analysis on the impacts of mental health problems on types of behaviour in relation to engagement with essential service markets (<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/consumer-policy-research/consumer-policy-research/essential-service-markets-and-people-with-mental-health-problems/>).

¹⁸ See CMA and the Money and Mental Health Policy Institute: Consumers navigating markets while living with mental health problems – summary of stakeholder roundtable (2018) for further discussion of the barriers to communicating with providers and suppliers faced by consumers with mental health problems (<https://www.gov.uk/government/publications/vulnerable-consumers/consumers-navigating-markets-while-living-with-mental-health-problems-summary-of-stakeholder-roundtable>).

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led to an over-reliance on online shopping or visiting smaller, and often more expensive, local convenience stores to purchase groceries.

“When I’m in an agitated condition, I tend to shout... you’re anxious. Your head’s not always the way it should be... you may think they’re being cheeky and not trying to help.”

(Consumer on a low income who has a mental health problem, 25-34, Glasgow)

- **Finding life, including managing bills and finances, overwhelming.**

Consumers with a mental health problem were particularly likely to feel overwhelmed by the challenges they faced in life, and to withdraw or disengage from them as a result.

- This can lead to an inconsistency in consumers’ ability to manage finances more widely, and bills and communications from providers of key markets in particular. During periods of poor mental health, participants described struggling to manage and engage with markets, leading to missed payments and ignoring communications.
- Vulnerable consumers with mental health problems were the most likely to describe struggling to manage bills and finances, leading to indebtedness and an over-reliance on credit – which in turn caused further stress and negatively impacted on their mental wellbeing¹⁹.

“Sometimes I just go to my bed, it’s the only place I feel happy.”

(Consumer on a low income who has a mental health problem, 34-45, Glasgow)

“When people start giving me grief I bury my head in the sand and I worry all the time the bailiff is coming.”

(Consumer on a low income who has a mental health problem, 34-45, Watford)

- **Increased likelihood of overspending:** several participants with mental health problems, and especially those with depression and anxiety disorders, described being prone to rash decision-making and overspending at times of poor mental health.

- In addition, and in relation to the key markets in particular, being more likely to make ‘rash’ decisions as a result of mental health problems can lead to these consumers being more vulnerable to aggressive sales techniques and canvassing.

¹⁹ See StepChange: Breaking the link – a close look at vulnerable people in debt (2018) for further analysis of the causal relationship between mental health problems and financial vulnerability (<https://www.stepchange.org/policy-and-research/debt-and-vulnerability.aspx>).

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"I'm no good with money, I can have it and spend it on stupid things and still need to pay for the electric."

(Consumer on a low income who has a mental health problem, 25-34, Rhyl)

CASE STUDY: Beth, 45-54, Consumer who has a mental health problem, London

Beth lives alone in Outer London, in an area she has lived in all her life. She had to give up work as a carer several years ago when she injured her shoulder hoisting a patient out of bed. Since being out of work she has developed severe mental health problems including depression, anxiety and some symptoms of Agoraphobia. As well as struggling to cope with the fall in her income, Beth was in a physically abusive relationship. All this led to her having a mental breakdown last year.

Beth does not drive and rarely leaves her house: some days she can hardly bring herself to open her curtains. There is a large supermarket a 10 minute walk away from her home, but she can't face going there on her own. Sometimes a friend can drive her to the entrance at night, so she can quickly get what she needs without having to see anyone. For groceries, she mainly relies on the local shop, even though she knows she ends up paying over the odds.

"I tend to just go to that [local] shop and I could get a deal but other times I'm usually paying over the odds for what I need. It's a convenience store and convenience stores, usually, you do pay over the odds for that convenience, you know?"

CASE STUDY: John, 32, Consumer who has a mental health problem, Rhyl

John is single and lives alone with his dog in a one bedroom council flat. He is not working and is very withdrawn from society due to his mental health. He suffers from depression and anxiety which makes him feel very uncomfortable when he leaves the house so he tends to stay indoors most of the time. He is very isolated and unwilling to communicate with others and tends to ignore canvassers who regularly 'blitz' the estate. However, he did once let one into his flat and was persuaded to switch his energy – the canvasser was persistent to the point of setting him up with an e-mail account so he could register.

He has not paid for his gas in years and is aware that there is probably mounting debt from a standing charge and yet does not feel in a position to address this. Instead he relies upon electricity (which he tops up via a meter) to live with – for example, using a microwave instead of a cooker and boiling a kettle to wash pots. He has previously had serious debt problems with catalogues and payday loans which amounted to thousands of pounds and left him very concerned he would be sent to prison. However, he went to the Citizens Advice who helped him to work out a debt relief order.

“[Debt] will get on top of me and I just won’t want to deal with it. I will just hide.”

“I’ve not had gas for about six years. The meter needs to be topped up but it’s mounting debt daily.”

These impacts of mental health problems for consumers on low incomes point to specific needs these vulnerable consumers have over and above those common to consumers on low incomes more broadly. These are:

- 1. As with disabled consumers on low incomes, there is a heightened need for reliability of products and services.** In response to the unpredictability of mental health problems, these consumers placed further value on routine and continuity both in life more widely, and in markets specifically.
- 2. Needing flexibility in services and contracts.** Inconsistency in ability to manage finances, bills and communications from providers means that these consumers need a degree of flexibility in payments.
- 3. Needing supportive customer service and communication.** Consumers with mental health problems can lack the confidence to engage with providers and need supportive customer services, and a range of different ways of communicating with providers.

3.3.3 Age and frailty

The circumstances and experiences of the older consumers in our sample highlight the strength with which age and other forms of vulnerability, especially physical disability, intersect. Several older participants had developed degenerative health conditions such as Osteoarthritis which they described as having a large impact on their day-to-day life through limiting their activity.

In addition, when considering ability to get a good deal in markets, the following themes emerged from interviews with older consumers on low incomes:

- **Older consumers can be facing a number of changes or a period of transition.** This has an impact on their mental wellbeing and the extent to which they feel able to deal with different challenges in their lives, or to engage with things like markets and providers.
 - Significantly, developing physical impairments/conditions or simply ‘slowing down’ physically due to ageing can limit older consumers’ independence and ability to complete things like household tasks and grocery shopping without assistance, which can have a big impact on self-worth and mental wellbeing²⁰. For example, older consumers in this research described their feelings of frustration at not being able to complete tasks such as hoovering without help, or no longer being able to cook ‘from scratch’ due to not being able to stand for long lengths of time.
 - In addition, older consumers described finding their social circles and support networks changing significantly through bereavement or spouses and close friends developing conditions such as Dementia and having to move into care homes. This can cause loneliness and a reduced sense of value and involvement in society²¹.
 - As with consumers living with mental health problems, transition and fluctuating vulnerability lead older consumers to place value on routine and continuity in the aspects of their lives that they have control over (such as what time they wake up in the morning or what they eat at mealtimes).

“I feel fed up at times and frustrated with myself because I can’t do what I want to do... I have always loved cleaning but what used to take me an hour in the home now takes me four hours, or I have to ask my husband to help.”

(Consumer on a low income who has a physical impairment/condition, 75+, Belfast)

- **Older consumers can also display a heightened awareness of their own vulnerability.** Some participants described concerns that other people – including providers – might seek to exploit their vulnerabilities, significantly

²⁰ See Age UK and BritainThinks: Frailty – Language and perceptions for further discussion of the importance of maintaining a sense of independence for mental wellbeing amongst older people (2015) (https://www.ageuk.org.uk/documents/en-gb/for-professionals/policy/health-and-wellbeing/report_bgs_frailty_language_and_perceptions.pdf?dtrk=true).

²¹ See Age UK and BritainThinks: Struggling to cope with later life (2017) for further evidence of the relationship between loneliness and self-worth amongst older people, and the potential impacts of this (<https://www.ageuk.org.uk/our-impact/policy-research/struggling-to-cope/>).

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impacting on their ability to get a good deal for goods and services. This was much more pronounced among older consumers aged 80+.

- For example, some older participants described the effects of slowing down mentally as a result of cognitive aging²² on their ability to deal with different challenges in their lives and to engage with different issues.
- Some older consumers also felt that they have a lack of effective choice in key markets. For example, in the insurance market, older consumers can feel that they are paying over the odds for a product but are reluctant to challenge their providers for fear that they will draw attention to their age and find their premiums rise even more – or have the product taken away all together. In addition, older consumers in the sample who were also offline highlighted this as limiting their ability to compare prices across different providers and determine whether or not they are getting good value for money (see Section 3.5 for further detail about the impact of internet access).
- Older consumers appear to respond to this awareness of their own vulnerability in two ways:
 - Some respond to this with vigour, being determined not to let providers take advantage of their vulnerability, spending a lot of time researching markets and calling their providers to complain and negotiate better deals. This response appears to be more common amongst older consumers in our sample who have been on a low income for most of their adult life and have a heightened sense that life is difficult and unfair.
 - By contrast, other older consumers can feel overwhelmed and that there is very little that they can do to improve their outcomes in markets.

“I’m not quite as sharp as I used to be. I regularly take the dementia test. My vocabulary used to be much bigger. Being aware that I’m not as sharp as I used to be hopefully means that I can mitigate against it.”

(Consumer on a low income who has a physical impairment/condition, 75+, Nottingham)

²² For more on cognitive functioning declining with age and the impact on consumers’ decision-making processes, see Citizens Advice: The cost of loyalty: exploring how long-standing customers pay more for essential services (2018): (<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/consumer-policy-research/consumer-policy-research/the-cost-of-loyalty-exploring-how-long-standing-customers-pay-more-for-essential-services/>).

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“[I feel like] older people are fair game for providers. And people who are offline don’t have the internet. Some people take advantage.”

(Consumer on a low income who has a physical impairment/condition, 75+, Nottingham)

CASE STUDY: Michael, 75+, Consumer who has a physical impairment/condition, Watford

Michael is retired and lives alone in sheltered accommodation. He took early retirement to become a full-time carer for his wife, who developed a rare form of early onset dementia which has deteriorated over time. 18 months ago, Michael’s wife went in to a care home to give him some respite, but this eventually became a permanent arrangement. He feels some guilt about this but understands practically that this is the best solution.

Michael visits his wife every day (sometimes twice a day), which is emotionally draining. He tries to keep very busy to take his mind off his wife and describes his life in three words as hectic, frustrating and upsetting. He does a lot of volunteering work with organisations which helped him when he was a full-time carer and is particularly interested in music therapy as a form of support to people with dementia.

As his wife's health got worse, Michael deprioritised his own health as he found it very difficult to get someone to stay with her while he was at medical appointments for himself. He is trying to get more on top of his own health now, and has some pain associated with arthritis and is in remission after having prostate cancer.

These challenges for older consumers on low incomes point to specific needs that must be met for them to achieve good outcomes in markets. These are:

- 1. A heightened need for reliability of products and services.** As a consequence of the close intersection between age and physical disabilities/health conditions, older consumers also tend to be particularly unwilling to tolerate any uncertainty or disruption in markets that they are dependent on.
- 2. Needing real and effective choice.** Many older consumers can feel they lack choice in products and providers as a result of their age, or being less able to shop around for better value as a result of being offline.
- 3. Needing supportive customer service and communication.** Older consumers are more likely to be impacted by low mental wellbeing as a

result of loneliness, and also cognitive ageing, which means they may have different communication needs to other consumers.

3.3.4 Level of education

While the vulnerable consumer sample overall was skewed towards lower education levels, consumers with no formal qualifications seemed to emerge as particularly vulnerable. This has an impact on their engagement with markets and ability to achieve good value for money in the following ways:

- **Low confidence to engage with a number of challenges in their life, often including challenges related to key markets.** This was more pronounced among younger rather than older consumers with lower levels of education, with the latter having often gained skills and confidence through work.
 - Younger consumers with no formal qualifications are less likely to feel confident in their ability to manage money and finances more widely, or in their ability to get a good deal for products and services specifically. This is especially the case for contracted services such as energy and telecommunications, or products that they are relatively unfamiliar with such as credit.
 - This can also lead consumers to feel overwhelmed by the prospect of engaging in key markets and, for some, also a sense that they are vulnerable to being taken advantage of.

“I am rubbish with money and I'm useless at organisation.”

(Consumer on a low income who has a mental health problem, 35-44, Watford)

“My organisation is terrible, paying bills, organising dates and times - I'm no good.”

(Consumer on a low income who has a mental health problem, 35-44, Nottingham)

- **Reluctance communicating with others.** This low confidence can also translate to a reluctance in communicating with strangers and providers of services over the phone and face-to-face. This includes participants in the sample who had little/no formal qualifications and some form of learning disability or speech impairment.

CASE STUDY: Tom, 35-44, Consumer who has long-term health conditions, London

Tom suffered a car accident at the age of 9, which left him with a fractured skull, a dislocated bone in his lower back, and in hospital with a coma for four months. The long-term impacts of the accident include epilepsy, memory loss and slow speech. He did not finish school, and has never managed to keep a job, which he puts down to his epileptic fits 'frightening off' employers.

Until recently he lived with his mum, who helped him with all his bills and paperwork. However, she has recently been diagnosed with terminal cancer and has moved into a care home and is no longer able to help him. In the last year, he's also had a drastic cut to his income, with his Disability Living Allowance (DLA) being withdrawn through the move to Personal Independence Payments (PIP). This means that he is currently only receiving £70 per week from his Employment and Support Allowance (ESA). As a result, he's been unable to pay his rent and is 10 months in arrears, and has also had to cut down his food consumption so is only eating two small meals a day.

Tom has to contend with a lot of paperwork to try to take his case to a tribunal, gain access to PIP payments and to claim for ESA, which he finds very difficult to manage. He finds the trips to the job centre 'overwhelming' and is struggling to deal with the processes that could help him. He's also disadvantaged by the fact that, due to his epilepsy, he can't use computer screens, which the job centre requires to show evidence of searching for jobs to qualify for ESA.

In this context, challenging his creeping energy payments is a last priority, though he feels his gas top ups (on a pre-payment meter) are getting more and more expensive.

"I went to a normal school, the teachers were lovely, but they gave me less work than everyone else [just] to make sure you look like you're doing something. It served the purpose of me being at school."

"I haven't really got a voice, so it's put up and up... They are companies, I'm only a person."

These challenges point to specific needs these that must be met for consumers on low incomes with no formal education to achieve good outcomes in markets. These are:

1. **A heightened need for clarity and simplicity in marketing, contracts and billing.** This will support consumers who have low confidence in their ability to navigate and engage with markets to do so.
2. **Needing supportive customer service and communication.** As with consumers with mental health problems, these consumers can struggle to communicate with providers, and are especially reluctant to do so over the phone.

3.4: Additional factors that impact on vulnerable consumers' engagement with providers and markets

In addition to the characteristics of vulnerability discussed in sections 3.2 and 3.3 of this chapter, four other factors emerged from the research as having a particular impact on consumers' lives and their ability to deal with challenges including engaging with markets. Combined, these factors point further to the need for effective choice for vulnerable consumers to achieve good outcomes in markets.

- **Dependents and caring responsibilities.** Having dependent children had a major impact on both consumers' time and the ways in which they prioritised their attention and spending.
 - For many, there is a big emphasis on not wanting their children to go without, and not making the same sacrifices that they are prepared to make for themselves. This means that some things that are not obviously a 'necessity' become one, for example expensive telecommunications packages with fast speed broadband.
 - In addition, budgeting and allowing for unexpected costs is felt to be particularly difficult for those with children. The cost of childcare (and the impact of this in the school holidays in particular) is also a struggle, as are unexpected costs for their children to attend birthday parties or similar events.
 - A significant proportion of consumers in the sample who did have dependent children were also lone parents, or had caring responsibilities as a result of their child having a physical or mental health problem (and often both of these factors applied). This had a big impact on their time, meaning that these participants in particular were likely to describe their lives as being hectic and stressful.

“September until June is taken up with kids activities and clubs, there's something every day that one of them goes to.”
(Consumer on a low income, 35-44, Belfast)

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“Kids’ activities. I have to pay for football, for the school and for his club that he goes to. My son, he’s big on swimming just now, so it’s £5 or £6 a day I’m having to give him because he gets the bus, then has to go for a snack afterwards. So, my money tends to kind of go on them.”

(Consumer on a low income who has a mental health problem, 35-44, Glasgow)

- **Support network.** Those who are socially isolated can face specific challenges to engaging with markets and getting a good deal as a result of:
 - Not receiving information and advice from friends and family about services and support available, something that many participants described as being integral to them finding out about alternative providers or deals, or forms of support such as the Priority Service Register or Warm Home Discount in the energy market.
 - Not having the same informal support systems in place that other vulnerable consumers often rely on (e.g. parents providing free childcare, partners supporting with household chores).

“I don’t honestly know what anyone else does. It might be [that I’m paying] too much but there’s nothing I can do about it unless I switch to another company and I’m not doing that so I’m stuck with it.”

(Consumer on a low income who has a physical impairment/condition, 75+, Colne)

“I don’t have any friends at all, my family don’t bother... No, well I go see my nan every day, but that’s it, but she’s too poorly, she doesn’t understand about mental health really... She just tells me to snap out of it and that, if it was so easy.”

(Consumer on a low income who has a mental health problem, 35-44, Watford)

- **Location.** Those in rural locations can be limited to specific providers for key telecoms services, while access to energy services is often limited by housing type. In addition, living in rural locations can lead to reduced social networks, particularly for those who have moved from other areas.

“[Provider] is the only one with good [mobile] signal in the area. There’s no other option really.”

(Consumer on a low income, 25-34, Rhyl)

“I’ve tried to see if I can get gas central heating installed [instead of oil] but it’s just so expensive to do, it’s not an option really.”

(Consumer on a low income who has a physical impairment/condition, 45-54, Belfast)

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“They [my friends] are quite far away, but I do FaceTime them a lot or ring them or something. We see each other on pay day so just once a month... I’ve got some mum friends, but they’re for the school and the park, that’s it... Plus a lot of them are, like, 40 [so we don’t have much in common].”
(Consumer on a low income, 18-24, Rhyl)

- **Historic debt problems.** This has a significant impact on consumers’ ability to access credit products and the choice available to them in certain markets, making it significantly harder for them to switch providers in order to get a better deal.

“I didn’t think anyone would let me [switch to them], because I have a debt with [Service Provider].”
(Consumer on a low income who has a mental health problem, 35-44, Watford)

3.5: The importance of access to ‘gateway’ products

In line with previous evidence, this research points to the importance of enabling products, especially a car and internet access, to maximising choice and access to markets.²³

3.5.1 Access to the internet

Internet access can have a big impact on consumers’ ability to engage with markets, and to shop around and look for better deals. As a result, the majority of participants in both the vulnerable consumer sample and the control group spontaneously referenced using the internet to engage with markets.

- Price comparison websites (PCWs) were very important here, and something that the majority of consumers were aware of and regularly using in order to get better deals, especially in the car insurance market.
- Other examples of using the internet to engage with markets to get better value for money was regularly using money saving websites and e-mail mailing lists such as Money Saving Expert, or seeing advice about accessing available support for vulnerable consumers in key markets on social media.

²³ See CMA: Understanding consumers on low incomes (2015):
(<https://www.gov.uk/government/publications/understanding-consumers-on-low-incomes>).

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"I found [about the Warm Home Discount] via Facebook. So, somebody had said on one of the bargain pages, because obviously I'm on all the bargain, scrimping pages and what have you, about it. I phoned them up and I was like, 'Somebody told me about this.' They were like, 'Yes. We'll just run through some questions.' They were like, 'Yes, you're eligible.'"

(Consumer on a low income who has a physical impairment/condition, 45-54, Watford)

Vulnerable consumers who do not have access to the internet have a strong sense that they were 'missing out' and at a disadvantage. As a result, of the minority of consumers on low incomes in the sample who were completely offline, almost all were taking steps to mitigate the impact that it has on their ability to get good deals.

- For example, a number of offline consumers were finding ways to 'correct' for their lack of internet access, such as asking children or grandchildren to access price comparison websites on their behalf.

"I'll tell you why. Every time you're talking to somebody, they all go, 'oh, you need to be careful about being online,' and, 'your things get hacked,' and this, that and the other and I thought, 'okay, I'm just not going to go that road,' and therefore, I wouldn't actually have the knowledge to do it."

(Consumer on a low income who has a mental health problem, 65-74, Belfast)

A small number of very socially isolated consumers felt that they had no way of accessing the benefits of the internet. These consumers did not have relatives or friends who they could ask to access services such as price comparison websites on their behalf.

- In addition, consumers who have unreliable internet access or who are less confident online have emerged as groups who are likely to be excluded from the full benefit of the internet as a gateway product.
 - This includes consumers on low incomes who rely on their available mobile data rather than paying for a separate broadband connection, or those who are less confident online such as those with low levels of education.
- While not being completely excluded, these consumers would struggle to use services such as price comparison websites as it would take them too long to complete forms.

"Maybe, it probably takes too long on the laptop, and if the laptop's, sort of, it depends on your broadband, if your wireless slow and everything else, and you don't get all the information down. I'd rather talk to someone, so they know, you

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know, what you're saying. You're telling them, it's just easier telling them what you want, you know?"

(Consumer on a low income who has a mental health problem, 35-44, Belfast)

3.5.2 Access to a car

Access to a car is seen as a vital lifeline for consumers on low incomes. Having access to a car means that journeys are much quicker and they do not have to spend as long planning travel – which is even more important for the most time-poor consumers on low incomes such as single parents.

- This is particularly important for consumers who live in suburban or rural areas where public transport provision is limited.
- A car can also mean that, in the grocery market in particular, choice is not limited to providers with stores in geographical proximity, thus enhancing consumers' ability in getting good value for money.

"Every day is a juggle and especially as I rely on public transport to get about and it's expensive." (Consumer on a low income who has a mental health problem, 25-34, Colne)

The importance of a car as a gateway product is heightened for physically disabled consumers, and those with mental health problems. In many cases, these consumers are likely to be facing additional barriers to travelling on public transport.

- For consumers with a physical impairment/condition, public transport can often be something that they are neither comfortable nor confident using²⁴. Indeed, some had very negative experiences using public transport, including a severely visually impaired participant using the bus and being dropped off, alone, in the wrong place.
- In addition, consumers with mental health problems such as anxiety disorders, described feeling overwhelmed on public transport making this market less accessible for them.
- If they are unable to drive themselves, many of these consumers are reliant on lifts from friends and family or using taxis (with the added financial burden) to get around.

²⁴ See Scope: Independent, Confident, Connected (2018) for further evidence of the inaccessibility of public transport for disabled consumers and the policy implications ([https://www.scope.org.uk/campaigns/gamechanger/independent-confident-connected.](https://www.scope.org.uk/campaigns/gamechanger/independent-confident-connected))

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“I used the bus before, but the driver always has other things to focus on. One time, he forgot me, and he dropped me off three stops beyond mine. It was in the absolute pitch black. I've never used the bus since.”

(Consumer on a low income who has a physical impairment/condition, 75+, Rhyl)

“I don't know how I would cope if I didn't drive, really.”

(Consumer on a low income who has a mental health problem, 35-44, Glasgow)

Although many see it as being really important, using a car is felt to be expensive. For consumers on low incomes, the combined costs of petrol and other elements of 'running a car' such as tax, insurance and paying for repairs if anything goes wrong can make this one of their largest outgoings.

- This leads some to try to limit the number of journeys that they are making as far as possible (although this is more difficult for those with children who have to take account of travel to/from school and additional clubs or activities). Older consumers, who have a free bus pass and are relatively mobile, will make use of this as much as possible to save on costs.

“We thought about it, and we realised we couldn't afford to run the car any more. The fact is that obviously, we're both pensioners, we've got our 'dodder's pass' on the bus. If we want to go into Nottingham, we walk up the road, there's a bus stop in 100 yards and there's a bus into town during the day every quarter of an hour... It would be nice to be able to jump in the car and nip down to see my daughter that lives in Maidenhead or nip up to my son who lives in Bradford...If we had a car then we would do it a lot more often, but the fact is it's a case of cutting your cloth.”

(Consumer on a low income who has a physical impairment/condition, 75+, Nottingham)

However, this financial barrier is not limited to using a car. Participants pointed to how expensive the transport market is as a whole. For those outside of large cities such as London in particular, public transport is felt to be very expensive.

- In addition, the cost of longer journeys if not using a car can be prohibitively expensive and are not seen as good value for money. For some participants, the cost of travelling by train to visit friends and relatives further afield can prevent them from being able to do so while others may have to rely on credit products in the short-term.
- Rail travel booking platforms, that compare the prices of different fares at different times of travel were spontaneously referenced by a handful of participants as ways of getting a better price. These participants also referenced the importance of booking travel tickets as far in advance as

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possible to get a deal. However, even for those undertaking these measures, it was still felt to be very expensive.

“When something like, buying tickets to go home [to London to visit mother] comes up, it may not take me a month to repay that back. It may take me three months.”
(Consumer on a low income, 35-44, Colne)

3.6: Conclusions from this chapter

Vulnerability is multi-layered and complex. In addition, this research has highlighted both the overlapping nature of characteristics of vulnerability, and the fluidity of vulnerability: from fluctuating income to unpredictable symptoms of physical disabilities and mental health problems. This means that there is no one type of vulnerable consumer and consequently no ‘one size fits all’ solution to the challenges vulnerable consumers can face.

However, despite this variety and complexity, throughout this chapter a set of common needs have emerged that vulnerable consumers feel need to be met in order to improve their engagement in markets and ability to get a good deal. These needs do not represent different groups or ‘typologies’ of vulnerable consumers, and an individual may experience anywhere between one or all of these at different points in time.

These perceived needs are summarised in the following table:

Figure 10: Common needs identified by participants in relation to key service markets

1. Certainty over finances	<p>Consumers on a low income can struggle with constrained and fluctuating finances. This means that they require as much certainty as possible in the cost of goods and services to help them manage and balance their finances.</p> <p>The need for certainty of billing has emerged as being important for the majority of consumers on a low income in our sample, and is heightened for those consumers who:</p> <ul style="list-style-type: none">• Have particularly low incomes (£100 or less a week), increasing the amount of financial balancing they have to do.
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	<ul style="list-style-type: none"> • Have a mental health problem with unpredictable symptoms, meaning further value is placed on routine and continuity. • Are older consumers in the process of managing the impacts of change and transition, such as developing physical disabilities/health conditions or coping with bereavement and loneliness. • Feel very time poor, such as consumers with dependents, especially single-parents.
<p>2. Reliability of products and services</p>	<p>Many consumers on a low income also find that a lot of their energy and ‘headspace’ can be taken up with worry about managing to balance finances and not running into financial difficulty. This means that the reliability of services ‘running in the background’ without any difficulty is also very important.</p> <p>The need for certainty of billing has emerged as being important for the majority of consumers on a low income in our sample, and is heightened for those consumers who:</p> <ul style="list-style-type: none"> • Have a physical disability which increases their dependence on certain products and services such as energy and telecommunications. • Are older consumers in the process of managing the impacts of change and transition, such as developing physical disabilities/health conditions or coping with bereavement and loneliness.
<p>3. Flexibility in services and contracts</p>	<p>In line with the need to have certainty over billing to help managing finances in the context of constrained and fluctuating incomes, consumers on a low income also require flexibility in services and contracts to give them breathing space at times when circumstances change. Payment ‘holidays’ or being able to exit expensive contracts early at no financial cost are examples of the flexibility that would help vulnerable consumers manage in times when things do go wrong.</p> <p>This need for flexibility is important for the majority of consumers on low incomes in our sample, especially those who:</p>

	<ul style="list-style-type: none"> • Are working in insecure, low paid work and are more likely to experience significant changes in income that impact their ability to pay for important goods and services. • Have recently acquired (or have caring responsibilities for someone who has acquired) a physical disability or mental health problem. For working age consumers, this can have a big impact on income as a result of limiting ability to work. • Have a mental health problem that can cause them to disengage from managing bills and finances during periods of poor mental health.
<p>4. Real and effective choice over providers, contracts and deals</p>	<p>A number of vulnerable consumers in our sample did not feel that they had the effective choice needed to get a good deal in key markets.</p> <p>The need for real and effective choice over providers, contracts and deals was most pronounced for consumers who:</p> <ul style="list-style-type: none"> • Face any one of a number of barriers such as living in a rural area, age, health conditions, or historic debt problems. • Do not have access to key gateway products, especially the internet.
<p>5. Clarity and simplicity in marketing, contracts and billing</p>	<p>To support vulnerable consumers to be able to exercise choice over products, services and providers, there is a need for clarity and simplicity in marketing, contracts and billing.</p> <p>This is especially important for consumers on a low income who:</p> <ul style="list-style-type: none"> • Have no formal education and limited experience managing finances and bills (such as younger consumers). • Have a mental health problem that can impact on their decision-making or older consumers who are impacted by cognitive ageing.

6. Supportive customer service (and communication)	<p>Supportive communication services are needed by many vulnerable consumers to help them negotiate to get the best deals in markets, or to get better outcomes if any problems arise with products and services.</p> <p>This need is particularly prevalent for consumers on a low income who:</p> <ul style="list-style-type: none">• Have a mental health problem that causes difficulty and reluctance communicating with others.• Have no formal education, including vulnerable consumers who have some form of learning disability or speech impairment, causing low confidence communicating with strangers and providers, especially over the phone.
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4. Managing finances and getting value for money

4.1: Introduction

As part of understanding the experiences and needs of consumers on low incomes in relation to key markets, this research has sought to gain insight into approaches to managing finances and getting value for money for products and services.

Much of the existing literature about purchasing and payment decisions made by consumers on a low income frames this decision-making as sub-optimal and irrational²⁵. This research aims to provide a different frame. Through a detailed understanding of the context of vulnerable consumers' lives, it highlights instead that financial decisions tend to be rational responses and adaptations made by consumers because of their circumstances. It sheds light on the importance of the 'here and now' when managing money on a low income, and the precision required to balance finances without having to make sacrifices or running into difficulty.

Chapter overview

This chapter outlines insights about participants' claimed confidence managing money, their tactics and methods for doing so, and any tools that they may use²⁶. In doing so, it draws attention to the importance of 'knowing where you stand' financially at any given moment to be as in control as possible for consumers on low incomes. This goal is at the centre of approaches to managing finances, from having a detailed knowledge of income flow and regular outgoings, to a reliance on direct debits and standing orders.

The second half of the chapter focuses on the concept of 'value for money', and explores the ways in which consumers on low incomes define this. Four factors emerge as being important here:

1. **Price:** the most important element of value for money for consumers on low incomes, often determined by the availability of discounts and savings.

²⁵ See JRF: How poverty affects people's decision-making processes (2017) for more on the framing of vulnerable consumers' financial decision-making in existing literature (<https://www.jrf.org.uk/report/how-poverty-affects-peoples-decision-making-processes>).

²⁶ For further detail about the research materials and specific lines of questioning, please refer to the Appendix.

2. **Reliability:** ensuring that products and services can be trusted to run without outages or problems.
3. **Time impact:** for some consumers on low incomes, the best value deals can be those that take the least 'hassle' to find and have the smallest impact on their time.
4. **Quality:** where affordability and price is not a barrier, many consumers on low incomes want to know that the products they purchase will last.

4.2: Approaches to managing money

4.2.1 Financial priorities for consumers living on a low income

As outlined in the previous chapter, constrained and often unpredictable finances mean that, for many consumers on a low income, money can be an almost constant source of worry and anxiety. This, combined with minimal or often non-existent savings, means that most consumers on low incomes are in a very careful balancing act with their finances, in which even small deviations from what they expect to happen can throw everything off kilter. This makes unexpected additional charges or sudden bill increases extremely detrimental for those who already have little flex in their finances.

"All you need is something to go wrong with the house or something to go wrong with the car and then you're not ticking over any more."

(Consumer on a low income who has a physical impairment/condition, 45-54, Watford)

This means that 'knowing where you stand' at any given time is the priority for consumers on low incomes when it comes to managing finances. As a result, many participants in the vulnerable consumer sample demonstrated a very detailed knowledge of their income flow and regular outgoings, and were able to recite the exact amounts of their bills and when these were due to be paid.

- These consumers seemed to be across their finances in such detail because they felt that they had to do so in order to keep their carefully balanced lives moving and pay for essentials (such as housing costs, energy, and food).
- Some consumers described active relief in not having any money to spare beyond essentials, for fear of wasting it or disturbing the intricate balance of their finances. These consumers felt that more confident in their abilities to manage money effectively when they had a smaller budget and a clear focus on essential products and services (such as housing costs, groceries and energy).

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"I know when all my bills are due - I try to spread them out a bit and make sure I plan them around my biggest bill, which is for my [bank] loan, and which comes out at the middle of the month. In my situation, you have to know when your bills are due. I do a mix of direct debits and things I pay myself. With the [pre-payment] meter it's easier to use the key because I can see what I'm using...I can see how much quicker I need to top up if I have to put on my heating, and I can turn my heating down or off if I'm needing to top up too quickly."
(Consumer on a low income, 25-34, Watford)

"I do try and budget but it never works. When I've got less money I find I budget better. A bit more money and I find I end up throwing money at things I don't need."
(Consumer on a low income who has a mental health problem, 35-44, Glasgow)

By contrast, the priority for consumers in the control group was much less focused on the here and now of their finances. Instead, these consumers often took a longer view, and were using savings, investing or credit to deliver against longer term objectives to 'make their money work for them' and maximise their income.

- As a result, control group participants had a much less detailed account of their income and outgoings. In particular, they were far less likely than consumers on low incomes to be able to recount the exact details of their direct debits and standing orders from memory.

"I like to budget and plan but I do like to go with the flow and be spontaneous. I don't really worry about money."
(Control group consumer, Nottingham)

In a context in which knowing where you stand at any given time is the priority, being 'good' or 'confident' with money is therefore often about managing a limited pot sufficiently effectively so that there is enough to cover what you need.

Most consumers on low incomes interviewed described themselves as feeling relatively confident in managing their money in this way. The few who felt less confident with managing their money were more likely to be living on their own, aged under 50 and with low levels of education, and those with mental health problems. However, even those who felt less in control of their finances overall tended to have an idea of when they can expect money to be moving in or out of their accounts.

- For instance, a number of vulnerable consumers with mental health problems such as depression spoke about struggles in managing their money, particularly in terms of occasionally being prone to 'splurging' or losing control

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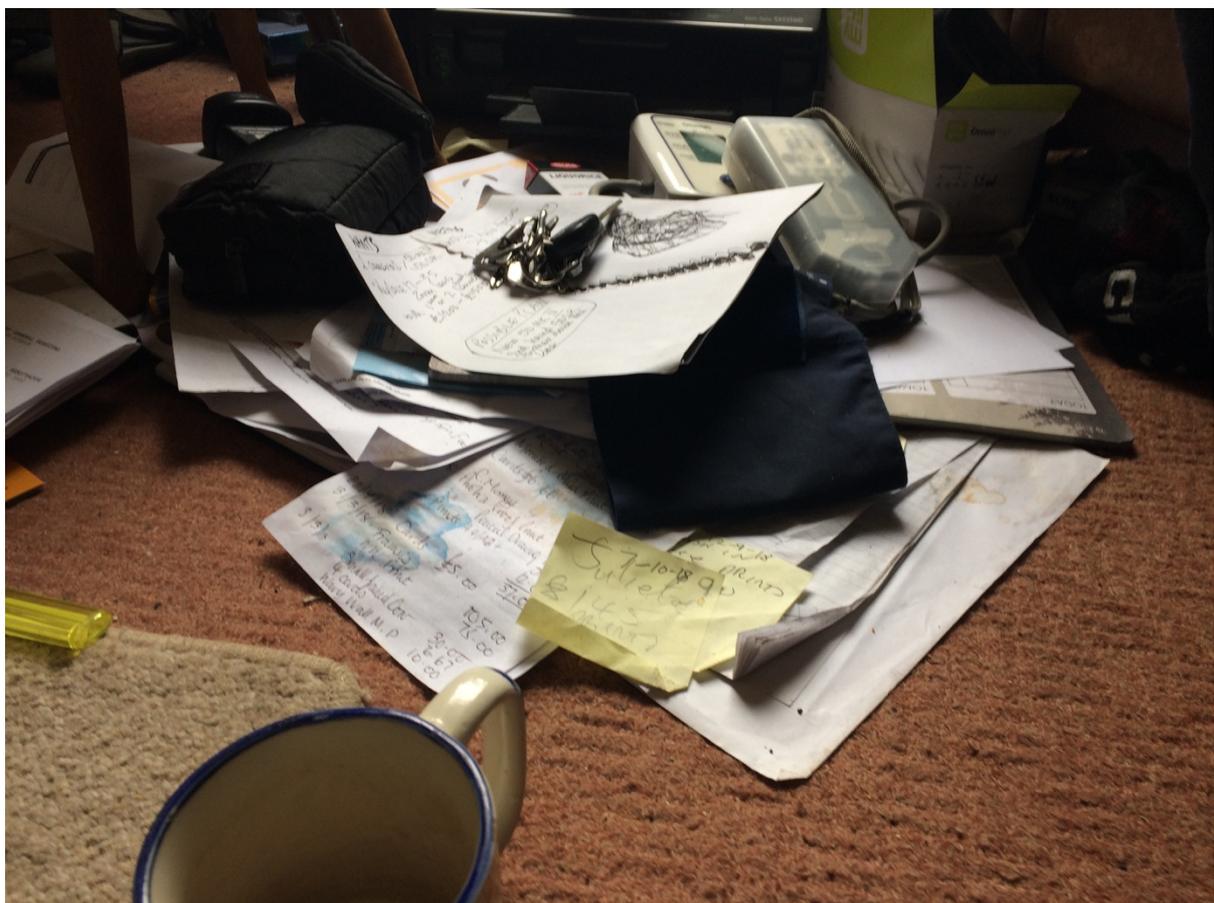
of their finances. These consumers tended to feel more overwhelmed in their lives in general, and far less confident when it comes to money.

- In addition, while often still having a detailed knowledge of their income and outgoings, consumers on the lowest incomes in the sample would often run out of money, and therefore did not feel that they managed their finances sufficiently effectively. These consumers would rely at this point on financial support from family to keep them 'ticking over'.

"I always have to end up borrowing £50 from my sister at the end of every fortnight [before Employment and Support Allowance is paid]. I pay her back as soon as my money comes in but it means that I'm always starting £50 behind."
(Consumer on a low income who has a mental health problem, 55-64, Glasgow)

"I don't really manage my money, I'm really bad...I'm paid on the last Thursday of the month and I've set all my direct debits for the 1st of every month so I know I can cover it."
(Consumer on a low income who has a mental health problem, 35-44, Glasgow)

Image 2: A participant's bills and financial papers



4.2.2 Tools and tactics used to manage money

In the context that managing finances successfully means keeping track of where they stand at any given moment to ensure that they can make ends meet, consumers on low incomes tend to place value on the following tools to help manage their finances:

- **Online banking.** This was an essential tool for most, allowing consumers on low incomes to see a 'snapshot' of where they are at any given moment. The majority of participants in the vulnerable consumer sample described checking their balance, either online or through a banking app, on a daily basis.
 - Those who are not online either relied on others for support, waited for monthly paper statements or visited their local bank branch in person, where possible. These were often older consumers who tended to feel relatively confident about managing their money as a result of their life experience. These consumers would often have their own ways of tracking spending through keeping hand-written records of their outgoings.
 - Only a very small number of participants were not checking their bank account at all. Consumers with mental health problems were more likely to fall into this group and were more likely to run into unexpected difficulties, especially if a direct debit payment for a service is higher than they expect and automatically taken out of their bank account.
 - In addition, one participant in the sample disclosed that they did not have a bank account. This consumer has an alcohol dependency and chose to no longer have a bank account because of historic debt and as a means of protecting his money so that he cannot spend it on alcohol. He is paid in cash as a workman at a garage, and has a grown-up daughter and a partner who have bank accounts, so accesses a number of products and services through them.

"Well, I log into my bank account, probably, four or five times a day. I don't know why, I mean, I suppose I'm assuming somebody's going to chuck a load of money in there... I do get quite paranoid about my bank account, because I'm always worried about charges [from direct debits 'bouncing']."

(Consumer on a low income who has a physical impairment/condition, 45-54, Watford)

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Image 3: A participant checking their mobile banking app

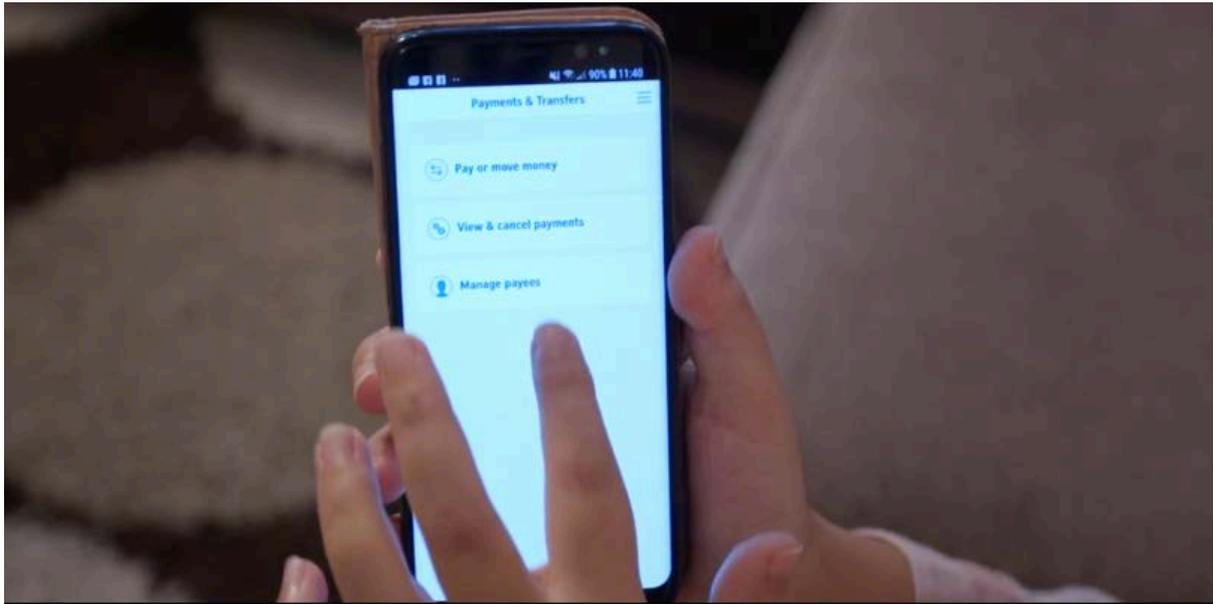


Image 4: An older participant's hand-written financial records

	<u>Gas + Elec</u>	<u>TEL + ALARM</u>	<u>WATER</u>	<u>INS.</u>
	50.00	50.00	40.00	20.00
	14.00	14.00	6.00	1.00
	<u>64.00</u>	<u>64.00</u>	<u>46.00</u>	<u>21.00</u>
	14.00	14.00	6.00	1.00
	<u>78.00</u>	<u>78.00</u>	<u>52.00</u>	<u>22.00</u>
	14.00	14.00	6.00	1.00
	<u>92.00</u>	<u>92.00</u>	<u>58.00</u>	<u>23.00</u>
	14.00	14.00	6.00	1.00
	<u>106.00</u>	<u>106.00</u>	<u>64.00</u>	<u>24.00</u>
	14.00	14.00	6.00	1.00
	<u>120.00</u>	<u>120.00</u>	<u>70.00</u>	<u>25.00</u>
	14.00	14.00	6.00	1.00
	<u>134.00</u>	<u>134.00</u>	<u>76.00</u>	<u>26.00</u>
	14.00	14.00	6.00	1.00
	<u>148.00</u>	<u>148.00</u>	<u>82.00</u>	<u>27.00</u>
Apr	<u>22.99</u>	<u>22.99</u>	<u>23.94</u>	<u>21.5</u>
	<u>125.61</u>	<u>125.61</u>	<u>58.06</u>	<u>27.00</u>
	14.00	14.00	6.00	1.00
	<u>139.61</u>	<u>139.61</u>	<u>64.06</u>	<u>28.00</u>
May	<u>48.92</u>	<u>48.92</u>	<u>23.94</u>	<u>28.00</u>
	14.00	14.00	6.00	1.00
	<u>109.42</u>	<u>109.42</u>	<u>70.00</u>	<u>29.00</u>
	14.00	14.00	6.00	1.00
	<u>123.42</u>	<u>123.42</u>	<u>76.00</u>	<u>30.00</u>

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- **Direct debits and standing orders.** These were also viewed as essential money management tools for many vulnerable consumers because they enabled them to feel confident that bills would be paid on time.
 - Many had carefully planned when all of their direct debits or standing orders would be taken out of their bank accounts, often immediately after being paid. This means that they can be certain that the money needed would be available and also prevent them from ever feeling that the money was ‘theirs’ to spend on non-essentials.
 - However, direct debits and standing orders were felt to be far from a perfect solution. Some vulnerable consumers had experienced high fees and charges if they lacked sufficient funds, and others had found direct debits inflexible and incompatible with their precarious, fluctuating circumstances, particularly when the bills themselves were variable over time.

"Now, [having just been able to get] the credit card, it gives me a wee bit of space. I still have to watch what, you know, I get, but it gives me a bit of breathing room, like, if I am caught. With direct debits coming out, you have to make sure you have enough money in [your bank account], or else you're going to get fined or whatever they charge now. You have to worry about when that's coming out."

(Consumer on a low income who has a physical impairment/condition, 35-44, Belfast)

- **Other useful tools and tactics.** Other tools mentioned by consumers on low incomes to help them keep track of their finances included bank balance text reminders, and keeping note of any outgoings, sometimes by hand or often as a note on their phone.
 - One offline, older consumer managed his money by withdrawing it all as cash and then putting it all in a strong box. He and his wife assessed the amount in each envelope and physically moved cash around as necessary on a weekly basis.

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Image 5: A participant looking through documents and bills



Image 6: A participant's 'strong box' and self-reported 'envelope system' for budgeting



As highlighted in the previous chapter, it also appears that some consumers on low incomes may be paying more, whether knowingly or unknowingly, as a result of choosing to use certain tools or approaches. These approaches were often chosen

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as methods that work better for managing their money and securing certainty over their finances. For example:

- The majority of those with pre-payment meters felt that this payment method suited them better than direct debits, because it helped them to think about their spending in the moment and to pay on a weekly rather than monthly basis.
 - Very few consumers with a pre-payment meter were aware that pre-payment meters are generally more expensive ways of paying for energy and that they may be paying ‘over the odds’ as a result²⁷.
 - In addition, within the sample, there were examples of consumers on low incomes who were using pre-payment meters who chose not to top up their meters when they ran out of money. It appears that older people, people with physical disabilities and people with kids were far less willing to make this choice.

“I thought it would be bad [having a pre-payment meter installed due to being in debt with energy provider]. But I prefer it now. Knowing how bad I am with money, I notice my electricity usage much more and can cut down. You don't think about it as much with direct debit.”

(Consumer on a low income who has a mental health problem, 35-44, Glasgow)

Image 7: A participant's pre-payment meter



²⁷ See CMA: Energy market investigation (2016) for evidence of the cost of pre-payment meters in the energy market.

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- Very few vulnerable consumers were paying quarterly or annually for products and services. Instead, because they did not feel they had the financial resources upfront to pay this way, they chose to pay through direct debit or standing order and were missing out on savings as a result.

These tactics used by vulnerable consumers to manage their money are often formed through trial and error, and highly dependent on life experience. Consumers in this position were feeling their way through money management, rather than acting with great certainty, and often reacting very directly to any negative experiences. For instance, those who had been 'burnt' by high-cost credit in the past tended to avoid it entirely going forward, with little sense that there may be more responsible or sustainable forms of credit available. Similarly, others chose to avoid direct debits after previous unexpected changes in fees, or to keep away from internet banking after issues with data security.

- Those vulnerable consumers with the most thought out approaches to money management tend to be older consumers. This group were more likely to have an 'orderly' approach to storing documents and bills, and had a closer eye on saving for the future.

"I've never been in debt. I'd say I'm 9/10 for managing money. I have a book and a place where I keep current bills and another place where I file away older bills."
(Consumer on a low income who has a physical impairment/condition, 75+, Colne)

In contrast to the tools and tactics used by consumers on low incomes to manage their finances, participants in the control group were more likely to be using tools to help them achieve their goal of 'making their money work for them' and building for the future.

- As a result, control group consumers were more likely to describe making use of a wider group of money management tools, including budgeting apps, credit products specifically for the purpose of improving their credit rating (especially for younger control group consumers), as well as sources of financial advice.
- These tactics were less likely to have been developed through trial and error and being 'burnt' in the past. Instead, control group consumers were acting on recommendations from friends and family members or from their own research.

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“I’d say that I’m really good [at managing money], constantly checking interest rates and [price comparison website] for best deals possible all the time. If it’s there take it!”

(Control group consumer, London)

4.3: Defining value for money and getting a good deal

For most vulnerable consumers, value for money was defined first and foremost by price. Indeed for many, price was the only spontaneous consideration that mattered when it came to getting value for money.

- This often came down to finding a product or service for the cheapest price possible, either by talking to others for recommendations, searching online or visiting a number of shops where possible for specific goods such as groceries.
- Most participants were likely to start talking of ‘discounts’, ‘bargains’ and ‘savings’ when thinking about value for money, and found it far easier to describe their thought processes in relation to the retail sector where discounting is more prominent than the essential service markets. As it was harder to identify ‘bargains’ and ‘savings’ in the service markets of particular focus in this research, participants found it harder to identify examples of getting good value for money in them.

“I like to look out for if there are any special offers such as Buy-One-Get-One-Free or multi-buys, as I like to get discounts on my shopping to save me some money.”

(Consumer on a low income, 35-44, Glasgow)

On probing, most vulnerable consumers were able to provide some sense of three further considerations of whether a product or service is value for money:

- **Reliability** is essential to many vulnerable consumers, especially in terms of continuity of service, but also in terms of quality of service in the case of mobile and broadband services specifically. As discussed in the previous chapter, the need for reliability is heightened for disabled consumers who have a greater reliance on specific services, such as heating and electricity.
- **Time impact.** For the most time-poor vulnerable consumers, particularly those with children or other dependents, the best value deals are those that have the smallest impact on their time. This can at times mean knowingly passing up more cost-effective deals to avoid the ‘hassle’ involved in finding and/or bargaining for better ones. For consumers with mental health problems, especially anxiety, physical proximity of shops can also be an

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important factor. Some of these consumers will at times prioritise not having to travel large distances away from home over purchasing products at the lowest prices possible.

- **Quality.** Some vulnerable consumers want to know that they're spending their money on items that will last and so, as far as possible, place importance on good quality.

"I like to stick with what I've got. I've had it for that long. Sometimes I don't like a lot of changes, if you know what I mean. If I'm contented and happy with what I've got, I don't have a problem."

(Consumer on a low income who has a physical impairment/condition, 65-74, Glasgow)

"If I was buying a new suite of furniture, I would go the extra money for the quality in what I want than have to make do, because if I made do, I wouldn't be happy. I'd look at it and say, 'I shouldn't have made do. I should have just waited until I got what I want.' Do you know what I mean, in the quality? So, I tend to not do the mistakes I made when I was young, which is get it sorted... I don't jump in and just buy."

(Consumer on a low income who has a mental health problem, 55-64, Belfast)

For the control group, while price was also front of mind in determining value for money, participants were less likely to frame this in terms of 'discounts' and 'bargains', and more likely to mention additional factors related to customer service and quality.

- Control group consumers were also more likely than vulnerable consumers to be making long-term judgements such as spending more in the short-term to save money in the long-run.

"Price, quality of product and good customer service are all quite important [to getting good value for money], but I think the quality of the product that you are spending money on is the most important. I like to always make sure that I am getting a good deal and not losing out on money. Equally, I like to make sure that where I am buying from has a good refund or exchange policy so that I am able to return if I change my mind or if products are faulty."

(Control group consumer, London)

"A good price always attracts and I may well try something because it is particularly cheap. However, the key to me returning and buying the product again is if it is good quality. With some things such as large buys, for example furniture and technology, I will always opt for quality."

(Control group consumer, London)

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Consumers' definitions of value for money in each of the service markets of particular focus in this research are highly nuanced. These are explored in detail in Chapter 5 of this report.

One common theme is that measuring value for money in the service markets is something control group and vulnerable consumers found difficult. As a result, this often makes it easier for consumers to tell when they are getting bad value for money rather than good. Even so, this is something that consumers were working out for themselves based on their feelings and emotions, rather than being something that could be measured objectively. While consumers found it easy to provide examples of being 'ripped off', they struggled to tell when they were getting good value for money. Any examples of getting good value for money provided tended to be limited to instances where participants had recently switched provider and received an incentive for doing so (such as having a certain amount of money taken off their first bill).

"I got good value for money when I changed electric company. I think this was good value for money because I got £50-off the first bill and because I am now paying less."

(Consumer on a low income, 25-34, Belfast)

This is exacerbated by the fact that services in the key markets are expected to continue reliably and 'in the background', as something that consumers on low incomes do not need to think or worry about on a day-to-day basis. This means that it is rare for most to actively consider whether their particular contract is good value for money, unless they come up against an issue.

"My [mobile] phone bill and contract [are examples of bad value for money] because I pay over £45 a month and am tied into this for 18 months. I have a very expensive contract and the bill for the phone and calls mounts up to ridiculous amounts."

(Consumer on a low income who has a mental health problem, 35-44, Nottingham)

"I ordered a table for my kitchen from [retailer] [that was bad value for money]. When it arrived it was marked in lots of places and it was late. They did replace the top but it was after lengthy discussions on the phone."

(Consumer on a low income, 35-44, Nottingham)

"My wi-fi stopped working and I was still paying full price. The problem is still going on!"

(Consumer on a low income, 25-34, Rhyl)

Image 8: A participant looking at their mobile phone



4.4: Getting value for money in the grocery market

The grocery market is an essential market that many consumers on low incomes prioritise when trying to balance their finances and budget. It has also emerged as a market that participants, including both the vulnerable consumer sample and the control group, are more engaged with compared to the service markets of particular focus in this research. This meant that they were more likely to report shopping around and trying to find a better deal in this market.

4.4.1 Defining value for money in the grocery market

As with other markets, consumers on low incomes primarily define value for money in the grocery market by price. However, unlike key service markets, consumers find it much easier to combine like-for-like products from different providers in order to determine which are the lowest price. In addition, the language that vulnerable consumers use to define good value for money – terms such as ‘discounts’, ‘savings’ and ‘deals’ – is familiar and prominent in marketing of products in the grocery market.

As a result, when asked for examples where they had recently achieved good value for money, many consumers on low incomes pointed to examples related to grocery shopping.

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“I guess with food it is easier to tell if you are being ripped off. I did some online shopping with a supermarket and they sent a lot of food that was nearly on its sell by date. I rang and complained, and they did give me a refund, but they knew they were giving me food that was about to go off, chicken with only two days before its sell by date - if I didn't ring them, they would never refund me.”

(Consumer on a low income, 25-34, Watford)

“With food it's easier to tell [if you are getting value for money]. Is it worth going to another shop to save a penny? Is it worth me spending petrol money to go all the way to Hemel Hempstead to go to [supermarket] compared to walking across the road to [supermarket]? Normally it's not.”

(Consumer on a low income who has a physical impairment/condition, 75+, Watford)

When defining value for money in the grocery market, consumers on low incomes were more likely to point to the importance of quality than in the other key markets.

Two factors appear to be important here:

- The relative ease of being able to tell whether grocery products are good quality compared to service markets. For example, if buying meat products with short sell-by dates or fruit rotting very soon after purchase.
- The relatively ease with which the majority of consumers on low incomes are able to shop around and try different providers in order to find better quality items at the same price. Budget supermarkets were often front of mind examples used to illustrate the point that it is not always necessary to sacrifice quality in order to save money.
- If consumers do have any negative experiences of poor quality grocery products, many will respond by simply avoiding buying the same product or shopping in the same place again. This means that the impact of any problems is therefore less than in the other markets where consumers have to contact customer services and try to have the problem dealt with, or have to wait to be able to exit lengthy contracts before they can switch to another provider or product.

“[Some supermarkets] are good for cost and they often have special offers on their websites. I like to bulk buy stuff to ‘save the pennies’. I used to get deliveries from [a supermarket] but found that the fruit didn't last as long so I switched to another supermarket.”

(Consumer on a low income who has a physical impairment/condition, 35-44, Glasgow)

Image 9: A participant looking at groceries at a local shop



Time impact (of the ‘hassle’ of switching provider) and reliability, while important determinants of value for money in service markets, are less important factors when it comes to getting a good deal in the grocery market. Shopping around is less complex and time consuming in the grocery market. As a result, consumers expect to engage with this market, both through physically purchasing products and through regularly assessing whether or not they are able to get a better deal and save time through shopping in a different way – either through switching provider or through shopping less frequently but buying more products in bulk.

Control group consumers tended to define value for money in the grocery market in the same way as vulnerable consumers. However, as with their definition of value for money more widely, they placed more emphasis on the importance of quality products and were less focused on price.

“I usually buy food on the walk home from station for dinner for the night. I do try to shop over the weekend because I’m sure it would work out cheaper, but I find it easier to buy as I go each day. I will buy bulk when I see a good deal for things though, like toothpaste.”

(Control group consumer, London)

4.4.2 Tactics for getting value for money in the grocery market

Consumers on low incomes described a range of tactics for getting value for money in the grocery market:

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- **Literally ‘shopping around’:** participants spoke of visiting multiple supermarkets to find the best deals, with some buying different categories of products from different providers where they find that they are better value for money (e.g. buying frozen food from one provider, and fruit and vegetables from another).
 - The ability to shop around to get the best deals in the grocery market was more limited for vulnerable consumers living in more rural or isolated areas, who do not have the same option of shopping around multiple stores as those in more connected areas. These consumers instead have to rely on one or two providers and are often more limited in their ability to have home delivery if shopping online.
 - While consumers in the control group would shop around to an extent, they did so much less than consumers on low incomes and had less of a focus on finding reasonable quality products for the lowest cost possible. Instead, they highlighted the importance of quality over and above price and were more likely to purchase premium-brand products.
- **Bulk buying products where possible:** several participants, especially those with larger households, referenced buying certain products such as tinned goods and meat in bulk so that the unit price was cheaper.

“You can get 40 pouches of cat food for £8 at [supermarket], or 3 tins of dog food for £1. To save you have to bulk buy. I can’t bulk buy food though. I live alone so it would just go to waste. You don’t really save if you’re buying day to day.”
(Consumer on a low income who has a mental health problem, 55-64, Glasgow)

“When I get my pension the first thing I do is pay my electricity, my gas, my phone. Get all my groceries in. Things like that. My daughter gets me some butcher meat. I don’t really shop in the [supermarket] because it’s far too expensive but it’s okay for quickness, just the papers and maybe loaves in the morning.”
(Consumer on a low income who has a physical impairment/condition, 65-74, Glasgow)

In addition to tactics for getting value for money, consumers on low incomes also described methods to try and help them budget and minimise costs in this market overall. These included:

- **Cutting certain foods out of their diet:** participants described avoiding expensive products, including one consumer who had recently moved onto a fully vegetarian diet to avoid paying for expensive meat products.
- **Reducing the number of meals to buy for:** some participants, especially younger participants with dependent children, would eat at their parents’

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houses each evening to cut down on the amount of grocery products they have to buy themselves (and to save on energy costs), while others described cutting down the amount of food they were eating to reduce costs (for example, cutting down to having just two meals each day).

- In addition, one participant in the vulnerable consumer sample relies on food bank vouchers to 'top up' the amount of food he is able to purchase each week. A few other participants, while eligible for food bank support, were very reluctant to do so with one saying that they would 'rather starve' than risk being seen using their local food bank.
- **Eating the same foods on a weekly or, in some cases, daily basis:** this enables consumers on low incomes to control the amount of money they are spending on grocery products each week so that they can keep costs to a minimum and to aid their budgeting.

"For most people, meat is the most expensive thing on their shopping list and we're saving that now."

(Consumer on a low income who has a physical impairment/condition, 45-54, Nottingham)

4.5: Conclusions from this chapter

Constrained and unpredictable finances mean that most consumers on low incomes are in a very careful balancing act with their finances. This means that 'knowing where you stand' at any given time is a priority for consumers on low incomes when it comes to managing finances. Most feel relatively confident in their ability to keep track of the income and payments in this way, although this confidence is not universal. In particular, younger consumers with low levels of education and those with mental health problems were more likely to describe feeling 'overwhelmed' by the prospect of managing their finances.

Value for money is defined first and foremost by price and is often described in the language of 'discounts', 'bargains' and 'savings'. Other factors that can be taken into consideration are:

- **Reliability:** ensuring that products and services can be trusted to run without outages or problems;
- **Time impact:** getting deals that take the least 'hassle' to find and that have the smallest impact on consumers' time; and
- **Quality:** where affordability and price is not a barrier, many consumers on low incomes want to know that the products they purchase will last.

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These factors that consumers on low incomes use to determine whether or not they are getting value for money, are more easily applicable to products in the retail and grocery markets than to service markets. For example:

- The language of 'discounts' and 'savings' is frequently used in these markets;
- Consumers are easily able to compare prices as products are often the same or very similar. This means that shopping around is a more familiar concept, and consumers are able to tell how much of a time impact doing so will have to assess whether or not it is worthwhile (i.e. buying meat and vegetables from a budget supermarket is an extra 15-minute drive each way, but saves around £30 so it is worth it);
- Quality is tangible and easier to determine than in service markets, for example clothes showing wear and tear quicker than expected, or food going off before the sell-by date.

Measuring value for money in the service markets of focus in this research is something that consumers find difficult. The factors that consumers use to determine whether they are getting value for money are less tangible (for example, being unsure what determines quality or how to measure it in relation to energy or telecommunications services). In addition, value for money in each of the service markets is highly nuanced and complicated by vulnerable consumers' specific needs (as outlined in Chapter 3).

As a result, it is often easier for consumers to tell when they are getting bad value for money than good in these markets. In the research, participants provided emotive examples of being 'ripped off' for example, either by being hit with unexpected charges or receiving outages in supply.

5. Vulnerable consumers' experiences of engaging with service markets

5.1: Introduction

As well as seeking to understand the markets and examples consumers spontaneously referenced when thinking about getting a good (or a poor) deal, this research was particularly focused on exploring consumers' perceptions and reported experiences of four service markets:

- **Telecommunications**, including mobile phone products and services, internet services such as broadband, landline line rental, and pay TV services;
- **Energy**, including heating and electricity services;
- **Insurance**, particularly home (contents and building) and motor insurance; and
- **Credit**, covering a range of products including credit cards, loans, payday loans and store cards.

Interviews briefly covered experiences of transport and grocery shopping as a comparator with these service markets to support consumers to describe their experiences of service markets (which can feel intangible compared to buying physical goods and services, for example). Views on transport as a gateway product are covered in section 3.5, and attitudes to getting value for money in the grocery market in section 4.4.

Chapter overview

This chapter outlines consumers' feelings about, perceptions of and experiences of these four service markets, including how vulnerable and control group consumers tend to define value for money in each market, the features of each market which they feel are supporting them to achieve value for money, and any barriers preventing them from getting a good deal. The chapter starts with some overarching observations about how consumers tend to frame these markets, and some common themes, before exploring each market in detail.

The findings in this chapter suggest that vulnerable consumers are experiencing barriers to achieving value for money in each of the service markets explored in

this research. The specific barriers which vulnerable consumers specifically (as opposed to control group consumers) feel that they face in these markets include:

1. Perceived inflexibility in contracts, unreliability in charges and billing, restricted choice and limited support for consumers with vulnerabilities **in the telecommunications market.**
2. A lack of clarity and transparency in terminology, contracts and pricing, limited choice, and inconsistency in the support offered to vulnerable consumers **in the energy market.**
3. A lack of clarity and transparency overall and in relation to pricing specifically, limited choice, a lack of support for vulnerable consumers and inflexibility in contracts and modes of payment **in the insurance market.**
4. A lack of effective choice beyond high-cost and short-term products, a lack of transparency in relation to charges and fees, and limited support for consumers with vulnerabilities **in the credit market.**

5.2: How vulnerable consumers frame their experiences of engaging with service markets

Consumer experiences across these markets were diverse and complex, and reinforced the finding outlined in Chapter 3 that there is no one ‘type’ of consumer living on a low income. Some consumers cited a certain practice in one of the markets as an example of best practice, while others described experiencing real detriment as a result of that same practice. Despite this complexity, in discussing experiences of these four service markets with this wide range of consumers, it became clear across the sample that:

- The baseline level of engagement is low across this audience and across these markets. Most of the consumers in the sample were rarely thinking about these markets, and for many, service markets are ‘background’ issues which only become a priority if something goes wrong (see Chapter 4). For consumers with additional vulnerabilities beyond financial vulnerability in particular, these markets often feel small and insignificant compared to the challenges they feel that they are facing in their lives. This means that engagement in the key markets is often shallow, uneven, and driven by problems that emerge. In this context, providers are judged heavily on how those issues are resolved – with long waiting times on the phone or a sense that call centre staff are reading from a set script causing frustration and often driving a negative perception of the ‘character’ of that supplier.

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- Most vulnerable consumers aren't drawing comparisons between different markets, and some have too narrow an experience to be able to do so. Many consumers in the sample were only engaged with one or two of these markets. In particular, experience of the insurance market was often limited, with only a minority purchasing contents or building insurance because of perceptions that this type of cover is unnecessary and prohibitively expensive for many of those with constrained finances. For some consumers, the option of engaging with their providers of certain services was taken away from them by their living situation, particularly for those living in social housing or sheltered accommodation (for whom energy bills were often part of a service charge).
- Consumers can develop complex and personal feelings about their provider, and emotional responses can often factor into decision-making. Many consumers have 'sworn off' a provider after a bad experience. These negative experiences tend to be unique and highly individual to a person's particular priorities, for example, a telecommunications provider refusing to allow a customer to keep a telephone number to which they have a strong sense of personal attachment after having had the same number for many years. Even among this price sensitive audience, some consumers were willing to pay 'over the odds' to avoid having to deal with that supplier ever again.

"They said it would cost £200 to cancel, but I said I don't care, because I don't have to deal with you anymore."

(Consumer on a low income, 55-64, Glasgow)

"They give you a palaver when they come that you're saving this and that. But they're all the same... you just have to find the cheapest."

(Consumer on a low income who has a mental health problem, 55-64, Glasgow)

5.3: Overview of the main barriers to getting a good deal in each service market

Across the four markets, there are some consistent themes in the barriers that vulnerable consumers identify as seeming to preventing them from getting a good deal. The detailed evidence for these perceived barriers and the ways in which these specific themes 'play out' in each of the service markets are set out in the market 'deep-dive' sub-chapters, from section 5.4 onwards:

- **A lack of effective choice.** In all four markets, 'compounding factors' such as location, credit history and housing type mean that vulnerable consumers

often feel that they lack the choice to switch provider. In telecommunications, for example, poor credit history could be a barrier to accessing a mobile contract, while in the energy sector being a tenant of social housing or a private landlord can mean you are restricted by what has already been installed in the property. In the insurance market in particular, consumers often felt penalised for factors outside their control, such as living in an area with high levels of crime, while in the credit market, consumers on low incomes feel that they are restricted to high-cost, short-term products.

“When I first moved in here I didn't have very much choice. They didn't have [provider] cables installed at that time, and I didn't want to go with a small provider because I think the small brands are not so reliable and I wasn't sure if the quality and service would be the same.”

(Consumer on a low income who has a physical impairment/condition, 75+, Watford)

- **A lack of flexibility.** Across the markets explored in this study, there is felt to be a lack of flexibility in payment plans if consumers' circumstances change. In the telecommunications market, vulnerable consumers often describe themselves as 'stuck' in long-term contracts (usually defined by consumers as 18 months or more) with high exit fees. Where contracts are inflexible – particularly in the telecommunications and credit markets – and consumers' circumstances change, meaning that the contract is no longer suitable, some consumers have run into unmanageable debt. Whilst energy markets were sometimes seen to offer more flexibility to reflect changing circumstances of vulnerable customers, this was patchy, with experiences varying widely across suppliers, and sometimes for different customers of the same supplier. In the insurance market, the perceived lack of flexibility around annual (as opposed to monthly) fees meant that many consumers feel they have no choice but to use credit to pay the premiums.
- **A lack of clarity and transparency.** Complex terminology, that is difficult to relate to the service provided and the reason why vulnerable consumers need it, is felt to make contracts and pricing hard to understand. Vulnerable consumers found this a particular problem within the energy market, feeling that complexity may even be a deliberate strategy to justify seemingly arbitrary price hikes. But this was present across all markets – broadband speeds can be tricky to judge, while explanations of fees, rates and charges in the credit market can be opaque. Within the insurance market, the complexity of this market is compounded by limited engagement.

“[With electricity] there is always something hidden in the tariff... they manage to fluctuate so much and don't seem to notify you that they do that.”

(Consumer on a low income, 25-34, Rhyl)

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- **Poor customer service.** Seemingly inconsistent and one-sided communications, especially when things go wrong in the telecommunications market, in which communication is felt to be particularly poor, affected a large number of consumers. In this market, and to an extent in others, the onus is often felt to be on the consumer to push for a resolution. This is felt to be exacerbated by the supplier with long telephone waiting times and staff that are ‘reading from a script’ or using the opportunity to up-sell contracts. The one-sided nature is also seen in the area of contract renewals, with customers in all markets except insurance, in which some consumers had noticed renewal notices, often feeling that the supplier doesn’t communicate when a contract is up for renewal until just before the renewal date – meaning time to shop around is limited – if they communicate this at all.

“It’s everyone for themselves. If you don’t ask, you don’t get.”
(Consumer on a low income, 25-34, Watford)

- **Inconsistencies in providers’ and markets’ treatment of (vulnerable) customers.** Despite vulnerable consumers’ assertions that providers are ‘much of a muchness’, there actually seemed to be significant variation in claimed experiences of different providers and markets across the sample, including in different consumers’ accounts of the same provider. Some consumers felt that they had experienced particular flexibility and good customer service from a certain provider, while other participants with the same provider felt that they had been treated poorly. Consistently, consumers with mental health problems were more likely to feel negative about markets and providers than those without this vulnerability.

5.4: Getting a good deal in the telecommunications market

Services covered in the telecommunications market included mobile phone products and services, internet services such as broadband, landline line rental, and pay TV services. Where findings are specific to or particularly pronounced in relation to one of these services, this is indicated in this sub-chapter.

5.4.1 Overview of the telecommunications market

This table introduces the key findings outlined in the remainder of this sub-chapter. For further detail, please refer to the corresponding section.

Figure 11: Overview of participants' experiences of the telecommunications market

<p>Engagement and interest in this market</p> <p><i>See 5.4.2 for further detail</i></p>	<ul style="list-style-type: none"> • Consumers' level of interest in this market appeared to be the highest of all four markets: both vulnerable and control group consumers were most able to recount key details of providers and contracts in this market. • This market feels particularly important to some vulnerable consumers who feel reliant on the internet and communications services, including those with mobility problems and those who live alone. • The relative cost of services in this market, and particularly in relation to broadband and pay TV, means that the lowest income consumers can feel compelled to engage and particularly sensitive to any fluctuations in price (for example, fluctuations in a consumer's monthly mobile phone bill if they exceed their data allowance).
<p>Switching, shopping around and negotiating behaviours in this market</p> <p><i>See 5.4.3 for further detail</i></p>	<ul style="list-style-type: none"> • Despite high levels of interest, both vulnerable and control group consumers were <i>less</i> likely to describe switching in this market. Rather, this is the market in which consumers are most likely to describe negotiating with their existing provider in order to secure a better deal, provided that they have the time, confidence and information to do so. • Some vulnerable consumers see no alternative way of getting a better deal in this market than negotiating by telephone and do not believe that it is possible to switch in this market without actively disconnecting from their current provider, meaning that those with mental health problems in particular can disengage. There is also concern about disruption as a result of switching for those who feel most reliant on telecommunications services.
<p>Features of this market seen to be supporting consumers to get a good deal</p> <p><i>See 5.4.4 for further detail</i></p>	<ul style="list-style-type: none"> • Most of the features of this market which are felt to support consumers to get a good deal were identified by both control group and vulnerable consumers. These included: <ul style="list-style-type: none"> ○ Language that is orientated around the features of these service which consumers need and use (e.g. texts and minutes)

	<p>measured in numbers, pay TV channels shown by number and type);</p> <ul style="list-style-type: none"> ○ The <i>principle</i> of bundles and packages; and ○ Some examples of rewards for loyalty. <ul style="list-style-type: none"> ● For vulnerable consumers specifically, there is also some positivity in this market about the perceived availability of low cost, flexible options in the mobile market in particular (e.g. pay as you go and SIM only deals). Awareness of these alternatives was relatively high across the sample.
<p>Features of this market seen to prevent consumers from getting a good deal</p> <p><i>See 5.4.5 for further detail</i></p>	<ul style="list-style-type: none"> ● Many of the features of this market which are felt to prevent consumers from getting a good deal or feeling that they are getting value for money were identified by both control group and vulnerable consumers. These included: <ul style="list-style-type: none"> ○ Feeling 'forced' to pay for services they do not want or need, and particularly landline rental in order to secure a broadband or pay TV contract; ○ Poor customer service and communication when problems arise; ○ A lack of prompting and communication when initial contracts end; ○ The intangible nature of telecommunications services making it difficult for consumers to check that they are getting what they pay for; ○ Inconsistencies in pricing and discretion allowed to call centre staff in offering discounts and deals; ○ Persistent and aggressive sales tactics; and ○ 'Irregular' contract lengths of 18 or 36 months which were felt to be harder to manage. ● However, a number of perceived barriers have emerged for vulnerable consumers specifically, including: <ul style="list-style-type: none"> ○ Long and inflexible contracts, particularly those lasting 18+ months and for which consumers incur high exit fees, even if their circumstances have changed because of factors outside their control;

	<ul style="list-style-type: none">○ Unexpected charges, for example because consumers had not understood that they were exceeding their monthly allowance;○ Limited choice as a result of the consumer's vulnerability or factors outside their control (e.g. their living situation or poor coverage from certain providers for those living in rural areas); and○ Limited understanding of and support for vulnerable consumers in this market.
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5.4.2 Engagement and interest in this market

Of the four markets explored in this research, vulnerable and control group consumers alike were most engaged with the telecommunications market. To a degree which was unmatched in the other markets, consumers were frequently able to recount key information about their providers and contracts from memory. This included, where applicable, the (approximate) start and end dates of their contract, and the key features of their contract, such as number of minutes, texts and their data allowance. While participants would frequently misremember key details, such as their provider name, in the other markets, this appeared to be uncommon in relation to telecommunications.

In addition, this market emerged as particularly important for vulnerable consumers specifically, and one on which they feel particularly reliant or which they consider to be essential, for a number of reasons:

- Communication and internet services, including pay TV, are often viewed as a necessity for people living alone, and particularly those with a physical disability which restricts their ability to leave the house and interact with others face-to-face. For these consumers, the internet is also often an essential gateway to other markets and services.
- Entertainment and internet services often feel essential to those with dependent children, and particularly single parents and parents of children with behavioural problems or living in areas where anti-social behaviour is common, who may be keen to keep them occupied and 'out of trouble' but lack the time to do so themselves. For these consumers, services such as pay TV were often viewed as a necessity.
- People with caring responsibilities for someone with a physical or mental health problem may need to be contacted urgently at any given moment (for example by their child's school in the case of parents of children with health conditions or disabilities).

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- People with serious health conditions or vulnerable older people living on their own may need to contact healthcare or emergency services urgently should they themselves require assistance or care. For example, a small number of older participants had signed up to a community alarm service, requiring a landline telephone connection.

Image 10: A participant's pay TV screen



For consumers at the bottom of the low income bracket, telecommunications was also a market in which they were more likely to feel engaged because of its relative cost. For example, for those who did not have any insurance products because of a perceived lack of need or affordability, and who were paying for their energy services on a pre-payment meter, their telecommunications services were often some of the largest bills they had to contend with aside from rent. These consumers were particularly likely to be able to recount the key details of their contracts in this market, and were often very sensitive to any price increases or changes to their bills, for example higher than expected mobile phone bills because they were unaware that they were exceeding their text, call or data allowance.

*"Because of the internet, the last week of the month is always a skint week."
(Consumer on a low income, 18-24, Rhyl)*

*"It's kind of a necessity now, what with the kids – and that's near enough a week's wages... if I don't have Wi-Fi how will I study? We run our life from Wi-Fi."
(Consumer on a low income who has a mental health problem, 25-34, Colne)*

CASE STUDY: Jessica, 55-64, Living with a mental health problem, Glasgow

Jessica suffers from severe depression, anxiety and post-traumatic stress disorder (PTSD), and has lost contact with her grown up children after she exited her relationship with their violent father. Jessica's Disability Living Allowance payment has been withdrawn multiple times. The last time that this happened, she ran up a £173 debt with her broadband supplier, because she forgot to cancel her direct debit.

Because she spends so much time at home alone, partly because she feels she can't afford to do much outside the house, and partly as a result of her mental health problems, internet access is a priority for Jessica so that she can access an online TV subscription service. She is hoping to sign up to a different provider for broadband at £23 a month when she receives her next fortnightly ESA welfare payment and then separately pay off the £173 she owes to her old provider through a debt management scheme, over the course of time.

5.4.3. Switching, shopping around and negotiating behaviours in this market

Despite relatively high levels of engagement and interest in this market compared to other service markets, both vulnerable and control group consumers were *less* likely to describe switching in this market, and particularly in relation to mobile phone contracts. Of all providers covered in the research, consumers often described the longest 'history' with their mobile phone provider. This was sometimes reflective of a sense of affinity or loyalty towards that provider, but more often a sense that switching or shopping around in that market has never become a necessity or priority, particularly for control group consumers.

- For example, while some had been 'forced' to engage with their broadband provider as a result of moving home, they had never seen a particular need to engage with their mobile phone provider or assess whether they were getting value in this market.

Rather, telecommunications (and particularly broadband and pay TV services) is the market in which consumers who were engaging with their provider were most likely to describe negotiating with their existing provider in order to secure a better deal, provided that they felt that they have the time, confidence and information to do so.

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In line with existing research²⁸, the participants who were most likely to report engaging in these behaviours were those in the control group and the more confident in the vulnerable consumer sample. These consumers expressed a belief that most broadband and pay TV providers will as a matter of course reduce their costs for consumers who ‘threaten’ to leave and ask to be put through to disconnections, and particularly those who can cite cheaper deals they have seen advertised elsewhere. This behaviour may stem from the perception that it is difficult or impossible to switch in the telecommunications market without actively disconnecting from your current provider (unlike markets such as energy and insurance).

“[Some providers] talk about loyalty discounts and signing up discounts, it makes it harder to compare. I don’t know exactly when [my contract] ends but I’ll have the confidence to challenge it.”
(Control group consumer, Nottingham)

“I initially moved to [a provider] as they had a 50% off the whole contract deal and I needed [certain TV channels]. Every time it’s [near the end of the contract] I’ve said that I will cancel unless you can keep it at the same price, then I will stay.”
(Consumer on a low income, 25-34, Nottingham)

CASE STUDY: Helen, 35-44, Living with a physical disability, Glasgow

After a serious back injury a few years ago, Helen can’t leave home for long by herself and is now very reliant on the internet for everything, including grocery shopping. She prides herself on being ‘savvy’, and says she always looks for better deals when her contracts end.

This year, when her broadband contract was up for renewal, she shopped around as usual and decided to switch, to a contract that is £20 cheaper per month - a saving of £300 over the year. She didn’t use price comparison websites, instead searching for broadband providers directly.

She still has a reliable and high-speed broadband service and says that her current provider has amazing customer service. She really likes that they have UK-based call centres too.

“It means I can buy more Christmas presents for the grandkids.”

²⁸ See Citizens Advice: Reviewing bundled handsets (2018).
[https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Handset%20Report_%20Full%20draft%20\(1\).pdf](https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Handset%20Report_%20Full%20draft%20(1).pdf)

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For vulnerable consumers, switching, shopping around and negotiating in this market can be associated with some specific challenges:

- Consumers who consider themselves to be more reliant on these services for some of the reasons outlined above describe little tolerance for any potential disruption to them. In particular, some felt so concerned about being uncontactable for any period, having to change their telephone number, or the risk of losing any of their contact details, that they dismissed the idea of switching in this market entirely. In most cases, this was a perceived concern rather than a result of any direct personal experience of switching in this market.
- For consumers who might be feeling overwhelmed, underconfident or withdrawn as a result of a mental health problem or lower level of education, the perceived emphasis on negotiation and on the onus being on the consumer to disconnect from their current provider in order to secure a better deal or switch in this market is off-putting and can lead some to disengage, even though this could be costing them money. These consumers saw fewer options to telephone contact with their provider in this market (for example searching for better deals and opting to switch online) because they could not perceive any 'workaround' to having to speak to the disconnections department.

CASE STUDY: Mel, 25-34, Consumer on a low income, Watford

Mel has a pay monthly mobile contract with her provider of 13 years. The last time her contract was up for renewal, she was offered a £1 loyalty discount, which she considers so low as to be insulting, especially after she had spent 3 hours on the phone to her provider trying to negotiate with them to get a better deal.

Mel is aware that better options exist with other providers after looking online and chatting to family and friends. Her parents are both with the same mobile provider, and are able to 'roll over' the data they don't use each month, which she feels is a much better deal.

However, Mel has some anxiety about switching her mobile phone contract and the impact this might have on her life: she is a full-time carer for her 6 year old son, who has Type 1 diabetes and a number of other related health conditions, and she must be 'on call' at all times should she need to be contacted by her son's school.

"It's a mission, waiting for your SIM, waiting to change over. I've got lots of contacts on my list I just can't lose, I have to be waiting at any moment for one of my son's diabetes nurses to call. When I do switch I am going to write everything down in case it gets lost or wiped"

5.4.4 Features of this market perceived to be supporting consumers to get a good deal

A number of features in this market were described by both vulnerable and control group consumers as supporting them to get a good deal:

- ✓ **Language orientated towards the features consumers use and need.**
Compared to the insurance and energy markets, in which the language used to describe services and contracts is often felt to be impenetrable, telecommunications compared *relatively* favourably. For most vulnerable and control group consumers, an emphasis on minutes, texts and data feels more accessible than kilowatt hours in energy, or premiums and excesses in insurance. This is particularly true of mobile phone and landline rental services, whereas terminology relating to broadband services (e.g. internet speed, fibreoptic) is perceived to be more technical.
- ✓ **The principle of 'bundling' and 'packaging'.** The *principle* of bundling and packaging is *generally* viewed positively as having the potential to save consumers time and money by allowing them to manage multiple services through one supplier, particularly in relation to broadband and pay TV services. Consumers also tend to welcome the principle of being able to tailor their package to their (changing) needs, for example unsubscribing from certain sports channels after football or cricket season is over. The more flexibility consumers believe they are getting from their telecommunications provider, the more positive they tend to feel about bundling.
 - This finding is perhaps surprising given that other research has suggested that bundling may be making it more difficult for consumers to work out whether they are getting a good deal for their telecommunications services²⁹, and particularly for mobile phone services where consumers are also paying for the handset³⁰. It is important to stress that consumers felt more positivity towards bundling in principle than they did in practice, and that perceptions were based on the belief that bundling is more likely

²⁹ See Citizens Advice: Reviewing bundled handsets (2018).
[https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Handset%20Report%20Full%20draft%20\(1\).pdf](https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Handset%20Report%20Full%20draft%20(1).pdf)

³⁰ See Ofcom: Pricing trends for communications services in the UK (2018).
https://www.ofcom.org.uk/_data/assets/pdf_file/0030/113898/pricing-report-2018.pdf

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to save than cost money. Highest levels of awareness of the possible downsides of bundling relate to consumers feeling that they are paying for services that they feel they do not need (see 5.4).

- ✓ **Some rewards for loyalty.** From a low baseline, in which consumers' loyalty is generally not perceived to be rewarded in any of these four service markets, there are felt to be *some* efforts to reward loyalty in the telecommunications market. These examples were more likely to be mentioned in relation to mobile phone services, and included prize draws and gifts for renewing a contract, such as smart speakers.

"I've been with [the same provider] for my mobile for many years. I get good deals because I have been with them for so long. I pay £13 a month, for 1,000 minutes, unlimited texts, and 1 gig of data. I don't use my phone very much so that's more than I need, and when I renewed most recently they gave me [a virtual assistant device], which I use for my shopping list. That feels like a really good deal when I see 'deals' in the paper for £60 or £70 a month. It feels like they are giving me a discount for my loyalty. Recently when it was up for renewal they wanted to put it up slightly, they wanted me to pay £14, but I rang them and got it back down to £13."
(Consumer on a low income who has a physical impairment/condition, 65+, Watford)

One feature of this market emerged as important to securing good deals among vulnerable consumers only:

- ✓ **Low cost alternatives.** Some consumers on low incomes were particularly likely to identify low cost options available to them in this market. In relation to mobile phone services, this included pay as you go and SIM-only contracts, which were felt to be both low cost and flexible because they reflected their actual usage. Some also mentioned providers which allow them to roll over unused data to avoid paying for services they don't use. Some make use of lower or no cost alternatives to pay TV services, and a small number of consumers were buying mobile contracts with unlimited data and tethering and streaming from their mobile device rather than buying a separate broadband service in order to save money.

"I think pay as you go is good value for money. Normally for £10 a month you get something like 200 minutes and 2GB of data but with [my mobile provider] you get way more."
(Consumer on a low income, 25-34, Rhyl)

"A poor person must have come up with [my mobile provider]. They don't lock you in, you change what you need each month, you pick your goody bag for what you need."
(Consumer on a low income, 25-34, London)

5.4.5 Features of this market perceived to prevent consumers from getting a good deal

Many features in this market were described by both vulnerable and control group consumers as either preventing them from getting a good deal, or leaving them feeling that they are not getting value for money in this market. These are broadly set out in order of how commonly these features were mentioned:

- ✘ **Paying for services that you neither want nor need.** The downside to 'bundling' was felt to be the risk that the consumer has to pay for a product or service that they do not want or need. While some control group and vulnerable consumers mentioned paying for unwanted TV channels, the clearest and most potent symbol of poor value for money in the telecommunications market was having to pay for landline rental, irrespective of whether the consumer uses it. This meant that there was particular consternation among consumers when landline rental costs increased unexpectedly. This was mentioned by almost all consumers in the sample, with the exception of older consumers, who were more likely to be using their landline telephone service.
- ✘ **Poor customer service and communication when challenges arise.** Of all the markets explored, both control group and vulnerable consumers were particularly likely to describe what they perceived to be poor customer service in the telecommunications market. There were particular frustrations about long waiting times over the phone (for those who do not ask to be put through to disconnections immediately), overseas call centres meaning that they faced communication barriers, and inconsistencies in whether or not providers charge for engineer visits. Some believe that charging for engineer visits effectively penalises the consumer for an issue that is ultimately the provider's fault.
- ✘ **Lack of prompts and communication when contracts end.** While consumers feel that they are starting to see some instances of providers alerting them that their contracts are ending in the other markets, very few felt that this practice currently takes place in the telecommunications market. For the consumers able to afford handset rental as part of their mobile phone contract (this was the minority of consumers on low incomes), this is felt to be particularly unfair given that the handset is effectively 'paid off' when the contract ends.
- ✘ **Inability to check that you are getting what you are buying.** The intangible nature of broadband services in particular was felt to make value for money difficult to judge for some consumers in the sample. For example, consumers who had bought a certain contract on the basis of broadband speed felt that they had little way of knowing whether they were in fact being delivered the speed that they were paying for.
 - Just one participant was aware of a potential solution to this challenge: an internet speed test, which was raised spontaneously as part of a discussion

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about internet speed and quality. The participant stated that they had been prompted look online for speed tests after having suspicions that their internet speed was far slower than it should be.

- × **Inconsistencies in pricing and discretion allowed to call centre staff.** Part of the reason why consumers most associated negotiating with their existing supplier with the telecommunications market is a perception that call centre staff in this market have the discretion to adjust prices as they see fit. For control group and more confident consumers living with vulnerabilities, this reflected personal experience of being quoted different prices by different staff members, and finding that more senior members of staff (e.g. supervisors) had been more willing to offer deals and discounts. While this can work in the consumer's favour if they are able to successfully negotiate a better deal, this practice is felt to lack transparency and to make it very difficult for a consumer to know if they are being offered the best possible deal.
- × **Persistent and aggressive sales tactics.** The telecommunications market was particularly associated with cold calling and upselling to existing consumers to encourage them to take out an additional contract. However, for most vulnerable consumers this was perceived to be a nuisance rather than truly detrimental, often because they lacked the money to take out an additional contract.
 - Participants who were most likely to describe these tactics as off-putting and overwhelming tended to be those with mental health problems, who often faced broader challenges in engaging with their provider by telephone.
- × **Irregular contract lengths.** For a small number of consumers, there was some concern and suspicion about confusing and 'irregular' contract lengths in this market, including initial six month discount periods, 18 month contracts and 36 month contracts. When combined with a lack of prompting in this market when contracts come to an end, these contract periods were perceived as setting out to deliberately confuse consumers more accustomed to one or two year contracts.

“Your TV, broadband and landline all come as a package. I think they make it easier for you to take it as a package even though no one uses [landlines] any more. It's their way of making a little bit of money out of it. It's not acceptable but unfortunately I think we all just think of it as the norm.”

(Consumer on a low income who has a physical impairment/condition, 45-54, Watford)

“Are you ever actually informed when your contract ends? No, it carries on regardless but after that point the price could go up and you are not informed of that... that annoys me.”

(Consumer on a low income, 35-44, Colne)

“I've just got a feeling that 18-month contracts are part of the big manipulation masterplan.”

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(Consumer on a low income who has a mental health problem, 25-34, Colne)

Image 11: A participant's internet speed test results

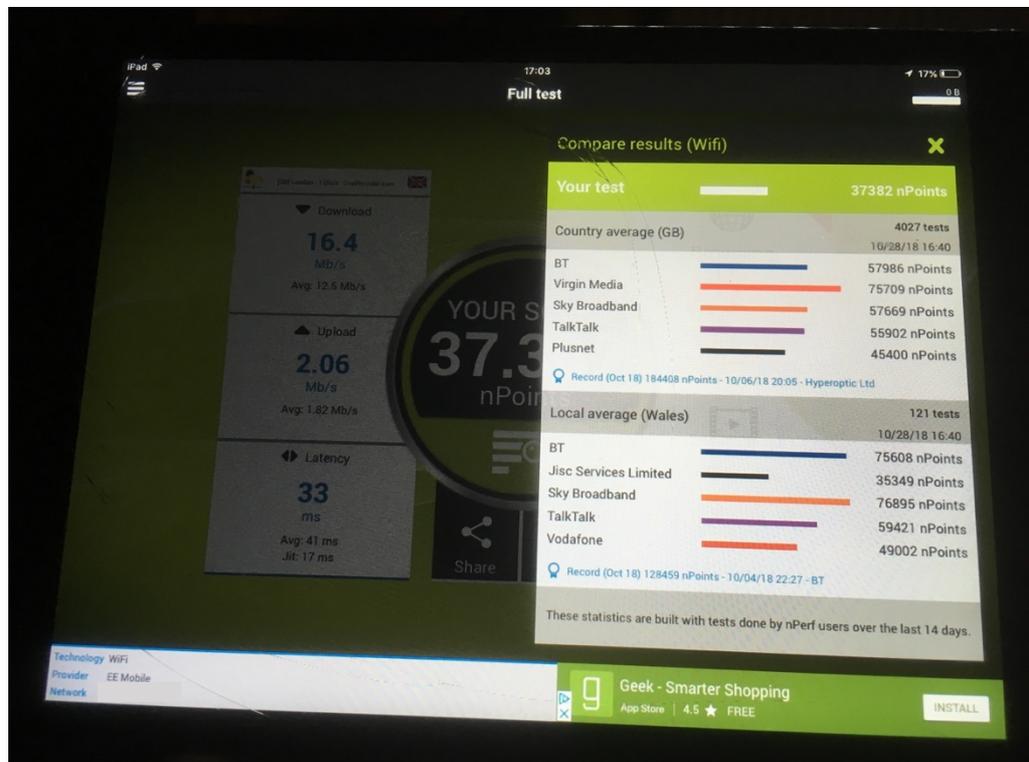


Image 12: A participant holding their unused Mi-Fi



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In addition to these challenges, some features of this market emerged as barriers to achieving good deals or feeling that a service is good value for money among vulnerable consumers only:

- × **Long, inflexible contracts and costs and challenges associated with exiting contracts early.** Consumers who had experience of seeking to exit their contract early, often because of a change in their circumstances (for example their benefits being withdrawn or their earnings shifting), tended to find that it was very difficult to do so. This challenge also affected a small number of consumers who had found themselves locked into contracts associated with a device which had been lost, stolen or damaged. As identified in other research³¹, cancellation charges are perceived to be particularly high and inflexible in this market.
- × **Unexpected charges.** Consumers on a low income were particularly likely to mention fluctuating bills in this market, and particularly in relation to mobile phone services, which they felt they had little ability to afford and which could have a severely negative impact on their finances. Consumers felt that these variances in billing were rarely explained by their provider, and most felt that they were given no warning when they were about to exceed their allowance.
- × **Limited choice.** Consumers living with vulnerabilities were more likely than the control group to feel that their choice in this market was limited by factors outside their control, including poor coverage or signal in their area (particularly for those in more rural areas), or restricted access to broadband providers because certain providers had not, for example, installed cabling in their local area. This restricted choice was felt to be particularly unfair when it relates to a consumer's vulnerability.
 - For example, a participant living in rural Wales felt that he had no choice but to switch mobile phone provider due to a lack of coverage in the area on any other network. He now pays more than he used to and more than he would like to, but feels he has no options due to his location.
- × **Limited understanding of and support for consumers with vulnerabilities.** Compared to the energy market – the other service market of which almost all vulnerable participants had some personal experience – the telecommunications market was felt to offer limited support to consumers living with vulnerabilities. The small number of participants who had disclosed their vulnerabilities to their telecommunications providers in order to try to resolve or expedite an issue (for example in relation to their billing) found that there did not seem to be any allowances made or support available to them.

³¹ See Citizens Advice: Broadband exit fees (2018).
<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Exit%20Fees%20-%20Final%20Edits.pdf>

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- For example, a participant with Asperger's found that [a provider] were not able to offer him any support to understand why his bills were higher than expected when he disclosed this and his level of income to them (see case study below).

CASE STUDY: Alex, 45-54, Consumer living with multiple conditions, Nottingham

Alex lives with his wife and stepdaughter, and has Asperger's syndrome, a damaged shoulder, and Myalgic Encephalomyelitis (ME). He has not worked for a long time.

He lives in a relatively quiet neighbourhood of Nottingham, but does describe it as having some 'rough areas'. Last year his wife had her car set on fire outside of their house in an unprovoked and unexplained attack. This has made them feel very unsafe and uncomfortable in their own home. It has also meant that this his wife was unable to keep her job as an estate agent, as she needs transport. They've tried a number of tactics to ease their finances, such as recently going vegetarian, but money has been a 'struggle' since this incident.

Alex is on a £6 monthly contract with his mobile provider, which he sees as good value for money because this cost feels relatively low, even though he knows that there may be better deals out there. On one occasion, however, Alex feels that he got poor value for money, his provider tried to charge him a 'huge amount', £30, for exceeding his minutes. He feels he was deliberately not warned about this charge, and that the provider made no allowances for his circumstances as a consumer on a low income and the difficulties he faces in communicating as a result of having Asperger's.

"They sent me an e-mail saying your bill will be higher and I couldn't understand why it was so big as I had deliberately kept it on a contract that is as cheap as possible. They didn't give me any warning or anything [about going over free minutes] and so I kept using it. I tried to explain to them that I'm on a low income and that it had never been explained to me. I said that as I've got Asperger's some things are not 100% clear to me. They told me what the cost was [when the contract was set up] but not the small print. They shouldn't hide the little things where they try to get money off the consumer."

CASE STUDY: Susie, 18-24, Consumer on a low income, Rhyl

Susie is a single mother of two young children and moved to her new council house two months ago. She has twice had negative experiences of trying to exit broadband contracts early. When she moved to her last council house, she tried to transfer her existing contract to the new house. They tried to charge her a £200 cancellation fee, even though she wanted to remain a customer with them. She felt that she had no choice but to pay the fee.

When she left that house to move to her current home, again the provider tried to charge her a cancellation fee, which she feels is unfair as she had only recently paid them a large cancellation fee to transfer the previous contract to her new property. After this she has sworn never to use this provider again. She refused to pay the cancellation fee, but this was very difficult and costly to resolve over the phone.

“I used all my minutes, it probably cost more than my month's internet to ring them up... I will never go back with them again.”

5.5: Getting a good deal in the energy market

Services covered in the energy market included gas, electricity and alternatives for those living ‘off-grid’ in rural areas (e.g. those using heating oil). These markets were explored in the context of significant regulatory intervention in this market, including price caps³², and some statutory obligations on suppliers to provide support to vulnerable consumers through initiatives such as the Priority Services Register³³.

5.5.1 Overview of the energy market

This table introduces the key findings outlined in the remainder of this sub-chapter. For further detail, please refer to the corresponding section.

³² See Ofgem energy price caps webpage. https://www.ofgem.gov.uk/energy-price-caps/consumers?gclid=Cj0KCQiA6JjgBRDbARIsANfu58ERZVHocDFmxzqrUI5peRk1NBKpjlPQjSEblvaQaPI-sefol7RHznUaAmeQEALw_wcB

³³ See Ofgem Priority Services Register webpage. <https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/extra-help-energy-services/priority-services-register-people-need>

Figure 12: Overview of participants' experiences of the energy market

<p>Engagement and interest in this market</p> <p><i>See 5.5.2 for further detail</i></p>	<ul style="list-style-type: none"> • This market feels most important to most vulnerable consumers, and is one on which many find themselves very reliant. • This is particularly true of older consumers, those with physical health conditions, and those with caring responsibilities.
<p>Switching, shopping around and negotiating behaviours in this market</p> <p><i>See 5.5.3 for further detail</i></p>	<ul style="list-style-type: none"> • Unlike the telecommunications market, getting a better deal in the energy market is closely associated with the concept of switching provider, as opposed to negotiating a better deal with an existing supplier. • In practice, vulnerable consumers often feel reluctant to switch in this market for fear of compromising the reliability of a service that they consider to be absolutely essential. • Experiences of switching among vulnerable consumers in this market have been mixed and some have chosen to return to their existing provider.
<p>Features of this market seen to be supporting consumers to get a good deal</p> <p><i>See 5.5.4 for further detail</i></p>	<ul style="list-style-type: none"> • There are a number of features of this market which are felt to offer vulnerable consumers specifically greater value for money. • These include perceived flexibility for vulnerable consumers, financial support, and services which seem to afford consumers greater control over their spending, such as pre-payment meters. • Vulnerable consumers often credited their provider with giving them good value by offering them support and flexibility, when these providers may simply be fulfilling their regulatory or statutory obligations, for example not disconnecting customers eligible for the Priority Services Register during winter months.
<p>Features of this market seen to prevent consumers from getting a good deal</p> <p><i>See 5.5.5 for further detail</i></p>	<ul style="list-style-type: none"> • Both vulnerable and control group consumers identify perceived barriers related to clarity and transparency in this market – particularly in terminology – which make it hard for them to determine whether they are getting a good deal. • Vulnerable consumers also highlighted other perceived barriers including limited choice, inconsistencies in support between providers, and estimated billing as offering them poor value for

	money and making it harder for them to get a good deal.
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5.5.2 Engagement and interest in this market

While interest in the energy market was in some ways lower than for the telecommunications market among both vulnerable and control group consumers - in that participants could not recount the key information about their energy providers and contracts nearly so readily or in so much detail - energy *is* perceived to be an important market and an essential service.

This view was particularly strongly held by vulnerable consumers, and a number of groups of vulnerable consumers were particularly reliant on their energy services due in part to their vulnerability:

- Older consumers and consumers with physical long-term health conditions who are retired or unable to work were spending more time at home, driving up their energy usage, and often placed a greater importance on heating than younger groups and those without any physical conditions.
- Consumers with particularly severe health conditions were in some cases reliant on an uninterrupted energy supply to power medical equipment, such as an oxygen device.
- Consumers with caring responsibilities for people with health conditions were sometimes washing (and tumble drying) a far greater volume of bedding and clothes than they would have done otherwise because bedding was regularly being soiled.

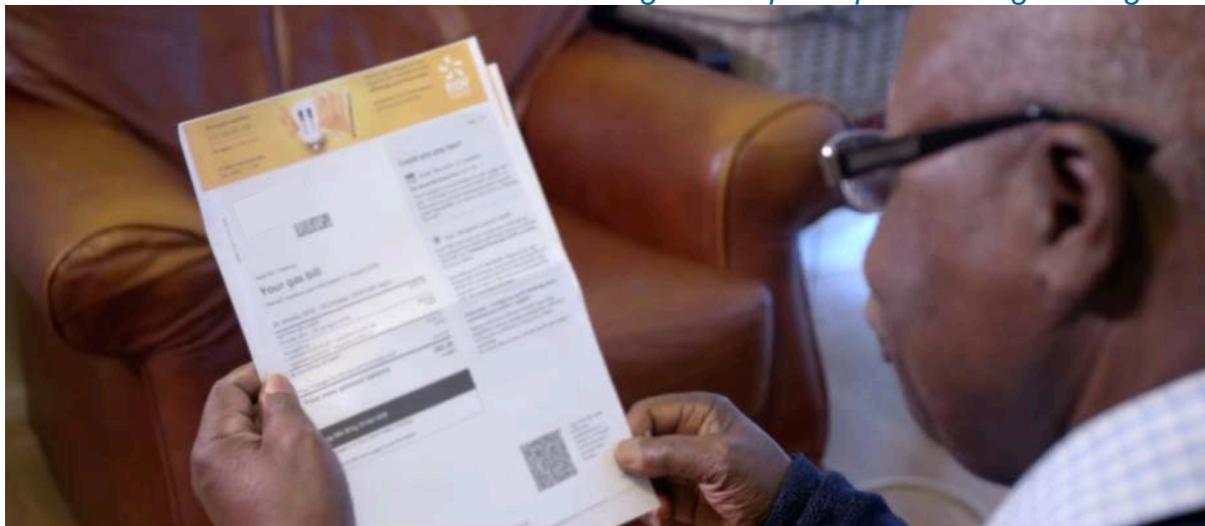
In addition, some vulnerable consumers found that they were prompted to think about their energy more regularly than they might be in other service markets as a result of their mode of payment. Reflecting other research which suggests that approximately a third of consumers on low incomes are paying for their electricity or gas on a pre-payment meter³⁴, usage of pre-payment meters was common across the sample. These consumers often found themselves prompted to engage with their energy services on a frequent basis to ensure that their meter is sufficiently topped up. For many consumers on a low income, this is welcomed as means of feeling in

³⁴ See Bristol University: Making the poverty premium history: a practical guide for business and policy makers (2017). http://www.bris.ac.uk/media-library/sites/geography/pfrc/pfrc1710_making-the-poverty-premium-history.pdf

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control of their payments and their energy usage, rather than a burden, and awareness of a potential 'poverty premium'³⁵ is typically low.

Image 13: A participant looking at his gas bill



CASE STUDY: Sally, 65-74, Living with a physical disability, Glasgow

Sally has Chronic Obstructive Pulmonary Disorder (COPD) and a bowel condition, and lives with her elderly brother who has suffered a stroke and two heart attacks. Their health conditions mean that their bedding and clothes are regularly soiled, and so the washing machine and tumble dryer are 'constantly' running.

Recently, Sally's COPD has become worse, so she now uses an oxygen tank which has to be plugged into the electricity supply. It also means she spends much more time at home than she used to, usually watching TV or phoning friends.

"I don't think people have the right information on tariffs. People aren't educated, they don't know what it means."

³⁵ The 'poverty premium' is the pattern whereby consumers on low incomes can pay more for the same products or services than people who are better off financially.

CASE STUDY: Karen, 35-44, Living with a mental health problem, Glasgow

Karen is a single parent of 3 sons under the age of 12, living with severe depression and anxiety, which can lead her to bouts of high spending. She got in to trouble with her electricity payments – with Scottish Gas writing off £1,400 of her debt – so she had to have a pre-payment meter installed. She doesn't know if it has to be a permanent thing or if she could do anything to get rid of it, but she says that she is pretty happy with for now.

She says that with her pre-payment meter, energy and gas always seems to last longer and cost less, although she doesn't know what tariff she is on. She feels she notices her electricity usage more than when she was paying by direct debit, which helps her to manage it. When she was paying (estimated bills) by direct debit, her bill was changing from month to month, which is a bad thing for her, as she feels that she needs stability both for her finances and mental health.

“If they were a day late taking the money for the bill, I'd spend it. You think you should treat yourself, that it'll make you feel better, but it doesn't, it just puts you in to bother.”

5.5.3. Switching, shopping around and negotiating behaviours in this market

For both vulnerable and control group consumers, getting a better deal in the energy market is closely associated with switching provider, and participants in both cohorts were less likely to describe negotiating with their existing providers in this market to get a better deal than they were in telecommunications. For control group consumers, the emphasis on switching as opposed to negotiating with existing providers seemed to reflect in part reduced impetus to remain with the same provider when the basic service being offered across the energy market seems to be 'much of a muchness' (unlike pay TV, for example, when only one provider may be able to offer a particular channel).

“I have an app. It tells you when you can come out of your period and makes comparisons... generally it's been good.”
(Control group consumer, London)

“Mortgages and credit can be quite complex. Energy and telecoms, I find it easier to compare like for like.”
(Control group consumer, Nottingham)

While the control group and the more confident of the vulnerable consumers interviewed described themselves as playing an active role in switching and

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shopping around for their energy – usually using a price comparison website – a significant minority of the vulnerable consumer sample who had engaged in switching behaviours in this market had been *prompted* to do so rather than doing so out of active choice.

- Of all markets, vulnerable consumers were most likely to report being visited at home by canvassers representing different energy providers, often perceived to be newer entrants to the market rather than ‘big six’ providers. There is some perception that canvassers are particularly likely to target large housing developments such as council estates, and people who are more likely to be at home during the day.
- Several vulnerable consumers interviewed had switched as a result of one of these home visits. These consumers were often, but not always, older consumers less confident in using the internet and who felt positive about canvassers as a means of finding out about new deals. In one case, an older consumer had switched energy provider because she felt sorry for the canvasser having to work in the pouring rain.
- While some consumers had found themselves better off as a result of switching in this way, others felt more negative, finding that the price quickly increased with their new provider with little explanation as to why. In these cases, these consumers had often returned to their original provider for fear of making the same mistake again.

"[Visits from canvassers] is the only way you actually find out: a lot of things are not advertised... I'm computer illiterate."

(Consumer on a low income who has a mental health problem, 55-64, Glasgow)

CASE STUDY: Rhiannon, 18-25, Consumer on a low income, Rhyl

Rhiannon is a single mum of a four year old, working part time as a store assistant. She was prompted to switch her energy supplier after coming across a stall at a carnival. She says that normally she would have ‘told them to go away’, but for some reason she walked past and got chatting. She did not want to sign up there and then, but agreed to have a canvasser visit her house a few days later.

When the canvasser came to visit, she really liked her, and felt she was very honest, for example by telling her about better deals on offer with other companies. The provider handled all the switching, which made it very easy, and she is now saving money. Now all of her family members have signed up to the same provider, as she’s had such a positive experience. But she emphasised that

without meeting the person at the carnival she would have left the idea of switching 'at the back of her mind'.

"Looking back at it now, I was always topping up but hadn't thought about switching."

For a significant proportion of vulnerable consumers, the potential cost savings associated with switching in the energy market were simply not attractive enough to risk disrupting a service on which they feel so reliant. Specifically, vulnerable consumers are often concerned about:

- Any potential disruption to their energy supply, with many who do not have any personal experience of switching in this market uncertain about how this will work and believing that it is likely to be complex and cumbersome.
- The risk of unexpected charges and bills as a result of moving to a different tariff or provider. This is a market in which billing is felt to be particularly complex and where prices are almost always seen to be increasing rather than decreasing, and there is unwillingness to stray away from a provider with whom consumers feel they have an established routine.
- Losing access to forms of support such as the Warm Home Discount, which are believed to be associated with only certain providers.
 - Some vulnerable consumers may have been mistaking regulatory requirements on providers as instances of their supplier showing them particular loyalty or understanding, for example not cutting off their supply with they fell into arrears (suppliers are prohibited from disconnecting a premises occupied by a customer on the Priority Services Register in the winter months³⁶).

Finally, there are some vulnerable consumers who have discounted switching in the energy market as an option open to them because they have been told or have heard that they will not be able to do so. Several consumers held the perception that customers on pre-payment meters cannot switch, and consumers with more niche types of energy requirement (such as storage heaters) had found that no energy providers were able to offer them any quotes when using a leading price comparison website.

"It costs a bit more money, but at our age you've got to have reliability and satisfaction."

³⁶ See Ofgem disconnections rules webpage. <https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/who-contact-if-its-difficult-paying-energy-bills/energy-supply-disconnection-and-prepayment-meter-rules>

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(Consumer on a low income who has a physical impairment/condition, 75+,
Glasgow)

*"I don't feel like I need to switch. I'm happy with who I am with and I don't pay a lot so
it's not a massive expense."*

(Consumer on a low income who has a physical impairment/condition, 25-34,
Watford)

Image 14: A participant reviewing a price comparison website search for the energy market on his desktop computer



CASE STUDY: Mel, 25-34, Consumer on a low income, Watford

Mel is a single mother and a full-time carer to her six year old son, who has Type 1 diabetes and a number of other related health conditions. It is imperative for his health that he stays warm, and Mel is unwilling to take any risks with her heating after her son was hospitalised and became close to losing his fingers in the very cold weather earlier this year.

Mel has a pre-payment meter with her energy provider. She is certain that she could be paying less for her energy if she wanted to, but she is aware that only some providers offer the Warm Home Discount and is very worried about any disruption to her payments. She has heard she'll have to start all over again with an application for the discount if she switches, so she says she would rather stick with her current provider.

"I think they're expensive but I think that I'm stuck. I've heard that you lose your Warm Home Discount if you switch, you've got to start from scratch with claiming it again and you can lose out on it, and if you've got any credit left [on your pre-payment meter] when you switch, you don't get it back. It's Catch 22. Switching would just be another thing to battle with."

5.5.4 Features of this market perceived to be supporting consumers to get a good deal

Beyond securing a cheaper price for their energy (usually having used a price comparison website), control group consumers found it difficult to pinpoint specific practices or examples in the energy market that left them feeling like they were getting a good deal or good value for money. By contrast, vulnerable consumers were quick to identify three areas in which they feel that their energy providers are currently offering them value for money:

- ✓ **Modes of payment which afford consumers greater control.** Pre-payment meters were often mentioned spontaneously as an example where vulnerable consumers felt that they were getting value for money because of the perception that they give the consumer greater control over their spending and energy usage. Many consumers particularly welcomed the reduced risk of unexpected charges with pre-payment meters that they associated with estimated billing.
 - Based on these perceived advantages, some (though not all) vulnerable consumers strongly held the view that pre-payment meters are the cheapest option available to them for their energy. Awareness that direct debit tariffs are often significantly cheaper than pre-payment tariffs³⁷ was typically low.
- ✓ **Flexibility and understanding.** Of all the markets, consumers were most likely to describe being shown flexibility and understanding by their energy provider in periods in which their finances were particularly tight, or their vulnerability particularly pronounced. Examples included their provider showing leniency on debt repayments, providers wiping off debt, the ability to change dates for direct debit payments, priority call-outs in the event of a problem with their supply (a small number explicitly referred to this as the Priority Services Register), and free engineer visits to move meters for consumers unable to access them because of a physical disability. While some of these positive experiences may stem from statutory obligations or regulatory action in this market, most consumers saw this as their provider choosing to go 'above and beyond'.

³⁷ CMA: Energy market investigation final report (2016)

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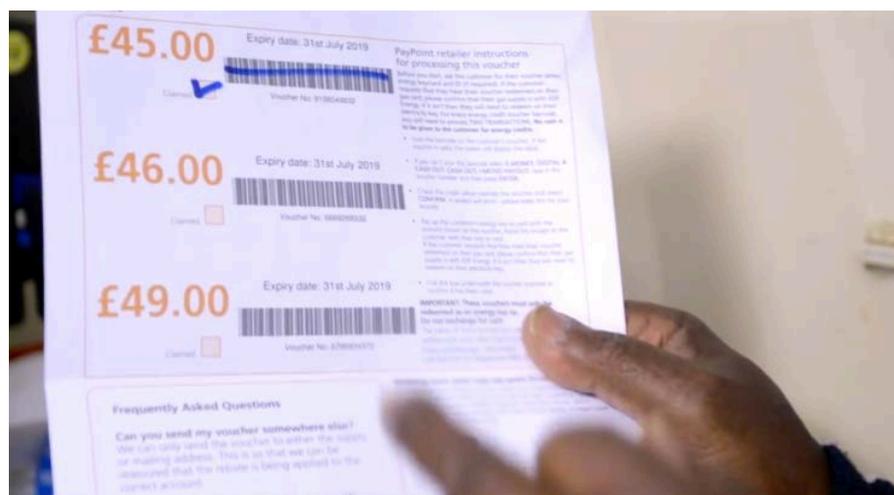
- Energy was the only market in which participants felt that they had been shown any particular flexibility or offered support as a result of a mental – as opposed to physical – health condition. One interviewee with a mental health problem found when switching to a new energy provider, whom she came across after being visited by a canvasser, that she had been put through to ‘excellent’ staff who seemed to be trained to understand her needs as a result of her vulnerability. As part of the call, she was able to explain her condition, and was offered a number of modes of contact to best suit her needs (for example large print letters because she finds reading difficult, and reminder calls ahead of appointments because she finds she often forgets her schedule). She felt that this experience contrasted particularly strongly with her interactions with the telecommunications market.
- ✓ **Financial support.** A significant proportion of vulnerable consumers in the sample were receiving some form of financial support in relation to their energy. As well as the Warm Home Discount, forms of financial support mentioned included grants from an energy provider’s Trust, and a £50 discount offered by another provider to a consumer as a result of her disability.

“I pay £15 a week gas and £10 a week electric. The pre-payment meter feels cheaper, I don’t think any other option would save me money.”
(Consumer on a low income who has a mental health problem, 25-34, Belfast)

“I’m on the Priority Service Register because of my disability. I was told about it when I contacted [my energy supplier] about the Warm Home Discount, after I heard about it from a savings group on Facebook. It makes a big difference having £140 off my electric. It means my direct debit doesn’t shoot up.”
(Consumer on a low income who has a physical impairment/condition, 45-54, Watford)

Image 15: A participant showing his Warm Home Discount vouchers

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5.5.5 Features of this market perceived to prevent consumers from getting a good deal

Both vulnerable and control group consumers identified a common challenge in the energy market which might prevent them from getting a good deal:

- × **Clarity and transparency.** The language in this market is felt to be especially complex, and particularly far removed from 'real life' experience. No consumers in either the vulnerable or control group sample felt that they truly understood terminology such as kilowatt hours, making it difficult to compare between tariffs and to relate them to their needs. This compares negatively to the telecommunications market in which the units sold are felt to align more closely with the way that they use these services as a consumer (e.g. texts and minutes).
 - Significant proportions of both control group and vulnerable consumers believed that energy providers deliberately use complex terminology in order to confuse and disempower consumers. This perception was reinforced by the belief that prices always rise in the energy market, and that the sector is particularly profit driven, based both on personal experiences of bill increases, and negative media coverage of the sector. This did not typically extend as far as consumers describing recent regulatory interventions in this market – such as price caps – but there seemed to be low level awareness that the energy sector has been under particular scrutiny in recent years.

*"[It's] the usual corporate bullshit, they say they're going green or whatever... it's all to do with profit."
(Consumer on a low income, 55-64, Glasgow)*

"I don't get a gas bill as its pre-pay. I can only get a receipt for topping it up but not for their workings out. I don't know which tariff I'm on – I've taken their word for it. I don't know how I would find out if I am actually on [the best tariff] or not."

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(Consumer on a low income who has a mental health problem, 35-44, Watford)

Beyond this, most other challenges were identified by vulnerable consumers alone, and included:

- × **Limited choice.** While control group consumers had often found a range of options available to them when they had looked to switch or shop around in this market, vulnerable consumers often found that their choices were more limited. For example, those living 'off-grid' (for example in rural Wales, and approximately half of participants living in Belfast) felt that they were able to consider only a restricted set of products, such as heating oil as opposed to gas, which in turn has to be bought in larger amounts, requiring larger upfront payments. Consumers living in social or private rented accommodation often felt restricted by decisions made by their landlord, such as installing storage heaters or a pre-payment meter.
- × **Inconsistencies in support.** Although support is perceived to be more widely available in the energy sector than any other market, experiences of support varied significantly between provider, and even between some consumers' experiences of the same provider. There is a perception that only some suppliers offer the Warm Home Discount, and that the onus is on the consumer to find out about and apply for it. Some consumers believed that the discount was deliberately poorly advertised by providers.
- × **Incompatibility between estimated billing and the need for certainty in relation to finances.** Vulnerable consumers, and particularly those towards the bottom of the low income bracket, tend to believe that it is critical that they know where they stand with their money at any one time. For these consumers, estimated billing is directly incompatible with their need for certainty and consistency. It was also felt to greatly increase the risk of receiving unexpected bills which they do not feel able to afford.
 - These consumers often saw pre-payment meters as a preferable option. A smaller number alluded to fixed direct debit billing, whereby their forecasted annual energy usage was split into 12 equal monthly payments.

"They don't tell you about it. If you don't apply for [the Warm Home Discount], you don't automatically get put on it. I have missed a year previously as I got muddled up with the date."

(Consumer living with multiple conditions, 45-54, Nottingham)

"I had a period with them [energy provider] where I kept sending off readings, but I kept on receiving an estimated bill. I was getting frustrated and felt I was paying too much. You would ring up and it would be difficult to get to the right person, you'd be passed around from one department to the other, and then you'd have to start your story all over again."

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(Consumer on a low income who has a physical impairment/condition, 75+, Watford)

5.6: Getting a good deal in the insurance market

Products covered in the insurance market included home insurance (both contents and building insurance, where applicable), motor insurance, and, to a lesser extent travel insurance, life insurance and cover for specific items (e.g. white goods cover). These products were explored in the context of some regulatory intervention in this market, including the recent introduction of auto renewal notices³⁸.

5.6.1 Overview of the insurance market

This table introduces the key findings outlined in the remainder of this sub-chapter. For further detail, please refer to the corresponding section.

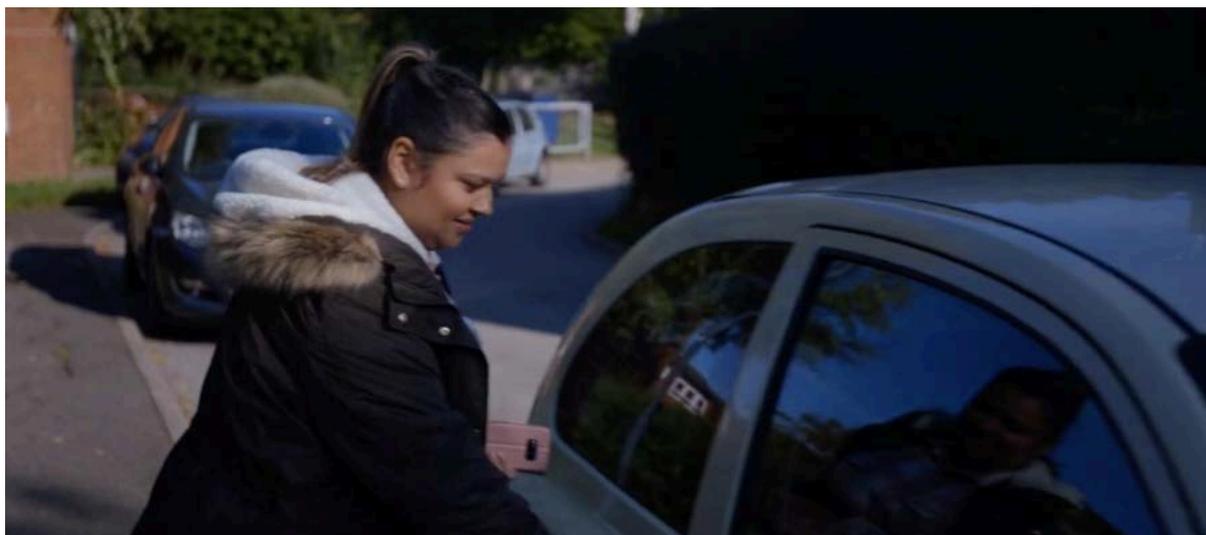
Figure 13: Overview of participants' experiences of the insurance market

<p>Engagement and interest in this market</p> <p><i>See 5.6.2 for further detail</i></p>	<ul style="list-style-type: none">• On the face of it, this market has the lowest engagement: both vulnerable and control group consumers often struggled to recount even basic information about their providers.• It is also one of which vulnerable consumers often have only limited experience. Many do not hold insurance policies unless they have a legal obligation to do so (e.g. motor insurance), and many do not see other forms of insurance as 'for them'.
<p>Switching, shopping around and negotiating behaviours in this market</p> <p><i>See 5.6.3 for further detail</i></p>	<ul style="list-style-type: none">• Despite low engagement with their current provider, this was the market in which control group and vulnerable consumers (who had insurance products) were most likely to be switching and shopping around.• Few felt any loyalty towards their provider, most were viewing their insurance as a transaction, and some were more willing to take a risk and compromise on reliability than they were in other markets.• However, there are a small number of vulnerable consumers who appear to be sticking in this market as a result of misconceived loyalty, e.g. believing that

³⁸ See FCA transparency in insurance renewals webpage. <https://www.fca.org.uk/firms/transparency-insurance-renewals>

	<p>their no claims discount is restricted to one supplier and a reward for loyalty to the same supplier.</p>
<p>Features of this market seen to be supporting consumers to get a good deal</p> <p><i>See 5.6.4 for further detail</i></p>	<ul style="list-style-type: none"> • Vulnerable and control group consumers identified a number of features of this market which were felt to support getting a good deal, including: <ul style="list-style-type: none"> ○ Bundled policies (e.g. multi-car discounts); ○ Opportunities to reduce premiums as a result of responsible behaviour (e.g. black box insurance); ○ Renewal notices, which were generally felt to be clear, well timed and had often prompted engagement in this market. • There were no features of this market which were felt to be supporting consumers to get a good deal which were specific to vulnerable consumers only.
<p>Features of this market seen to prevent consumers from getting a good deal</p> <p><i>See 5.6.5 for further detail</i></p>	<ul style="list-style-type: none"> • Perceived issues with clarity and transparency both overall and in relation to pricing specifically mean that this market is far too complex for most consumers to be able to work out if they are getting a good deal. This challenge is felt by all consumers, but is much more pronounced for vulnerable consumers, with the impacts of misunderstanding a policy far more detrimental for this group. • There are also felt to be some additional perceived barriers specific to vulnerable consumers in this market, including: <ul style="list-style-type: none"> ○ Being penalised for factors outside their control; ○ A lack of understanding or support for vulnerable consumers; ○ A lack of flexibility in modes of payment or when consumers' circumstances change.

Image 16: A participant opening her car door



5.6.2 Engagement and interest in this market

Experiences of and attitudes towards insurance diverged markedly between the control group and vulnerable consumer sample. While control group consumers often regarded insurance to be a necessity to protect their property, income or health, many vulnerable consumers interviewed had little to no experience of the insurance market, reflecting existing research which suggests that consumers on low incomes and those with mental health problems are less likely to have access to insurance products including contents insurance³⁹. Those who were buying insurance were often only purchasing products they felt they really had to for legal reasons – primarily motor insurance.

“Being burgled made me realise that home insurance is really important. Now I read the fine print.”

(Control group consumer, London)

“You have to pay attention to the excess... I change my car insurance every year, I don’t just get the cheapest one.”

(Control group consumer, London)

³⁹ See Citizens Advice: The insurance loyalty penalty: unfair pricing in the home insurance market (2017).

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Report%20-%20Insurance%20loyalty%20penalty.pdf>

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Many of the vulnerable consumers interviewed considered insurance products to be 'out of reach' for them for a number of reasons, including:

- **Affordability.** In the context that few of these consumer on a low incomes felt that they had any money to spare, many felt that they could not afford to spend money on a product or service which they did not consider to be a necessity. In particular, sacrificing money right now for an intangible and unlikely eventuality that might occur in the future was at odds with the 'right here, right now' philosophy with which many approached managing their money.
- **Lack of necessity.** Beyond motor insurance, very few had any strong (e.g. legal) reason to take out an insurance product. Compared to the control group, relatively few vulnerable consumers in the sample were homeowners or had a mortgage, meaning that they had no obligation to take out buildings insurance.
 - There was also a perception of having little to protect. Many of the younger consumer on a low incomes interviewed in particular felt that they had relatively little to lose in a burglary or accident, and some of those who did feel that they had valuable possessions to protect considered insurance to be a last resort behind having a guard dog or an alarm system.
- **Risk of being penalised.** Several of those interviewed felt that they live in areas which are known to be at greater risk of crime, while those with long-term health conditions were aware that their condition would have an impact on the cost of travel insurance and other similar forms of cover. As a result, they often believed that the cost of insurance products would be disproportionately high to them.

"I haven't got loads of assets. I'm banking on not having anything major happen to the entire of the house."

(Consumer on a low income who has a mental health problem, 35-44, Nottingham)

"I need to look into it [contents insurance] but I have no idea what a good price is. I have no idea what it should cost or what good value is."

(Consumer on a low income who has a physical impairment/condition, 18-24, London)

Engagement with insurance products among vulnerable consumers who did have these products, however, was closely comparable to that amongst control group participants. Consumers in both cohorts tended to see little reason to engage with their insurance products unless they were seeking to make a claim. Reflecting this, a majority of consumers in both samples found it difficult to recount even basic information about their insurance products, and particularly contents insurance

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where this was relevant. In many cases both vulnerable and control group consumers could not remember the name of their insurance provider.

“I wouldn't have a clue who our insurer is. You buy it in the hope you'll never need to use it so it's not something you like to think about very much. You buy it in case the worst happens, in case you get burgled or your house burns.”

(Consumer on a low income who has a mental health problem, 45-54, Watford)

“My home insurance is now with my housing association...I was paying £11 per month, and they've done a deal with [someone].”

(Consumer on a low income who has a physical impairment/condition, 45-54, Watford)

5.6.3. Switching, shopping around and negotiating behaviours in this market

Somewhat paradoxically, despite low levels of engagement in this market, control group and vulnerable consumers alike were most likely to describe personal experiences of switching and shopping around in the insurance market, reflecting other research which suggests that switching is most common in relation to insurance⁴⁰. Moreover, the limited engagement which consumers reported having with their suppliers seemed in many ways to break down the barriers to switching that they felt in many other markets, because:

- **Few felt any loyalty or affinity towards their insurance providers.** For both control group consumers and vulnerable consumers who owned insurance products, their relationship with their insurance provider was purely transactional. Many seemed to frame their insurance renewal more like they would a major one-off purchase, such as buying a new electrical item, than as a long-standing, continuing service. This seemed to be driven at least in part by the perception that insurance premiums are typically paid annually rather than more frequently, and that it is *significantly* cheaper to do so, meaning that paying for insurance feels like a one-off event to the consumer.
- **Consumers feel less reliant on their insurance than they do other services and particularly their energy.** Some vulnerable consumers who would not countenance risking any disruption to their energy (and sometimes telecommunications) services were far more willing to take a risk and ‘hope for the best’ in relation to their insurance.
- **The value for money equation feels simpler and more clearly price driven.** With limited engagement with their provider, vulnerable consumers

⁴⁰ See Social Market Foundation: Stick or Switch? Making markets fairer and more competitive (2017). <http://www.smf.co.uk/wp-content/uploads/2017/10/WEB-OF-STICK-SWITCH.pdf>

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feel that they have little ability to judge them on the factors such as showing flexibility and understanding which emerge as very important in other markets. Many were purchasing insurance purely on the basis of who could offer them the cheapest deal.

- **It is assumed that switching will be simpler and more straightforward.** Some consumers imagine that the process of switching services which are constantly in use or which require some physical equipment (e.g. energy, telecommunications) will be complex and painful. Because insurance feels more removed from everyday life, vulnerable and control group consumers tended to feel less concerned about potential problems related to switching in insurance than in other markets.
- **In addition to these factors, many vulnerable and control group consumers felt that they were being prompted or nudged to shop around in relation to their insurance in a way that they weren't in other markets.** This perception was driven by actions resulting from regulatory intervention, including consumers receiving renewal notices, but also communications from third parties such as price comparison websites contacting customers on the anniversary of purchasing an insurance product. This is outlined in further detail in the next section.

For a small group of vulnerable consumers, however, there was a sense of loyalty towards their insurance providers, and a reluctance to switch as a result. Much like in the energy market, in some cases this sense of loyalty seemed to stem from standard or regulator-driven industry practices which a small number of vulnerable consumers were misinterpreting as their provider rewarding loyalty or 'going above and beyond'. Examples included:

- Some consumers sticking with their motor insurance provider in order to keep their no claims bonus, not realising that this could be transferred between providers.
- Some consumers renewing with their contents insurer after making a claim because they had been impressed with how their claim had been handled.
 - In practice, this often amounted to the supplier simply fulfilling their contractual obligations, for example paying out when they said that they would for the items covered by their policy, but some consumers felt that their providers had exceeded their obligations, for example redecorating a whole property when only one room had been damaged in a flood.
 - Vulnerable consumers were more likely to describe renewing with the same provider after such an experience than control group consumers, who were often more confident that they would and should get the same level of service from another provider.

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- Consumers sticking with their provider because they believe no other insurer will be prepared to cover them. This was particularly pronounced for consumers with long-term health conditions, and older consumers.

CASE STUDY: Lara, 25-34, Consumer on a low income, Nottingham

Lara is a busy single mother of a 5-year old, juggling working as a swimming teacher and at a charity for children with autism with her own childcare responsibilities. She describes her life as 'hectic, non-stop and independent'. She holds both contents and buildings insurance policies with the same provider, which she pays monthly to keep closer track of her spending and because she could not afford to do so annually.

Switching in this market is not Laura's priority as she feels that her current provider are a good supplier, particularly after she claimed for a paint spill, and found their service better and quicker than she expected. She also expected her premium to go up as a result of making a claim, but was surprised that the increase was as low as between £1-2 per month. This felt reasonable and Lara still felt that she was getting value for money from this provider.

"The premium has gone up, but I haven't looked to move to anyone as they were really good, and it's not gone up by much. For the easy service I've had, I've stuck with it."

CASE STUDY: Monica, 75-84, Living with a physical disability, Colne

Monica lives alone and has been a widow for ten years. She has mobility issues and long-term pain from osteoarthritis. The pain can cause her problems when standing for longer periods of time and with walking. She feels that she has a relatively busy social life due to being very involved with her church and feels that her neighbours and community all look out for one another. She does not use the internet at all, but gets help from friends when she does need to complete processes online (for example, recently renewing her driving licence online).

She pays £650 a year for her car insurance and she finds that this keeps increasing every year. She has never made a claim, but is loath to try and negotiate a better deal for fear of having to pay even more because of her age. She has previously tried to renew her car insurance online with the help of her

neighbour (and thereby save £20) but found the process too much to do in one sitting and has not tried again since.

"I daren't quibble with it because of my age they might decide to charge me even more."

5.6.4 Features of this market perceived to be supporting consumers to get a good deal

Vulnerable and control group consumers generally pointed to the same specific practices in the insurance market which they felt might be supporting them to achieve better value for money:

- ✓ **Bundled policies, e.g. multi-car discounts and cover provided as part of a packaged bank account.** Much like in the telecommunications market, there is a perception that, in theory, buying multiple products at once, from the same provider, reduces hassle to the consumer and has the potential to save them money. Control group and the small number of vulnerable consumers who had these types of products found it more difficult to ascertain whether they were getting value for money in practice.
- ✓ **Opportunities to reduce prices as a result of responsible behaviour,** including the no claims bonus in the motor insurance market, though a small number of vulnerable consumers interpreted this bonus as requiring them to stay with their current provider because they did not realise that they could transfer the discount. A very small number of vulnerable and control group consumers referenced telematics, including black box and dashcam motor insurance, as an example of their provider giving them greater control over their spending and the opportunity to save money. This is felt to be particularly beneficial to younger drivers who otherwise face very expensive policies.
- ✓ **Renewal notices.** Of all four markets, vulnerable and control group consumers were most likely to report having seen renewal notices or similar communications in the insurance market in recent years, likely as a result of regulatory intervention in this market⁴¹, though consumers did not make this link themselves. Often, it was receiving a renewal notice that had nudged the consumer into switching or shopping around. These notices had stood out for a number of reasons:

⁴¹ See FCA transparency in insurance renewals webpage. <https://www.fca.org.uk/firms/transparency-insurance-renewals>

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- In contrast to other markets and particularly telecommunications and credit, consumers feel that they hear from their insurance providers relatively infrequently. This meant that they were less likely to dismiss the communication.
- The notice was generally factual and straightforward. It was rarely seen to be 'dressed up' as a marketing ploy by providers to keep their customers. Few mistrusted their providers' motivations when they saw the notice in practice.
- The notice was felt to set out clearly what they had paid for their insurance last year, and what their existing provider proposed charging them for the coming year's cover. This was felt to put slightly less onus on the consumer to do all the hard work in tracking down their contract and checking their existing supplier before shopping around (online).
- The timeframes for renewal and the implications of inaction were felt to be relatively clearly laid out. Most consumers who had seen a renewal notice believed that they had received it 3-4 weeks before the point of their contract expiring, which felt like the right balance between communicating ahead of time, but not so early that it might be forgotten about.

5.6.5 Features of this market perceived to prevent consumers from getting a good deal

Although there is positivity about these specific actions as a means of (seemingly) rewarding loyalty and encouraging consumers to look for a good deal, as a whole, the insurance market was viewed as far too complex and inflexible for many consumers to be confident that they are getting a good deal. While control group consumers described some of the same challenges as vulnerable consumers, they were seen to be far more severe and the impacts far more detrimental by the vulnerable consumer sample:

- ✘ **Lack of clarity and transparency overall.** The language in the insurance market is felt to be very complex and was, for many, the most challenging to understand of all the four markets. Compared to the control group consumers, vulnerable consumers were particularly unlikely to reference key terms in relation to this market, such as policy schedules, key facts documents, excesses and premiums.
 - This means that, for less confident vulnerable consumers in particular, it is impossible for them to know whether they are getting value for money in the insurance market, because they are not entirely sure what they are buying and whether it truly fulfils their needs.
 - Several vulnerable consumers had instances where they felt that they had been 'caught out' by the small print in their insurance policies. This was

particularly the case for vulnerable consumers who felt that their case was in any way outside the norm.

- For example, one elderly participant had held boiler cover for 3-4 years, but when his boiler broke down just before Christmas, the insurer said they would not repair it again because the boiler was now too old. In this case the participant was lucky that their neighbour is a subeditor of a major newspaper in Glasgow, and threatened to run it as a story, leading to the insurer fixing it immediately. However, the participant felt without access to that influence, they would have been left in the cold over winter.
- For vulnerable consumers who are particularly time poor, such as those with caring responsibilities and dependent children, concerns that they will need to wade through their policy documents in order to make a valid claim can be a barrier to claiming even among those who hold insurance cover. One participant who was badly flooded never claimed on her contents insurance because she felt that she simply could not face it after months of 'battling' the council to repair her property and find alternative accommodation near to her son's school (see case study below).
- × **Lack of clarity and transparency in pricing specifically.** While consumers feel that in other service markets and particularly the energy market, their prices go up year after year no matter what, pricing is felt to be most random and arbitrary in the insurance market. This view is driven by:
 - Unpleasant surprises at renewal stage when the cost of a premium has increased significantly. Consumers often found that this coincided with a seemingly random period of time, in that they might have been paying what they considered to be an affordable amount of money to the same providers several years in a row, before a sudden increase in their quote. While renewal notices were felt to be helpful in drawing attention to these surprises, they were not necessarily felt to explain what was driving these price increases.
 - First or second-hand experiences of providers reducing quotes for those who attempt to negotiate. Vulnerable consumers who felt more confident and time-rich had almost always found that their existing or a potential new provider was willing to offer them a discount if they rang up to negotiate over the phone, and that this price often deviated from those advertised online or on a price comparison website. Less confident and time-rich vulnerable consumers and particularly those with mental health problems, who felt less confident contacting their supplier by telephone, tended to feel that they had no choice but to accept the price that they were quoted.
 - Significant variation in the quotes which they are offered. In many other markets, quotes are felt to be somewhat more tightly bounded, making it easier to work out the 'going price' for a certain product or service. This is felt to be much harder to achieve in the insurance market, particularly as vulnerable consumers are often having to deal with larger figures such as

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annual premiums, rather than their preferred approach of breaking costs down by month, fortnight or even week.

In addition to these systemic challenges related to clarity and transparency, vulnerable consumers specifically raised three additional barriers to achieving good value for money in this market that were not shared by the control group:

- ✘ **Being penalised for factors outside their control.** While vulnerable consumers did not use language of a 'poverty premium', of all markets, participants were most likely to allude to concerns about a 'poverty premium' in relation to insurance. Several felt that they were being penalised as a result of factors outside their control and often related in some way to their vulnerability.
 - Given that buying motor insurance is non-negotiable if you want to run a car, and many vulnerable consumers who do drive feel incredibly dependent on their car, the clearest example of this was felt to relate to motor insurance. There is a perception that consumers on a low income will be paying more for their motor insurance because they are more likely to be living in unsafe areas and less likely to have access to off-street parking. Vulnerable consumers felt powerless to do anything about this, particularly those living in council and social housing who feel they can exercise little choice over where they live.
- ✘ **A lack of understanding for vulnerable consumers.** Most consumers struggled to imagine how and when they might disclose their vulnerability to an insurance provider given their limited interaction. Some who had tried to do so at the point of renewal found that they were told that there was little the provider could do with this information, which contrasted strongly with experiences in the energy market. Those who had never tried to disclose their condition assumed that their vulnerability would be used against them in the insurance market as a reason for increasing their premium.
- ✘ **A lack of flexibility.** Vulnerable consumers interviewed were more likely to be paying for their insurance annually than they were in any of the other markets. For some consumers, this was an active choice in order to save money because of the significant cost saving compared to paying monthly (though a choice they were only able to afford by using credit products). But others were paying annually simply because they were not aware that other options that might better align with how they plan and think about their finances might be available to them.
 - Similarly, vulnerable consumers' concerns about clarity and transparency often spoke to a perception that their insurance products do not necessarily account for the fluctuating nature of their vulnerability specifically and their lives overall. For example, one older consumer felt frustrated that he was unable to continue insuring his wife's engagement ring after she was taken into full-time care as a result of her worsening dementia.

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“I do feel like I'm paying more because I don't live in a good area, because it's a high crime rate. We have parking bays outside, but they don't count it as off-street parking, which makes the prices go up.”
(Consumer on a low income, 25-34, Watford)

CASE STUDY: Mel, 25-34, Consumer on a low income, Watford

Mel has had home insurance policy with the same provider for the past three years, after being badly flooded in the past and regretting that she did not have contents cover. She is unsure of how much exactly she is paying and of the details of the contract.

Her home has been flooded once again since she took out the policy. However, she has never made a claim for this second flood because felt she had other priorities (including her son's health, and issues with the Council in repairing the property) and did not want to go through the anticipated rigmarole of making a claim. She was also concerned that her premium would increase and become unaffordable.

“I didn't claim [on my home insurance when we were flooded the second time] because I didn't want a hassle, I didn't want the premium to go up, it was too much of a mission to claim. I replaced things with cheap things, my son was very ill at the time, he was close to losing his fingers because of the cold weather so I had more important things to worry about...I didn't have the time or energy to claim on my home insurance.”

CASE STUDY: Caitlin, 25-34, Consumer on a low income, Rhyl

Caitlin and her partner live in rural Wales with their 3 children. They rely on her partner's income as a self-employed mechanic, which fluctuates week by week. Living in a very rural area, they both feel that they have no choice but to run two cars, and motor insurance is their biggest expenditure of the year. The priority is paying the lowest possible amount.

Caitlin switched her insurance provider last week through a price comparison website. She had been with her old provider for five years without claiming and would have preferred to stay with them, but the £600 a year figure they quoted her was unaffordable and the new provider was offering her a £300 saving. She's

never heard of her new provider before, but does not feel any reason to doubt their credibility because she believes that the price comparison website is reputable.

“It’s always the most expensive yearly outgoing, so it’s harder to get a good deal.”

5.7: Getting a good deal in the credit market

Products covered in the credit market generally centred on high-cost, short-term credit for vulnerable consumers, including pay day loans, store credit, credit cards and rent-to-own (e.g. catalogues). These products were explored in the context of significant regulatory intervention in the credit market, including caps on the fees pay day lenders can charge their customers⁴². It is notable that many of the participants in the sample were referencing historic as well as more recent forms of credit, which may pre-date these interventions.

5.7.1 Overview of the credit market

This table introduces the key findings outlined in the remainder of this sub-chapter. For further detail, please refer to the corresponding section.

Figure 14: Overview of participants’ experiences of the credit market

<p>Engagement and interest in this market</p> <p><i>See 5.7.2 for further detail</i></p>	<ul style="list-style-type: none"> • For vulnerable consumers, this market is strongly associated with high-cost, short-term credit products. • Most feel deeply negative about these products and say that they seek to avoid accessing them as far as possible.
<p>Switching, shopping around and negotiating behaviours in this market</p>	<ul style="list-style-type: none"> • The concept of switching feels incongruous in this market. Many vulnerable consumers are unaware that they could switch their credit products or consolidate their debts. • Some consumers are shopping around, but the circumstances which mean that they need to access credit in the first place often prevent them from

⁴² See FCA price cap rules for payday lenders webpage. <https://www.fca.org.uk/news/press-releases/fca-confirms-price-cap-rules-payday-lenders>

<p><i>See 5.7.3 for further detail</i></p>	<p>thinking about what might represent a good deal in the long-term.</p>
<p>Features of this market seen to be supporting consumers to get a good deal</p> <p><i>See 5.7.4 for further detail</i></p>	<ul style="list-style-type: none"> • There are not felt to be any features in this market which mean that it is working well to support consumers to get value for money or a good deal. • However, a small number of vulnerable consumers feel that they have found ways to make credit work for them, including using catalogues for unexpected purchases.
<p>Features of this market seen to prevent consumers from getting a good deal</p> <p><i>See 5.7.5 for further detail</i></p>	<ul style="list-style-type: none"> • Vulnerable consumers identify a number of ways in which they believe that they are being prevented from getting a good deal in this market, including factors limiting their choice, a lack of clarity and transparency in charges and fees, aggressive sales tactics, and a lack of understanding and flexibility for vulnerable consumers.

5.7.2 Engagement and interest in this market

As for insurance, experiences of and attitudes towards the credit market diverged significantly between control group and vulnerable consumers. For the former group, the credit market was associated with long-term products such as mortgages. Those using credit cards were often doing so in a way in which they felt they had full control, and from which they could see clear benefits (e.g. reward points, greater security of payments compared to debit card payments).

By contrast, for most of the vulnerable sample, personal experiences of the credit market were strongly associated with high-cost, short-term credit, including pay day loans, store cards, catalogues and hire purchase, echoing other research which suggests that consumers on low incomes are more likely to be using high-cost, short-term credit in order to meet day-to-day expenses⁴³. These products were viewed negatively by almost all of these consumers and were often either something they sought to avoid (particularly older consumers) or they viewed as a ‘necessary evil’ which they felt they used only when they had no choice but to do so. There was

⁴³ See FCA: Consumer credit and consumers in vulnerable circumstances (2014). <https://www.fca.org.uk/publication/research/consumer-credit-customers-vulnerable-circumstances.pdf>

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little sense of vulnerable consumers feeling the benefits of credit products described by some in the control group, though a minority were using credit in a way that they felt worked for them.

"I don't use credit cards... because they cost you money in the end, anyway, usually, and we've always been the same. If we couldn't afford anything, we wouldn't buy it. If we wanted something, we would save up for it. Then, when had the money, we'd probably spent it on something else. I don't like living on credit, basically. That's how I am."

(Consumer on a low income who has a physical impairment/condition, 75+, Watford)

"I've borrowed too much really, and then I'm having to struggle to pay it back. I spent a lot of money doing the shower room and the bathroom and I borrowed money to do that. [Truthfully] speaking, I borrowed too much. They are very nice, but people want paying, don't they? I employed men to do all the tiling and it's expensive, isn't it? I kept having to borrow more money to pay them... I just put it on credit cards, two credit cards. I mean, I'm paying it back, but it's my own fault for borrowing too much."

(Consumer on a low income, 55-64, Colne)

Of all markets, vulnerable consumers were most likely to use emotive language to describe their experiences of credit products. For many, their reasons for accessing credit and their choice of product was driven less by the product itself and its suitability or the value it offered, and more by the need they were seeking to meet, whether paying off existing debt, responding to a change in circumstances or buying something they feel they urgently needed. After the event, some felt ashamed that they had had to engage with high-cost, short-term credit and therefore switched off from their credit products as far as possible, while others were angry that they had felt forced into this situation and resentful towards their provider and products.

Views were, unsurprisingly, most negative among the vulnerable consumers interviewed who had previously fallen into unmanageable debt after failing to keep up with their repayments. While a small number of these consumers had received debt management advice, several had seen bankruptcy as the only option available to them, particularly if they had been issued a County Court Judgement (CCJ).

"People like me can't just go and buy a new couch."

(Consumer on a low income who has a mental health problem, 55-64, Glasgow)

"It's easy to get into debt, you don't always think about the consequences, and you think you can be clever by spreading money around. They throw credit cards at you when you are young, and I got into a lot of trouble with that in my early twenties. Now I know not to go over my credit limit and to make sure I'm paying something each month."

CASE STUDY: Mark, 35-44, Consumer on a low income who has a mental health problem, Watford

Mark has mental health problems including anxiety, depression and a personality disorder, and has previously had alcohol and drug dependencies. He's not currently working, having lost his job as a lift mechanic, due to his mental health problems. He has had numerous debts throughout his life and deliberately does not have a credit card as he's wary of accruing more debt. He has previously had CCJs and a debt relief order. Currently, he has several debts which impact on each other and his ability to repay.

His largest debt is £800 which he owes to a payday lender after falling behind on payments having fallen ill and lost his job. He is also currently in debt to an energy provider – although he's paid off the majority of this £600 debt to them, he still has to pay a large percentage with each top-up to his pre-payment meter to cover the standing charge and his debt, meaning when he tops up £20, he's left with £7.

He's also in debt to a provider for his broadband, though he is currently not repaying as he's heard from a friend that he shouldn't pay anyone until he has a vulnerability letter from a doctor, which could help him to negotiate more lenient repayment terms. Although he's not in debt to his mobile provider, he is paying £55 a month, as he couldn't afford the upfront cost of getting a pay as you go phone, though he feels this isn't a bad deal, as many providers were charging much more for a new phone due to his poor credit rating.

"The main thing is they accepted me to get a new phone when other companies wouldn't. They said it would be £55 a month whilst others were saying it would be over £100 a month. My credit rating is bad."

5.7.3. Switching, shopping around and negotiating behaviours in this market

The extent to which consumers described shopping around in the credit market tended to depend on the type of credit product they were buying, and their reason for accessing credit in the first place. For example, consumers purchasing items on store credit or using catalogues were usually focused more on shopping around for the item itself, rather than the credit or provider they were using to buy it. Those accessing pay day loans would often have done so in a state of emergency, meaning that they were often focused solely on the provider who could lend them the

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funds most quickly. Vulnerable consumers were much less likely to describe taking the time to shop around for credit products online than the control group, who often described using price comparison websites to check credit cards on the basis of factors such as the APR.

CASE STUDY: Frank, 45-54, Living with a physical impairment/condition, Rhyl

Frank lives in a rural part of Wales in a one bedroom, ground floor flat. He has a fiancée but they do not currently live together. He was in a serious motorcycle accident four years ago which has left him with serious physical problems and affected his mental health. His mobility is now very limited, he struggles with chronic pain, post-traumatic stress disorder (PTSD) and severe bouts of depression.

After his accident, he was unable to work due to his conditions and whilst he was waiting for his benefits to come through, he relied heavily upon credit in order to survive. He now has approximately £3,500 worth of unsecured debt on credit cards and catalogues. He has three credit cards with rates of APR ranging from 22% to 39% and feels that he is continually being offered new cards by other providers.

Despite receiving letters and offers saying that he could switch his credit cards, he has been unable to switch to cards with a lower APR. He has tried a number of times to apply for different cards but has always been turned down. He feels at a significant disadvantage due to being out of work and disabled and believes that credit companies deliberately keep him on a higher level of interest.

“They look at your circumstances and say, ‘well, you’re unemployed, you’re disabled, you’re probably never going to go back to work,’ so they tend to try and charge you more, because they think you’re a risk.”

The idea of switching in the credit market was even more difficult for many vulnerable consumers to engage with than the concept of shopping around for credit products. There was a strong perception among many vulnerable consumers that they were tied to a particular provider until they could pay off their debt in full (most had little money spare to be able to do this), and the idea of switching and debt consolidation either felt out of reach or unfamiliar to most vulnerable consumers in this market. By contrast, while they did not use the language of ‘switching’ in relation to credit, control group consumers were more likely to describe switching behaviours including re-mortgaging.

CASE STUDY: Francesca, 18-24, Living with a physical impairment/condition, London

Francesca lives with her husband in London and is 23 weeks pregnant. She has fibromyalgia, a long-term health condition which causes pain all over the body. Francesca is a rare example of a vulnerable consumer in our sample who successfully shops around for and switches their credit products. However, she feels that she has only learnt to do so as a result of life experience and trial and error in this market, after building up £4,000 of debt in her mid-teens.

Francesca now only uses credit for emergencies and to pay for her motor insurance renewal. To do this, she has a credit card from her main financial provider. She switches the card every year to pick up a product that is 0% interest for the first 3-6 months. She tries to make sure that she pays for her car insurance within this initial period because it's cheaper than extending her insurance payments over 12 months and paying by direct debit.

"I'm always on the hunt for a bargain for everything."

5.7.4 Features of this market perceived to be supporting consumers to get a good deal

For most vulnerable consumers, the factors which constitute a good deal in the credit market at the point of sale – such as ease and speed of access to credit, and the amount of money they can borrow – are often recognised, in retrospect, as representing poor value for money in the long-term. These experiences have left some vulnerable consumers feeling that it is simply not possible to get a good deal in the credit market.

However, a small number of vulnerable consumers described positive experiences of this market and feeling that they were using credit products in a way that worked for them. These were generally considered to be isolated experiences that consumers had arrived at after trial and error in this market, and exceptions to the rule rather than 'features' of this market. Examples included:

- **Using catalogues as a tactic for coping with unexpected payments.**
Vulnerable consumers with young children in particular often found that they faced unexpected payments, for example when their child's school requires them to bring in a certain type of equipment. For some of these consumers, catalogues

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are felt to represent a solution to this challenge because they enable them to purchase the necessary items straight away while spreading out the payments.

- **Using credit unions as an alternative to high-cost, short-term credit.** One participant borrows from a credit union twice a year in order to pay for Christmas presents and for an annual summer holiday but feels that she is able to do so at low rates and while also building up her savings with the provider.
- **Purchasing credit products from your main financial provider (i.e. current account provider).** The consumers who had taken a credit card or loan from their financial provider tended to feel that doing so made it easier to keep track of payments and move money between accounts by using online or mobile banking.

“It’s absolutely fantastic [using a credit union]. You save up for 12 weeks and then you can take your first loan out... it’s something that’s mine.”
(Consumer on a low income who has a physical impairment/condition, 55-64, Glasgow)

5.7.5 Features of this market perceived to prevent consumers from getting a good deal

Vulnerable consumers were far more able to point to features of the credit market which they feel prevent them from getting a good deal, or reduce the value of their credit products:

- × **Limited choice.** Many vulnerable consumers in the sample felt that the choice of credit products available to them was restricted as a result of their circumstances. In several cases, this related to their financial history. While some had come to learn about credit scores and credit referencing agencies as a result of receiving debt management advice, few consumers felt that they had actively been made aware of the impact of their behaviour on their credit history at the point of sale.
 - There is a perception that experiences in the credit market can in turn limit choice in the other essential service markets (particularly telecommunications) where credit checks are standard practice.
- × **A lack of clarity and transparency in rates and fees.** While basic terms such as interest and APR are understood at surface value, vulnerable consumers believe that it is more difficult to understand exactly how these terms relate to what they are borrowing and what they will need to repay. Almost all of the younger vulnerable consumers in the sample felt that they had at some point been mis-sold a credit product that they could not afford. In particular, consumers had often felt ‘burnt’ by sudden changes to their interest rates, and sharp increases in their interest rate after an initial zero or low interest period.
 - The perceived lack of clarity and transparency in this market also seemed to have a bearing on how vulnerable consumers approached switching in this

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market: many vulnerable consumers were under the impression that this was simply not an option in this market.

- × **Aggressive sales tactics.** Of all markets, vulnerable consumers were most likely to describe feeling targeted by providers in the credit market. This was particularly true for younger consumers who often found themselves offered seemingly appealing products with high credit limits when they first reached adulthood. Others had purchased credit products as a result of being visited by canvassers, which were seen to target locations where consumers on a low income are more likely to live, such as council estates.
- × **Variations on controls on spending.** Many vulnerable consumers with experience in the credit market expressed surprise at the large credit limits available to consumers irrespective of their income and ability to repay. This was particularly problematic for consumers with mental health consumers, who tended to feel less confident managing their money and less in control of their spending. These consumers were often feeling anxious about the risk of overspending as a result of certain impulses or in periods in which they felt 'on a high', and the long-term impacts that this behaviour could have.
 - When asked what might represent good value for money in the credit market, some vulnerable consumers spontaneously suggested caps on credit limits for new customers to allow them to become accustomed to the product, and which could slowly be increased over time as a reward for responsible spending.
- × **Lack of understanding and flexibility for vulnerable consumers.** Vulnerable consumers with credit products had often faced challenges in relation to their debt repayments as a result of changes or fluctuations in their circumstances. Those who had sought to explain this to their provider often felt that they had received mixed responses: some had received a seemingly sympathetic response from a provider, only to find out later that they had been charged a fee as a result of delaying or changing their repayments, while others were told directly that there was nothing their provider could do to help.
 - There was little sense of any value in disclosing your vulnerability to a credit provider for most vulnerable consumers but particularly those living with a mental health problem. This added further to feelings of fatalism and led some consumers with mental health problems to withdraw and disengage from this market even further.

"I took out a payday loan and I was going to pay it off over 6 months but then I lost my job and got ill and it all fell behind and now they're harassing me all the time. I get threatening letters. I owe them a lot, about £800. It's all adding up with the interest. I just don't open the letters anymore."

(Consumer on a low income who has a mental health problem, 35-44, Watford)

Image 17: A participant holding their credit cards



CASE STUDY: Lara, 25-34, Consumer on a low income, Nottingham

Lara took out an account with catalogue at 0% interest for a fixed period. She focused on repaying the debt and believed that she had paid three quarters of the loan off. When she checked her account to see her progress, she realised that the interest rate had increased from 0 to 54.9%.

Lara felt angry that she hadn't been sent any information about the interest rate increase and that she never would have known the change to her repayments had she not checked her account. She has since taken out a credit card to repay the remaining debt with the catalogue as quickly as possible, and learnt through the experience about a free credit rating app which helps consumers to find the best credit deals available to them.

"It was scary how easy it was to fall into debt. Even though it was shopping on credit, there should be some contact. It was by chance that I happened to look."

CASE STUDY: Lisa, 45-54, Consumer on a low income who has a physical impairment/condition, Watford

Lisa has a very poor credit rating, having been issued two CCJs as a result of falling into unmanageable debt with two different catalogue companies. She was heavily reliant upon payday lenders in the past and was at one point in debt to four traders who operate on her estate.

Lisa has since cut up all of her credit cards, and now has just one credit card with a £200 credit limit, which she keeps in case of emergencies. Her credit card has a very high interest rate which she is aware of, but it is the only provider who will lend to her, given her very low credit rating. She has tried to apply another provider but was rejected, and she thinks, but isn't sure, that the more you apply and are rejected for a credit card, the more it impacts on your credit.

"I do think CCJs go really go against you as they can tell that you've had that bit of debt in the past and so they're going to charge you that little bit more just in case."

5.8: Conclusions from this chapter

Vulnerable consumers appear to be facing challenges to achieving value for money in each of the service markets explored in particular depth in this research (telecommunications, energy, insurance and credit). Recent regulatory interventions and particularly renewal notices in the insurance market do appear to be having a positive impact on consumers' experiences of these markets and the extent to which they are getting a good deal, but many consumers in this sample appeared to be yet to see the benefits of these interventions.

The number of challenges experienced by vulnerable consumers appeared to be greatest in the market which has arguably seen the least intervention in relation to vulnerable consumers – telecommunications. These challenges include long and inflexible contracts with a lack of prompting and communication when they end, poor customer service and communication when problems arise; and unexpected charges.

6. Awareness, attitudes towards and experiences of the ‘loyalty penalty’

6.1: Introduction

As part of this research, we considered how consumers feel about switching, shopping around and negotiating with their providers across the four service markets of interest, and explored an issue known as the ‘loyalty penalty’ - the idea that longstanding customers, usually on roll-over contracts or default tariffs, pay more for the same goods and services than new customers. Citizens Advice has raised concerns about this issue affecting the majority of consumers in a super-complaint made to the CMA⁴⁴. The CMA’s response to the super-complaint has been published on its case page.⁴⁵

Vulnerable consumers - including those on low incomes, older people, those with mental health problems and/or low levels of formal education - may be particularly at risk of experiencing financial harm from a ‘loyalty penalty’ because they may find it more difficult to engage with markets and service providers and may be more likely to struggle with shopping around and switching⁴⁶. The loyalty penalty issue was also raised as a concern by stakeholders at roundtable discussions held as part of the CMA’s programme of work on vulnerable consumers.

Chapter overview

The findings in this chapter are based on questions in the interviews, focus groups and online activities relating to participants’ experiences of shopping around, switching and negotiating with their providers in the four service markets of interest. In addition, the concept of the loyalty penalty was raised in each interview or focus group to understand consumers’ responses to the concept⁴⁷.

⁴⁴ See Citizens Advice: Excessive prices for disengaged consumers – A super-complaint made to the Competition and Markets Authority (2018).

[https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Super-complaint%20-%20Excessive%20prices%20for%20disengaged%20consumers%20\(1\).pdf](https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Super-complaint%20-%20Excessive%20prices%20for%20disengaged%20consumers%20(1).pdf)

⁴⁵ Available here: <https://www.gov.uk/cma-cases/loyalty-penalty-super-complaint>

⁴⁶ See Citizens Advice: The cost of loyalty – Exploring how long-standing customers pay more for essential services (2018).

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Citizens%20Advice%20-%20The%20cost%20of%20loyalty.pdf>

⁴⁷ For further detail about the research materials and specific lines of questioning, please refer to the Appendix.

Through these questions, we identified that:

- For most vulnerable consumers, the existence of a loyalty penalty is not surprising. The loyalty penalty is often viewed through the frame of generally low trust in business but has also been directly experienced by a small number, for example those who have contacted their supplier after seeing a better deal advertised to new customers only.
- The loyalty penalty is viewed as unfair because it a) appears to put the onus on the consumer to switch or negotiate in order to get a good deal (behaviours which vulnerable consumers may face particular barriers to adopting), b) has the potential to disproportionately affect consumers living on a low income or with a vulnerability and c) confirms consumers' suspicions that providers are not rewarding their loyalty at present.
- The consumers who appear to be least likely to be engaging in switching, shopping around and negotiating behaviours are those with lower levels of education or a mental health problem, and older consumers without a strong support network or access to gateway products such as the internet. These consumers appear to be at greatest risk of the loyalty penalty, particularly in the two service markets where switching is perceived to be more difficult: telecommunications and credit.

These research findings have informed the CMA's response to the super-complaint, which is available separately on the CMA's website.⁴⁸

6.2: Awareness of the loyalty penalty

Across the vulnerable consumer sample and the control group, at least half of participants had alluded to the issue of the loyalty penalty spontaneously in some way before the concept was explored explicitly in the interview or focus group. Examples included consumers describing the perception that providers do not reward customer loyalty (by which they typically meant being a long-standing customer of a certain provider), or that getting a good deal in certain markets requires the consumer to shop around and regularly change provider. Vulnerable consumers did not seem to be any less likely to mention these types of issues relating to the loyalty penalty than the control group.

⁴⁸ See [CMA super-complaint investigation case page](#).

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“New customers are only better off for a short time anyway. They pull them in with deals and offers... but very soon they start to introduce charges.”
(Consumer living on a low income, 25-34, Rhyl)

“Suppliers offer better deals to new customers to get more people the more customers the more money. Once you're in that contract you're tied to it and they don't need to worry about you.”
(Consumer living on a low income and with a mental health problem, 35-44, Watford)

“So, why would you be loyal? It doesn't make sense...It's like, if you go into the bank, you can get £100 if you're opening a new account. I don't know if it's an offer on now, but you know what I mean? So, if you open a new account and you want to get £100 and I go in and I say, 'Well, I'll open another account, you know, another one, because I have one with you, but I'll open that particular one,' I can't get £100. To me, it's silly...Why not give it to your other customers?”
(Consumer living on a low income and with a mental health problem, 65-74, Belfast)

When they were then prompted with specific information about the loyalty penalty (i.e. the idea that longer-term customers can pay more for services than newer customers), the majority of control group and vulnerable consumers in the sample felt that they recognised this concept and said that they were unsurprised by it. Participants tended to explain their lack of surprise about the loyalty penalty by referencing:

- **Their assumption that large businesses in general and service providers specifically are motivated primarily by profit**, rather than delivering a good service or doing the best for their customers. Some consumers (both vulnerable and in the control group) felt angry and suspicious that this pursuit of profit may be put above customers' best interests, while others saw it as simply the way that business works. In this context, it is felt to be unsurprising that large businesses would want to maximise their profits by attracting new customers.
- **Their perception that advertising and marketing by all of the main providers across these markets seems to be orientated towards new customers.** The perceived emphasis on good deals 'available to new customers only' in advertising and marketing has for some consumers drawn attention to the fact that new customers are more able to achieve value for money than existing customers. This perceived practice was particularly strongly associated with the telecommunications market.
 - In this sector, a small number of consumers in both the vulnerable and control samples had experiences of contacting their existing providers after seeing a good deal advertised by that same provider, only to be

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told that this deal was not available to them. These consumers generally felt that they had no choice to accept this because they were in some way 'locked in' to their existing contract.

- **In a small number of cases, awareness of recent news and coverage about the loyalty penalty.** There is a perception that there has been an increasing focus on consumer issues in the media in recent years, and more attention drawn to poor business practices, including the importance that consumers shop around in order to get a good deal. Martin Lewis was commonly mentioned by more confident vulnerable consumers and the control group in this context and emerged as a strongly trusted voice in relation to money and securing a good deal.

"Newer customers get good deals - that's how they get new customers. Providers often have offers I'm not eligible for. That's how they get their customers. But they shouldn't hide it in the small print, things like the fact that your tariff often doubles after six months, so actually those people might be worse off than me because of that."

(Consumer on a low income who has a physical impairment/condition, 75+, Watford)

"Every deal is to catch new customers, they take loyal customers for granted."
(Consumer living on a low income, 55-64, Glasgow)

The consumers who were most likely to be surprised by the concept of the loyalty penalty were typically those who were in some way isolated (e.g. offline), or those with mental health problems or lower levels of education.

These groups often found the topic of shopping around and switching in general to be complicated and sometimes overwhelming. No consumers in the control group expressed any surprise about the loyalty penalty when they were prompted with information about it.

"That's quite surprising. I would have expected that a longstanding customer pays about the same as a new customer, not more."
(Consumer living on a low income, 25-34, Rhyl)

"I hope that longstanding customers pay less. I've been with [the same mobile provider] for a long time, I would expect a good deal."
(Consumer living on a low income and with a mental health problem, 35-44, Nottingham)

6.3: Attitudes towards the loyalty penalty

Attitudes towards the loyalty penalty were – unsurprisingly – negative among both control group and vulnerable consumers. In particular, vulnerable consumers tended to express concern that:

- **The loyalty penalty may disproportionately affect consumers living on a low income and/or with a vulnerability.** While some thought that providers may focus on seeking to ‘exploit’ wealthier consumers with more money to spare, most expected that consumers on a low income and more vulnerable consumers were more likely to be at a disadvantage. For several, this played into the broader perception that life is particularly hard and unfair if you are living on a low income.
 - Within this, when asked which specific vulnerable groups may be more likely to be affected by the loyalty penalty, many control group and vulnerable consumers were particularly likely to mention older people. This research appeared to confirm that older people living in social isolation may be particularly susceptible to the loyalty penalty (see 6.4).
- **Avoiding the loyalty penalty seems to put all of the onus on the consumer to get a good deal.** There was broad consensus that depending on consumers to do all of the ‘work’ to switch, shop around and negotiate was a suboptimal situation. This view is particularly strongly held by more vulnerable consumers who feel that they:
 - Lack the time to engage in switching or negotiating behaviours, for example those with caring responsibilities.
 - Lack the confidence to engage in these behaviours, particularly those with lower levels of education, and in markets where there do not appear to be alternatives to engaging by telephone (e.g. telecommunications).
 - Lack the ‘headspace’ to engage in these behaviours, for example as a result of a mental health problem or simply because of other pressures which feel greater in life (e.g. access to benefits or problems with housing).
 - Are more likely to encounter barriers to getting good value for money or to switching than those who are not vulnerable, for example being unable to access certain energy providers because of their geographic location.
- **Avoiding the loyalty penalty requires consumers to switch provider.** For vulnerable consumers who place particular importance on the certainty and

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reliability of the services they receive, switching provider may feel like an unattractive option for fear that something will go wrong. Many consumers expressed a preference for remaining with their current provider, and needed to see a clear benefit of switching (or dis-benefit of sticking) in order to feel that this was worth the risk. This is explored in further detail in section 6.4.

- **The existence of the loyalty penalty confirms consumers' suspicions that service providers do not 'reward' loyalty.** Most consumers in both the control group and in the vulnerable sample took the view that providers *should* as a matter of principle reward loyalty, by which they typically meant long-standing custom of a particular provider. As set out in Chapter 5, consumers generally found it challenging to identify instances in which they felt that their loyalty was rewarded by service providers (exceptions to this rule included access to certain offers and receiving particularly sympathetic or flexible service from a provider, e.g. financial support from an energy provider).
 - This was in stark contrast to the retail sector, in which loyalty schemes provided by major supermarkets and high-street retailers were felt to represent a clear example of providers rewarding loyalty.

"I'm angry. Why don't they want to keep people who've been loyal to them? They say they have things that are for loyal customers, but that doesn't interest me. The deals are never as good as the ones for new customers."
(Consumer on a low income, 25-34, Watford)

"If you're a loyal customer, you're taken for granted, it's not right and it's not fair, but I can't think of anyone who doesn't do it. If you're a new customer, you get a better tariff, if you sign up to [a new provider], there's a great deal. Everyone does it. It's just a way to draw you in. It's the way it is."
(Consumer on a low income and with a mental health problem, 45-54, Watford)

As a result of these factors, even though some consumers in the sample were taking action to avoid the loyalty penalty - either through active choice or because they had been in some way nudged or prompted to do so (see 6.4) – the ideal situation and the best solution to the loyalty penalty was perceived to be a world in which providers reward their loyal customers, and in which switching, negotiating and shopping around is not necessary in order to avoid being 'ripped off'.

"If I'm a loyal customer, they should just give me the best deal rather than me having to switch around."
(Consumer on a low income who has a mental health problem, 35-54, Glasgow)

"We should be getting incentives and deals to stay with them."

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(Consumer living with multiple conditions, 65+, Rhyl)

A small number of participants in the vulnerable consumer and control group sample also identified some instances where they feel that their loyalty is rewarded and which they felt suppliers could learn from, including:

- Loyalty schemes in the retail market, with advantage/points card scheme felt to offer particularly good value for money, with meaningful rewards;
- Rewards schemes, e.g. competitions and prizes open to existing customers;
- Gifts for renewing with that provider, provided that these offered a genuine benefit (for example, one older participant felt very positive about receiving a free smart speaker when he renewed his mobile phone contract);
- The no claims discount in the motor insurance market, which some consumers misinterpreted as dependent on keeping to the same provider.

“If you are already with someone they should automatically give you the best they can give you. It’s like walking into a supermarket and they turn around and say ‘well, that veg that’s there is the same veg that’s been there 2 or 3 days ago, yeah we have fresh stuff out the back, but that’s for new customers. You come here every day.”

(Consumer on a low income, 25-34, Rhyl)

6.4: Experiences of the loyalty penalty

The extent to which consumers in both the control group and the vulnerable consumer sample seemed to be affected personally by the loyalty penalty depended – unsurprisingly – on the extent to which they were shopping around, switching and negotiating with their current providers across the service markets. While there was significant variation across the sample, there appeared to be five broad typologies of consumer in relation to these behaviours (and therefore likelihood of experiencing the loyalty penalty), which are explored in detail below.

As set out in Chapter 5, and in line with previous research⁴⁹, both control group and vulnerable consumers were more likely to describe switching in the insurance and energy markets than they were in relation to telecommunications and credit. Claims of switching and negotiating with providers – and therefore the potential to be

⁴⁹ See Social Market Foundation: Stick or Switch? Making markets fairer and more competitive (2018). <http://www.smf.co.uk/wp-content/uploads/2017/10/WEB-OF-STICK-SWITCH.pdf>

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affected by the loyalty penalty – were particularly low in relation to the credit market. In brief, the patterns seemingly driving these differences introduced in Chapter 5 included:

- **Differences between the markets in the likelihood of receiving prompts and nudges to switch.** These prompts were particularly associated with the insurance market – in the form of renewal notices – but had also been identified in the energy market by some participants.
- **Differences between the markets in the perceived complexity of switching.** In the telecommunications market in particular, switching was often perceived to be more difficult because consumers felt that they had to contact their provider (usually by telephone) to exit their current contract and to return equipment.
- **Differences between the markets in awareness of switching as an option available to consumers.** Awareness among vulnerable consumers of the option to switch credit providers (e.g. by consolidating existing debt) was particularly low.

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Figure 15: Table summarising 'typologies' of participants according to likelihood of switching

 <p>Habitual switchers</p>	 <p>Prompted switchers</p>	 <p>Limited stickers</p>	 <p>Disengaged stickers</p>	 <p>Isolated stickers</p>
<p>Switching, negotiating and shopping around in most markets out of principle</p>	<p>Switching, shopping around and negotiating out of necessity or factors encouraging engagement</p>	<p>Sticking and not negotiating out of (perceived) necessity</p>	<p>Sticking and not negotiating because of disengagement</p>	<p>Sticking and not negotiating because of a lack of knowledge and tools</p>
<p>More likely to be:</p> <ul style="list-style-type: none"> From the control group Older, provided that they had a strong network With more life experience/ higher levels of education 	<p>More likely to be:</p> <ul style="list-style-type: none"> From the control group At the most acute end of the low income band Without additional constraints on their time 	<p>More likely to be:</p> <ul style="list-style-type: none"> Living with a long-term (physical) health condition With caring responsibilities and/or dependent children 	<p>More likely to be:</p> <ul style="list-style-type: none"> Living with a mental health condition With lower levels of education 	<p>More likely to be:</p> <ul style="list-style-type: none"> Older, without a strong support network Offline

Figure 16: Explanation and case studies of 'typologies' of participants according to likelihood of switching and experiencing the loyalty penalty

 <p>Habitual switchers</p>	<p>'Habitual switchers' were a very small group of consumers in the sample who were switching, negotiating and shopping around out of principle across most of their providers when their contracts were due for renewal. They appeared to be least likely to be affected by the loyalty penalty.</p> <ul style="list-style-type: none">• These consumers felt determined not to be 'ripped off' by their providers (including by staying with the same provider and not shopping around) and were taking active steps to ensure that this did not happen in most of the markets. This included taking their providers 'to task' whenever they identified a problem, as well as shopping around and negotiating better deals. They were particularly likely to be describing these behaviours in relation to the insurance market, and least likely to be doing so in relation to credit (partly because this group was particularly cautious of the credit market in general).• They were particularly likely to be aware of consumer programmes and consumer groups encouraging people to shop around and switch. A small number felt that they had seen coverage of the loyalty penalty super-complaint on television programmes such as Victoria Derbyshire and Good Morning Britain. For those who had seen this coverage, this had generally been interpreted as another example of large businesses seeking to 'rip off' vulnerable consumers and was particularly associated with the insurance market.• Sometimes this group was going so far out of its way to avoid being, in their eyes, 'ripped off' that they were switching from suppliers with whom they otherwise felt satisfied, to unknown suppliers and brands that they did not necessarily trust in pursuit of a better deal, almost always defined as a lower price (see Chapter 4).• In the vulnerable consumer sample, this group was often, but not always, older, and either with higher levels of education or particular life experience giving them cause to feel confident (for example having worked in businesses and therefore feeling savvy about 'underhand' or profit-driven
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sales tactics). They rarely had significant additional vulnerabilities such as very serious long-term health conditions.

- Having some kind of online access was essential for this group, but not all were online themselves. Some older consumers enlisted help from relatives to use PCWs or had sought out offline alternatives to PCWs after hearing about them from others and seeing them advertised online. For example, one offline consumer had sought advice from Citizens Advice on the issue and had been referred to a telephone version of a PCW.

“If people haven’t heard that you can get ripped off if you don’t shop around then more fool them really. You can’t be too nanny state about it.”

(Consumer living with a physical health condition, 65+, Nottingham)

CASE STUDY: Alex, 45-54, Consumer living with multiple conditions, Nottingham

Alex lives with his wife and stepdaughter. He has Asperger’s syndrome and is unemployed. He is very conscious of being on a low income and is frustrated that this means he is unable to afford certain repairs to his house. On occasions, his family has had to rely upon financial support from his mother-in-law to keep ‘ticking over’. He does not have any credit and is determined to avoid ever taking any out, as he has seen too many friends fall into unmanageable debt.

Alex feels that he has a responsibility to secure the best possible deals where he can, so that his family has more money and this applies to almost all expenses in his life. For example, he regularly checks a PCW to see where the offers are on more expensive grocery items, such as almond milk, and regularly checks on whether he could be saving money on his energy by using other PCWs. He also changed his home insurance provider after he made a claim for a radiator leak and they put up his premium. He is not afraid to challenge providers, and has previously secured better deals by threatening to leave.

“I was going to switch [from one broadband provider to another] who were offering a much better deal and I saw that they were

	<p><i>offering a better deal for new customers. So I said, ‘fine, I’ll leave, that way if I decide to come back I’ll have a better deal anyway.’ They got back to me and offered me a deal which was a third less than what other people are paying.”</i></p>
 <p>Prompted switchers</p>	<p>‘Prompted switchers’ were selectively switching, shopping around and negotiating better deals out of necessity or factors encouraging them to engage with their service providers. They appeared to be less likely to be affected by the loyalty penalty than consumers who had not received these prompts.</p> <ul style="list-style-type: none"> • These consumers appeared more frequently in our sample than the ‘habitual switchers’. They were selectively and sometimes reluctantly engaging in switching behaviours, usually as a result of one or more of: <ul style="list-style-type: none"> ○ Experiencing a problem with their provider or service (for example, inaccurate bills, or an unreliable service, such as a very poor or slow internet connection) that had not been resolved and which meant that they had become so dissatisfied with the service that they felt compelled to look elsewhere. These problems often had to be relatively ‘severe’ to warrant this time and effort. ○ Finding their financial situation so squeezed that they felt forced to examine every opportunity to save money in order to make ends meet. For consumers living on the lowest incomes, entering into a period of crisis or particularly restricted finances, even relatively modest savings of £2 or £3 per bill per month were felt to make a material difference. ○ Someone or something prompting them to engage with these switching or negotiating behaviours. This sometimes included prompts from their existing provider, but more often visits from canvassers representing providers or PCWs which had brought an issue that they hadn’t otherwise considered (i.e. whether or not they were getting a good deal on a certain service) to their attention.

- This group was often ‘dabbling’ with switching and negotiating behaviours (most commonly in relation to their energy but also sometimes their insurance and telecommunications services), but not necessarily sticking with them or applying them to other markets. Many fell back into disengagement when they were outside these moments of necessity or crisis, or when they weren’t being prompted to engage in some way.
- Consumers in this group were often at the most acute end of the low income definition but were usually those without any additional pressures on their time (e.g. dependent children, full-time work, caring responsibilities). They were not always online, but they were generally confident with telephone interactions, meaning that consumers with mental health issues were less likely to appear in this group.

“I’ve been with the same provider for 10 years but after all the problems I have had with them I want to leave as soon as my contract is over. It’ll be a mission but I can’t continue with them anymore.”

(Consumer on a low income, 25-34. Watford)

“Someone came to the door for [an energy provider] and said I could save money so I thought I would give it a go but when the first bill came through it was higher and so I went back [to the older provider].”

(Consumer on a low income who has a mental health problem, 35-54, Colne)

CASE STUDY: Simon, 25-34, Consumer on a low income, Rhyl

Simon is a self-employed bike mechanic. He lives with his girlfriend and two young daughters who are four and one. He describes his life as ‘busy, chaotic and fun’. He is relatively confident with money, and regularly sits down with his girlfriend to go through bills but still describes money as being a struggle for the family.

Up until recently he was paying £110 a month for his broadband package. He signed up 18 months ago at a baby show when there was an offer to join and get a free iPad. However, he since realised that content is repeated and that his family were not

	<p>watching enough TV to justify paying £110 a month. He has since cancelled his contract and switched to using online TV services instead, which is considerably cheaper.</p> <p>As he lives in rural Wales, the quality of internet and phone coverage is very poor. Simon signed up with a provider as they are a good mobile phone provider but has been very disappointed with the internet service. He feels frustrated that he is paying for a service which he is not getting, and this is causing him to consider looking at other providers.</p> <p>Simon has also recently switched his energy provider. He was prompted into switching after a canvasser came around and talked him through all of the options.</p> <p><i>“I signed up to [a provider] when I was at a baby show, they were offering a free iPad at the time which I thought was the deal of the century. Then I realised that it’s the same stuff on [the pay TV channels] as it is on TV. Everything is repeated.”</i></p>
 <p>Limited stickers</p>	<p>‘Limited stickers’ were aware of switching and shopping around as an option available to consumers but tended to believe that this was a) not an option which is open to them personally, b) that switching offered too little personal benefit, and/or c) that switching carried too great a risk (such as disruption to their service). These consumers seemed to be at greater risk of experiencing the loyalty penalty than habitual or prompted switchers.</p> <ul style="list-style-type: none"> • One of the larger groups in our sample, these consumers either felt that switching was an unattractive option or that it was unavailable to them for a number of reasons: <ul style="list-style-type: none"> ○ Reliability is particularly important, and any risk of disruption to their service was not deemed to be worthwhile. Importantly, this is often because of negative expectations of disruption related to the switching process, as opposed to negative experiences. As set out in Chapter 5, vulnerable consumers were particularly unwilling to countenance any disruption to their energy supply. ○ They feel that they are getting a good service from their provider and are unconvinced that they could be

	<p>achieving better value for money. For some, this was because they believed that they were already paying the cheapest price. For others, this was because consumers perceived that their loyalty was being rewarded by their provider, for example when they received good customer service.</p> <ul style="list-style-type: none">○ Their choice was felt to be restricted. As outlined in Chapter 5, this often related to factors outside of their control:<ul style="list-style-type: none">▪ For example, in the insurance market, consumers with certain health conditions or age profiles who had found a provider willing to cover them did not want to risk losing this cover or the price increasing if they changed provider.▪ Others felt constrained by their living situation, for example those in rural areas often felt that they only had access to certain energy or telecommunications providers.● This group may be engaging in switching behaviours in some markets which feel ‘lower stakes’ and for which reliability is less important (such as insurance), but overall there is a belief that, while they may be paying slightly over the odds, this is worth it to avoid disruption and uncertainty, particularly in relation to energy but also often telecommunications.● Consumers in this group were particularly likely to be living with a long-term health condition or with caring responsibilities for children or adults with a condition, meaning that they often took a zero tolerance approach to risk and uncertainty, and because pressures on their time made it particularly difficult for them to engage in switching behaviours. <p><i>“I’m probably paying over the odds, but I can’t do anything until I pay off this debt.”</i> (Consumer living with multiple conditions, 45-54, London)</p> <p>CASE STUDY: June, 75+, Consumer living with multiple conditions, Colne</p> <p>June is 90 and lives alone. She has hearing problems and severe mobility problems. She only leaves the house once a</p>
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	<p>week with a carer or friend who take her shopping and to the bank. She is online but only uses the internet occasionally for checking the weather and news. She feels very confident about managing money and takes a meticulous and methodical approach to finances.</p> <p>She has been with her each of her service providers for over 30 years and is adamant that she would never switch for two reasons. Firstly, she is put off by the anticipated amount of time and effort it would require to actually switch (multiple phone calls and forms to complete) and secondly, she feels that, in the long run, people who switch ultimately lose out and end up paying more. This is a view which has been further cemented by hearing from friends who have had poor experiences of switching.</p> <p><i>“I have no intention of changing any of them because I simply can’t be bothered.”</i></p> <p><i>“I just don’t understand it, anyone I know who has changed [supplier] has always changed back.”</i></p>
 <p>Disengaged stickers</p>	<p>‘Disengaged stickers’ were a smaller group of consumers who were sticking with their provider and not switching, shopping around or negotiating because they were avoiding the issue. This group appeared to be particularly susceptible to the loyalty penalty.</p> <ul style="list-style-type: none"> • This group of consumers were often aware that they could be overpaying for essential services and aware that switching and negotiating are possible, but were not taking action because: <ul style="list-style-type: none"> ○ Other challenges in their life felt too pressing and more important, meaning that switching or shopping around has never become a priority; ○ Engaging, switching and shopping around feels too overwhelming and difficult. • These behaviours were most likely to be described by consumers whose vulnerability had a particularly pronounced impact on their life, and particularly those living with mental

health problems which affected their confidence engaging with others in general.

- Consumers with lower levels of education (and without the life experience to counter this seen in the ‘habitual switchers’) were also more likely to describe these attitudes and behaviours.

“If I get letters they just go in the bin, I don’t read anything. I don’t like to pick up the phone. I just want to shut everything out and be alone in my room.”

(Consumer on a low income who has a mental health condition, 35-44, Glasgow)

CASE STUDY: Tom, 35-44, Consumer living with long-term health conditions, London

Tom has epilepsy, slow speech and memory loss as a result of a severe car accident at the age of 9. He hasn’t been able to hold down jobs because of his condition, and now lives on £70 per week ESA after his Disability Living Allowance was withdrawn 10 months ago. As a result, he is in 10 months of rent arrears, receiving threatening letters from his council landlords, and is desperately trying to get things together so he can take his case to a tribunal and sign onto PIP payments.

After that gets sorted out (he hopes), his next priority would be to find a new Council flat on the ground floor that is suitable for his needs. He is currently living in a flat on the third floor, accessed by outdoor concrete steps and has had nasty falls on the stairs when he’s had an epileptic fit, and been taken to the hospital in an ambulance.

The only bills that he pays are for his pre-payment meter, and though he feels the prices are creeping up, it’s his last priority and something he would only want to address once his income and long-term living situation have been resolved. He repeatedly said that he ‘just wants to get everything sorted’ before having the energy to think about getting value for money on bills.

“I wouldn’t [switch] if I didn’t have to.”

	<p><i>"I would [sign up for the Warm Home Discount] if I was in a bottom floor place where I can live long term, and knew I was OK long term, and all my problems were taken care of."</i></p>
 <p>Isolated stickers</p>	<p>'Isolated stickers' were a very small group of consumers who were not shopping around and not negotiating because of a lack of awareness of the loyalty penalty as a concept, or because they lack the information and tools to switch successfully. This group appeared to be particularly susceptible to the loyalty penalty.</p> <ul style="list-style-type: none"> • A small number of consumers had never been exposed to the idea that they might be charged more as a result of staying with the same provider or retaining the same contract over a long period of time. • These consumers often felt broadly satisfied with the service that they were receiving from their supplier and believed that they received value from them. They were often extremely surprised to learn that new customers may be paying less for the same service, or that the price of their contract may be increasing if they were not engaging with it and felt angry that their loyalty was not being rewarded. • Consumers in this group were more likely to be older, offline and living in isolation without a strong family network, meaning that they did not have the tools or information available to help them to shop around. This group was not using price comparison websites, though they had often heard about them from TV advertising. <p><i>"I think it's naughty. We're loyal customers that keep their company going, and they have the audacity to charge us more. We should be getting incentives and deals. It's really wrong."</i> (Consumer with multiple conditions, 65+, Rhyl)</p> <p>CASE STUDY: Margaret, 64-75, Consumer living with multiple conditions, Rhyl</p> <p>Margaret lives with her husband and three dogs in a bungalow near to the sea. She used to work in a hospital but was forced to retire when she had a stroke. As a result of the stroke, she now has mobility issues and a weakness down the left side of her</p>

	<p>body. She also has type 2 diabetes and struggles with severe bouts of depression. During these bouts, she tends to shut herself off from the world and not engage with anyone at all.</p> <p>She is completely offline and does not have a mobile phone. She is aware of price comparison websites and of switching because of adverts on the television and through her friends but is very disengaged with how they operate in practice. Although her husband switches his car insurance every year (with the help of a friend to find the cheapest) she is strongly opposed to switching herself. She does not believe that it would result in a better option and believes in sticking to what she knows rather than being overwhelmed by options and choice. She was very taken aback when told about the loyalty penalty as she struggled to marry up how loyal customers are the ones who end up being 'punished' when they are the ones who 'keep the company going'.</p> <p><i>"It's better the devil you know than the devil that you don't. I don't want things, you know, whizzing around my head."</i></p>
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6.5: Conclusions from this chapter

In the context of low trust in business and the perceived prevalence of advertising of offers, deals and discounts orientated towards 'new customers only' (particularly in the telecommunications market), the existence of the loyalty penalty is not surprising to the majority of vulnerable customers. However, it is felt to be deeply unfair, and another example of the perceived power imbalance between consumers and providers, in which consumers on low incomes and with vulnerabilities are particularly likely to be disadvantaged. Most consumers, including vulnerable consumers, tend to believe strongly and as a matter of principle that their providers should be rewarding their loyalty, and see a particular discrepancy between actions in the retail market to reward customer loyalty and to help customers to get a better deal, and practices in relation to service markets.

This means that raising awareness of the loyalty penalty is unlikely to be sufficient in and of itself to prompt the consumers who are most susceptible to the penalty into action: doing so serves to tell most consumers something they feel they already know. The vulnerable consumers who have some awareness of the loyalty penalty and have the tools, information and confidence in order to be able to do something about it tend to be doing so (though often in selective circumstances, and more often because they have been 'nudged' to take action rather than because they have

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taken the initiative to do so). Conversely, the consumers who appear to be least likely to take action and who appear to be most likely to be experiencing the loyalty penalty are often those:

- **With barriers related to engagement and communication**, as experienced by some consumers with lower levels of education or with mental health problems. Switching, shopping around and negotiating with providers can feel difficult and overwhelming, particularly for the consumers who feel that they are facing a number of more 'pressing' problems in life.
- **Living in isolation**, meaning that they lack access to the tools and information required to switch, as experienced by some older consumers and those who are offline and without a strong support network to compensate for this. These consumers were least likely to be aware of the loyalty penalty and felt most powerless to do anything about it once they were made aware of it.

7. Responses to potential solutions

7.1: Introduction

Having explored consumers' experiences of the key service markets, and their attitudes and experiences of the loyalty penalty, the final focus of the research was to understand consumers' views of potential solutions. This included the solutions that consumers themselves spontaneously identified as well as their responses to a number of ideas which were prompted in interviews, focus groups and online activities:

- Offering favourable deals to vulnerable consumers;
- Solutions to encourage consumers to shop around or switch, including:
 - Price Comparison Websites (PCWs);
 - Prompts from a supplier or third party;
 - Receiving quotes based on spending over time;
 - Automatic switching by a supplier;
 - A third party automatic switching service;
 - Collective switching.

Chapter overview

The findings in this chapter are based on questions in the interviews, focus groups and online activities relating to consumers' own ideas for solutions to some of the barriers they feel that they face in getting a good deal in different service markets, and the potential remedies outlined above⁵⁰.

Through these questions and activities, we identified that:

- Vulnerable consumers' own 'solutions' for the loyalty penalty tend to relate less to tools which might help them to switch and shop around, and more to overcoming what they see as the fundamental problem: that providers aren't rewarding their loyalty.

⁵⁰ For further detail about the research materials and specific lines of questioning, please refer to the Appendix.

- Vulnerable consumers' initial responses to the potential solutions tested were often characterised by suspicion and mistrust and were somewhat in tension with their responses to existing prompts and tools in the market, such as price comparison websites.
- Some vulnerable consumers had concerns about solutions which might take away the control, certainty and reliability which they often value, particularly in markets which they consider to be essential (namely energy and telecommunications).

7.2: Improvements spontaneously identified by consumers

Both control group and vulnerable consumers found it challenging to identify potential improvements that would help them to engage with markets, for example by shopping around and switching.

On prompting, participants suggested ideas that would help them to better engage with and achieve good outcomes in service markets, as introduced in Chapter 3.

- **Certainty over finances and bills.** Consumers would like to have more clarity around the terms of their contracts and bills, including limits, charges and fees, to ensure that they are actively able to avoid incurring unexpected charges which they are unable to afford.
- **Reliability of products and services.** Consumers would like to see more compensation if they do not receive the service they are paying for and greater consistency in support offered for when things do go wrong.
- **Flexibility in services and contracts.** Consumers felt greater flexibility in contracts was particularly important, so they feel less 'locked in', and to allow for changes and fluctuations in circumstances. Those who preferred the certainty of a contract felt that this should still allow flexibility, including the ability to change direct debit payment dates and the option of payment holidays.
- **Clarity and simplicity in marketing, contracts and billing.** Participants highlighted specific challenges in relation to a perceived lack of clarity in pricing across all markets but particularly telecommunications, energy and insurance, in which pricing was felt to be complex and sometimes arbitrary. The importance of clear communications is enhanced for consumers with lower levels of education and with mental health issues, who reported finding information more difficult to take in and remember.
- **Supportive customer service and communication.** Consumers felt that there should be a greater emphasis on providers resolving problems as

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quickly and effectively as possible, and more flexibility in their options for contacting providers to best meet their needs.

“There are so many clauses as well, in insurance. You know, so much small writing.”

(Consumer on a low income who has a physical impairment/condition, 35-44, Belfast)

“I don't know what wattage is, they send you a bill with all this funny stuff like algebra... I don't know what a unit is... it's not self-explanatory, it's so confusing.”

(Consumer living with multiple conditions, 75+, Colne)

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Figure 17: Summary of potential improvements that could support vulnerable consumers to achieve value for money and to better engage in each service market

	Potential improvements to help consumers engage in the <u>telecommunications</u> market	Potential improvements to help consumers engage in the <u>energy</u> market	Potential improvements to help consumers engage in the <u>insurance</u> market	Potential improvements to help consumers engage in the <u>credit</u> market
1. Certainty over finances	Greater clarity about limits, charges and fees to avoid consumers incurring unexpected charges which they do not feel able to afford.	Reducing the emphasis on estimated billing, for example through fixed monthly direct debits, or pre-payment meter tariffs which are not significantly more expensive than non-pre-payment meter alternatives.		Greater clarity about limits, charges and fees to avoid consumers incurring unexpected charges which vulnerable consumers do not feel able to afford.

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<p>2. Reliability of products and services</p>	<p>Compensation if consumers are not receiving the service that they are paying for (e.g. if their internet is slower than the internet speed promised in their contract, or if they are unable to use a device that they have been upsold).</p>	<p>Greater consistency in support offered to vulnerable consumers when things go wrong, ensuring that this covers consumers with mental as well as physical health conditions.</p> <p>Carrying over the Warm Home Discount payment if a consumer switches supplier, rather than requiring them to re-apply for the benefit.</p>		
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<p>3. Flexibility in services and contracts</p>	<p>More options for exiting contracts early if consumers' circumstances change, particularly in contracts of 18 months or more.</p> <p>Greater flexibility for consumers in picking and choosing different features of bundles and clarifying where landline rental is and isn't necessary.</p>		<p>Greater flexibility in insurance products so that these can respond to consumers' changing circumstances and needs.</p> <p>Greater flexibility in frequency and modes of payment, e.g. quarterly and six-monthly payment options so that consumers do not feel 'forced' to use credit to afford an annual premium.</p>	<p>More options for exiting or changing contracts early if consumers' circumstances change.</p>
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<p>4. Real and effective choice</p>	<p>More options for consumers living in circumstances which might be restricting their choice, e.g. rural areas or sheltered accommodation.</p> <p>Aligning information about products and contracts to consumers' needs, for example, by supporting them to work out how much mobile data they are likely to need, and identifying where they could downgrade (as well as upgrade) aspects of their contract.</p> <p>Prompts when contracts are ending and are due to start 'rolling over', particularly when this means that the consumer may then be 'locked in' to a new contract.</p>	<p>More options for consumers living in circumstances which might be restricting their choice, e.g. rural areas or sheltered accommodation.</p>	<p>Consistently providing renewal notices to consumers when their contract is due to end.</p> <p>More options for consumers to drive down premiums, e.g. 'rewarding' responsible driving through telematics.</p> <p>Improved choice for social renters who face high insurance premiums due to living in areas with high levels of crime and are not likely to be relocated by the council or housing association.</p> <p>Not being penalised with higher insurance premium quotes as a result of a health condition.</p>	<p>Greater clarity about long-term credit products available to consumers on low incomes, and the actions consumers can take to make these products available to them.</p> <p>More options for those restricted from accessing certain products as a result of their credit rating or financial history.</p>
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<p>5. Clarity and simplicity</p>	<p>More clarity about pricing structures and discounts on offer so that consumers do not feel reliant on discretion of individual staff.</p> <p>More options for consumers to work out whether they are getting what they are paying for (e.g. internet speed tests).</p>	<p>Greater clarity in terminology to support consumers to relate tariffs and contracts to their specific needs.</p> <p>Greater transparency in pricing so that consumers can identify what factors impact their tariff.</p>	<p>Greater simplicity in terminology to support consumers to relate insurance products to their specific needs.</p> <p>Greater transparency in pricing so that consumers can identify the factors which are impacting on their premium.</p>	<p>Greater clarity in how changes to products and contracts may affect the product or customer in the longer-term, e.g. payment holidays increasing interest rates, or adverse impacts on credit ratings.</p>
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<p>6. Supportive customer service</p>	<p>Greater emphasis on solving problems, clarity about any costs to the consumer that this may involve (e.g. engineer visits).</p> <p>Restrictions on upselling of products, particularly if customers are contacting the supplier in relation to a problem.</p> <p>Options for consumers to contact their provider by modes other than telephones, and ensuring that disconnecting and switching is not dependent on making telephone contact with a supplier.</p> <p>Providing training for staff handling queries from vulnerable consumers in general but particularly those with mental health problems.</p>	<p>Greater consistency in the support offered by different providers (e.g. access to the Warm Home Discount).</p> <p>Greater consistency in staff training offered by providers to support them to serve customers with vulnerabilities, ensuring that this covers mental as well as physical disabilities and health conditions.</p>	<p>Greater clarity about any support available to vulnerable consumers (who currently believe that disclosing vulnerabilities will only serve to increase their premium).</p>	<p>Providing training for staff handling queries from vulnerable consumers.</p> <p>Restrictions on upselling of products and contracts, particularly if customers are contacting the supplier in relation to a problem that they want to resolve.</p> <p>Earlier communication around the importance of maintaining a good credit score and the potential impacts of not doing so in accessing other markets and services.</p>
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7.3: The impact of trust on consumers' responses to potential solutions encouraging them to shop around and switch

Having understood consumers' spontaneous ideas to some of the challenges they felt that they faced in getting a good deal, questions in interviews, focus groups and online activities then went on to focus on participants' views of potential remedies which were tested in the form of flashcards. Responses between vulnerable and control group consumers tended to diverge significantly in that vulnerable consumers were typically much more cautious and suspicious of the prompts being shown.

As outlined in section 3.2, vulnerable consumers and particularly those who have lived on low incomes or in poverty for prolonged periods are particularly likely to be mistrustful compared to those who are not living in vulnerable circumstances. Many had had to overcome challenges in their lives in their dealings with the authorities and with providers (particularly if they had built up debt in the past), and some were also concerned about potential future challenges, such the risk of being scammed (particularly strongly felt by older participants). This included some distrust of charities and support organisations among some vulnerable consumers.

- One participant with a visual impairment had bought a mobile phone through national charity. He was told that the only option available to him was an outdated flip-phone, with just one key in braille. He felt that the phone was overpriced and was disappointed in the support offered by what he had thought was a reputable charity, but also felt that he had no choice but to buy it.

Subsequently, at face value, consumers were often concerned that the solution being discussed sounded 'too good to be true'. Others were concerned that a provider or third party involved might in some way be seeking to trick them or 'rip them off'. By contrast, control group consumers were generally more willing to accept potential solutions at face value.

"I think collective switching is good. I think it would be useful as all the price negotiating has been done. As the offer is also exclusive, this would also increase the chances of the consumer wanting to stay with that provider."
(Control group consumer, London)

However, this response was somewhat at odds with how participants described their existing experiences of engaging in the four service markets, in which many vulnerable consumers had at least some experience of negotiating, switching, or shopping around in a particular market which would seem to depend on them trusting the deal being offered by a supplier or a third party. In particular, vulnerable and control consumers commonly described using price comparison websites, and

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expressed very few concerns about the reliability or trustworthiness of these sites (see 7.5.1).

Other participants referenced people and organisations which had ‘nudged’ them into switching and which they appeared to have trusted ‘in the moment’. These included:

- **Visits from canvassers from providers or price comparison websites (PCWs).** As is set out in detail in Chapter 5, a notable proportion of vulnerable consumers who live in social or council housing had been visited by canvassers from providers or PCWs. Others had been approached by suppliers or PCWs with stands in supermarkets or shopping centres.
 - Some consumers had switched providers as a result of this engagement. In most cases, this appeared to be driven by positive feelings about receiving face-to-face interaction (particularly for those experiencing feelings of loneliness or isolation).
 - However, feelings about canvassers did appear to be mixed: consumers with a history of unmanageable debt were more likely to feel cautious of canvassers and to associate them with ‘loan sharks’, and some had switched during a visit from a canvasser because they felt it was the only way to end the interaction.
- **Prompts from existing providers.** Most vulnerable consumers recalled receiving notifications from current providers in relation to at least some of their services when they were approaching the end of their contracts, and particularly in the insurance market. In at least some cases, these had clearly been sufficiently trusted to prompt some to look around for better deals or to negotiate with their existing supplier, though others had ignored or dismissed them.
- **Suggestions from friends and family members.** Beyond Martin Lewis, the most trusted source of information about money, deals and service providers was almost always family and friends. For some consumers, hearing that they were paying more than friends or family for a similar service, or learning a particular hint or tip from a friend or family member had prompted them to switch or negotiate with their supplier.

“We were approached by a [energy provider] salesman in a supermarket, who was able to do a comparison for us and show us how they could save by combining energy and gas.”
(Consumer living on a low income, 75+, Glasgow)

“I looked [an insurance provider] up online, but I think my sister actually uses them as well. So, that was something that clicked in my head, whenever, you

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know, I was trying them as well. That she was saying she had been using them, you know?”

(Consumer on a low income who has a mental health problem, 35-44, Belfast)

“I was paying £79 a month for two years and then I talked to friends who were paying £30 or £35 a month, so I called them up.”

(Consumer living on a low income, 18-24, Rhyl)

Image 18: A vulnerable consumer looking at MoneySavingExpert.com



7.4: Responses to offering more favourable deals for vulnerable consumers

The first potential remedy tested in interviews and focus groups was the concept of providers offering more favourable deals to vulnerable consumers.

Most consumers felt positive in principle about providers offering more favourable deals to vulnerable customers, particularly when they related this to markets where some have already seen this happening, e.g. access to the Warm Home Discount in the energy market. However, for consumers who self-identified as being in some way vulnerable and who interpreted this solution as aimed at them, some practical questions emerged when they considered how this might be applied to other markets, beyond energy:

- **When will I tell my provider about my vulnerability?** In markets where consumer interaction is more limited in particular, such as insurance, consumers felt that they had little opportunity to disclose a vulnerability to their provider.

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- **Will it be clear why I am being asked if I am vulnerable?** While consumers with physical health conditions were often relatively open to disclosing this information, those with mental health problems tended to be more cautious and concerned about the potential for stigma. Some felt that if it is not being communicated that disclosing this information can work in consumers' best interests, they might assume that this information will be used against them (e.g. as an excuse not to offer them a product).
- **Will my provider know what it means to me to get a good deal?** For some consumers, there was concern about providers judging 'favourable' deals purely on price, when in fact other criteria may be as or more important to them, such as reliability of service.

"That only works if you've got confidence in your company, but they might not put you on the best option for you. Cheapest is not always best, sometimes you need it to be reliable. [My energy provider] aren't cheap but they are reliable, I've built up trust."

Consumer on a low income, 25-34, Watford

For a significant minority of the vulnerable consumer sample, an additional challenge emerged around the perceived relevance of this solution: more favourable deals for vulnerable consumers were sometimes assumed to be aimed at 'other people', rather than someone like them. Some participants simply did not self-identify as being vulnerable and/or on a low income and had the belief that these types of deals would (and should) be targeted at people significantly worse off than they were.

- This is particularly challenging for consumers whose vulnerability is complex and fluctuates over time. Some had questions as to whether their condition would be judged sufficiently 'severe' and believed that they would only be eligible in certain circumstances and not at others (e.g. at points of crisis). This tended to act as a barrier to these consumers disclosing their vulnerability.

"How do you know they're going to do it? They could say they're going to do it but they could make it worse. I would want to see what I'm switching to, what I'm getting for what price."

(Consumer on a low income who has a mental health problem, 35-44, Watford)

"I don't think they would give you a better deal just because you're on a low income. They're a company at the end of the day and they've got to make money themselves."

(Consumer living on a low income, 25-34, Rhyl)

7.5: Responses to solutions designed to support consumers to switch, shop around and negotiate

7.5.1. Price comparison websites (PCWs)

Consumers were asked whether they were currently using PCWs, their views and experiences of them, and their attitudes to using PCWs in future. They were also shown two excerpts from two major PCWs and asked to comment on their clarity and usefulness.

Figure 18: Participants' responses to price comparison websites (PCWs)

Awareness and understanding	<ul style="list-style-type: none">• Awareness was high. Almost all vulnerable consumers in the sample were familiar with PCWs, and the majority were already using them in relation to at least some service markets.• Understanding of PCWs was more mixed. While most vulnerable consumers felt relatively confident using them (or asking someone to access a PCW on their behalf in the case of those who were offline), there was more limited understanding that PCWs might not show all of the options available to them in the market, that they might not show the cheapest deals available, and that they might need to take some kind of commission in order to operate.
Benefits associated with this solution	<ul style="list-style-type: none">• PCWs are considered to be essential for shopping around by those who want to do so, because they appear to save the consumer time and effort by contacting multiple suppliers for quotes on their behalf.• Some also felt that PCWs are a useful tool for negotiating with an existing provider. A small number had successfully achieved a better deal with their incumbent provider over the phone after referencing cheaper quotes that they had been shown on a PCW.• Consumers particularly valued that they are able to save search results and return to them later if their

	<p>time is limited and they cannot shop around 'in one go'.</p>
<p>Concerns about this solution</p>	<ul style="list-style-type: none"> • Most consumers did not have any concerns about this solution, though most struggled to engage with this as a new or innovative solution because they did not believe that PCWs were not already well known to all consumers given extensive advertising over the past 5-10 years. • As above, very few participants expressed any concerns about the trustworthiness of PCWs and few had had considered how PCWs make their money or how they might be governed. <ul style="list-style-type: none"> ○ The small number of consumers who expressed a more cautious view tended to be those who were aware that some providers are not listed on major PCWs as a result of seeing this mentioned on advertising, or who had concerns about PCWs selling on their contact details to third parties as a result of receiving cold marketing calls after using a PCW. • A small number of consumers felt that the clarity and suitability of PCWs for consumers living on a low income could be improved by showing monthly charges as well as the potential cost saving associated with each option.
<p>Differences by type of vulnerability</p>	<ul style="list-style-type: none"> • These views were broadly consistent across the vulnerable consumer sample, though consumers with lower levels of education were generally less likely to describe feeling confident using PCWs. • For consumers who find verbal communication particularly difficult (such as some consumers with mental health problems), being able to interact with PCWs and switch provider online, without contacting their provider directly by telephone, was very positive. • Older people were most likely to describe barriers to using PCWs because of lower levels of confidence online (and some were offline entirely), but in several cases participants had overcome this challenge by asking a family member to access a PCW on their behalf.
<p>Differences by market</p>	<ul style="list-style-type: none"> • PCWs were more strongly associated with the insurance and energy markets, and vulnerable

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	<p>consumers were more likely to report using them in these instances.</p> <ul style="list-style-type: none">• Reflecting lower levels of awareness that switching is a viable option in the credit market in general, vulnerable consumers were less likely to describe using PCWs to shop around for credit products.
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“I always use [the same PCW] as I like to stick to what I know.”
(Consumer on a low income, 25-34, Nottingham)

“It’s simple to use and you can choose what services you are looking for, how often you would like to pay, and the prices are available quickly!”
(Consumer on a low income who has a mental health problem, 35-44, London)

“On the [PCW] it doesn’t actually tell you how much you need to pay. It only tells you your saving. That isn’t as helpful as telling me the price.”
(Consumer on a low income who has a physical impairment/condition, 25-35, London)

In line with consumers on a low income, consumers in the control sample were similarly very familiar with PCWs and described using them regularly to switch. The few points of contrast within the control group were that mainstream consumers tended to have higher expectations of what a PCW can do for you and the kinds of information it can provide. Control group consumers were often more interested in seeing customer reviews and getting more of a holistic picture of a service, rather than focusing purely on price.

“Being able to search for particular types of deals (e.g. duel fuel) is important as it allows you to only see the options which are relevant to you.”
(Control group consumer, Nottingham)

“Not sure if I’d be interested in a star rating unless it was clear on the percentage of consumers that leave reviews.”
(Control group consumer, Nottingham)



7.5.2. Prompts

Consumers were asked for their views on receiving prompts from their provider or a third party when their contract is up for renewal, and particularly if they had stayed with the same provider without switching for a number of consecutive years.

Figure 19: Participants' responses to receiving prompts from suppliers to switch or shop around

Awareness and understanding	<ul style="list-style-type: none"> Awareness was mixed. Some consumers reported receiving renewal notices in relation to their insurance products in recent years, and a number had already reported taking action as a result of these interventions. There was more limited understanding as to why these notices might have come about and that they are now a mandatory practice in the insurance sector.
Benefits associated with this solution	<ul style="list-style-type: none"> This solution is viewed largely positively and for many consumers meets a basic expectation of their provider which is only being fulfilled in certain markets at present. Prompts were particularly welcomed in relation to longer term contracts of 18 or 24 months, for which

	<p>consumers felt it could be harder to keep track of renewal dates and believed it was more likely that they could be automatically renewed without engaging with their supplier.</p>
<p>Concerns about this solution</p>	<ul style="list-style-type: none"> • Prompts are felt to be significantly less useful if they are sent either so early that it does not feel urgent to act, or so late that consumers have missed their window to shop around. Sending prompts 3-4 weeks ahead of a contract ending was generally viewed to be optimum timing. • Among some consumers (and often those who have not yet received prompts in practice), there was concern about the motivations behind their supplier getting in touch. Many felt that it should be conveyed clearly why they were receiving a prompt, and that this should not be ‘dressed up’ as their provider trying to maintain or reward their loyalty. <ul style="list-style-type: none"> ○ In particular, there was confusion and suspicion as to why their provider might be encouraging them to look into competitor suppliers. This suspicion may have been mitigated if the prompt was positioned clearly as something which providers are obliged to send to their customers (e.g. by a regulator). • On a practical level, some consumers were concerned about whether they would notice a prompt, or whether they would dismiss it as marketing. This was a particular concern in the telecommunications market, in which consumers can often feel ‘bombarded’ by marketing from their own and other providers.
<p>Differences by type of vulnerability</p>	<ul style="list-style-type: none"> • These views were broadly consistent across the sample, with some exceptions: <ul style="list-style-type: none"> ○ Older consumers were more likely to say that they would feel suspicious of prompts as a potential scam. ○ Time-poor consumers (e.g. those with caring responsibilities and with dependent children) were especially likely to feel that they would simply miss or ignore communications because of pressure on their time. Indeed, when some of these participants showed interviewers their post and bills as part of the interview, it appeared that they had missed prompts in the past.

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	<ul style="list-style-type: none">○ Consumers who feel less confident reading and writing, for example because of lower levels of education, felt less able to engage with these prompts.
Differences by market	<ul style="list-style-type: none">● Vulnerable consumers were generally more trusting of seeing prompts in the insurance market because it is becoming a familiar practice for some in this context.● Views of prompts in the telecommunications market were particularly complex:<ul style="list-style-type: none">○ Consumers felt that they would be more likely to dismiss prompts as marketing in this market because they can often feel ‘bombed’ by marketing from their own and other providers.○ But, somewhat in tension with this, they also felt that this was a market in which prompts would be particularly useful because they believe it is most unclear when contracts ‘roll over’.● Vulnerable consumers seemed to be least likely to expect to see prompts in relation to the credit market because of lower levels of awareness that switching is possible in this market.

“A lot of them do get in touch. It’s the only time they do make an effort.”
(Consumer on a low income who has a mental health problem, 35-44, Nottingham)

“My car insurance I always change every year. I’m not loyal. Whoever is the cheapest on [the PCW] gets my money. I play this cat and mouse game every year.”
(Consumer on a low income who has a physical impairment/condition, 45-54, Watford)

“They should get in touch – it’s so easy for people who aren’t on the ball. They should have some options if you don’t want to renew or if you do.”
(Consumer on a low income, 25-34, Nottingham)

“E-mails are no good, I get spam for everything especially from [telecommunications providers] so I tend to ignore e-mails.”
(Consumer on a low income who has a physical impairment/condition, 25-34, London)

7.5.3. Receiving quotes based on spending over time

Consumers were asked for their views on receiving quotes for their services based on their previous spending over time (as opposed to estimated billing or quotes which depend on them providing estimates or assumptions).

Figure 20: Participants' responses to receiving quotes based on spending over time

<p>Awareness and understanding</p>	<ul style="list-style-type: none"> • Awareness was low, though some consumers felt that this may be happening in the energy market. The idea felt most intuitive in this market because of familiarity with meter readings. • Many vulnerable consumers found this solution challenging to understand and wondered how they it would work in practice.
<p>Benefits associated with this solution</p>	<ul style="list-style-type: none"> • This solution was viewed broadly positively in principle. In particular, a small number of consumers saw a clear opportunity for providers in the telecommunications market to suggest contracts based on usage and behaviour (for example, recommending that the customer reduces their data allowance if they are consistently using only a small proportion of it each month).
<p>Concerns about this solution</p>	<ul style="list-style-type: none"> • There are some concerns related to data portability in practice. Some consumers were concerned about data security and privacy and said that they would be reluctant to share their consumption data with unknown suppliers or third parties. • Limited understanding of data portability meant that some consumers were envisaging this solution to be very complex and were unsure how they would go about sharing their data in practice. This was very off-putting for more time-poor consumers. • This solution was related by some consumers to smart meters, which attract mixed responses. Relatively few consumers in the sample had smart meters themselves, and they were instead referencing negative press and second-hand stories about billing errors.

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Differences by type of vulnerability	<ul style="list-style-type: none">• These views were generally consistent across the vulnerable consumer sample: participants universally found this potential solution challenging to understand.• Unsurprisingly, there was typically more interest in solutions such as these which could save the consumer time and lessened the burden on the consumer, among consumers who were time poor, such as those with caring responsibilities.
Differences by market	<ul style="list-style-type: none">• As outlined above, consumers could more intuitively see how this could be applied to the telecommunications market to work in their best interests, with a small number suggesting that their provider could recommend changes to their contract or package related to their actual usage.

“That might be handy, but I wouldn’t know how to provide them with that information.”

(Consumer on a low income who has a mental health problem, 44-54, Nottingham)

“Maybe other people would be into this, at the moment I’m not. As I say, and I’ll always say, I’m set in my ways, and change, I just don’t want it, because I wouldn’t like to change and wouldn’t like it”

(Consumer on a low income who has a mental health problem, 35-44, Glasgow)

7.5.4. Automatic switching

Consumers were asked for their views of automatic switching, whereby their provider would automatically move them onto the lowest tariff available when their contract ended. As part of the online activities in the research (and offline equivalents), they were also shown two ‘mocked up’ examples of what an email or text message notifying them about automatic switching could look like in practice.

Figure 21: Participants’ responses to automatic switching

Awareness and understanding	<ul style="list-style-type: none">• Awareness was low. Very few vulnerable consumers had heard about or had any direct experience of automatic switching.• Mixed understanding of what currently happens when a customer’s contract ends was a further barrier to engaging with this market: familiar with standard variable tariffs, for example, was typically low.
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<p>Benefits associated with this solution</p>	<ul style="list-style-type: none"> • There was more positivity about this solution when it was interpreted as a consumer's existing supplier automatically switching them on to a more favourable tariff, rather than the concept of being automatically switched to another provider. This was felt to go some way towards rewarding loyalty, taking the onus away from the consumer to get a good deal, and reflected consumers' preference to stay with their existing supplier for reliability of service. • Some consumers strongly believed that providers should be switching them on to the best available deal as a matter of course when their initial contract ends.
<p>Concerns about this solution</p>	<ul style="list-style-type: none"> • The most strongly felt concerns about this solution related to a perceived lack of control: <ul style="list-style-type: none"> ○ Some consumers were concerned that they may find themselves 'locked in' to another lengthy contract with their provider, particularly if they miss the communication from their provider notifying them that they have been automatically switched. ○ Consumers have some concerns about their provider's ability to determine the best deal for them, particularly in markets where factors other than price are deemed to be important in determining value for money. • A very small number of consumers felt less positive about this solution as a result of their own experience. Some believed that they had already been automatically switched to a tariff they were told would be cheaper by their energy provider, only to find that their bills increased rather than decreased.
<p>Differences by type of vulnerability</p>	<ul style="list-style-type: none"> • The consumers who felt most cynical about this solution were typically those who placed the greatest emphasis on certainty and control. <ul style="list-style-type: none"> ○ For example, those the lowest incomes were often concerned about <i>any</i> changes or disruption to their finely balanced bills and direct debits. ○ While for those for whom reliability is particularly important, there were concerns about being switched to a less certain or reliable contract. • Consumers who were particularly time poor were often concerned about missing communications relating to automatic switching, and therefore being

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	<p>without important information about their contract should they wish to engage or switch in the future.</p> <ul style="list-style-type: none">• The consumers who tended to feel most positive about this solution were those who are most disengaged with switching and shopping around at present (or 'disengaged stickers'). These were more likely to be consumers with lower levels of education or a mental health problem.
Differences by market	<ul style="list-style-type: none">• The few consumers who believed that they had had any experience of automatic switching tended to relate this to the energy market. However, there was some scepticism about seeing this practice widely adopted in this market because of the importance of reliability of service: some consumers were concerned that the best deal in relation to energy may not necessarily be the cheapest.• There was more positivity towards the idea of seeing this type of practice in markets which feel more transactional to the consumer, such as insurance. Vulnerable consumers with insurance products tended to feel more confident that they could take a risk in this market, compared to markets which they considered to be essential, such as energy.

"I'd like to have some notice or to be told. Don't take the power out of somebody's hands; at the end of the day they're the ones paying for it."
(Consumer on a low income, 25-34, Nottingham)

"If I don't happen to see this I will be left confused as to what is going on."
(Consumer with a mental health problem, 55-64, Colne)

"Why would I switch when I have no information what the new tariff is? I also wouldn't trust that a text would switch me. What if the text wasn't received or something went wrong their end?"
(Consumer on a low income who has a physical impairment/condition, 18-24, London)

Control group consumers tended to be more open to and trusting in the idea of automatic switching, but some expressed similar concerns about a lack of autonomy. They felt it was important that automatic switching was clearly positioned and communicated to the consumer, and some felt that consumers should be required to 'opt in' rather than 'opt out'.

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“This is great, my supplier moving me to a better deal which saves me money without affecting the contract.”
(Control group, London)

“It puts the emphasis on the customer to do everything. I don’t like having to ‘opt out’ of things. I prefer the option to ‘opt in’.”
(Control group, London)

7.5.5. A third party automatic switching service

Having established the idea of automatic switching in general, consumers were asked for their views on a third party automatic switching service. This was explained as a service which would look out for the best deals on a customer’s behalf, and switch them automatically if a better deal was available. To help to bring this solution to life, consumers were shown some excerpts from an existing third party automatic switching service which involves a monthly fee.

Figure 22: Participants’ responses to a third party automatic switching service

Awareness and understanding	<ul style="list-style-type: none">• Awareness was very low. The concept of a third party automatic switching service was new to all consumers in the sample. This means that it was often a relatively challenging concept to understand and imagine, even when shown information from a third party switching service which currently exists.
Benefits associated with this solution	<ul style="list-style-type: none">• As for automatic switching in general, this solution was most appealing to ‘disengaged stickers’, who were most likely to be feeling overwhelmed by their services and who were most open to others taking control. These consumers saw that this solution could clearly save them time and effort and take a source of anxiety away from them.
Concerns about this solution	<ul style="list-style-type: none">• The same concerns about a lack of control applied to a third-party automatic switching service as to the broader concept of automatic switching.• In addition, there is some concern about:<ul style="list-style-type: none">○ The introduction of a third party organisation. However, as outlined in section 7.3, many consumers were concerned about ‘third parties’ in principle and in the abstract. There was little awareness that brands that they know and trust, such as major PCWs, might also be classified as third parties.

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	<ul style="list-style-type: none"> ○ Paying for a third party automatic switching service. For the lowest income consumers, even a fee of £2-3 month can feel like money that they cannot afford to waste, and there is some concern that any savings made would be outweighed by the cost of the service. ○ The risk of constant disruption. There was a belief that, for the service to be worthwhile, consumers may be switched several times a year (depending on the nature of their contract), fuelling concerns about frequent changes to direct debits and impacts on credit history.
<p>Differences by type of vulnerability</p>	<ul style="list-style-type: none"> ● As outlined above, this solution is most appealing for consumers who feel particularly disengaged from and overwhelmed by the idea of switching and shopping around for a better deal, including those who: <ul style="list-style-type: none"> ○ Feel they lack the 'headspace' to engage with these markets, such as those with mental health problems. ○ Feel they are particularly time poor, such as those with caring responsibilities. ● This solution is least appealing for consumers who do not identify as being time poor and who feel relatively confident shopping around and getting a better deal. <ul style="list-style-type: none"> ○ The older consumers who were well networked and had online access (either directly or through a family member) were often most dismissive of this solution).
<p>Differences by market</p>	<ul style="list-style-type: none"> ● Consumers seemed to find it equally challenging to imagine this solution working in practice across the markets tested (though note that the existing supplier operates in the energy market).

"I'd like to know how secure their services are as I have had my card cloned before from purchasing things online. I'd be a bit dubious about all my details going into there. To give it to all one place, I would be a little bit hesitant."

(Consumer on a low income who has a physical impairment/condition, 45-54, Watford)

"How does this work then? It is so confusing. Do you pay monthly or pay nothing till you switch? Then is the monthly fee back dated... I don't like the sound of it at all. Sounds dodgy."

(Physical Disability, 18-24, London)

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“The hassle is taken away and the process is made simple.”

(Consumer on a low income who has a mental health problem, 45-54, Nottingham)

These views were consistent with the control group, though control group consumers were less likely to feel very negative about the principle of involving a third party.

“I don’t want to be chopping and changing constantly. I don’t have the time to keep a sharp eye on what’s going on.”
(Control group, London)

7.5.6. Collective switching

The final solution tested related to collective switching, whereby a third party negotiates a better deal from a provider on behalf of a group of consumers. Participants were provided with some information about the Ofgem collective switching trial in order to bring this solution to life.

Figure 23: Participants’ responses to collective switching

Awareness and familiarity	<ul style="list-style-type: none">• Awareness and understanding was very low. No participants had any familiarity with or direct experience of collective switching. As for automatic switching, some found this solution challenging to understand.• A small number of participants from more rural areas who had some experience of collective buying, e.g. collaborating with neighbours to buy heating oil in bulk (at a discounted price), tended to find this solution more intuitive.
Benefits associated with this solution	<ul style="list-style-type: none">• The principle of a third party negotiating with providers on consumers’ behalf has some clear appeal: consumers felt that there is both power and safety in numbers.
Concerns about this solution	<ul style="list-style-type: none">• Consumers often read literally into the term ‘collective’ switching and did not tend to see this solution as relevant to them unless they were living in some type of coherent community, e.g. sheltered accommodation.<ul style="list-style-type: none">○ Eschewing the language of ‘collective switching’ and focusing instead on exclusive deals being negotiated on the consumer’s behalf may be more appealing and effective (similar to the approach taken in Ofgem’s current collective switching trial).

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	<ul style="list-style-type: none"> • As for the third party automatic switching service, there was some knee-jerk concern about the involvement of a third party provider. <ul style="list-style-type: none"> ○ However, consumers felt that they would be less concerned if the third party was a brand or organisation they knew and trusted, such as a PCW or a consumer organisation. • Again, consumers expressed concern about the risk of losing control, and being offered a deal which may be cheap, but does not necessarily take into account the factors which matter most to them in determining value in these markets (e.g. reliability of service).
<p>Differences by type of vulnerability</p>	<ul style="list-style-type: none"> • As for automatic switching, this solution was most popular among the consumers who were most disengaged and found the prospect of seeking to engage or negotiate particularly daunting, such as those with mental health problems.
<p>Differences by market</p>	<ul style="list-style-type: none"> • Consumers were more likely to conceptualise this solution in relation to the energy market, potentially because the illustrative example related to this market, but perhaps because this is the product which feels less tailored to individual needs and circumstances (i.e. the actual electricity or gas supplied will be the same).

“Having someone negotiate for you would save me a lot of time and hopefully money. I’m still unsure of using a third party but I think if more people used them and they proved themselves effective then I would consider it”
(Consumer with a physical disability, 18-24, London)

“This sounds a very useful idea. If [a regulator] could truly work on the consumers behalf, then I would definitely be interested in this idea. Could be good for energy and car insurance, maybe more. Collectives have traditional been quite successful as they carry more “clout” and buying in bulk can be a money saver. More legal assistance could be afforded to protect the consumer.”
(Consumer on a low income who has a mental health problem, 55-64, Colne)

Responses to collective switching were very comparable to vulnerable consumers among the control group. In particular, control group consumers were often concerned about a lack of nuance and tailoring in their product choice as a result of collective switching.

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“I do not like the idea of it at all. Although it may be useful for some people, I do not think that such a service would be of any use to me. Maybe if I was in business and running a company, then this kind of service might benefit me, but otherwise not.”
(Control group, London)

“It’s an interesting idea. I would need to know more about how the collective is put together, would you need to be a certain kind of customer to qualify? I don’t think it would work for insurance as individual circumstances would be so different (claims history, risk factors etc) but it could work for more straightforward things like energy and telecoms.”
(Control group, London)

7.6: Conclusions from this chapter

A range of different potential solutions to better support vulnerable consumers to engage with service markets and providers in order to get good outcomes were tested with participants. On detailed probing, responses to each solution were generally positive, provided that consumers’ concerns about a potential lack of control were addressed:

- **Offering more favourable deals and discounts to vulnerable consumers:** Most participants felt positive in principle about this solution. However, some practical questions did emerge such as when they should tell their providers about their vulnerability, and whether it would be clear why they were being asked to disclose this information about themselves.
- **Price Comparison Websites (PCWs):** Participants were familiar with price comparison websites and many were regularly using them. They were viewed positively, being felt to save the consumer time and effort by contacting multiple suppliers for quotes on their behalf.
- **Prompts from a supplier or third party:** This solution was viewed largely positively and for many participants meets a basic expectation of their provider which is only being fulfilled in certain markets at present. Receiving prompts 3-4 weeks before contracts coming to an end was generally viewed as the optimum timing.
- **Receiving quotes based on spending over time:** This solution was viewed broadly positively. However, some consumers were concerned about data security and privacy, and said that they would be reluctant to share their consumption data with unknown suppliers or third parties.
- **Automatic switching by a supplier:** There was more positivity about this solution when it was interpreted as a consumer’s existing supplier automatically switching them on to a more favourable tariff, rather than the concept of being automatically switched to another provider, as it was felt to go some way towards rewarding loyalty. However, participants raised concerns about the potential lack of control this solution would afford them as consumers. For example,

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participants had some concerns about their provider's ability to determine the best deal for them, particularly in markets where factors other than price are deemed to be important in determining value for money.

- **A third party automatic switching service:** Participants' concerns about a lack of control applied to a third-party automatic switching service as to the broader concept of automatic switching. In addition, there were concerns raised about the introduction of a third party, paying for such a service, as well as the perceived risk of constant disruption.
- **Collective switching:** Participants responded broadly positively to the principle of a third party negotiating with providers on consumers' behalf. However, as for the third party automatic switching service, there was some immediate concern about the involvement of a third party provider, and participants again expressed concern about the risk of losing control.

These responses to the tested solutions also highlight a general sense of mistrust amongst participants in providers and institutions such as government, as well as those that they are unfamiliar with such as regulators. This mistrust adds to other barriers to engagement, including, for example, having other challenges to contend with which feel far more pressing and important, or feeling that you have limited 'headspace' as a result of a mental health problem.

Overall, participants' responses to the tested solutions point to the importance of framing. Specifically, participants had more positive perceptions of and responses to existing solutions and those tested in the research when:

- **They make clear the purpose of the communication and the motivations behind it.** Perceptions that service providers are profit-driven and will prioritise pursuing that profit over what is best for the customer were rarely far away for most participants. As a result, if it is not explained to consumers why they are receiving a prompt from their provider encouraging them to switch, or why they are being asked if they have any particular vulnerability, then these consumers appear to be likely to jump to the most negative or cynical interpretation.
- **They reference familiar concepts and reference points.** Several of the solutions tested were met with particular scepticism because consumers found them challenging to understand (particularly auto and collective switching), or because they introduced concepts and organisations with which they did not feel familiar (such as unnamed third parties). In this context, the research points to the value of:
 - Solutions being associated as far as possible with people and organisations which vulnerable consumers already feel that they know and trust.

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- Solutions being broken down as far as possible into simple language. For example, re-framing collective switching as about exclusive deals being negotiated on consumers' behalf (as per the recent Ofgem trial) had a more positive response from participants than relying on them self-identifying as being part of a 'collective'.
- **They are communicated in a way that is timely and tailored.** Consumers in the research were open to the fact that they are dismissing or ignoring communications in many of these markets, and some are concerned that they may miss communications if remedies such as automatic switching start to become commonplace. In this context, the research points to the importance of:
 - Consumers hearing from their providers ahead of time if communication requires them to take action (such as renewal notices), and ideally at more than one point in time. Receiving a renewal notice 3-4 weeks ahead of contract renewal was generally viewed to be the optimum timeframe by participants, though some consumers felt that this was too far ahead of time and particularly valued receiving follow-up communication.
 - Consumers receiving communications in the form which best meets their particular needs (which are complex, fluctuating and unique to the individual). For the majority of vulnerable consumers in the sample, there was a strong preference for written over verbal communication, and digital contact over physical letters, provided that there was a clear means of contacting their supplier via telephone, email or webchat should they wish to do so.

8. Conclusions

The views and experiences of vulnerable consumers consulted in this research point to five key conclusions, with implications for developing potential solutions to enable vulnerable consumers to better engage in service markets:

1. **There is no ‘one size fits all’ solution to the challenges which vulnerable consumers face.** The vast range of circumstances and experiences of participants in this research has highlighted the diversity of vulnerable consumers’ experiences and views, and echoes existing literature which suggests that vulnerability is complex and multi-layered. However, the research has also pointed to a set of common themes that vulnerable consumers feel that they need to see in relation to their money and engagement with service markets:
 - **Certainty over their finances and bills.** In our sample, this has emerged as being particularly key for those at the lowest end of the low income spectrum, those who have a condition which is in some way fluctuating and causing potential disruption to their routine, and those who feel particularly time poor because of other pressures on their lives, such as dependent children.
 - **Reliability of products and services.** Many consumers on a low income can find that a lot of their energy and ‘headspace’ is taken up with worry about managing to balance finances and not running into financial difficulty. This means that the reliability of services ‘running in the background’ is very important. This tends to be heightened for those who have a physical disability which increases their dependence on certain products, and older consumers who may be particularly dependent on others or living in isolation.
 - **Flexibility in services and contracts.** Consumers on a low income also highlighted the perceived importance of flexibility in services and contracts to give them breathing space at times when their circumstances change. This is particularly key for those working in insecure, low paid work, those who are coping with a recently acquired condition, and consumers who have a mental health problem which fluctuates over time and means that they have episodes where they find it harder to engage.
 - **Real and effective choice over providers, contracts and deals.** Some vulnerable consumers feel that they are not able to access certain products and providers when they do engage. This is most pronounced among offline consumers, consumers living in certain types of housing which may restrict their choice (e.g. sheltered accommodation), those living in rural settings, and who have

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vulnerabilities which might directly impact on their ability to access certain products.

- **Clarity and simplicity in marketing, contracts and billing.** Vulnerable consumers highlighted the perceived complexity of communications and information in the four markets explored in the research. They highlighted the importance of greater clarity and simplicity in communications to support them to engage with service markets and exercise choice over products and providers. This was particularly the case among those with lower levels of education and with mental health problems.
- **Supportive customer service and communication.** This emerged from the research as being critical for vulnerable consumers to help them engage with their providers and markets, and in order to feel that they are getting value for money with their providers. Supportive customer service is especially important for those with a mental health problem that causes difficulty in communication, and those with lower levels of education.

2. **Vulnerable consumers' conceptions of value for money are often strongly price driven, but additional factors can 'trump' the lowest cost in consumers' conception of what is and isn't a good deal.** While participants were generally very price sensitive (particularly those who are living on low incomes without any additional vulnerabilities) in certain circumstances, other factors can become more important for getting value for money, including the reliability of services, and the certainty of prices and contracts.

3. **Vulnerable consumers feel that they face challenges in getting value for money in each of the service markets explored in this research.**

Across the four markets, there are some common themes that consumers identified as preventing them from feeling that they can engage and be confident in getting a good deal:

- **In the telecommunications market,** vulnerable consumers highlighted perceived inflexibility in contracts, fluctuations in charges and billing, factors affecting their choice (particularly those living in rural areas or certain housing situations), and perceived limited support for consumers with vulnerabilities.
- **In the energy market,** vulnerable consumers highlighted the complexity of terminology and contracts, factors which seem to be limiting their choice (again particularly for those living in rural areas or certain housing situations), and perceived inconsistency in the support offered by providers.

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- **In the insurance market**, vulnerable consumers also raised complexity both overall and in relation to pricing specifically; perceived restricted access for vulnerable consumers who fear that their choice is constrained as a result of their vulnerability; seemingly limited support for vulnerable consumers; and perceived inflexibility in contracts and modes of payment.
 - **In the credit market**, vulnerable consumers felt most restricted by their perceived inability to access products which are not necessarily high-cost and short-term, a seeming lack of transparency in relation to charges and fees; and limited support for consumers with vulnerabilities.
4. **While generally unsurprised by the existence of the ‘loyalty penalty’, relatively few vulnerable consumers in the sample were proactively and consistently taking action to engage with providers and switching to get a better deal.** The vulnerable consumers who have some awareness of the loyalty penalty and have the tools, information and confidence in order to be able to switch, shop around or negotiate tend to be doing so, often when prompted or nudged into taking action. However, this was typically happening in selective circumstances, rather than consistently across the markets and over time. The consumers who appear to be least likely to take action are often those:
- **With barriers related to engagement and communication**, as experienced by some consumers with lower levels of education or with mental health problems.
 - **Living in isolation**, meaning that they lack access to the tools and information required to switch, as experienced by some older consumers and those who are offline without a strong support network to compensate for this.
5. **Participants’ experiences, and the way in which they responded to potential solutions tested in the research, point to the importance of framing and communication of solutions.** In particular, the research highlights three common themes:
- **General low levels of trust of institutions, business and the authorities among many vulnerable consumers.** Participants tended to feel far more positive about solutions that they viewed as coming from people and organisations which they believe they can trust, such as those they associate with being ‘consumer champions’, including Martin Lewis, Money Saving Expert, and price comparison websites.
 - **Low levels of familiarity and understanding.** Many of the potential solutions to support vulnerable consumers engage with service

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markets tested in this research are relatively complex and were challenging for consumers to understand. This is particularly true of automatic switching and collective switching, the principles of which participants struggled to grasp. If consumer engagement with these solutions is necessary, then this research suggests that communications may need to be simplified to help support vulnerable consumers to do so.

- **The importance for vulnerable consumers of reliability of services and flexibility in contracts and billing.** Vulnerable consumers can feel concerned about solutions which appear to compromise their sense of control, and, without explanation, automatic and collective switching can seem to threaten this priority. They often feel that providers could do more to recognise the importance of reliability and flexibility, for example through supportive customer service and by offering vulnerable consumers different options for engagement.

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9. Appendix

9.1 Bibliography

Overarching literature

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Energy

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9.2 Vulnerable consumer sample breakdown

		Watford	London	Nottingham	Rhyl	Colne	Belfast	Glasgow
Overall location total		6	11	6	8	6	6	6
Consumer s on low income 'only'	Total	1	4	1	3	2	2	2
	Age	• 1x 25-34	• 1x 35-44 • 3x 75+	• 1x 25-34	• 1x 18-24 • 2x 25-34	• 2x 55-64	• 2x 25-34	• 1x 55-64 • 1x 75+
	Gender	• 1x Female	• 4x Male	• 1x Female	• 2x Female • 1x Male	• 2x Male	• 1x Female • 1x Male	• 2x Male
	Education	• 1x NVQ 4	• 1x No education • 1x Secondary school • 2x Degree	• 1x Secondary school	• 1x No education • 2x Secondary school	• 1x GCSE • 1x Post school qualification	• 1x GCSE • 1x NVQ Level 3	• 2x No education
Consumer s on low income plus mental health problem	Total	2	4	1	3	2	2	2
	Age	• 1x 35-44 • 1x 45-54	• 2x 35-44 • 1x 45-54 • 1x 55-64	• 1x 35-44	• 1x 35-44 • 1 x 45-54 • 1x 65-74	• 1x 25-34 • 1x 55-64	• 1x 25-34 • 1x 35-44	• 1x 35-44 • 1x 55-64
	Gender	• 2x Male	• 2x Female • 2x Male	• 1x Female	• 2 x Female • 1 x Male	• 1x Female • 1x Male	• 2x Female	• 2x Female
	Education	• 2x GCSE	• 2x No education • 1x NVQ Level 3 • 1x BTEC Level 3	• 1x Secondary school	• 1x Secondary school • 1x No education	• 1 x Secondary school • 1x HND	• 1x A Level • 1x O Level	• 1x Highers • 1x No education

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					• 1x NVQ Level 3			
	Mental health problem	<ul style="list-style-type: none"> • 1x Personality Disorder and Depression • 1x Alcohol Dependency 	<ul style="list-style-type: none"> • 2x Depression and Anxiety • 1x Anxiety and Agoraphobia • 1x Addiction Recovery, Depression, Psychosis 	• 1x Anxiety	<ul style="list-style-type: none"> • 1x PTSD and Depression • 2x Depression and Anxiety 	<ul style="list-style-type: none"> • 1x Depression • 1x Alcohol Dependency 	• 2x Depression and Anxiety	<ul style="list-style-type: none"> • 1x Depression • 1x PTSD
	Total	3	3	4	2	2	2	2
Consumers on low income plus physical health condition	Age	<ul style="list-style-type: none"> • 1x 25-34 • 1x 45-54 • 1x 75+ 	<ul style="list-style-type: none"> • 1x 23 • 1x 38 • 1x 54 	<ul style="list-style-type: none"> • 1x 50 • 1x 55-64 • 2x 75+ 	<ul style="list-style-type: none"> • 1x 25-34 • 1x 75+ 	• 2x 75+	<ul style="list-style-type: none"> • 1x 35-44 • 1x 75+ 	<ul style="list-style-type: none"> • 1x 35-44 • 1x 65-74
	Gender	<ul style="list-style-type: none"> • 2x Female • 1x Male 	<ul style="list-style-type: none"> • 2x Female • 1x Male 	<ul style="list-style-type: none"> • 1x Female • 3x Male 	• 2x Male	• 2x Female	<ul style="list-style-type: none"> • 1x Female • 1x Male 	• 2x Female
	Education	<ul style="list-style-type: none"> • 1x GCSE • 1x Degree • 1x NVQ 5 	<ul style="list-style-type: none"> • 1x Secondary School • 1x NVQ Level 3 • 1x No education 	• 4x Secondary school	<ul style="list-style-type: none"> • 1x No education • 1x Degree 	• 2x Secondary school	<ul style="list-style-type: none"> • 1x GCSE • 1x No education 	<ul style="list-style-type: none"> • 1x HND • 1x No education

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	<p>Physical health condition or disability</p>	<ul style="list-style-type: none"> • 1x Osteoarthritis • 1x Fibromyalgia • 1x Nerve Damage 	<ul style="list-style-type: none"> • 1x COPD • 1x Fibromyalgia • 1x Epilepsy 	<ul style="list-style-type: none"> • 1x Autism and ME • 1x Prostate Cancer • 1x COPD • 1x Rheumatoid Arthritis 	<ul style="list-style-type: none"> • 1x Congenital Arm Defect • 1x Severe Visual Impairment 	<ul style="list-style-type: none"> • 2x Mobility Issues 	<ul style="list-style-type: none"> • 1x Fibromyalgia • 1x Arthritis and Diabetes 	<ul style="list-style-type: none"> • 1x Back Injury • 1x Angina
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9.3 Recruitment screening information

Consumers were selected to take part in this research based on the following criteria.

Demographic information:

- **Age:** a spread of ages, including a maximum 25 who are 65+, and a minimum 75+
- **Sex:** a mix, including minimum 15 male respondent and minimum 15 female respondents
- **Ethnicity:** minimum 6 BAME respondents
- **Employment:** a spread of employed/unemployed/retired respondents including maximum 15 retired respondents and minimum 15 respondents in employment (full or part time)
- **Education level:** this was recorded, but not used as a screening criteria
- **Income:** all participants to be low income defined as average household weekly income of £300 after tax, including all sources of income, including earnings, benefits and pension
- **Living situation:** a spread of living situations (including living alone / living with others / living with children under 18)
- **Car ownership:** a mix of participants who do and do not own a car
- **Location:** a spread across urban and rural areas
- **Physical or sensory disability:** minimum 10 adults on a low income self-identifying as having a long-term illness, health problem or impairment that limits their daily activities. Participants to have a spread of impairment levels, and there to be a mix of participants with congenital and acquired impairments. Within that to include 2 participants with physical impairments, 2 with visual impairments, 2 with auditory impairments and 2 living with multiple conditions.
- **Mental health problem:** minimum 10 adults on a low income self-identifying as having a mental health problem. Participants to have a spread of impairment levels and a spread of mental health problems. To include 2 participants who have not been diagnosed and 2 living with multiple conditions.
 - *Participants were screened out who have had any kind of experience in the last 12 months in relation to their mental health problem that might have made taking part in the research particularly difficult.*

Information about their interactions with service markets:

- **Key markets:** participants with a spread of products in the energy, telecoms, consumer credit and insurance markets

- **Energy:** a spread of methods of payment including prepayment meter, fixed payment tariff, variable payment tariff, debt-repayment meter. Include those who are on Priority Service Register.
 - **Telecoms:** a spread of services bought, including 'bundled' services. Within that:
 - **Mobile:** a spread of methods of payment including 6 with 'pay-as-you' go contract, 6 with a 'fixed monthly' SIM-only contract, and 6 with a 'fixed monthly' contract that includes their handset
 - **Internet services:** a spread of experience including 6 with broadband and phone line rental 'fixed monthly' contract, 6 with a broadband only 'fixed monthly' contract, 6 who only use mobile internet (e.g. through a smartphone, tablet or internet dongle plugged into a laptop or computer)
 - **Consumer credit:** a spread of those who have bought or renewed credit products in the past 2 years, including 5 with credit cards, 5 with payday loans and 5 with store credit or hire purchase plans (by which you pay for a product in instalments)
 - **Insurance:** a spread of those who have bought or renewed insurance products in the past 2 years, aiming for 10 with home insurance, 10 with car insurance, 2 with life insurance/critical illness/income protection/payment protection insurance, 2 with private medical or dental insurance, and 2 with travel insurance
- **Responsibility for markets:** All to have responsibility (either sole or joint) for making household decisions about the relevant markets
 - **Switching:** a mix of those who have switched suppliers or considered switching suppliers in any of the key markets in the last two years and not
 - **Getting a better deal with current suppliers:** record those who have got a better deal with their suppliers in any of the key markets in the last two years and not

Attitudinal statements

- **Vulnerability:** Participants were asked whether they agree or disagree with the below statements. They were to code against at least 1 blue box, indicating areas of their life which might make them more vulnerable in their interactions with service markets. At least 10 were to code against 3 blue boxes.

Statement	Agree	Disagree
I am a very sociable person and like to have people around me		

I make sure to organise social activities with friends or family at least once or twice a week		
I know I ought to get out and about but I sometimes find it hard to feel motivated enough to leave the house		
Sometimes I feel like I need help with certain things but that I do not have anyone I can ask to help me		

- **Interactions with service markets:** Participants were asked whether they agree or disagree with the below statements. They were to code against at least 1 blue box, reflecting behaviours and attitudes which might limit their ability to get good value for money in the key service markets. At least 10 were to code against 2 blue boxes.

Statement	Agree	Disagree
I feel confident shopping around online for these types of services and products		
I research these types of services and products online (for example on price comparison websites) before buying them		
Sometimes I feel like I could be getting a better deal on these types of services and products but I'm not sure how to get one		

9.4: Research materials

9.4.1 Overview of discussion guide

The following overview summarises the points covered in the and was adapted for all depth interviews, ethnographic sessions and focus groups.

Section	Key discussion points and activities
Section 1: Introduction	<ul style="list-style-type: none"> • Moderator introduction, covering explanations of and BritainThinks and CMA, purpose of the research and confidentiality rules. • Consent and permission to record sought from participant. • Opportunity for participant to ask questions about the research.
Section 2: You and your life	<ul style="list-style-type: none"> • Participant introduction, covering attitudes to their life, daily routine, living situation, social networks, employment and pressures on their time. • Transport use, covering impact of lack of/ access to a car.

	<ul style="list-style-type: none"> • For those with a disability or mental health problem, introduction to their condition and the impact on their lives.
<p>Section 3: Managing money and getting value for money</p>	<ul style="list-style-type: none"> • General discussion on managing money, covering methods of managing money, confidence in managing money overall and comparing confidence in doing so across different products and services. Exploring tactics that consumers use to help to manage their money, in particular impact of access to gateway products and use of online tools. • Perceptions of ‘good value for money’, whether this is something participants think about, in what circumstances and its relative importance for different their products and services. Also exploring how easy or difficult it is to know if you are getting good value for money in across different products and services. • Specific experiences of good and bad value for money, as identified in online community. Understanding perceptions of how good value for money was achieved and what they think helped, and perceptions of what influences getting bad value for money. • Impact of inconsistency of getting good value for money across different products and services on their lives and whether this is considered fair. • Grocery shopping, covering barriers to getting good value, methods for getting good value and how they would prefer to shop.
<p>Section 4: Key market deep dive</p>	<p><i>All markets covered in each interview. For each market following areas were covered, before digging deeper into specific lines of questioning for each market:</i></p> <ul style="list-style-type: none"> • Information about specific service bought in that area, covering methods of payment, amount paid, supplier. • Experience of that supplier, covering any negative experiences, how those were managed and impact on participant’s life. For those with a disability or condition, discussion on impact of their experience, and views on disclosure. For those 65+, discussion on views of how older customers are treated by supplier. • Contact with supplier, including means of contact from supplier, frequency, level of engagement with supplier, and views on information from supplier. Specific examples of good/bad contact with supplier.

	<ul style="list-style-type: none">• Knowledge of contract in place, covering contract end, renewal procedure, and if participants plan to act when contract ends.• Length of time with supplier, covering decision to sign up with supplier where applicable, what prompted signing up with supplier, where this decision was made, and reasons for staying with supplier or switching.• Experiences of switching or thinking about switching, covering reasons for doing so, what prompted them, what was easy/difficult, whether they feel they achieved good value for money by doing this, and if they would consider switching again based on this experience. Impact of disability or condition on choice available.• Experiences of changing contract or tariff while staying with the same provider, including what prompted this, how easy/difficult it was and whether they would do it again. Impact of disability or condition on choice available.• Feelings towards supplier overall, covering trust, especially in relation to giving them good value for money.• Perceptions of getting good value for money in relation to this service, covering outcomes and any help needed to get good value for money. <p><i>Additional areas explored for key markets:</i></p> <p>Energy</p> <ul style="list-style-type: none">• Differences or impact of housing situation, particularly living in temporary accommodation or other less stable housing situations• Impact of different payment methods and related factors e.g. direct debit, pre-payment meters, smart meters• Awareness and experiences of support e.g. Priority Services Register, Winter Fuel Payment, Warm Homes Discount, capped pricing• Awareness and understanding of key terminology e.g. Standard Variable Tariff, capped tariff, direct debit, dual fuel discount, estimated billing <p>Telecommunications, including broadband, mobile phone, pay TV and fixed line rental</p> <ul style="list-style-type: none">• Additional factors influencing choice of product/service/supplier and conception of a good deal in each specific service within this market e.g. broadband speed and coverage for home internet• Awareness and impact of 'bundling' on choice, ability to identify value for money, understanding of contract and (perceived) ability to switch or change contract/tariff• Impact of any challenges in this market on their lives more broadly and on other markets, e.g. challenges with
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	<p>internet access impacting on ability to achieve a good deal in the other markets</p> <ul style="list-style-type: none">• Awareness and understanding of key terminology e.g. bundles, packages, coverage, pay as you go, SIM only <p>Consumer credit</p> <ul style="list-style-type: none">• Financial capability and confidence and impact of that on engagement in this market• Reliance on credit and reasons for accessing credit products, and impact of this• Differences by or impact of type of credit product (e.g. credit cards, payday loans, store cards etc.) and frequency of payment• Perceptions of choice and factors which may be restricting choice, such as existing debt or factors related to age/health condition/disability• Approach to paying off debt• Awareness and experience of credit rating and credit referencing agencies, including ease and difficulty of engaging with credit referencing agencies• Awareness and experience of support e.g. debt management advice• Awareness and understanding of key terminology e.g. APR, credit limit, default, interest, minimum monthly payment <p>Insurance (prioritising home (i.e. building, contents or combined insurance) and car insurance)</p> <ul style="list-style-type: none">• Differences by those who have and have not claimed on their insurance, and experiences of claiming• Impact of living situation i.e. renters compared to home owners• Reasons for <u>not</u> accessing home (contents) insurance beyond reasons related to living situation• Awareness and understanding of how insurance premiums are calculated and factors that impact on this• Awareness and understanding of key terminology e.g. APR, premium, excess, no claims discount/bonus, <p><i>The following potential solutions to help low income and vulnerable consumers were tested and explained verbally by moderators.</i></p> <ul style="list-style-type: none">○ Prompts to think about changing supplier, covering preferred channel and messenger for receiving these○ Receiving advice about how to manage money and bills in general
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	<ul style="list-style-type: none"> ○ More favourable deals for consumers who disclose that they are on low incomes or have a disability or a health condition ○ Ways of getting quotes for suppliers based on what you've been spending over time to help you work out the best deal to meet your needs ○ Information on how much money you could save by switching supplier, for example by using a price comparison website ○ Being automatically switched to the best tariff by your provider ○ A third-party automatic switching service which can automatically put you on the best deal, covering reactions to exchanging money/information for this service
<p>Section 5: Attitudes</p>	<ul style="list-style-type: none"> ● Comparison of getting value for money across different products/services, how easy/difficult it would be to switch tariff/provider and priorities for getting better value for money – as well as any impacts of contracts ending at same time. ● Perceptions of what kind of person gets better/worse value for money in service areas and if its someone like them. ● Perceptions of whether longstanding customers get better/worse value for money than new customers. ● Opinions on Citizens Advice 'loyalty penalty' research, covering fairness, who is likely to be most affected, extent of the problem, and whether they are affected. Also covering reaction to estimate that some loyal customers could be £900 worse off.
<p>Final section</p>	<ul style="list-style-type: none"> ● Concluding comments, thoughts, payment of incentive, opportunity to ask any further questions. ● Information provided about final task in online community.

9.4.2 Online community activity plan

The following overview summarizes the tasks that participants completed ahead of and following their face-to-face interview. The majority of participants completed these tasks on a specialist online research platform, and the activities were adapted for those who needed to complete them offline or in alternative formats.

Section	Key discussion points and activities
Activity 1: You and your life!	<ul style="list-style-type: none"> • Introduction to you and your life [Video task with option to write text]: including living situation, local area, how they spend their time, hopes and concerns for the future. • A typical day in your life [Written task]: covering how a typical week day is spent, what they enjoy most about the day, what is more difficult/stressful, if any help or support is used or needed.
Activity 2: Getting value for money	<ul style="list-style-type: none"> • How you do your shopping and spend your money [Written task]: covering how they shop (e.g. online/instore); what's most important in this process; what they spend money on in a typical month/more occasionally and how they pay for them; and fluctuation/stability of spending. • Getting value for money [Written task]: covering last 6 months, a time when they got good value for money and why and a time when they got bad value for money and why. <ul style="list-style-type: none"> ○ Rating a range of products and services on a sliding scale of 1 – 5, with 1 representing bad value for money and 5 good. • Reminder of upcoming face to face interview.
Face-to-face interview takes place	
Activity 3: Reviewing bills and contracts	<ul style="list-style-type: none"> • <u>Your bills and contracts</u> [Written and video/photo task]: covering how easy/difficult it was to find, how the information was presented and how easy/difficult it was to understand, anything that was new or surprising, and if they are planning to do anything as a result of reviewing their contracts. • <u>For those that could not find their bill or contract:</u> what information they would have liked to find in there, how important it is they could find that information, and if there

	<p>would be another way of finding it without seeing a bill or contract.</p>
<p>Activity 4: Thinking about your options</p>	<ul style="list-style-type: none"> • Getting better value for money [Written task]: <ul style="list-style-type: none"> ○ <i>Spontaneous perceptions:</i> Participants to imagine they are looking for better value for money in this market and explain what steps they would take to get a better deal, use of PCWs, and views on whether PCWs are more effective for some services than others. ○ <i>Price Comparison Websites:</i> Heatmapping exercise of screenshots of 2 PCWs, highlighting things that are more/less effective in helping them get a good deal. Views on missing information that would have helped them get a good deal ○ <i>Automatic Switching:</i> Explanation of automatic switching. Heatmapping exercise of a mocked-up text and letter from a service provider, and a screenshot of a third-party automatic switching service. Highlighting things that are more/less effective in helping them get a good deal. ○ Views on automatic switching, whether they would use it, who would be trusted to provide this service and if it would be more useful for some products/services than others. ○ <i>Collective Switching:</i> Explanation of collective switching and Ofgem trial, whether they would use it, who would be trusted to provide this service and if it would be more useful for some products/services than others. ○ Overall whether they prefer the idea of automatic or collective switching. • Final thoughts [Written task]: Covering likelihood of looking for better value for products/services in future, comparing across markets. Views on what is most helpful to get good value, whose responsibility it is to help get good value, and final advice.

MADE ON BEHALF OF: APPLICANT / PROPOSED CLASS REPRESENTATIVE
NAME OF WITNESS: JUSTIN LE PATOUREL
NUMBER OF STATEMENT: 1
EXHIBITS: JLP1 – JLP22
DATE: 15 JANUARY 2021

Case Number: []

IN THE COMPETITION APPEAL TRIBUNAL
BETWEEN

JUSTIN LE PATOUREL

Applicant / Proposed Class Representative

and

BT GROUP PLC

Respondent / Proposed Defendant

EXHIBIT JLP13

This is the exhibit marked "JLP13" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021



BT Vulnerability policy statement

Customer vulnerability at BT

At BT we live by our values – Personal, Simple & Brilliant. We're committed to treating all our customers fairly and with respect, and this is demonstrated through our investment in training our people. Our training covers customer service as well as specific areas of support like disability, mental health and recognising those who are in vulnerable situations.

We know that there's lots of different factors and life events that can cause vulnerability, whether it be long-term or on a temporary basis. It could be because of age, a physical or learning disability or difficulty in communicating. We also understand that challenging circumstances and events like bereavement or separating from a partner can mean that you need some extra support to help keep you connected while you get back on your feet.

To give our customers the best experience we listen to their feedback and continually monitor our advisor interactions. Our focus is always to make sure that our customers get the best possible service and support when they need it most.

We'll do our best to offer you the right level of help and the most appropriate products and services to support you. Our customer support team will always try to identify specific needs to provide specialised help where it's needed. Sometimes it isn't always easy for us to realise if you're experiencing difficulties, so please let the team know if you think they can help.

If you're in a vulnerable situation and need extra help, tell us by calling 0800 919 591: Monday to Friday 8am to 5pm. Or if you prefer, next time you have a reason to call us, let our advisor know and they'll make a note of it on your account so that we can consider your extra needs when you contact us next time. It'll help us to help you better in the future. Alternatively, you can use one of our other contact methods on the [contact us](#) page. You can also give your permission for someone else to contact us on your behalf. Don't worry, any information you give us will be treated in confidence and in accordance with data protection law.

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EXHIBIT JLP14

This is the exhibit marked "JLP14" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021

Poverty in later life

October 2020

Introduction

Age UK believes that all current and future pensioners should have enough money from state and private sources to live comfortably and participate fully in society. However, too many older people in the UK face poverty and financial disadvantage which prevents them making the most of later life. This briefing looks at levels of pensioner poverty in the UK, changes over time, groups at greatest risk and what life is like for older people living on a low income.

Key Points

- Although poverty levels are lower than they were 20 years ago, 1.9 million (16 per cent) of pensioners in the UK live in poverty.
- Some groups of older people are at particular risk of being in poverty –
 - 34 per cent of private tenants and 29 per cent of social rented sector tenants, live in poverty compared to 12 per cent of older people who own their home outright.
 - 33 per cent of Asian or Asian British pensioners and 30 per cent of Black or Black British, are in poverty compared to 15 per cent of white pensioners.
- Financial disadvantage is not just about income – for example, people may have higher costs if they have disability or care needs, or have to spend more on heating if they live in a cold, poorly insulated home.
- The Government should set out a clear reform programme, in partnership with third sector organisations, to abolish poverty in later life.
- In an ideal world, the State Pension system should provide an income sufficient to cover basic needs, and everyone would have opportunities to

build up additional private incomes which would allow a comfortable retirement.

- However, there is a long way to go to achieve this aim and, in the meantime, far more needs to be done to increase the take-up of benefit entitlements.

What do we mean by poverty?

We consider people to be living in poverty when their resources are not enough to meet their basic needs and to allow them to take part in society. This could mean struggling to cover food and energy bills, watching every penny spent, worrying that nothing is set aside for a sudden emergency such as the cooker breaking down, or being unable to afford the cost of transport to visit a friend or go to a social club.

Poverty and low income can be defined and measured in different ways and people's individual needs and circumstances vary. However, the most commonly used definition is to say that someone in the UK is in poverty if they live in a household with an income below 60 per cent of current median (or typical) household income, taking into account the number of people living in the household. Unless otherwise stated, in this paper we define poverty in this way, and we use figures calculated after people have met their essential housing costs. These figures are drawn from the annual DWP *Households Below Average Income* (HBAI) statistics – see the appendix for more information.

Other ways to look at poverty include:

- Material deprivation, which is measured by asking if people lack certain goods and services and is also covered in the HBAI report (see below).
- Minimum income standards – these look at the cost of goods and services required by different households to reach an acceptable standard of living, as seen in the extensive work by Joseph Rowntree Foundation.ⁱ
- Self-reported measures - people are asked how well off they consider themselves.
- Measures based on range of factors, not just income. For example, the Social Metrics Commission is developing a measure that aims to include 'inescapable costs' and takes also into account any savings someone has access to.ⁱⁱ

Why are people in poverty in retirement?

People's financial position in retirement, is generally linked to their circumstances over the course of their lifetime. Private pension provision, in particular, is closely related to employment history – both time spent in work and earnings levels. On average, women have lower individual retirement incomes than men reflecting their

lower average earnings and time out of the labour market or working part-time raising children and providing care to older and disabled relatives or friends. Other factors associated with lower income (before and after retirement) are being from a minority ethnic group, disability, caring and being self-employed. The impact of these, overlapping, characteristics are explored in the Pensions Policy Institute work on the 'underpensioned'.ⁱⁱⁱ

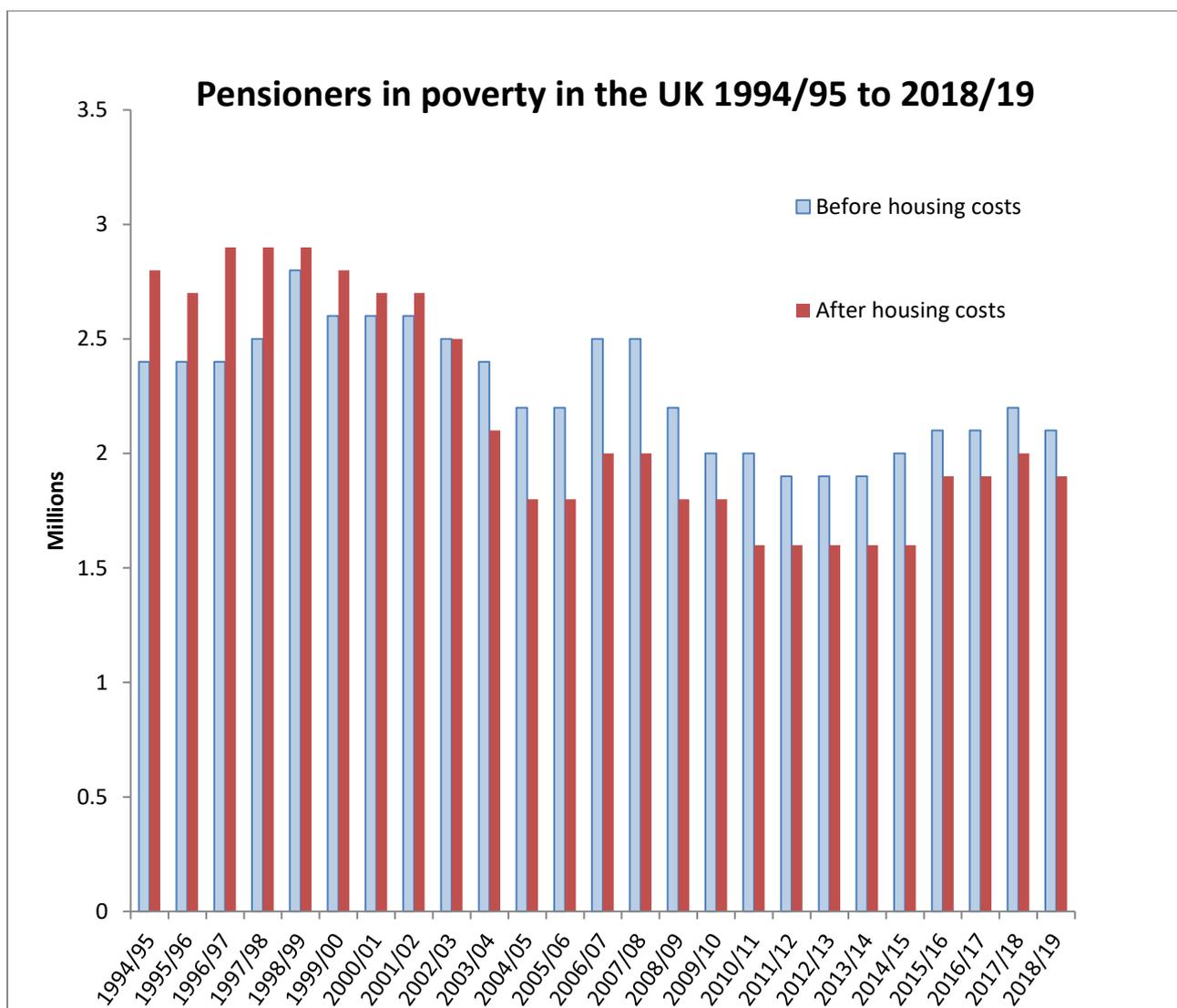
As well as lifetime income, retirement finances are affected by decisions people take about saving. However, even the best financial plans can be thrown off track by life events such as illness, redundancy, bereavement, or relationship breakdown.

Once people have reached retirement, they often have little opportunity to increase pension income or savings, however, they may be able to improve their financial situation by claiming social security entitlements. Worryingly, many miss out on these rights – the latest estimates show around £2.8 billion of Pension Credit and Housing Benefit alone are unclaimed by pensioners every year in Great Britain.^{iv} Older people may not know what is available for them, may feel they are not entitled to any help, may be put off by the process of claiming, or struggle on alone reluctant to ask for help.

Levels of pensioner poverty in the UK and changes over time

Based on the most commonly used definition set out above (that is, income of less than 60 per cent typical household income after housing costs) 1.9 million pensioners (16 percent) are living in relative poverty.^v

The chart below shows poverty rates before and after housing costs. The number of pensioners in poverty is lower than 20 years ago. Looking at the after housing costs measure, the main reduction occurred in the first decade of this century. Since 2010/11 the numbers remained steady at 1.6 million for some time until 2015/16 when, worryingly, numbers started to rise reaching 2 million in 2017/18 then falling slightly to 1.9 in the most recent year.



Source: *Households below average income 1994/95 to 2018/19*, DWP 2020.

A similar picture is found if we look at the percentage, rather than the numbers, living in poverty. After housing costs, 29 per cent of pensioners were in poverty in 1998, falling to between 13 and 14 per cent in the first half of this decade (2010/11 to 2014/15) then rising to 16 per cent where it has remained for the last few years.

The risk of being in poverty

As stated above, in 2018/19 16 per cent of pensioners in the UK had incomes, after housing costs, of less than 60 per cent median household income.

- Of these, over half (or 9 per cent of all pensioners) had incomes of less than 50 per cent median income (sometimes described as 'severe poverty').
- 9 per cent had incomes above 60 per cent but less than 70 per cent, of median income (sometimes described as 'just above the poverty line').

Some groups of pensioners are at greater risk of living in poverty^{vi}:

- Tenants: 34 per cent of private tenants and 29 per cent of social rented sector tenants, compared to 12 per cent of older people who own their home outright.
- Black and minority ethnic pensioners: 33 per cent of Asian or Asian British pensioners and 30 per cent of Black or Black British, compared to 15 per cent of white pensioners.^{vii}
- Older pensioners: 18 per cent of those aged 80-84 and 21 per cent of those aged 85 compared to 15 per cent of 65-69 year olds.
- Women: 14 per cent of women compared to 17 per cent of men.
- Single older women: 22 per cent of single women pensioners, compared to 19 per cent of single men and 13 per cent of couples.

Material Deprivation

The annual DWP HBAI report also includes a measure of 'material deprivation' among people aged 65 and over. This is based on questions asking if people have access to 15 basic items or services that research has shown to be a good indication of quality of life among older people: for example - having a damp free home, being able to pay regular bills, and seeing friends or family at least once a month. People are considered to be in material deprivation if they reach a certain threshold which links to lacking 3 or 4 items or more. The latest figures from DWP, found that around 700,000 people aged 65 or over (6 per cent) were in material deprivation in 2018/19.

In the survey, if respondents do not have the item, or do not take part in the activity, they are asked why not. They can say that they do not have money for the item, or they can choose other options, such as their health prevents them, or it is too much trouble.

The table below gives the responses to some of the items and the main reason people gave for saying no. For example, it shows that six per cent of people aged 65+ say they would not be able to replace their cooker if it broke, with the main reason being lack of money. On the other hand, health or disability is the most common reason why a fifth (19 per cent) of people do not go out socially at least once a month.

Material Deprivation selected items and services lacking among pensioners aged 65 and over: and the most common reason for ‘no’ response, 2017/18^{viii}

Item of Material Deprivation	Percentage 65+ responding no	Most common reason for ‘no’ response
Being able to replace cooker if it broke down	6	No money for this
Able to pay regular bills	2	No money for this
Having a damp free home	5	Other reason
Keeping the home adequately warm	2	No money for this
Have access for a car or taxi, whenever needed.	7	No money for this
Go out socially at least once a month	19	Health/disability prevents me
Take a holiday away from home	36	Health/disability prevents me

In addition, 8 per cent of people aged 65+ said they would not be able to meet an unexpected expense of £200.

The link between low income and material deprivation

As set out above, 16 per cent of pensioners are in relative income poverty and 6 per cent of those aged 65+ are in material deprivation. However, only two per cent of people aged 65+ are in both relative poverty and material deprivation.^{ix} This may reflect the different options people can give to the material deprivation questions – for example, responses include health and other barriers. This makes material deprivation a measure reflecting disadvantage more broadly than looking at income alone. Having said that, even if money is not the main reason for a ‘no’ response, information provided in the HBAI tables shows this still has an impact. For example, health or disability is given as the main reason why around a fifth of all aged 65+ say they do not go out socially at least once a month. However, among the poorest fifth of people aged 65+ the proportion who do not go out once a month is much higher (26 per cent) than among the richest fifth (8 per cent).

Financial disadvantage is not just about income

Qualitative research conducted for the DWP explored the links between income poverty and material deprivation.^x This found that although income influences material circumstances, a much wider range of factors contribute to ‘pulling up’ or ‘pushing down’ the position of a person living on a low income. These include: social support networks, health, financial management, area and housing support, and attitudes and priorities.

Age UK carried out interviews with older people who told us they were finding it difficult to manage financially or were only just getting by.^{xi} Often this was about increasing costs as well as income. People were spending more on utilities, healthcare items, and paying for services or jobs at home than they had done previously. Heating bills were a worry – older people tend to spend a lot of time at home and some live in cold poorly insulation properties. One interviewee told us:

‘In winter the bills are very, very heavy. You go to my room now, it’s very cold. There’s nothing I can do to heat my room in winter, it takes ages to start warming up.’

When the people we talked to, or their partner, had health conditions and care needs this could entail extra costs. For example, one woman caring for her disabled husband said:

‘The washing machine has to go on every day because [the carers] use a lot of towels. And he gets clean sheets four or five times a week if his catheter bypasses. It all has to be paid for.’

Nationally a quarter (25 per cent) of pensioners have no savings. While the people we interviewed all recognised the importance of having a savings cushion to fall back on, not everyone had this. And some had debts that they were struggling to pay. One said:

‘I’ll have these debts until I die. It will take me that long to pay them off, I know I won’t.’

We found that people used various mechanisms to cope with living on a low income including: maximising income through claiming benefits, staying in work (in the case of 2 people in their early 70s), cutting down, doing without wherever possible, turning down social invitations due to cost, and adopting a mind-set of ‘making do’. However, constant and careful money management can be stressful and can mask the levels of financial hardship people are experiencing.

Age UK's also hears from many older people struggling to manage on their income or faced with an unexpected bill they cannot pay through the calls to our national Advice line. Some examples are:

- A woman called to ask if there was any help for her mother who had dementia and was receiving care at home. Her boiler had broken down and she was without hot water and heating and had no way to pay for a replacement.
- A widow in her 70s who had downsized to a flat and was on a low income was finding it difficult to meet the service charges. She had used up her savings and had an overdraft and was looking for help with her debt, as she risked breaking the terms of her lease.
- A disabled woman with serious health problems contacted us as she and her husband had the opportunity to exchange social housing properties and move to a smaller place which would be better for her health. However, she had been turned down for any help with moving costs and didn't know where else they could turn to for help.
- An older woman had not been able to use her shower for several months because it was leaking. Although she has had a handrail and seat fitted, she had health problems and didn't feel secure, but had been told she was not disabled enough for a wet room and she would have to have the repairs done herself. These would cost £2000 or more which she could not afford.

Conclusions and what needs to be done

Some people can look forward to a comfortable retirement, and it is good news that poverty levels are considerably lower than they were a couple of decades ago. However, there are still nearly 2 million pensioners living in poverty. The impact on current and future poverty should be considered in all policy decisions which are likely to affect retirement income, and while income poverty is easiest to measure and track, it is important to continue to look at other measures, such as material deprivation and the JRF Minimum Income Standard, which provide a broader picture of the experience of older people.

Age UK's policy calls

- The Government should urgently explore why the fall in pensioner poverty has stalled, and set out a clear reform programme, in partnership with third sector organisations, to abolish poverty in later life.
- The State Pension system should provide an income sufficient to cover basic needs and, in addition, people need opportunities to build up private incomes which allow a comfortable retirement.
- If everyone had an adequate income from pensions, there would be far less need for means-tested top ups and additional one-off payments such as the winter fuel

payment. However, there is a long way to go and, in the meantime, it's important that current support is maintained and benefit take-up needs to be increased through: on-going publicity, changes to administration and looking at ways of placing less onus on the individual to navigate a complicated system of benefits.

- Financial disadvantage also needs to be addressed through good social support, affordable essential goods and services, and access to information, advice, and practical help to enable people to maximise their income and make the most of what they have.

Appendix

The Households below average income (HBAI) statistics

These annual DWP statistics provide a wide range of information about poverty and low income.^{xii} In this briefing we mainly use a definition of relative poverty whereby people are considered to be in poverty if they live in a household with an income of less than 60 per cent of contemporary household income. HBAI also looks at 'absolute poverty' using 2010/11 household income, as a baseline.

While 60 per cent is the threshold generally considered as the poverty line, figures are also given on the numbers and proportion of people with incomes below 50 per cent and 70 per cent of household income.

Income is net of taxes such as income tax, National Insurance, and council tax, and can be measured before or after housing costs (BHC or AHC). If income is on an 'after housing costs' basis this is the income remaining once people have paid certain costs such as rent, mortgage interest and water charges.

To compare living standards of different size households, income is adjusted to take into account people living in the household using an agreed scale – described as 'equivalisation'.

The DWP gives this example:

Consider a single person, a couple with no children, and a couple with two children aged twelve and ten, all having unadjusted weekly household incomes of £300 (BHC). The process of equivalisation, as conducted in HBAI, gives an equivalised income of £448 to the single person, £300 to the couple with no children, but only £214 to the couple with children.^{xiii}

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ⁱ <https://www.jrf.org.uk/income-benefits/minimum-income-standards>

ⁱⁱ <https://socialmetricscommission.org.uk/>

ⁱⁱⁱ <https://www.pensionspolicyinstitute.org.uk/research/research-reports/2016/2016-03-01-the-under-pensioned-2016/>

^{iv} Income-related benefits: estimates of take-up 2017-18, DWP 2020.

<https://www.gov.uk/government/collections/income-related-benefits-estimates-of-take-up--2>

^v *Households below average income: an analysis of the income distribution 1994/95 – 2018/19*, DWP, 2020.

<https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201819>

^{vi} *Households below average income: an analysis of the income distribution 1994/95 – 2018/19*, DWP, 2020.

<https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201819>

^{vii} Due to the small number of older people in non-white groups this is based on a three year average

^{viii} *Households below average income: an analysis of the income distribution 1994/95 – 2018/19*, DWP, 2020.

<https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201819>

^{ix} <https://stat-xplore.dwp.gov.uk/webapi/jsf/login.xhtml>

^x Kotecah, M. Arthur, S and Coutinho, S (2013) *Understanding the relationship between pensioner poverty and material deprivation*. DWP

^{xi} https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/money-matters/lr-6064-age-uk-financial-hardship-final_v1.pdf

^{xii} *Households below average income: an analysis of the income distribution 1994/95 – 2018/19*, DWP, 2020.

<https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201819>

^{xiii}

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875331/households-below-average-income-quality-methodology-2018-2019.pdf

MADE ON BEHALF OF: APPLICANT / PROPOSED CLASS REPRESENTATIVE
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EXHIBIT JLP15

This is the exhibit marked "JLP15" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021

JUSTIN LE PATOUREL

PROFILE

Justin is a consultant in telecoms, broadcast and internet regulation, with a focus on competition and consumer protection issues. He advises clients in the UK and outside of Europe on topics as diverse as switching telecoms provider, Over The Top video services, regulatory market reviews, and hurricane preparedness.

Previously, Justin worked for Ofcom where he led and delivered key strategy and consumer policy work, including consumer switching, prevention of online copyright infringement, and ISP traffic management.

EDUCATION

Oriel College, Oxford University, BA, Politics, Philosophy & Economics

RECENT EMPLOYMENT HISTORY AND ACHIEVEMENTS

INDEPENDENT CONSULTANT 2016 - PRESENT

- **Consumer Switching**

UK mobile operators: 2018 - present. Chair of the UK's Mobile Number Portability Operator Steering Group, the mobile industry body responsible for managing compliance with regulatory obligations for switching.

Fern Trading: 2019 - present. Worked on industry proposals for a new regulated UK process to enable consumers to switch between providers operating on different fixed networks.

ABTD (Antigua & Barbuda Telecoms Division): 2020 - present. Advising on feasibility and implementation of mobile number portability into Antigua and Barbuda.

Darussalam Assets (Brunei state investment fund): 2019. Advising on implementation of mobile number portability, including stakeholder consultations and engagement, legislation for portability obligations, network and system readiness and testing, and awareness campaign.

Number portability workshops: 2017-19. Delivered in-country workshops covering legislative framework, operational processes, public education and promotion, and delivery, for:

- **GTT** (Guyanese telco)
- **BOCRA** (Botswanan telecoms regulator)
- **ABTD** (Antiguan telecoms regulator)
- **NTA** (Nepalese telecoms regulator)
- **Potraz** (Zimbabwean telecoms regulator)

DICT (Seychelles telecoms regulator): 2018 - present. Advising on implementation of mobile switching, including stakeholder consultations and engagement, legal framework for portability obligations, network and system readiness and testing, and consumer awareness campaign.

Nepal Telecoms Authority: 2017. Undertook detailed feasibility and Cost Benefit Analysis for the proposed introduction of mobile number portability into Nepal. Developed draft business rules, supporting legislative framework and implementation management framework.

CURRICULUM VITAE

Potraz (Zimbabwe telecoms regulator): Aug 2017 - present. Advising on feasibility and Cost Benefit Analysis for proposed introduction of mobile number portability into Nepal. Developed draft business rules, legislative framework and implementation management framework.

Barbados Telecoms Unit: Aug 2017 - present. Advising on the implementation of local number portability (fixed and mobile) in Barbados. Leading stakeholder programme, to prepare for launch.

ECTEL: 2018. Supporting regulator and stakeholders on local number portability implementation.

Channel Island telecoms operator: 2017. Advised on engagement with regulator on fixed number portability consultation process.

- **Due diligence and regulatory compliance**

Private equity firm: 2020. Advised on regulatory risks related to investment in a UK full-fibre provider.

Bandwidth (US VoIP provider): 2019. Provided guidance on EU regulatory framework for a US operator entering the European market, with a focus on emergency service access obligations, and the regulatory regimes applicable in France and Italy.

UK wireless start-up: 2018. Applied for regulated Electronic Communications Code powers to bypass planning restrictions associated with use of lampposts for a city wireless provider.

Swish Fibre: 2018. Applied for regulated Electronic Communications Code powers to bypass planning restrictions associated with digging up roads for a rural fibre provider.

German Number Portability Clearinghouse: 2017. Provided due diligence and buyer liaison for the owner of a clearinghouse seeking a trade buyer.

Resilient (corporate network provider): 2017. Advised on compliance with UK telecoms regulations, and commercial law, spanning obligations on Communications Providers, and consumer contract provisions.

- **Telecoms regulation**

Swish Fibre and Jurassic Fibre: 2019 - present. Regulatory advisor, representing both companies to Ofcom and DCMS on issues relating to BT wholesale, market reviews, and enforcement.

Turks & Caicos Telecommunications Commission: 2020 - present. Preparing regulatory framework for use of telecoms networks and services during hurricanes, based on international best practice.

City Fibre: 2018. Prepared operator response to Government green paper on Modernising Consumer markets, lobbying for a level playing field.

Turks & Caicos Telecommunications Commission: 2017 - present. Led a team to establish a new regulatory framework for broadcasting services, and IPTV / OTT TV in particular. Conducted public consultation exercise into television policy objectives, and options for delivering these, and provided recommendations for determination.

City Fibre: 2017. Prepared response to Ofcom consultation on local network access, focusing on demand-side switching interventions and international best practice on cross-platform switching.

OFCOM (UK COMMUNICATIONS REGULATOR) 2004 - 2016

2013 - 2016: Principal, Consumer Policy / Protection

Led teams of economists, lawyers, researchers and policy advisors to deliver projects aimed at empowering and protecting communications consumers. This included:

- As director of Ofcom's Consumer Policy switching work programme, developed interventions to make it simpler and more convenient for consumers to change their communications provider. This

CURRICULUM VITAE

included work on the process for transferring between providers operating on the national Openreach network, a similar process for the KCOM network in Hull, and designing the 'Auto-switch' process which enables consumers to switch mobile provider using text messages. Also involved in work to promote consumer engagement, such as requiring providers to prompt consumers when their contract ends (2013-16).

- Led Consumer Protection programme investigating how communications providers can make it difficult for customers who want to leave; conducted major investigation into a provider which was breaching regulations and identified remedies (2015-16).
- Worked on updating consumer-focused General Conditions of Entitlement (the UK's telco regulations), including requirements for information and publication transparency, metering and billing, complaints handling, dispute resolutions, and sales and marketing of mobile communication services (2015-16)

2010 - 2013: Head of Online Copyright Responsible for Ofcom's approach to online copyright policy.

- Reported to the UK Government on options for online copyright legislation.
- Interacted with public reviews of intellectual property and sat on the Intellectual Property Crime Group.
- Led the implementation of the online copyright infringement provisions of the Digital Economy Act, working with Government, internet service providers, and copyright owners.

2004 - 2010: Head of Market Intelligence Led a team of 11 which gathered and analysed data, and benchmarked performance and pricing, to provide strategic insight into the broadcasting, internet and telecoms sectors and fulfil statutory reporting functions.

- Directed major Ofcom publications such as the Communications Market Report, National Infrastructure Report, and Broadband Speeds and Traffic Management Reports.
- Led or contributed to policy projects, including the Public Interest Test into the acquisition of ITV shares by BSkyB, the economics of online content provision, and the regulatory issues raised by cloud computing.
- Led operational projects, including Ofcom's Annual Plan, and the development and delivery of bespoke software to automate operator data collection.

PREVIOUS CAREER EXPERICE

INDEPENDENT CONSULTANT: 1999 - 2004

Identified and negotiated broadcast rights, and developed strategy and secured funding for early-stage internet businesses. Projects included Media rights strategy and acquisitions and Internet strategy and finance for firms such as ITV Digital and Betbrain.

ABN AMRO (INVESTMENT BANK) 1997 - 1999: EQUITIES ANALYSIS: ASSISTANT DIRECTOR

BBC 1995 - 1997: STRATEGIST AND FINANCIAL MODELLER

PRICE WATERHOUSE COOPERS (MANAGEMENT CONSULTANCY) 1992 - 1995: ASSOCIATE

MADE ON BEHALF OF: APPLICANT / PROPOSED CLASS REPRESENTATIVE
NAME OF WITNESS: JUSTIN LE PATOUREL
NUMBER OF STATEMENT: 1
EXHIBITS: JLP1 – JLP22
DATE: 15 JANUARY 2021

Case Number: []

IN THE COMPETITION APPEAL TRIBUNAL
BETWEEN

JUSTIN LE PATOUREL

Applicant / Proposed Class Representative

and

BT GROUP PLC

Respondent / Proposed Defendant

EXHIBIT JLP16

This is the exhibit marked "JLP16" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021

Jane Vass O.B.E.

Profile

Expert in consumer affairs, with specialist expertise in ageing, and with a wide range of skills, including advocacy, communication, policy analysis and development and research, and experience of working with business, policy-makers and Parliamentarians at the highest level. In 2015 I was awarded an OBE in recognition of services to consumers of financial services.

Employment history

Independent consumer consultant

April 2020 to date

Consumer representation (e.g. as member of Pay.UK's End User Advisory Council), research, policy and communications advice.

Age UK (previously Age Concern)

2006 to March 2020

Director of Policy & Research

2016 to 2020

Head of Public Policy

2011 to 2016

A member of the Charity's senior management team, I was accountable to the Board of Trustees for the development and implementation of Charity policy. I represented Age UK in the media, negotiated with policymakers at the highest level and regularly deputised for the Charity Director and Chief Executive. From 2011 to 2016 I managed a team of 12 Public Policy advisers: in 2016 I took over responsibility for the Research team; and in 2017 I also became responsible for a team of technical advice support officers.

Programme Manager, Private Sector Policy

2010-2011

Leading a team of policy advisers, I had responsibility for the organisation's policy in relation to financial services, private pensions, employment and skills and consumer affairs.

Financial Services Policy Adviser

2006-2010

This was a new post. I was responsible for developing Age UK's policy on financial services and private pensions and building a public profile for the organisation.

Independent consumer consultant**1993-2006**

- *Research and policy advice* – research and policy advice on financial services for a range of clients, including the National Consumer Council, Personal Investment Authority, Financial Services Authority, Money Management Council and the Financial Ombudsman Service.
- *Consumer representation* – I represented consumers on many committees, including as a founder member of the Financial Services Consumer Panel, the Personal Accounts Delivery Authority (now NEST) consumer representative committee, the Mortgage Code Register of Intermediaries and the Council of the Ombudsman for Estate Agents.
- *Writing* – books and articles on tax and financial services for the consumer market, including Which?, the *Daily Mail Guide to Savings and Investing* and 10 editions of the *Daily Mail Tax Guide*.
- *Software specification* – designing the user interface and specifying the calculations for *TaxCalc* (tax return software).

Consumers' Association**1983-1993**

Head of the Financial and Economic Research Group - I joined as a project officer, researching and writing for Which? magazine and other Consumers' Association publications and developing policy. In 1988 I became head of the group, responsible for staff management and research quality, for developing Consumers' Association policy in financial services and representing the Association to the public, Government and the industry.

Hambro Provident Assurance Ltd.**1981-1983**

As a consultant in the mortgage subsidiary of Hambro Life, I was responsible for marketing annuity-based home income plans to intermediaries, reviewing the suitability of individual cases, and providing specialist back-up to advisers.

The Tantivy Press Ltd.**1980-1981**

Sales manager for a small specialist publishing house.

Education

St Hugh's College, Oxford - BA (Hons) English Language and Literature

CII Financial Planning Certificate, Certificate in Mortgage Advice & Practice

Main publications

- 2013 - 2015 *Agenda for Later Life* (lead author), Age UK
- 2003-2012 *Daily Mail Tax Guide*, Profile Books
- 2005 *Daily Mail Savings & Investments Guide*, Profile Books
- 2001 *Where next for financial advice?* Consumer Policy Institute
- 1999 *Equity release*, National Consumer Council
- 1998 *A guide to the provision of financial services education for consumers*, Financial Services Authority
- 1997 *A-Z of Ombudsmen*, National Consumer Council
- 1997 *Savings and Investments for Low-Income Consumers*, National Consumer Council
- 1996 *A quality-marking scheme for financial services: a discussion document*, Money Management Council
- 1985 to 2000 Regular contributor to *Which?*
-

Committee memberships

- 2018 to date End User Advisory Committee for Pay.UK
- 2015 to date Hazlemere Parish Council (currently Vice-Chairman)
- 2014 - 2019 Chair Money Advice Service working group on older people
- 2016 – 2017 Advisory group for the DWP Automatic Enrolment Review
- 2007 - 2010 Personal Accounts Delivery Authority Consumer Committee
- 2008 - 2010 HM Treasury Retail Financial Services Forum
- 1999 - 2003 Financial Services Consumer Panel
- 2001 - 2003 FSA Collective Investment Schemes Forum
- 1999 - 2008 Council Member, Ombudsman for Estate Agents scheme
- 1998 - 1999 Council Member, The Mortgage Code Register of Intermediaries
- 1997 - 2001 Inland Revenue Tax Law Rewrite Consultative Committee
- 1997 - 2001 PIA/FSA Training Advisory Panels
- 1994 -1997 PIA Working Party on Compensation for Pensions mis-selling
-

MADE ON BEHALF OF: APPLICANT / PROPOSED CLASS REPRESENTATIVE
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IN THE COMPETITION APPEAL TRIBUNAL
BETWEEN

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and

BT GROUP PLC

Respondent / Proposed Defendant

EXHIBIT JLP17

This is the exhibit marked "JLP17" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021

**BT COLLECTIVE PROCEEDINGS ADVISORY PANEL
PANEL AGREEMENT AND TERMS OF REFERENCE**

JUSTIN LE PATOUREL v BT GROUP PLC

PANEL AGREEMENT - TERMS OF REFERENCE

I. Background to the Proposed Collective Proceedings

- 1.1. Mr Justin Le Patourel (the "**Proposed Class Representative**") has instructed Mishcon de Reya LLP to assist with and prepare a stand-alone opt-out claim for collective proceedings before the Competition Appeal Tribunal ("**CAT**") against BT Group plc and/or any of its subsidiaries ("**BT**") (the "**Defendant**") in relation to the alleged excessive prices that BT charged its customers from 1 October 2015 - the proposed members of the class – in the standalone fixed-voice market (and possibly related market(s)) (the "**Proposed Collective Proceedings**").
- 1.2. The allegations of excessive prices charged by BT stem from a regulatory decision by Ofcom and subsequent commitment by BT to reduce the price it charged some of its standalone fixed-voice ("**SFV**") customers for landline provision.
- 1.3. Ofcom found that from around 2011 most consumers moved to purchasing their line rental as bundles with other telecommunications. However, there remained a subset of customers that continued to purchase unbundled SFV services and these customers were being charged prices above normal competitive levels. In 2017, in response to Ofcom's findings, BT offered voluntary commitments to Ofcom for a three year period from April 2018 to reduce the price it charged customers that purchased SFV services only. Ofcom's intervention only prevented BT from continuing to exploit its customer base; it did not compensate them for past wrong-doings.
- 1.4. Our initial view is that there is therefore a very good claim against BT for an exploitative abuse(s) of dominance in breach of Chapter 2 of the Competition Act 1998.
- 1.5. On this basis, Mishcon de Reya LLP were originally retained and instructed by Harbour Fund V, L.P. to commence the Proposed Collective Proceedings. It is anticipated that the Proposed Collective Proceedings will be filed in November 2020 following which the first stage will involve the application for the CAT to make a collective proceedings order ("**CPO**") authorising the Proposed Class Representative and certifying the claim as eligible to be included in an opt-out collective proceedings.
- 1.6. The Proposed Collective Proceedings will seek damages for the losses suffered by the class as a result of the excessive price charged by BT. Once the CPO has been made, the matter will progress to a trial of the common issues (and determination of any individual issues) unless the case settles first. After success at trial or settlement, the damages will be distributed amongst the class members using a distribution method approved by the CAT.

2. The role of the Advisory Panel

- 2.1. The Proposed Class Representative is proposing to apply for a CPO from the CAT permitting him, as class representative, to bring opt-out collective proceedings against the Defendant.
- 2.2. In order to fulfil his duties and obligations to the class, and in particular to assist him to ensure that he is always acting fairly and adequately in the interests of all class members, the Proposed Class Representative has determined that it would be of assistance to him and of benefit to the class as a whole, if he had the benefit of advice from a panel of individuals with particular consumer-focused and group action litigation experience (the "**Advisory Panel**").

- 2.3. The role of the Advisory Panel will be to assist the Proposed Class Representative to further his objective to act in the best interests of the class when carrying out his role as class representative by providing its views on questions and issues raised by the Proposed Class Representative during the course of the Proposed Collective Proceedings. The nature of such assistance will be at the discretion of Proposed Class Representative, but is likely to include participating in telephone conferences and in-person conferences from time to time throughout the duration of the Proposed Collective Proceedings and commenting on documents produced for the purposes of the Proposed Collective Proceedings.
- 2.4. For the avoidance of doubt, the Proposed Class Representative:
- (a) may seek assistance from individual Advisory Panel members (as opposed to the Advisory Panel as a whole) as he sees fit;
 - (b) is under no obligation to seek the advice of the Advisory Panel (or any members thereof);
 - (c) is under no obligation to follow or accept the advice of the Advisory Panel (or any members thereof); and
 - (d) chooses to seek advice solely at his own discretion.
- 2.5. The Advisory Panel will also assist the Proposed Class Representative and Harbour Fund V, L.P. in resolving certain disagreements over the Proposed Class Representative's approach to the Proposed Collective Proceedings where for example Harbour Fund V, L.P. has concerns over whether the Proposed Class Representative is acting in the best interests of the class. Annex I of these Terms of Reference sets out this process in more detail.

3. Advisory Panel membership

- 3.1. Members of the Advisory Panel are to be appointed by the Proposed Class Representative, upon the advice of his lawyers, Mishcon de Reya LLP.
- 3.2. Membership of the Advisory Panel shall be disclosed and made public as part of the Proposed Class Representative's application for the CAT to make a CPO and/or following appointment on the designated claim website. Such disclosure will consist of the members' names and relevant experience.
- 3.3. Should the Proposed Class Representative decide to seek the advice of the Advisory Panel, the views of the members will be advisory only, and members of the Advisory Panel will carry no liability in relation to the views expressed.
- 3.4. While the view of the Advisory Panel will be final in relation to resolving certain disagreements between the Proposed Class Representative and Harbour Fund V, L.P., the Advisory Panel will also carry no liability in relation to any such determinations.
- 3.5. The Proposed Class Representative is responsible for appointing and removing members of the Advisory Panel and may do so at his sole discretion.
- 3.6. Members of the Advisory Panel will serve on the Advisory Panel for an unspecified time and may resign at any time upon notice in writing to Mishcon de Reya LLP (FAO Natasha Pearman).

- 3.7. Each member of the Advisory Panel shall undertake not to disclose the fact of, or content of the discussions held at, its meetings with any third party outside the Advisory Panel, except to the Proposed Class Representative and his legal advisors. A confidentiality undertaking is annexed to these Terms of Reference that each member of the Advisory Panel shall sign and provide a copy to Mishcon de Reya LLP (FAO Natasha Pearman).
- 3.8. The current membership of the Advisory Panel is as follows:
 - (a) Jane Vass OBE.
- 3.9. Members of the Advisory Panel will be reimbursed for their time spent serving as a member of the Advisory Panel at the rates set out in individual retainer letters, annexed to these Terms of Reference.
- 3.10. Each member shall be entitled to recover reasonable expenses properly incurred in connection with attendance at meetings, such as reasonable travel costs, hotel accommodation, telephone, fax, courier and copying costs as set out in their individual retainer letters.
- 3.11. Members shall submit invoices for fees and expenses for approval for payment on a monthly basis. Such invoices should be provided on the 15th day of each month. In the event that this date falls on a weekend, then invoices should be received by Mishcon de Reya LLP on the next working day. Mishcon de Reya LLP shall pay approved invoices within 21 days of receiving funds in relation to the same from Harbour Fund V, L.P..

4. Meetings of the Advisory Panel

- 4.1. The Advisory Panel shall meet at the request of the Proposed Class Representative upon no less than 5 days' written notice, unless the meeting is required to be held in a shorter time frame, in which case the meeting shall be held as soon as possible.
- 4.2. The quorum for a meeting shall be no less than three (including the Proposed Class Representative). However, where for whatever reason membership of the Advisory Panel consists of only one individual, there shall be no requirement as to quorum.
- 4.3. Meetings shall take place either by way of telephone conference, video conference (including online meeting software the use of which has been approved by Mishcon de Reya LLP in advance) or in person at the offices of Mishcon de Reya LLP (or any combination thereof).
- 4.4. The Proposed Class Representative shall act as Chairperson for all meetings of the Advisory Panel.
- 4.5. One or more members of the Proposed Class Representative's legal team from Mishcon de Reya LLP will also be present at meetings and will record a minute of the meeting to be provided to the Proposed Class Representative only. In addition, representatives of Harbour Fund V, L.P. will be permitted to attend meetings of the Advisory Panel as observers.
- 4.6. Unless Mishcon de Reya LLP agrees in advance in writing, the Advisory Panel shall not discuss matters pertaining to the Proposed Collective Proceedings outside of arranged meetings. Discussions via email or other electronic media shall not take place. The only electronic messages that shall be created will be administrative in nature pertaining to the organisation of meetings. Members of the Advisory Panel shall not create documents, formal or informal, and including personal notes regarding any matters discussed or to be discussed at meetings.

4.7. All documents to be provided to the Advisory Panel in order to update them on Proposed Collective Proceedings or bring matters in the public domain to their attention shall be prepared and sent by Mishcon de Reya LLP. The Advisory Panel shall not annotate or comment in writing on any such documents and will treat them as confidential.

5. Immunity

5.1. Members of the Advisory Panel are not liable to the Proposed Class Representative or any member of the class represented by the Proposed Class Representative for any views expressed in Advisory Panel meetings and no judicial or other proceedings may be brought against any member in respect of any act or omission arising out of or relating to their role as a member of the Advisory Panel.

6. Notices

6.1. Any notice or other communication required or permitted to be given to Mishcon de Reya LLP under this agreement must be in writing and in English and subject to paragraph 6.2 must be delivered or sent to:

Name: Mishcon de Reya LLP

Address: Africa House, 70 Kingsway, London, WC2B 6AH

Email: natasha.pearman@mischon.com

Attention: Natasha Pearman

6.2. Mischon de Reya LLP may update its address and email address that notices or other communications must be delivered or sent to in accordance with paragraph 6.1, by providing written notice in English to the members of the Advisory Panel.

6.3. All notices to be given in connection with this agreement may be delivered personally or by prepaid post or by email.

Signed: _____

Print name: _____

Date: _____

Annex I

If Harbour Fund V, L.P. ("**HF**") or Mishcon de Reya LLP ("**Mishcon**") are of the opinion that the Proposed Class Representative:

- i. is not acting reasonably and at all times in the interests of the class;
- ii. is engaging (or has engaged) in deliberate or reckless action(s) or omission(s) to the detriment of the chances of the claim succeeding; or
- iii. is refusing to take reasonable steps to support constructive engagement with BT to resolve the claim,

and the Proposed Class Representative disagrees with HF and/or Mishcon as applicable, then the parties shall refer the matter to the Advisory Panel for an independent written assessment of whether the Advisory Panel is of the view that this is the case (the "**Panel Assessment**").

Any finding against the Proposed Class Representative must be based on the unanimous agreement of the members of the Advisory Panel.

ADVISORY PANEL CONFIDENTIALITY UNDERTAKING

[NAME] of [INSERT ADDRESS]

UNDERTAKES to comply with the obligations contained in this confidentiality undertaking.

As a member of the advisory panel ("**Advisory Panel**") you will be informed of and discuss confidential information concerning or relating to the opt-out collective proceedings representative action brought by Justin Le Patourel against BT Group plc and its subsidiaries ("**BT Group**") in the Competition Appeal Tribunal (the "**Proceedings**").

1. **CONFIDENTIAL INFORMATION**

Confidential Information is defined as any information disclosed to you by Justin Le Patourel, by his legal team (consisting of Mishcon de Reya LLP and the counsel team) or by another member of the Advisory Panel relating to the Proceedings, including but not limited to information relating to the progress of the case, questions of fact and law in dispute between Justin Le Patourel and BT Group, strategic issues, procedural issues, and issues regarding communication with the claimant class and the administration of damages to members of the claimant class ("**Confidential Information**").

2. **CONFIDENTIALITY OBLIGATION**

- 2.1 You undertake not to discuss or otherwise disclose Confidential Information to any third party that is not a member of the Advisory Panel or part of Justin Le Patourel's legal team. For the avoidance of doubt, this clause does not prevent discussion of Confidential Information at meetings of the Advisory Panel where representatives of Harbour Fund V, L.P. are in attendance as observers.
- 2.2 You undertake not to create documents, notes or records in any format relating to Confidential Information or to discussions that take place within the Advisory Panel regarding Confidential Information.

3. **PERMITTED DISCLOSURE**

- 3.1 The obligations set out in paragraph 2 shall not apply, or shall cease to apply, to Confidential Information that:
 - 3.1.1 has become public knowledge, other than through disclosure in breach of this Undertaking; or
 - 3.1.2 was already lawfully known to you otherwise than by reason of your membership of the Advisory Panel; or
 - 3.1.3 is required to be disclosed by any order of any court of competent jurisdiction or any competent judicial, government or regulatory body; or
 - 3.1.4 is required to be disclosed under applicable law or by a governmental order, decree, regulation or rule; or
 - 3.1.5 Mishcon de Reya LLP has confirmed in writing may be disclosed (the extent of such disclosure to be specified by Mishcon de Reya LLP).

4. **JURISDICTION AND GOVERNING LAW**

4.1 You irrevocably undertake that the courts of England and Wales shall have exclusive jurisdiction over any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Undertaking or its subject matter or formation, which shall be governed by and construed in accordance with the laws of England and Wales.

SIGNED as a deed by
[NAME OF INDIVIDUAL]
in the presence of:
Date:

<i>Signature</i>

Witness signature _____

Name (in BLOCK CAPITALS) _____

Address _____

Occupation _____

Date _____

MADE ON BEHALF OF: APPLICANT / PROPOSED CLASS REPRESENTATIVE
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EXHIBIT JLP18

This is the exhibit marked "JLP18" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021

CODE OF CONDUCT for LITIGATION FUNDERS

January 2018

1. This code ('the Code') sets out standards of practice and behaviour to be observed by Funders (as defined in clause 2 below) who are Members of The Association of Litigation Funders of England & Wales ('the Association') in respect of funding the resolution of Relevant Disputes. Relevant Disputes are defined as disputes whose resolution is to be achieved principally through litigation procedures in the Courts of England and Wales.
2. A litigation funder:
 - 2.1 has access to funds immediately within its control, including within a corporate parent or subsidiary ('Funder's Subsidiary'); or
 - 2.2 acts as the exclusive investment advisor to an entity or entities having access to funds immediately within its or their control, including within a corporate parent or subsidiary ('Associated Entity'),

('a Funder') in each case:
 - 2.3 to fund the resolution of Relevant Disputes; and
 - 2.4 where the funds are invested pursuant to a Litigation Funding Agreement ('LFA') to enable a party to a dispute ('the Funded Party') to meet the costs (including pre-action costs) of the resolution of Relevant Disputes.

In return the Funder, Funder's Subsidiary or Associated Entity:
 - 2.5 receives a share of the proceeds if the claim is successful (as defined in the LFA); and
 - 2.6 does not seek any payment from the Funded Party in excess of the amount of the proceeds of the dispute that is being funded, unless the Funded Party is in material breach of the provisions of the LFA.
3. A Funder shall be deemed to have adopted the Code in respect of funding the resolution of Relevant Disputes.
4. A Funder shall accept responsibility to the Association for compliance with the Code by a Funder's Subsidiary or Associated Entity. By so doing a Funder shall not accept legal responsibility to a Funded Party,

which shall be a matter governed, if at all, by the provisions of the LFA.

5. A Funder shall inform a Funded Party as soon as possible and prior to execution of an LFA:
 - 5.1 if the Funder is acting for and/or on behalf of a Funder's Subsidiary or an Associated Entity in respect of funding the resolution of Relevant Disputes; and
 - 5.2 whether the LFA will be entered into by the Funder, a Funder's Subsidiary or an Associated Entity.
6. The promotional literature of a Funder must be clear and not misleading.
7. A Funder will observe the confidentiality of all information and documentation relating to the dispute to the extent that the law permits, and subject to the terms of any Confidentiality or Non-Disclosure Agreement agreed between the Funder and the Funded Party. For the avoidance of doubt, the Funder is responsible for the purposes of this Code for preserving confidentiality on behalf of any Funder's Subsidiary or Associated Entity.
8. An LFA is a contractually binding agreement entered into between a Funder, a Funder's Subsidiary or Associated Entity and a Funded Party relating to the resolution of Relevant Disputes.
9. A Funder will:
 - 9.1 take reasonable steps to ensure that the Funded Party shall have received independent advice on the terms of the LFA prior to its execution, which obligation shall be satisfied if the Funded Party confirms in writing to the Funder that the Funded Party has taken advice from the solicitor or barrister instructed in the dispute;
 - 9.2 not take any steps that cause or are likely to cause the Funded Party's solicitor or barrister to act in breach of their professional duties;
 - 9.3 not seek to influence the Funded Party's solicitor or barrister to cede control or conduct of the dispute to the Funder;
 - 9.4 Maintain at all times access to adequate financial resources to meet the obligations of the Funder, its Funder Subsidiaries and Associated Entities to fund all the disputes that they have agreed to fund and in particular will:
 - 9.4.1 ensure that the Funder, its Funder Subsidiaries and Associated Entities maintain the capacity;
 - 9.4.1.1. to pay all debts when they become due and payable; and

- 9.4.1.2. to cover aggregate funding liabilities under all of their LFAs for a minimum period of 36 months.
- 9.4.2 maintain access to a minimum of £5 m of capital or such other amount as stipulated by the Association;
- 9.4.3 accept a continuous disclosure obligation in respect of its capital adequacy, including a specific obligation to notify timeously the Association and the Funded Party if the Funder reasonably believes that its representations in respect of capital adequacy under the Code are no longer valid because of changed circumstances;
- 9.4.4 undertake that it will be audited annually by a recognised national or international audit firm and shall provide the Association with:
- 9.4.4.1. a copy of the audit opinion given by the audit firm on the Funder's or Funder's Subsidiary's most recent annual financial statements (but not the underlying financial statements), or in the case of Funders who are investment advisors to an Associated Entity, the audit opinion given by the audit firm in respect of the Associated Entity (but not the underlying financial statements), within one month of receipt of the opinion and in any case within six months of each fiscal year end. If the audit opinion provided is qualified (except as to any emphasis of matters relating to the uncertainty of valuing relevant litigation funding investments) or expresses any question as to the ability of the firm to continue as a going concern, the Association shall be entitled to enquire further into the qualification expressed and take any further action it deems appropriate; and
- 9.4.4.2. reasonable evidence from a qualified third party (preferably from an auditor, but alternatively from a third party administrator or bank) that the Funder or Funder's Subsidiary or Associated Entity satisfies the minimum capital requirement prevailing at the time of annual subscription.
- 9.5 comply with the Rules of the Association as to capital adequacy as amended from time to time.

10. The LFA shall state whether (and if so to what extent) the Funder or Funder's Subsidiary or Associated Entity is liable to the Funded Party to:
 - 10.1 meet any liability for adverse costs that results from a settlement accepted by the Funded Party or from an order of the Court;
 - 10.2 pay any premium (including insurance premium tax) to obtain adverse costs insurance;
 - 10.3 provide security for costs; and
 - 10.4 meet any other financial liability.

11. The LFA shall state whether (and if so how) the Funder or Funder's Subsidiary or Associated Entity may:
 - 11.1 provide input to the Funder Party's decisions in relation to settlements;
 - 11.2 terminate the LFA in the event that the Funder or Funder's Subsidiary or Associated Entity:
 - 11.2.1 reasonably ceases to be satisfied about the merits of the dispute;
 - 11.2.2 reasonably believes that the dispute is no longer commercially viable; or
 - 11.2.3 reasonably believes that there has been a material breach of the LFA by the Funded Party.

12. The LFA shall not establish a discretionary right for a Funder or Funder's Subsidiary or Associated Entity to terminate a LFA in the absence of the circumstances described in clause 11.2.

13. If the LFA does give the Funder or Funder's Subsidiary or Associated Entity any of the rights described in clause 11, the LFA shall provide that:
 - 13.1 if the Funder or Funder's Subsidiary or Associated Entity terminates the LFA, the Funder or Funder's Subsidiary or Associated Entity shall remain liable for all funding obligations accrued to the date of termination unless the termination is due to a material breach under clause 11.2.3;
 - 13.2 if there is a dispute between the Funder, Funder's Subsidiary or Associated Entity and the Funded Party about settlement or about termination of the LFA, a binding opinion shall be obtained from a Queen's Counsel who shall be instructed jointly or nominated by the Chairman of the Bar Council.

14. Breach by the Funder's Subsidiary or Associated Entity of the provisions of the Code shall constitute a breach of the Code by the Funder.
15. The Association shall maintain a complaints procedure. A Funder consents to the complaints procedure as it may be varied from time to time in respect of any relevant act or omission by the Funder, Funder's Subsidiary or Associated Entity.
16. Nothing in this Code shall prevent a Funder, when not engaged in the funding of the resolution of Relevant Disputes, from engaging in any other kind of financial or investment transaction that is permitted under the relevant law, such as taking an assignment of a claim from an insolvency practitioner.
17. This Code of Conduct shall only apply to a Funder in relation to the funding of the resolution of Relevant Disputes and does not purport to regulate the activities of a Funder if it engages in any other kind of financial or investment transaction.
18. Nothing in this Code shall be construed to prohibit a Funder from conducting appropriate due diligence, both before offering funding and during the course of the litigation procedures that are being funded, including but not limited to analysis of the law, facts, witnesses and costs relating to a claim, and including regularly reviewing the progress of the litigation.

January 2018

MADE ON BEHALF OF: APPLICANT / PROPOSED CLASS REPRESENTATIVE
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BETWEEN

JUSTIN LE PATOUREL

Applicant / Proposed Class Representative

and

BT GROUP PLC

Respondent / Proposed Defendant

EXHIBIT JLP19

This is the exhibit marked "JLP19" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021

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THIS INVESTMENT AGREEMENT dated the _____ day of _____ 2020

IS MADE BETWEEN:

- (1) **Harbour Fund V, L.P.**, an exempted limited partnership under the laws of the Cayman Islands (“**HF**”)
- (2) **Justin Le Patourel** of [*Personal address redacted*] (the “**Claimant**”)

WHEREAS:

- A. The Claimant considers that the Group Members have or may have a cause or causes of legal action against the Defendants arising out of anti-competitive practices undertaken by the Defendants in relation to the pricing of telephone landlines.
- B. The Claimant intends to commence Proceedings (in the form of a representative action on behalf of the Group Members) against the Defendants before the Competition Appeal Tribunal (the “**CAT**”).
- C. The Claimant is seeking investment in the Claimant’s legal costs and disbursements in connection with the Proceedings in return for a portion of the Proceeds received upon Success.
- D. In connection with and ancillary to the principal purpose of this Agreement regarding investment in the Claimant’s legal costs and disbursements, the Claimant is also seeking investment in any Adverse Costs which become payable if the Proceedings are not Successful.
- E. HF wishes to invest in the Claimant’s legal costs and disbursements (and any Adverse Costs) in connection with the Proceedings in return for a portion of any Proceeds received upon Success on the terms and subject to the conditions set out in this Agreement.
- F. It is the intention of the parties that whilst the Claimant will have a legal liability to pay the legal costs and disbursements (and any Adverse Costs) in connection with the Proceedings, it is agreed that his liability to pay such costs will be limited to the amounts paid by and/or recovered from HF and/or the Defendants and/or ATE insurers under the terms of this Agreement.

IT IS AGREED as follows:

1 HF INVESTMENT

1.1 Agreement to make Investments

- 1.1.1 Subject to the terms and conditions of this Agreement, HF agrees to invest in respect of the Claimant’s Legal Costs up to a maximum aggregate amount equal to the Aggregate HF Commitment.
- 1.1.2 The parties agree that HF’s obligations and rights under this Agreement (including the Investment Obligations) do not, and are not intended to, give rise to a transaction for the lending of money.
- 1.1.3 The Claimant may instruct the Legal Representatives to request an Investment in respect of the Claimant’s Legal Costs by submitting an invoice to HF for approval.

1.2 Phase 1 Conditions



1.2.1 HF will only be obliged to comply with its Investment Obligations if each of the Phase 1 Conditions have been satisfied on or before 31 October 2020 or such later date as is specified by HF in writing (the “**Phase 1 Long Stop Date**”).

1.2.2 If any Phase 1 Condition is not fully satisfied on or before the Phase 1 Long Stop Date, HF may terminate this Agreement with immediate effect by giving written notice to the Claimant, upon which there shall be no further obligations on either party, save that the following provisions shall survive termination of this Agreement: this Clause 1.2.2 and Clauses 12 (*Duty of Confidentiality*), 13.1 (*Definitions and Interpretations*), 13.3 (*Communications and Notices*), 13.4 (*Costs of this Agreement*), 13.12 (*Governing Law and Jurisdiction*) and Schedule 1 (*Definitions and Interpretations*).

1.3 Phase 2 Conditions

1.3.1 HF will only be obliged to comply with its Investment Obligations in respect of the Investments for Phase 2 if each of the Phase 2 Conditions has been satisfied on or before 1 November 2025 or such later date as is specified by HF in writing (the “**Phase 2 Long Stop Date**”).

1.3.2 If any Phase 2 Condition is not fully satisfied on or before the Phase 2 Long Stop Date, Clause 9.1 (*Right to terminate Investment*) shall apply.

2 ADVERSE COSTS

2.1 Subject to the terms and conditions of this Agreement, HF agrees, in connection with its investment in respect of the Claimant’s Legal Costs, to pay any Adverse Costs.

2.2 Subject to Clause 2.3, HF will not be obliged to invest in respect of Adverse Costs caused by or attributable to any fraud or dishonesty on the part of the Claimant and/or any deliberate or reckless action(s) or omission(s) on the part of the Claimant to the detriment of the chances of Success, whether arising prior to or during the prosecution of the Proceedings.

2.3 To the extent that HF were aware of any deliberate or reckless action(s) or omission(s) on the part of the Claimant to the detriment of the chances of Success but failed to notify the Claimant in accordance with Clause 3 of Schedule 5, Clause 2.2 shall not apply.

2.4 The Claimant may instruct the Legal Representatives to request a payment of Adverse Costs by submitting a payment request to HF for approval.

2.5 The Claimant shall take all reasonable steps to assist HF in obtaining an Adverse Costs Insurance Policy consistent with the Agreed Budget.

3 CLAIMANT TO RETAIN SOLE CONDUCT OF THE PROCEEDINGS

3.1 The Claimant shall not be under any duty or obligation to continue with any Proceedings against any Defendant.

3.2 The Claimant shall have control over the conduct of the Proceedings and shall have the right to conduct the Proceedings as the Claimant considers appropriate, provided such conduct shall be undertaken in accordance with the terms of this Agreement.

4 REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

4.1 [*Confidential terms and conditions relating to representations, warranties and undertakings redacted*]



[Confidential terms and conditions relating to representations, warranties and undertakings redacted].

4.2 **[Confidential terms and conditions relating to representations, warranties and undertakings redacted]**

[Confidential terms and conditions relating to representations, warranties and undertakings redacted].

4.3 **[Confidential terms and conditions relating to representations, warranties and undertakings redacted]**

[Confidential terms and conditions relating to representations, warranties and undertakings redacted].

5 APPLICATION OF PROCEEDS

5.1 Costs Recoveries

Subject to any applicable order or ruling of the CAT, the Claimant shall, and shall instruct the Legal Representatives and, if applicable, any Distribution Agent on their behalf, to apply all Costs Recoveries in the following order of priority, and with all payments within a priority level to be made *pari passu* and *pro rata*, promptly upon receipt of such Costs Recoveries:

5.1.1 firstly, in or towards payment to the relevant payees of, or provisioning for, Distribution Costs;

5.1.2 secondly, in or towards payment to:

(a) HF until HF has received an amount equal to the HF Investment and any other amounts due to HF under the terms of this Agreement (other than under this Clause 5 (*Application of Proceeds*)); and

(b) the Insurer until the Insurer has received an amount equal to the sum of:

(i) the aggregate Interim Adverse Costs Payments (if any) less any Interim Adverse Costs Repayments received by the Insurer, following receipt by HF pursuant to Clause 5.4 (*Interim Adverse Costs Repayments*); and

(ii) the Contingent Premium; and

5.1.3 finally, in payment to each Group Member of their respective proportionate share of the balance of the Costs Recoveries.

Subject to any applicable order or ruling of the CAT, should the Claimant be unsuccessful but still receive a costs award, such award shall be distributed in accordance with Clauses 5.1.1 to 5.1.3 as applicable (and so for example, disregarding any Success Fee).

5.2 Damages

Subject to any applicable order or ruling of the CAT, the Claimant shall, and shall instruct the Legal Representatives and, if applicable, any Distribution Agent on their behalf, to apply all Damages in the following order of priority, and with all payments within a priority level to be made *pari passu* and *pro rata*, promptly upon receipt of such Damages, and taking into account any amounts which may have been applied in accordance with clause 5.1:



- 5.2.1 firstly, in payment to each Group Member who has claimed their entitlement to Damages prior to the expiry of the period during which they may make such a claim as determined by the CAT;
- 5.2.2 secondly, in or towards payment to:
 - (a) HF until HF has received an amount equal to the HF Investment and any other amounts due to HF under the terms of this Agreement (other than under this Clause 5 (*Application of Proceeds*)); and
 - (b) the Insurer until the Insurer has received an amount equal to:
 - (i) the aggregate Interim Adverse Costs Payments (if any) less any Interim Adverse Costs Repayments received by the Insurer, following receipt by HF pursuant to Clause 5.4 (*Interim Adverse Costs Repayments*); and
 - (ii) the Contingent Premium; and
 - (c) the Legal Representatives until the Legal Representatives have received an amount equal to the Success Fee; and
- 5.2.3 thirdly, in or towards payment to HF until HF has received an amount determined as follows (the “**HF Return**”):

Stage of Proceedings at time of Success	An amount equal to:
If Success is achieved prior to the first day of any substantive hearing on liability in the Proceedings such that the Proceedings are disposed of prior to the first day of any such substantive hearing	3 times the HF Investment
If Success if achieved at any time on or after the first day of any substantive hearing on liability	4 times the HF Investment

- 5.2.4 finally, in payment of any remaining Damages to the charity designated in accordance with section 47C(5) of the Act.

5.3 Settlement Proceeds

Subject to any applicable order or ruling of the CAT, the Claimant shall, and shall instruct the Legal Representatives and, if applicable, any Distribution Agent on their behalf, to apply all Settlement Proceeds in the following order of priority, and with all payments within a priority level to be made *pari passu* and *pro rata*, promptly upon receipt of such Settlement Proceeds:

- 5.3.1 firstly, in or towards payment to the relevant payees of, or provisioning for, Distribution Costs;
- 5.3.2 secondly, in or towards payment to:
 - (a) HF until HF has received an amount equal to the HF Investment and any other amounts due to HF under the terms of this Agreement (other than under this Clause 5 (*Application of Proceeds*)); and
 - (b) the Insurer until the Insurer has received an amount equal to the aggregate Interim Adverse Costs Payments (if any) less any Interim Adverse Costs Repayments



received by the Insurer, following receipt by HF pursuant to Clause 5.4 (*Interim Adverse Costs Repayments*); and

- (c) the Legal Representatives until the Legal Representatives have received an amount equal to Success Fee; and

5.3.3 thirdly, in or towards payment to:

- (a) HF until HF has received the HF Return; and
- (b) the Insurer until the Insurer has received the Contingent Premium;

5.3.4 fourthly, in payment to each Group Member of their respective proportionate share of the balance of the Settlement Proceeds; and

5.3.5 finally, to the extent that any Group Members do not claim their proportionate share of the balance of the Settlement Proceeds pursuant to Clause 5.3.4, in payment of any unclaimed Settlement Proceeds to the charity designated in accordance with section 47C(5) of the Act.

5.4 **Interim Adverse Costs Repayments**

[Confidential terms and conditions relating to Interim Adverse Costs Repayments redacted].

5.5 **Payments to HF limited to Proceeds recovered**

The Claimant shall not be obliged to make payments to HF that are more than the Proceeds it recovers less any payments that rank higher in priority than payments to HF in accordance with this Clause 5.

6 **TRUST**

[Confidential terms and conditions relating to Proceeds being held on trust redacted]:

6.1 *[Confidential terms and conditions relating to Proceeds being held on trust redacted];*

6.2 *[Confidential terms and conditions relating to Proceeds being held on trust redacted];*

6.3 *[Confidential terms and conditions relating to Proceeds being held on trust redacted];*

6.4 *[Confidential terms and conditions relating to Proceeds being held on trust redacted]:*

6.4.1 *[Confidential terms and conditions relating to Proceeds being held on trust redacted]; and*

6.4.2 *[Confidential terms and conditions relating to Proceeds being held on trust redacted]; and*

6.5 *[Confidential terms and conditions relating to Proceeds being held on trust redacted].*

7 **TAXATION**

7.1 ***[Confidential terms and conditions relating to tax treatment of monies paid and received under this agreement redacted]***

[Confidential terms and conditions relating to tax treatment of monies paid and received under this agreement redacted].



7.2 **[Confidential terms and conditions relating to tax treatment of monies paid and received under this agreement redacted]**

7.2.1 [Confidential terms and conditions relating to tax treatment of monies paid and received under this agreement redacted].

7.2.2 [Confidential terms and conditions relating to tax treatment of monies paid and received under this agreement redacted].

8 SETTLEMENT OFFERS

8.1 Notification and Recommendation

8.1.1 If the Claimant receives or proposes to make any offer of Settlement, the Claimant shall immediately notify and provide a copy to the Legal Representatives and HF and instruct the Legal Representatives to review and provide a written recommendation to accept or reject the offer.

8.1.2 Subject to clause 8.3, if the Claimant decides to accept an offer of Settlement, the Claimant shall instruct the Legal Representatives to apply to the CAT for approval of such offer.

8.2 Rejection of a Recommended Offer

If the Claimant decides not to accept a Recommended Offer, without prejudice to HF's right to terminate its Investment Obligations pursuant to Clause 9.1 (*Right to terminate Investment*):

8.2.1 any Proceeds subsequently recovered by the Claimant shall be held as Trust Property in accordance with Clause 6 (*Trust*) and applied in accordance with Clause 5 (*Application of Proceeds*), as modified by Clause 8.2.2; and

8.2.2 if the Proceeds referred to in Clause 8.2.1 are less than the amount of the Recommended Offer, the amount of the HF Return shall be calculated by reference to the amount of the Recommended Offer and not by reference to the amount of the Proceeds subject always to the CAT Rules and any Collective Settlement Approval Order.

8.3 Settlement Decision

8.3.1 HF may, by written notice to the Claimant, require the appointment of an Assessor to make an independent written assessment of whether the Claimant should accept or reject a Recommended Offer (a "**Settlement Decision**").

8.3.2 If HF gives notice to the Claimant in accordance with Clause 8.3.1 requiring an Assessor to be appointed, the Claimant shall:

- (a) not accept or reject the Recommended Offer, or make an application for the CAT's approval of the Recommended Offer, pending the Settlement Decision;
- (b) within 2 Business Days, appoint the Assessor jointly with HF;
- (c) instruct the Legal Representatives to provide the Assessor with a report setting out details of the Proceedings and the Recommended Offer in form and substance satisfactory to HF; and
- (d) provide such other information about the Proceedings and the Recommended Offer as the Assessor may request.



- 8.3.3 The Claimant and HF agree that they will accept the Settlement Decision as final and binding and shall implement any recommendation made by the Assessor in the Settlement Decision.
- 8.3.4 The Claimant's costs and expenses in relation to the Settlement Decision and the costs of the Assessor shall be included in the Claimant's Legal Costs and form part of the HF Investment.
- 8.3.5 Clause 8.2.2 shall not apply in circumstances where a Recommended Offer is rejected in accordance with a Settlement Decision.

9 TERMINATION OF INVESTMENT

9.1 Right to terminate Investment

HF may terminate its Investment Obligations under this Agreement with immediate effect by serving a written notice on the Claimant (a "**Termination Notice**") setting out the grounds for termination if:

- 9.1.1 any Phase 2 Condition is not fully satisfied on or before the Phase 2 Long Stop Date;
- 9.1.2 HF reasonably believes a Material Breach is continuing;
- 9.1.3 an Adverse Claimant Event has occurred or the Claimant dies or becomes incapacitated for a continuous period in excess of 2 months; or
- 9.1.4 HF reasonably believes there has been a Material Adverse Decline.

9.2 Consequences of termination of Investment

Subject to Clause 10 (*Disputes in relation to termination*), upon service of a Termination Notice:

- 9.2.1 HF's Investment Obligations shall terminate, save to the extent of any Claimant's Legal Costs or Adverse Costs incurred prior to the Termination Date;
- 9.2.2 [*Confidential terms and conditions relating to the consequences of termination of Investment for the Claimant redacted*]:
- (a) [*Confidential terms and conditions relating to the consequences of termination of Investment for the Claimant redacted*]:
- (i) [*Confidential terms and conditions relating to the consequences of termination of Investment for the Claimant redacted*]; and
- (ii) [*Confidential terms and conditions relating to the consequences of termination of Investment for the Claimant redacted*]; and
- (b) [*Confidential terms and conditions relating to the consequences of termination of Investment for the Claimant redacted*]:
- (i) [*Confidential terms and conditions relating to the consequences of termination of Investment for the Claimant redacted*]; and
- (ii) [*Confidential terms and conditions relating to the consequences of termination of Investment for the Claimant redacted*];



9.2.3 [Confidential terms and conditions relating to the consequences of termination of Investment for the Claimant redacted].

9.3 Continuation of Proceedings

Subject to Clause 10 (*Disputes in relation to termination*), if the Claimant continues with the Proceedings after the Termination Date and there is subsequently Success in the Proceedings, Clause 5 (*Application of Proceeds*) and Clause 6 (*Trust*) shall, subject to any applicable order or ruling of the CAT or other Court, continue to apply in respect of all Proceeds received or recovered by the Claimant, provided that:

9.3.1 if HF had terminated pursuant to Clause 9.1.1 (*Breach of Phase 2 Condition*) or 9.1.3 (*Adverse Claimant Event*), no HF Return shall be payable to HF;

9.3.2 if HF had terminated pursuant to Clause 9.1.2 (*Material Breach*):

- (a) the amount payable to HF under Clause 5.1.2(a), 5.2.2(a) and 5.3.2(a) shall be increased by a sum calculated by applying 10% per annum on each Investment forming part of the HF Investment up to the Termination Date, determined by reference to the number of days from the date each Investment is made to the date of payment to HF pursuant to the relevant clause;
- (b) the HF Return shall be determined by reference to:
 - (i) the Termination Date and not the date Success is achieved; and
 - (ii) the amount specified in Clause 9.3.2(a) and not the HF Investment; and

9.3.3 if HF had terminated pursuant to Clause 9.1.4 (*Material Adverse Decline*), the HF Return shall be an amount equal to 2.5 times the HF Investment.

9.4 Change in claimant representative

9.4.1 Without prejudice to HF's rights under Clause 9.1 (*Termination of Investment*), if HF reasonably believes a Material Breach is continuing or an Adverse Claimant Event has occurred, HF may serve a written notice on the Claimant and the Legal Representatives, indicating that the Claimant is to be replaced with a substitute class representative (a "**Replacement Notice**").

9.4.2 Following receipt of a Replacement Notice by the Claimant, the Claimant shall do all such acts and things and execute all such documents as HF reasonably requires or considers desirable in order to replace the Claimant as class representative for the Claim, including without limitation, if applicable:

- (a) obtaining permission from the CAT to the Claimant's withdrawal as class representative for the Claim pursuant to rule 87 (*Applications for withdrawal by the class representative*) of the CAT Rules;
- (b) obtaining an order from the CAT in relation to the substitution of the Claimant as class representative for the Claim pursuant to rule 85 (*Stay of proceedings and variation or revocation of the collective proceedings order*) of the CAT Rules; and
- (c) effecting any amendment, restatement or novation of any Transaction Document.

9.4.3 Without prejudice to HF's rights under Clause 9.1 (*Termination of Investment*), if the Claimant dies or becomes incapacitated for a continuous period in excess of 2 months, HF may make an application to the CAT for the substitution of the class representative



for the Claim pursuant to rule 85 (*Stay of proceedings and variation or revocation of the collective proceedings order*) of the CAT Rules.

10 DISPUTES IN RELATION TO TERMINATION

10.1 **[Confidential terms and conditions relating to the disputes process in relation to termination redacted]**

[Confidential terms and conditions relating to the disputes process in relation to termination redacted].

10.2 **[Confidential terms and conditions relating to the disputes process in relation to termination redacted]**

10.2.1 *[Confidential terms and conditions relating to the disputes process in relation to termination redacted].*

10.2.2 *[Confidential terms and conditions relating to the disputes process in relation to termination redacted].*

10.3 **[Confidential terms and conditions relating to the disputes process in relation to termination redacted]**

10.3.1 *[Confidential terms and conditions relating to the disputes process in relation to termination redacted].*

10.3.2 *[Confidential terms and conditions relating to the disputes process in relation to termination redacted].*

10.3.3 *[Confidential terms and conditions relating to the disputes process in relation to termination redacted].*

10.3.4 *[Confidential terms and conditions relating to the disputes process in relation to termination redacted].*

10.3.5 *[Confidential terms and conditions relating to the disputes process in relation to termination redacted].*

10.3.6 *[Confidential terms and conditions relating to the disputes process in relation to termination redacted].*

10.3.7 *[Confidential terms and conditions relating to the disputes process in relation to termination redacted].*

10.3.8 *[Confidential terms and conditions relating to the disputes process in relation to termination redacted].*

11 APPEALS

11.1 If the Proceedings are not concluded in favour of the Claimant and the Claimant wishes to file an appeal in the Proceedings (an “**Appeal**”) and requires funding in respect of the Claimant’s Legal Costs and/or Adverse Costs in relation to such Appeal:

11.1.1 the Claimant shall give notice to HF requesting an increase to the Aggregate HF Commitment for the Claimant’s Legal Costs and/or Adverse Costs in respect of the Appeal; and



11.1.2 [Confidential terms and conditions relating to an Appeal redacted].

11.2 This Clause 11 (*Appeals*), and any decision made or other action taken by HF under this Clause 11 (*Appeals*), shall be without prejudice to HF's other rights under this Agreement.

12 DUTY OF CONFIDENTIALITY

12.1 [Confidential terms and conditions relating to confidentiality redacted].

12.2 [Confidential terms and conditions relating to confidentiality redacted]:

12.2.1 [Confidential terms and conditions relating to confidentiality redacted];

12.2.2 [Confidential terms and conditions relating to confidentiality redacted];

12.2.3 [Confidential terms and conditions relating to confidentiality redacted]; and/or

12.2.4 [Confidential terms and conditions relating to confidentiality redacted].

12.3 [Confidential terms and conditions relating to confidentiality redacted].

12.4 [Confidential terms and conditions relating to confidentiality redacted].

13 MISCELLANEOUS

13.1 [Confidential miscellaneous terms and conditions relating to this agreement redacted]

[Confidential miscellaneous terms and conditions relating to this agreement redacted].

13.2 [Confidential miscellaneous terms and conditions relating to this agreement redacted]

[Confidential miscellaneous terms and conditions relating to this agreement redacted].

13.3 [Confidential miscellaneous terms and conditions relating to this agreement redacted]

13.3.1 [Confidential miscellaneous terms and conditions relating to this agreement redacted].

13.3.2 [Confidential miscellaneous terms and conditions relating to this agreement redacted]:

(a) [Confidential miscellaneous terms and conditions relating to this agreement redacted]; and

(b) [Confidential miscellaneous terms and conditions relating to this agreement redacted]

[Confidential miscellaneous terms and conditions relating to this agreement redacted].

13.3.3 [Confidential miscellaneous terms and conditions relating to this agreement redacted].

13.3.4 [Confidential miscellaneous terms and conditions relating to this agreement redacted].

13.4 [Confidential miscellaneous terms and conditions relating to this agreement redacted]

[Confidential miscellaneous terms and conditions relating to this agreement redacted].

13.5 [Confidential miscellaneous terms and conditions relating to this agreement redacted]



- 13.5.1 [*Confidential miscellaneous terms and conditions relating to this agreement redacted*].
- 13.5.2 [*Confidential miscellaneous terms and conditions relating to this agreement redacted*].
- 13.6 [**Confidential miscellaneous terms and conditions relating to this agreement redacted**]
- 13.6.1 [*Confidential miscellaneous terms and conditions relating to this agreement redacted*].
- 13.6.2 [*Confidential miscellaneous terms and conditions relating to this agreement redacted*].
- 13.7 [**Confidential miscellaneous terms and conditions relating to this agreement redacted**]
[*Confidential miscellaneous terms and conditions relating to this agreement redacted*].
- 13.8 [**Confidential miscellaneous terms and conditions relating to this agreement redacted**]
[*Confidential miscellaneous terms and conditions relating to this agreement redacted*].
- 13.9 [**Confidential miscellaneous terms and conditions relating to this agreement redacted**]
[*Confidential miscellaneous terms and conditions relating to this agreement redacted*].
- 13.10 [**Confidential miscellaneous terms and conditions relating to this agreement redacted**]
[*Confidential miscellaneous terms and conditions relating to this agreement redacted*].
- 13.11 [**Confidential miscellaneous terms and conditions relating to this agreement redacted**]
- 13.11.1 [*Confidential miscellaneous terms and conditions relating to this agreement redacted*].
- 13.11.2 [*Confidential miscellaneous terms and conditions relating to this agreement redacted*]:
- (a) [*Confidential miscellaneous terms and conditions relating to this agreement redacted*];
 - (b) [*Confidential miscellaneous terms and conditions relating to this agreement redacted*]; and
 - (c) [*Confidential miscellaneous terms and conditions relating to this agreement redacted*].
- 13.12 [**Confidential miscellaneous terms and conditions relating to this agreement redacted**]
[*Confidential miscellaneous terms and conditions relating to this agreement redacted*].



SCHEDULE 1 – DEFINITIONS AND INTERPRETATIONS

PART A – DEFINITIONS

In this Agreement:

“Adverse Claimant Event” means the occurrence of one or more of the following events:

- (a) the CAT refuses to authorise the Claimant as the “class representative” for the purpose of the Claim or the CAT or HF determines that the Claimant has ceased to satisfy the criteria for authorisation set out in rule 78 (*Authorisation of the class representative*) of the CAT Rules; or
- (b) the Claimant delivers to HF a written notice indicating a desire to cease acting as the class representative for the Claim.

“Adverse Costs” means the sum of costs so ordered or agreed to be paid pursuant to any Adverse Costs Order or Settlement.

“Adverse Costs Insurance Policy” means a contract of insurance in favour of HF to cover, among other things, liability for Adverse Costs.

“Adverse Costs Order” means an order made by the CAT or other court, tribunal, arbitrator or an equivalent officer or body, which results in a sum of money becoming due from the Claimant or HF or any of their respective Affiliates to any other party in or related to the Proceedings in respect of legal costs, including a security for costs order requiring the payment of money or provision of a bond against which the Defendants may enforce a future costs order.

“Advisory Panel” means the advisory panel to the Claimant which will assist the Claimant in acting as the Claimant bringing the Proceedings in accordance with this Agreement.

“Advisory Panel Agreements” means the agreements made between the Claimant and each of the advisory panel members in relation to services provided by the Advisory Panel members to the Claimant in relation to the Proceedings.

“Affiliate” means in relation to a specified person, any person who controls, or is controlled by, or who is under common control with, or who is under common influence or has a close connection with, or is otherwise a person associated or connected with, that specified person or an Affiliate of that person.

“Aggregate HF Commitment” means £25,654,695.36.

“Agreed Budget” means the Agreed Budget as defined in the Retainer.

“Appeal” shall have the meaning given to it in Clause 11.1.

“Assessor” means any Queen's Counsel or other expert agreed by HF and the Claimant to be appointed as the Assessor. In the event that the parties are not able to agree on the identity of an Assessor within 3 Business Days, either party may apply to the then Chair of the Bar Council of England & Wales to nominate an Assessor, and HF and the Claimant shall appoint the nominated Assessor.

“Barristers” means the barristers acting for the Claimant in respect of the Proceedings from time to time, being at the date of this Agreement Ronit Kreisberger, Alison Berridge and Jack Williams of Monckton Chambers.



“Business Day” means a day other than a Saturday, Sunday or public holiday in England when banks in London are open for business.

“CAT Rules” means the Competition Appeal Tribunal Rules 2015 (as amended or superseded from time to time).

“Certification” means the certification of the Claim by the CAT as eligible for collective proceedings in accordance with rule 79 (*Certification of claims as eligible for inclusion in collective proceedings*) of the CAT Rules and the issue of a collective proceedings order in accordance with rule 80 (*The collective proceedings order*) of the CAT Rules.

“Claim” means each and every claim that the Claimant and/or any Group Member and/or any of their respective Affiliates may seek to assert against the Defendants and/or their Affiliates or any other person, arising out of or related to anticompetitive practices undertaken by the Defendants in relation to pricing for landline telephone services and includes any and all statutory, legal or equitable cause or causes of action, in any jurisdiction, that are or may be vested in the Claimant or any Group Member and/or their respective Affiliates against the Defendants and/or their Affiliates or any other person, arising out of or related to the same.

“Claimant’s Legal Costs” means the reasonable costs and disbursements incurred by the Claimant in the conduct of the Proceedings, or incurred by HF and/or its Affiliates in connection with this Agreement or in the exercise of its rights under this Agreement including (without limitation):

- (a) costs of the Legal Representatives (including the Conditional Fee);
- (b) costs of the Barristers;
- (c) costs of the experts;
- (d) costs of the advisory panel members payable under the Advisory Panel Agreements;
- (e) disbursements and other expenses;
- (f) any VAT;
- (g) Deposit Premium;
- (h) the Claimant’s Remuneration;
- (i) any amounts paid under or pursuant to the seed funding letter dated 15 April 2020 between Harbour Fund IV, L.P. and Mishcon de Reya LLP;
- (j) any other costs and expenses of the Claimant stated elsewhere in this Agreement to be included in the Claimant’s Legal Costs;
- (k) out of pocket costs and expenses paid or incurred by HF and/or its Affiliates in connection with this Agreement; and
- (l) any other amounts agreed to be paid by HF and/or its Affiliates in connection with this Agreement.

“Claimant’s Remuneration” means the Claimant’s remuneration in respect of the services to be provided by the Claimant under the Claimant’s Remuneration Agreement, composed of the Claimant’s fees and disbursements as specified in the Claimant’s Remuneration Agreement.



"Claimant's Remuneration Agreement" means the letter agreement made between the Claimant and HF in relation to the services provided by the Claimant in relation to the Proceedings in return for the payment of the Claimant's Remuneration.

"Collective Settlement Approval Order" means an order by the Competition Appeal Tribunal approving a proposed settlement in accordance with CAT Rule 94 or CAT Rule 97.

"Collective Settlement Order" means an order of the Competition Appeal Tribunal approving a proposed settlement in accordance with CAT Rule 96.

"Conditional Fee" means the "Conditional Fees" as defined in and payable to the Legal Representatives in accordance with the Conditional Fee Agreement.

"Conditional Fee Agreement" means the conditional fee agreement dated on or around the date of this Agreement and made between the Legal Representatives and the Claimant.

[Defined term that only appears in redacted sections of this agreement redacted]:

- (a) [Defined term that only appears in redacted sections of this agreement redacted]; and
- (b) [Defined term that only appears in redacted sections of this agreement redacted],

[Defined term that only appears in redacted sections of this agreement redacted].

"Contingent Premium" means the deferred and/or contingent premium payable to the Insurer under the Adverse Costs Insurance Policy in the event of receipt of Proceeds on Success in the Proceedings.

"Costs Recoveries" means any Proceeds deriving from a costs order made by the CAT.

"Court" means any forum in any jurisdiction in which the Proceedings are issued or taken.

"Damages" means any Proceeds deriving from an aggregate award of damages to the Group Members made by the CAT.

[Defined term that only appears in redacted sections of this agreement redacted].

"Deduction" means any kind of tax or taxes, levy, charge, impost, rate, fee, deduction, duty, excise, or withholding or instalment amount, whether direct or indirect, by whatever method imposed, collected or recovered, together with any interest, fine, fee, penalty or statutory charge payable, imposed or claimed in respect of any such amount.

"Defendants" means BT plc and its Affiliates and any party subsequently joined to the Claim as co-defendant, additional party or Part 20 defendant under the English Civil Procedure Rules or any equivalent party under the applicable Procedural Rules.

"Defendant's Offer" means an offer from the Defendants to the Claimant and/or the Group to settle the Claim.

"Deposit Premium" means any premium payable to the Insurer under the Adverse Costs Insurance Policy (including any fee payable to the Insurer in respect of any option to extend or purchase additional insurance coverage upon satisfaction of the Phase 2 Conditions) prior to Success in the Proceedings.

[Defined term that only appears in redacted sections of this agreement redacted].



“**Distribution Agent**” means the distribution agent, if any, appointed by the CAT to distribute any award made by the CAT to the Group Members.

“**Distribution Costs**” means an aggregate amount of approximately £1,210,000 (plus VAT) as identified in the Agreed Budget and to be provisioned in accordance with the CAT Rules for the purpose of funding the costs of identifying, diligencing and transferring Proceeds to Group Members (including any stamp duties, postal costs, bank charges and currency exchange costs payable by any Group Member) in the event of Success in the Proceedings.

“**English Civil Procedure Rules**” means the rules in force from time to time governing the conduct of litigation, arbitration or resolution of disputes in the courts or applicable tribunal or arbitral proceedings of England and Wales.

“**Group**” means all persons represented by the Claimant in the Proceedings, excluding any persons who subsequently opt-out of the Proceedings in accordance with rule 82 (*Opting in and opting out of collective proceedings*) of the CAT Rules and “**Group Member**” shall mean any one of them.

“**HF Investment**” means the aggregate amount of:

- (a) the Claimant's Legal Costs;
- (b) Adverse Costs paid by HF and/or its Affiliates in excess of the Interim Adverse Costs Payments;
- (c) any other amounts stated in this Agreement to form part of or be added to the HF Investment; and
- (d) any other costs and expenses,

that HF and/or its Affiliates has paid or incurred from time to time in connection with this Agreement. For the purposes of the definition of HF Return, the definition of HF Investment shall be the gross amount of money paid by HF and/or its Affiliates ignoring the effect of any payments received by HF and/or its Affiliates in respect of the HF Investment, for example, from the proceeds of interim recoveries or any Interim Adverse Costs Repayments.

“**HF Return**” has the meaning given to it in Clause 5.2.3.

[Defined term that only appears in redacted sections of this agreement redacted].

“**Insurer**” means the provider(s) of any Adverse Costs Insurance Policy.

“**Interim Adverse Costs Payments**” means the aggregate amount of all payments made by the Insurer in respect of claims made under the Adverse Costs Insurance Policy.

“**Interim Adverse Costs Repayments**” means any amount received or recovered by or on behalf of the Claimant and/or the Group Members in repayment of all or part of any Adverse Costs paid, incurred or otherwise provided, including (without limitation) in relation to the release of any security for costs or an Adverse Costs Order which is subsequently reversed.

“**Investment**” means an investment in either the Claimant's Legal Costs or Adverse Costs pursuant to Clause 1.1 (*Agreement to make Investments*) or Clause 2.1 (*Investments in respect of Adverse Costs*).

“**Investment Obligations**” means HF's obligations to invest in respect of (i) the Claimant's Legal Costs in Clause 1.1 (*Agreement to make Investments*) and (ii) Adverse Costs in Clause 2.1 (*Investments in respect of Adverse Costs*).



“**Legal Representatives**” means the lawyers of record in respect of the Proceedings from time to time, being at the date of this Agreement Mishcon de Reya LLP, Africa House, 70 Kingsway, Holborn, London, WC2B 6AH.

“**Material Adverse Decline**” means a material adverse decline in respect of one or more of the following aspects of the Claim:

- (a) the prospects of obtaining Certification in form and substance satisfactory to HF in its sole discretion;
- (b) the prospects of Success in the Proceedings;
- (c) the amount of Proceeds likely to be awarded;
- (d) the prospects of successfully enforcing judgment against any Defendant; and/or
- (e) the ability of any Defendant to meet its obligations with respect to any judgment,

such that HF does not consider it advisable to continue to invest in the Proceedings, taking into account all of the circumstances, including the remaining amount of the Claimant's Legal Costs to be incurred, the conduct of the Proceedings to date and any termination or withdrawal of the Adverse Costs Insurance Policy.

“**Material Breach**” means:

- (a) any failure by the Claimant to comply with Clauses 5 (*Application of Proceeds*), 8 (*Settlement Offers*), 12 (*Duty of Confidentiality*) or Schedule 5 (*Claimant's undertakings*);
- (b) any failure by the Claimant to comply with any other provisions of this Agreement or any other Transaction Document in any material respect, provided that no Material Breach will occur under this paragraph (b) if the failure to comply is capable of remedy and is remedied within 5 Business Days of the earlier of (i) HF giving notice to the Claimant, and (ii) the Claimant becoming aware of the failure to comply;
- (c) any of the representations or warranties set out in Schedule 3 (*Claimant's representations and warranties*) is or proves to have been incorrect or misleading in any material respect when made or deemed to be made; or
- (d) any failure by the Legal Representatives to comply with their obligations under the Relationship Agreement in any material respect.

“**Offer by you**” means an offer by the Claimant to the Defendant to settle the Claim.

“**Phase 1**” means the first phase of the Proceedings, comprising all steps up to (and including) Certification.

“**Phase 1 Conditions**” means the conditions to the provision of funds for Investments by HF as specified in Part A of Schedule 2 (*Conditions*).

“**Phase 1 Long Stop Date**” has the meaning given to it in Clause 1.3.1.

“**Phase 2**” means the second phase of the Proceedings, comprising all steps after (but excluding) Certification.

“**Phase 2 Conditions**” means the conditions to the provision of funds for Investments by HF for Phase 2 as specified in Part B of Schedule 2 (*Conditions*).



“**Phase 2 Long Stop Date**” has the meaning given to it in Clause 1.3.1.

“**Procedural Rules**” means the English Civil Procedure Rules and the CAT Rules or the rules in force from time to time governing the conduct of litigation, arbitration or resolution of disputes (as applicable) in the relevant Court.

“**Proceedings**” means any legal proceedings, arbitration, mediation and any other steps taken in contemplation thereof (including, without limitation, (i) all forms of alternative dispute resolution and available complaints services and (ii) any related or satellite proceedings (including enforcement and/or appeal proceedings)) issued by or taken by the Claimant in relation to the Claim, in any jurisdiction.

“**Proceeds**” means any amount of money or the value of any goods, services, benefits or other advantage, awarded to, recovered or received by, or agreed to be paid to, the Claimant and/or any Group Member as a result of Success in the Proceedings (including the present value of any goods, services, benefits or other advantage to be paid in the future and the present value of any new commercial arrangements entered into with, or at the direction of, the Claimant and/or any Group Member or otherwise) and shall include interest and any sums recovered in the Proceedings by way of legal costs and ex gratia payments in respect thereof or recovery of any amounts payable by the Claimant to HF, any sums realised and received by the Claimant and/or any Group Member in respect of any non-cash consideration that forms part or the whole of any Success in the Proceedings, the value of any counterclaim against any Group Member abandoned or withdrawn in whole or in part as part of any Success in the Proceedings, any VAT refunds, interim awards of costs, but excluding any Interim Adverse Costs Repayments. Proceeds shall be the gross amount prior to any set-off or counterclaim exercised by the Defendants or prior to any Deduction by any Tax Authority.

“**Recommended Offer**” means an offer of Settlement made on behalf of one or more Defendants in respect of which the Legal Representatives have provided a written recommendation to accept.

“**Relationship Agreement**” means the agreement contained in Schedule 7 between HF and the Legal Representatives in respect of the Claim, as amended from time to time.

“**Relevant Jurisdiction**” means:

- (a) the situs of the Claim;
- (b) any jurisdiction in which any Proceeds is or may be situated; and
- (c) the jurisdiction where the Legal Representatives are based or carrying on business for the purposes of this Agreement.

[Defined term that only appears in redacted sections of this agreement redacted].

“**Retainer**” means any retainer or engagement agreement in place between the Claimant and the Legal Representatives, including the Conditional Fee Agreement.

[Defined term that only appears in redacted sections of this agreement redacted].

“**Settlement**” means an agreement between the Claimant and any Defendant, and/or their respective Affiliates, in settlement of the whole or part of the Claim, whether made in the course of Proceedings or otherwise, including any waiver, compromise of the Proceedings against a Defendant, or a decision by the Claimant to abandon, withdraw or discontinue the Proceedings.

“**Settlement Decision**” has the meaning given to it in Clause 8.3.1.

“**Settlement Proceeds**” means any Proceeds deriving from a Settlement.



“**Success Fee**” means the “Success Fee” as defined in and payable to the Legal Representatives pursuant to the Conditional Fee Agreement.

“**Success**” means the Claim is resolved in the Group Members’ favour, including where the Court orders the Defendants (or any of them or any third party) to pay any Damages, or grants any such other relief at first instance, or where the Defendants (or any of them or any third party) agree to pay any Proceeds, or to terms in your favour, by way of settlement or any other agreement in respect of the Claim. Settlement includes the acceptance by you, prior to Certification of a Defendant’s Offer or by the Defendant of an Offer by you and as approved by the CAT as a Collective Settlement Order or a Collective Settlement Approval Order being made by the CAT (as applicable). This is irrespective of whether a costs order or agreement is made in your favour. “Successful” shall be construed accordingly.

“**Tax Authority**” means any government, state or municipality or any local, state, federal or other fiscal, revenue, customs or excise authority, body or official competent to impose, administer, levy, assess or collect tax in the UK or elsewhere.

“**Termination Date**” means the later of (i) the date of a Termination Notice and (ii) any Decision affirming a Termination Notice.

“**Termination Notice**” has the meaning given to it in Clause 9.1 (*Right to terminate Investment*).

“**Transaction Documents**” means this Agreement, the Advisor Panel Agreements, the Claimant’s Remuneration Agreement, the Retainer and the Relationship Agreement.

“**Trust**” means the trust created under Clause 6 (*Trust*) and any other applicable provisions of this Agreement.

[Defined term that only appears in redacted sections of this agreement redacted].

“**Trust Property**” means any property that is subject to the Trust.

“**VAT**” means UK value added tax and/or any equivalent EU or non-EU turnover, gross sales, franchise tax having the same (or broadly the same) economic effect as UK value added tax in the Relevant Jurisdiction.

PART B – INTERPRETATION

In this Agreement:

- (a) The headings to this Agreement shall not affect its interpretation.
- (b) All references to a statutory provision shall be construed as including references to:
 - (i) any statutory modification, consolidation or re-enactment;
 - (ii) all statutory instruments and orders made pursuant to it; and
 - (iii) any statutory provisions of which it is a modification, consolidation or re-enactment.
- (c) Except where the context otherwise requires, words denoting the singular include plural and vice versa; words denoting gender include all genders; words denoting persons includes any individual, firm, company, corporation, government, state or agency of a state or any



association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality).

- (d) A Material Breach is "**continuing**" if it has not been remedied to the satisfaction of HF or waived by HF.
- (e) Any representations or warranties set out in Schedule 3 (*Claimant's representations and warranties*) which are qualified by the expression "**so far as the Claimant is aware**" or any similar expression are deemed to be given to the best of the knowledge, information and belief of the Claimant after making due and careful enquiries.
- (f) References to a Group Member's "**share**" or "**proportionate share**" shall be calculated as the applicable Group Member's claim estimate expressed as a proportion of the aggregate claim estimate for the entire Group.
- (g) Section 32 of the Trustee Act 1925 does not apply to any trust that is created under this Agreement.



SCHEDULE 2 – CONDITIONS

PART A – PHASE 1 CONDITIONS

Receipt by HF of each of the following items in form and substance satisfactory to HF, acting in its sole discretion:

1. A copy of each Transaction Document duly executed by their respective parties.
2. A copy of a notice and irrevocable direction substantially in the form specified in Schedule 6 (*Form of notice and irrevocable direction*), duly signed by the Claimant and acknowledged by the Legal Representatives.
3. A copy of such documentation or other evidence as is reasonably required by HF to comply with “know your customer” or similar identification procedures.

PART B – PHASE 2 CONDITIONS

Receipt by HF of each of the following items in form and substance satisfactory to HF, acting in its sole discretion:

1. Certification being obtained.
2. Evidence that an Adverse Costs Insurance Policy is in place for the benefit of HF in respect of Phase 2 with a policy limit of no less than £16,000,000.



SCHEDULE 3 – CLAIMANT'S REPRESENTATIONS AND WARRANTIES

1. **[Confidential Claimant representations and warranties redacted]**
[Confidential Claimant representations and warranties redacted].
2. **[Confidential Claimant representations and warranties redacted]**
[Confidential Claimant representations and warranties redacted]:
 - (a) *[Confidential Claimant representations and warranties redacted];*
 - (b) *[Confidential Claimant representations and warranties redacted];* and
 - (c) *[Confidential Claimant representations and warranties redacted].*
3. **[Confidential Claimant representations and warranties redacted]**
[Confidential Claimant representations and warranties redacted].
4. **[Confidential Claimant representations and warranties redacted]**
[Confidential Claimant representations and warranties redacted].
5. **[Confidential Claimant representations and warranties redacted]**
[Confidential Claimant representations and warranties redacted].
6. **[Confidential Claimant representations and warranties redacted]**
[Confidential Claimant representations and warranties redacted].
7. **[Confidential Claimant representations and warranties redacted]**
[Confidential Claimant representations and warranties redacted].
8. **[Confidential Claimant representations and warranties redacted]**
[Confidential Claimant representations and warranties redacted].



SCHEDULE 4 – HF'S REPRESENTATIONS AND WARRANTIES

1. **[Confidential HF representations and warranties redacted]**
[Confidential HF representations and warranties redacted].
2. **[Confidential HF representations and warranties redacted]**
[Confidential HF representations and warranties redacted].
3. **[Confidential HF representations and warranties redacted]**
[Confidential HF representations and warranties redacted].
4. **[Confidential HF representations and warranties redacted]**
[Confidential HF representations and warranties redacted].
5. **[Confidential HF representations and warranties redacted]**
[Confidential HF representations and warranties redacted].

**SCHEDULE 5 – CLAIMANT'S UNDERTAKINGS****1. [Confidential Claimant undertakings redacted]**

[Confidential Claimant undertakings redacted]:

- (a) [Confidential Claimant undertakings redacted];
- (b) [Confidential Claimant undertakings redacted]; and
- (c) [Confidential Claimant undertakings redacted].

2. [Confidential Claimant undertakings redacted]

[Confidential Claimant undertakings redacted].

3. Conduct of the Proceedings

(a) The Claimant shall:

- (i) act reasonably and at all times in the interests of the Group in the conduct and prosecution of the Proceedings (including in relation to any abandonment, withdrawal or discontinuance of the Proceedings), taking into account the advice of the Legal Representatives;
- (ii) take all reasonable steps to support the Legal Representatives in engaging constructively with the Defendants to resolve the Claim including through mediation;
- (iii) instruct the Legal Representatives to seek recovery of the Claimant's costs in connection with the Proceedings, including (if advised by the Legal Representatives) the amounts payable to HF pursuant to this Agreement; and
- (iv) not agree any material amendments to the Advisory Panel Agreements save with HF's prior written consent.

(b) [Confidential Claimant undertakings redacted].

(c) If HF or Mishcon are of the opinion that the Claimant is engaging (or has engaged) in deliberate or reckless action(s) or omission(s) to the detriment of the chances of Success, or is otherwise not acting in accordance with Clause 3(a)(i) or (ii) of Schedule 5:

- (i) HF or Mishcon (as applicable) shall promptly notify the Claimant (and, if applicable, HF), specifying (x) a reasonable period of time (in Mishcon's or, as applicable, HF's sole discretion) for the Claimant to cease such actions and to bring the Claimant's conduct into compliance with this Clause 3 of Schedule 5 (the "**Rectification Period**") and (y) any actions which Mishcon or, as applicable, HF require the Claimant to take in connection with such compliance (the "**Specified Actions**");
- (ii) subject to paragraph (iii) below, provided that the Claimant promptly (and within the Rectification Period) takes the measures necessary to cease such actions or omissions and bring the Claimant into compliance with this Clause 3 of Schedule 5 (including by taking any Specified Actions), HF shall not terminate its Investment in accordance with Clause 9 of this Agreement as a result of such actions or omissions; and
- (iii) if, prior to the end of the Rectification Period, the Claimant notifies Mishcon and/or HF as applicable in writing that it disagrees with their categorisation of the Claimant's



actions as being deliberate or reckless action(s) or omission(s) to the detriment of the chances of Success, or otherwise not being in accordance with Clause 3(a)(i) or (ii) of Schedule 5, then the parties shall refer the matter to the Advisory Panel for an independent written assessment of whether the Advisory Panel is of the view that this is the case (the "**Panel Assessment**"). The Claimant and HF agree that they will accept the Panel Assessment as final and binding and that should the Advisory Panel decide in the Claimant's favour or if the advisory panel members do not unanimously agree on the matter, HF will not terminate its Investment in accordance with Clause 9 of this Agreement as a result of the disputed actions or omissions. For the avoidance of doubt, the Claimant's costs and expenses in relation to the Panel Assessment shall be included in the Claimant's Legal Costs and form part of the HF Investment.

4. **[Confidential Claimant undertakings redacted]**
[Confidential Claimant undertakings redacted].
5. **[Confidential Claimant undertakings redacted]**
 - (a) *[Confidential Claimant undertakings redacted]:*
 - (i) *[Confidential Claimant undertakings redacted]; and*
 - (ii) *[Confidential Claimant undertakings redacted].*
 - (b) *[Confidential Claimant undertakings redacted]:*
 - (i) *[Confidential Claimant undertakings redacted];*
 - (ii) *[Confidential Claimant undertakings redacted]; and*
 - (iii) *[Confidential Claimant undertakings redacted].*



CONFIDENTIAL INFORMATION REDACTED

HARBOUR

CONFIDENTIAL

SCHEDULE 6 – FORM OF NOTICE AND IRREVOCABLE DIRECTION

[Confidential form of notice and irrevocable direction redacted]



HARBOUR

CONFIDENTIAL

SCHEDULE 7 – RELATIONSHIP AGREEMENT



SCHEDULE 8 – ADVISORY PANEL AGREEMENTS



IN WITNESS whereof the parties hereto have executed this Agreement on the above date.

Executed as a deed by)
Harbour Fund V, L.P.)
acting by Harbour Fund V General Partner, L.P.,)
its general partner)
acting by Harbour Fund V GP Ltd.,)
its general partner)

Executed as a deed by)
Justin Le Patourel)
in the presence of:)

Witness signature:

Witness name: *[Personal information redacted]*

Witness address: *[Personal information redacted]*

Witness occupation: *[Personal information redacted]*

Mishcon de Reya LLP acknowledge)
the terms of this Agreement)
)

MADE ON BEHALF OF: APPLICANT / PROPOSED CLASS REPRESENTATIVE
NAME OF WITNESS: JUSTIN LE PATOUREL
NUMBER OF STATEMENT: 1
EXHIBITS: JLP1 – JLP22
DATE: 15 JANUARY 2021

Case Number: []

IN THE COMPETITION APPEAL TRIBUNAL
BETWEEN

JUSTIN LE PATOUREL

Applicant / Proposed Class Representative

and

BT GROUP PLC

Respondent / Proposed Defendant

EXHIBIT JLP20

This is the exhibit marked "JLP20" referred to in the first witness statement of Justin Le Patourel dated 15 January 2021



.....
Justin Le Patourel

Dated: 15 January 2021

Dated 13 October 2020

- (1) **JUSTIN LE PATOUREL**
- and -
(2) **MISHCON DE REYA LLP**

CONDITIONAL FEE AGREEMENT

Mishcon de Reya LLP
Africa House
70 Kingsway
London WC2B 6AH
Phone: +44 (0)20 3321 7000
Fax: +44 (0)20 7404 5982
Ref: NP/AJ/63167.1
Email: natasha.pearman@mishcon.com

THIS AGREEMENT is dated **13 October 2020**

PARTIES

- (1) **Justin Le Patourel** of [Personal address redacted] (the "**Claimant Representative**" or "**you**"); and
 - (2) **Mishcon de Reya LLP** of Africa House, 70 Kingsway, London WC2B 6AH ("**Mishcon**");
- (Collectively the **Parties**).

WHEREAS:

- A. The Claimant Representative has instructed Mishcon in relation to a proposed opt-out claim in collective proceedings in accordance with the Competition Appeal Tribunal Rules 2015 against BT, to be funded by HF.
- B. This agreement is intended to set out the basis on which Mishcon will charge for its legal services. Mishcon has agreed to conduct the proposed proceedings on a discounted fee basis in return for a success fee on success. This Agreement is a conditional fee agreement within the meaning of s.58 Courts and Legal Services Act 1990.
- C. It is the intention of the parties that whilst the Claimant Representative will have a legal liability to pay Mishcon the fees, costs and expenses incurred by Mishcon under this Agreement, it is agreed that his liability to pay such said fees, costs and expenses will be limited to the amount of the fees, costs and expenses paid by and/or recovered from HF and/or the Defendants and/or ATE insurers in accordance with the Relationship Agreement and the Investment Agreement.

AGREED TERMS

I. INTERPRETATION

In this agreement, the definitions used in the Investment Agreement, a final draft of which is attached hereto, are adopted herein and unless the context otherwise requires, the following words and expressions have the following meanings:

Agreed Budget: The agreed budget for the Proceedings as set out at Annex I.

Conditional Fees: The fees which are payable by you to Mishcon in accordance with the provisions of this agreement and the Investment Agreement that represent the difference between the Discounted Fees, and the normal hourly rates, for the work Mishcon will undertake in connection with the Claim as agreed in the Retainer. The Conditional Fees do not include the Success Fee.

Disbursements: Expenses incurred by Mishcon on your behalf, including but not limited to fees paid to or for: Counsel, the Court, expert witnesses, economists, couriers, process servers, private investigators, transcribers, translators, search fees, photocopying, scanning and any e-Disclosure services provider.

Discounted Fees: The fees (which are payable by you to Mishcon in accordance with the provisions of this agreement and the Investment Agreement) that Mishcon charges for the work it carries out in connection with the Claim from the date of the Retainer, charged at

the discounted hourly rates set out below at clause 5.2. The Discounted Fees do not include the Success Fee.

Interim Application: An application for a Court order made in the course of proceedings which usually leads to an interim Court order (an Interim Order).

Investment Agreement: The agreement in final form, annexed hereto to be entered into between HF and the Claimant Representative and to be executed on or after the date of this conditional fee agreement in relation to the Proceedings.

Defendant's Offer: An offer from the Defendants to you and/or the Group to settle the Claim.

Offer by you: An offer by you to the Defendant to settle the Claim.

Proceeds: Any amount of money or the value of any goods, services, benefits or other advantage, awarded to, recovered or received by, or agreed to be paid to, the Claimant and/or any Group Member a result of Success in the Proceedings (including the present value of any goods, services, benefits or other advantage to be paid in the future and the present value of any new commercial arrangements entered into with, or at the direction of, the Claimant and/or any Group Member or otherwise) and shall include interest and any sums recovered in the Proceedings by way of legal costs and ex gratia payments in respect thereof or recovery of any amounts payable by the Claimant to HF, any sums realised and received by the Claimant and/or any Group Member in respect of any non-cash consideration that forms part or the whole of any Success in the Proceedings, the value of any counterclaim against any Group Member abandoned or withdrawn in whole or in part as part of any Success in the Proceedings, any VAT refunds, interim awards of costs, but excluding any Interim Adverse Costs Repayments. Proceeds shall be the gross amount prior to any set-off or counterclaim exercised by the Defendants or prior to any Deduction by any Tax Authority.

Retainer: The provisions of the retainer letter, and terms of business enclosed with it, from Mishcon to you dated 9 October 2020. Where the terms of the Retainer are inconsistent with the terms of this Agreement, the terms of this Agreement shall take precedence.

Success: The Claim is resolved in the Group's favour, including where the Court orders the Defendants (or any of them or any third party) to pay any Proceeds, or grants any such other relief at first instance, or where the Defendants (or any of them or any third party) agrees to pay any Proceeds, or to terms in your favour, by way of settlement or any other agreement in respect of the Claim. Settlement includes the acceptance by you, prior to Certification of a Defendant's Offer or by the Defendant of an Offer by you and as approved by the CAT as a Collective Settlement Order or the making of a Collective Settlement Approval Order by the CAT (as applicable). This is irrespective of whether a costs order or agreement is made in your favour. "**Successful**" shall be construed accordingly.

Success Fee: A fee payable by you to Mishcon (in addition to the Conditional and Discounted Fees) in accordance with the provisions of this agreement and the Investment Agreement. This fee is calculated, as set out at clause 7.1 below, as a percentage of the normal hourly rates charged for the work Mishcon carries out in connection with the Claim from the date of the Retainer set out at clause 5.2 below.

Unsuccessful: Is where you fail to achieve Success.

2. WHAT IS COVERED BY THIS AGREEMENT

2.1 This agreement covers the following:

- 2.1.1 the Claim;
- 2.1.2 all steps necessary to secure a final determination of the Claim at first instance by the CAT, save as provided at clause 3 below. For the avoidance of doubt, this includes any steps taken as a result of the remittal of any aspects of the Claim to the CAT necessary to determine the Claim;
- 2.1.3 any application for permission to appeal an Interim Order;
- 2.1.4 any appeal of an Interim Order;
- 2.1.5 any application for permission to appeal in relation to any interim issue;
- 2.1.6 an application for permission to appeal in relation to Certification; and
- 2.1.7 any appeal of the Certification.

3. WHAT IS NOT COVERED BY THIS AGREEMENT

3.1 Save as set out above, this agreement does not cover any of the following:

- 3.1.1 any application for permission to appeal a judgment following a trial;
- 3.1.2 any appeal of a judgment following a trial;
- 3.1.3 any enforcement proceedings; or
- 3.1.4 any costs assessments.

4. ASSUMPTIONS

4.1 In entering into this agreement Mishcon has made the following assumptions:

- 4.1.1 you have not taken any step to compromise either the liability or the Defendants or quantum of the Claim;
- 4.1.2 you have provided or will provide as requested all material disclosures of any issues, supporting or adverse to the Claim; and
- 4.1.3 you have and will continue to comply with your responsibilities under the Retainer, the Investment Agreement and the Claimant's Remuneration Agreement; including your obligations to the Court and compliance with the CAT Rules

5. FEES AND DISBURSEMENTS

5.1 You are liable for the payment of Disbursements (payable by HF on your behalf in accordance with the Investment Agreement) whether the Claim is successful or not. Disbursements will be included in invoices raised by Mishcon and you are liable to settle these in accordance with the Retainer (payable by HF on your behalf in accordance with the Investment Agreement). We are entitled, at our absolute discretion, to raise invoices for Disbursements separately from invoices for our fees for the same period.

5.2 Under this agreement, the Discounted Fees are calculated by reference to the discounted hourly rates set out below. The Conditional Fees are calculated by reference to the difference between the normal hourly rates and the discounted hourly rates set out below. The normal hourly rates will be reviewed periodically to reflect increases in overhead costs and inflation (and the Discounted Fees and Conditional Fees may therefore vary accordingly). The normal hourly rates are reviewed with effect from April each year. Mishcon will inform you in advance of any increase in the normal hourly rates, discounted hourly rates and conditional fee hourly rates. For the avoidance of doubt, the CFA extends to all fee earners who work on the matter and not just those identified below. The same 10% discount from the normal hourly rate will be applied.

Position	Normal hourly rates as at the date of this agreement excluding VAT	Discounted hourly rates as at the date of this agreement excluding VAT	Conditional Fee hourly rate as at the date of this agreement excluding VAT
Rob Murray (Partner)	£650	£585	£65
Natasha Pearman (Managing Associate)	£435	£391.50	£43.5
Zac O'Brien (Managing Associate)	£380	£342	£38
Gwen Ballin-Reeler (Associate)	£340	£306	£34
Alex Jennings (Associate)	£320	£288	£32
Paralegal / Trainee	£195	£175.5	£19.5

5.3 Mishcon will invoice HF for the Discounted Fees on a monthly basis, at the discounted hourly rates set out above, and, whether separately or together, for any Disbursements. All Mishcon's invoices are payable by HF as agreed under and subject to the terms of the Relationship Agreement and the Investment Agreement. The amounts invoiced in this way will be payable by HF regardless of the outcome of the Claim.

5.4 If and insofar as this agreement does not cover all work undertaken by Mishcon on your behalf, then all such work will be governed by the terms of the Retainer.

5.5 From time to time, Mishcon may also have cause to invoice you for any fees and/or Disbursements incurred in respect of work undertaken in relation to the Claim that falls outside the terms of this agreement as set out at clause 2.1. Such fees will have been agreed with you and HF in advance, wherever possible, and will remain in accordance with the Agreed Budget.

6. SUCCESS

- 6.1 If you are Successful, you will be liable for the Conditional Fees and the Success Fee. Payment will be made in accordance with the terms of the Investment Agreement. Credit will be given for amounts already paid other than the fees payable under clauses 5.4 and 5.55 above.
- 6.2 If you are Successful, unless not provided for under any settlement agreement negotiated with you and approved by the CAT as a Collective Settlement Order or a Collective Settlement Approval Order, you are likely to be entitled to seek recovery from the Defendant of some of:
- 6.2.1 the Discounted Fees;
 - 6.2.2 the Conditional Fees;
 - 6.2.3 the Disbursements; and
 - 6.2.4 the fees invoiced pursuant to clauses 5.4 and 5.5 above.

Mishcon will invoice HF for the Conditional Fees promptly upon Success. You understand and acknowledge that the Success Fee will be recoverable from any Proceeds in accordance with the terms of the Investment Agreement. The Discounted Fees and Conditional Fees and Disbursements will be recoverable in principle from the Defendant subject to the court's discretion in respect of costs. If the level of the recoverable costs cannot be agreed between you and the Defendant, the Court may decide (during an assessment of costs procedure) what level of costs to order the Defendant to pay you. If the total sum recovered from the Defendant does not cover the full amount of the Fees, whether Conditional Fees or Discounted Fees, and the Disbursements billed to HF (on your behalf) any difference will be recoverable from any Proceeds in accordance with the terms of the Investment Agreement.

- 6.3 For the avoidance of doubt, unless otherwise agreed, if you are unsuccessful but still receive a costs award in respect of the entire proceedings only, you will be liable to pay the Conditional Fees and all Disbursements to the extent provided in the Investment Agreement (or as otherwise determined by the CAT) but will not be liable for the Success Fee.
- 6.4 If you obtain an Interim Order during the Proceedings ordering the Defendant to pay any of your costs of and occasioned by the Interim Application, you (payable by HF on your behalf in accordance with the Investment Agreement), will be liable for the Conditional Fees of and occasioned by the Interim Application, together with Disbursements relating to the Interim Application. Mishcon will invoice HF for such Conditional Fees promptly upon the issue of the relevant Interim Order. The Success Fee on those Conditional Fees of and occasioned by the Interim Application will be recoverable from any Proceeds in accordance with the terms of the Investment Agreement, only if and when you are Successful.
- 6.5 If the Defendant obtains an Interim Order during the Court proceedings ordering you to pay any of the Defendant's cost of and occasioned by the Interim Application within 14 days, or such other period as the Court may Order but in any event before trial or final judgment, you will be liable to pay such costs as ordered. Such costs will be payable by HF on your behalf under and subject to the terms of the Investment Agreement.
- 6.6 If the Defendant does not pay all or any of the Damages, the Discounted Fees, the Conditional Fees or Disbursements owed to you following any judgment, order or agreement in your favour, Mishcon has the right to take recovery action in the name of you to enforce any

judgment, order or agreement. The costs of such recovery action will be agreed with you and/or HF. You agree to cooperate fully with Mishcon in any such recovery action.

6.7 You agree that Mishcon shall receive all sums that the Defendant pays pursuant to an order or by agreement and shall hold and distribute such sums in accordance with the Investment Agreement. As set out in the investment agreement, you agree to any such distributions.

6.8 If the Defendant is ordered to pay some or all of your costs, interest can be claimed on the amounts due from the Defendant from the date of the order. Mishcon shall hold and distribute such sums in accordance with the Investment Agreement. As set out in the Investment Agreement, you agree to any such distributions.

7. **LEVEL OF THE SUCCES FEE**

7.1 The Success Fee shall be 10% of the total of Mishcon's fees as if they had been charged at the normal hourly rates, as set out in clause 5.2, for the work it carries out in connection with the Claim from the date of the Retainer.

8. **UNSUCCESSFUL CLAIM**

8.1 Subject to the provisions of this agreement, if you are Unsuccessful you (payable by HF on your behalf under the terms of the Investment Agreement) will **remain** liable to pay (i) the Discounted Fees, (ii) the Disbursements and (iii) any sums due under clauses 5.4 and 5.5 above. In these circumstances, you will not be liable to pay the Conditional Fees (except to the extent costs are awarded and clause 6.3 applies) or the Success Fee. Usually in these circumstances, you will also be liable for the Adverse Costs agreed or as per an order of the Court or a costs court (including disbursements) of the Defendant. Subject to the terms of the Investment Agreement HF has agreed to pay your Adverse Costs.

9. **COUNSEL'S FEES AND OTHER DISBURSEMENTS**

9.1 Counsel's fees are treated as a Disbursement and are payable in full at the time of each invoice. As set out in the Investment Agreement, HF will be responsible for the payment of all Disbursements.

10. **CFA "LITE"**

10.1 For the avoidance of any doubt, your liability to pay the Discounted Fees, Conditional Fees, Success Fee and Disbursements and fees invoiced pursuant to clauses 5.4 and 5.5 above, shall be limited to the amounts paid and/or recovered in respect of such said costs from HF and/or the Defendants and/or ATE insurers in accordance with the Relationship Agreement and the Investment Agreement.

11. **VALUE ADDED TAX (VAT)**

11.1 VAT will be added at the applicable rate to the Discounted Fees, the Conditional Fees and the Success Fee. VAT is also payable on Disbursements. You (payable by HF on your behalf in accordance with the Investment Agreement) are liable to pay VAT billed to you regardless of the outcome of the Claim.

12. **RIGHT TO APPLY FOR AN ASSESSMENT**

12.1 You have the right to an assessment by the Court of the amount of the Discounted Fees, the Conditional Fees, the Success Fee, the Disbursements and/or the fees payable pursuant to

clauses 5.4 and 5.5 above which are payable by you (payable by HF on your behalf under the terms of the Investment Agreement) under this agreement, by making an application under section 70 of the Solicitors Act 1974. Such applications should generally be made within one month of delivery to you of the final invoice at the end of the Retainer. Mishcon will provide further information on the applicable time limits if asked. You may also want advice from another law firm about this but would have to pay for that advice.

- 12.2 You agree that this agreement is not a Contentious Business Agreement within the meaning of s.59 to 66 of the Solicitors Act 1974 and that those sections of the Act do not apply to this agreement.

13. **RESPONSIBILITIES**

- 13.1 Your responsibilities are set out in the terms of this Agreement, the Retainer, the Investment Agreement, the Advisory Panel Agreement and the Claimant's Remuneration Agreement.
- 13.2 Mishcon's responsibilities include acting in your best interests, subject to Mishcon's overriding duty to the CAT or court.

14. **TERMINATION BY YOU**

- 14.1 You have the right to cancel this agreement within 14 days of its execution ("the cancellation period"). Save as set out in the Retainer, we will not commence work within the cancellation period unless you confirm in writing that you will be liable for its cost regardless of any exercise by you of your right to cancel.
- 14.2 You may dis-instruct Mishcon by terminating our Retainer by giving notice in writing at any time. In accordance with the terms of the Investment Agreement you may only do so when the prior written consent of HF is given. Dis-instructing Mishcon will also immediately end this agreement, save for the purpose of giving effect to its terms. In such circumstances, you (payable by HF on our behalf) must pay (i) the Discounted and Conditional Fees incurred up to and including the date of termination of this agreement, (ii) all Disbursements and any fees due pursuant to clauses 5.4 and 5.5 above. This is regardless of whether the sums are recovered from the Defendant.
- 14.3 If you continue with the Claim and are Successful, any amounts you receive must be applied in accordance with the Investment Agreement, including in payment of the Success Fee to Mishcon. If you continue with the Claim and are Unsuccessful you will not have to pay the Success Fee but must pay all fees as set out at clause 8.1 above.

15. **TERMINATION BY MISHCON**

- 15.1 Mishcon may end this agreement in any of the following circumstances:
- 15.1.1 if you reject Mishcon's advice to propose to the CAT that you and/or the Group accept a reasonable offer from the Defendant to settle the Claim. In those circumstances, you must pay (payable by HF under and subject to the Investment Agreement) (i) the Discounted and Conditional Fees for the work carried out; and (ii) Disbursements and (iii) any fees due under clauses 5.4 and 5.5 above. Any amounts you receive in relation to the Claim must be applied in accordance with the Investment Agreement.
- 15.1.2 if the Investment Agreement is terminated.

15.1.3 if you do not meet your responsibilities in accordance with clause 13. For the avoidance of doubt, if you continue with the Claim (with Mishcon or not) and are Successful, any amounts you receive in relation to the Claim must be applied in accordance with the Investment Agreement.

15.1.4 if Mishcon no longer believes there to be a good prospect that you will be Successful. If this happens, you will have to pay (payable by HF under the terms of the Investment Agreement) (i) the Discounted Fees for the work carried out up to and including the date Mishcon ends this agreement and (ii) all Disbursements and (iii) any fees due under clauses 5.4 and 5.5 above. If you continue with the Claim (without Mishcon) and are Successful, you will also have to pay the Conditional Fees (but not the Success Fee) and any amounts you receive in relation to the Claim must be applied in accordance with the Investment Agreement.

15.2 Your death before the Claim is resolved will bring this agreement to an end.

16. SEVERABILITY

16.1 If any provision of this agreement is found to be void or unenforceable, that provision shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision shall be deemed deleted. The remaining provisions of this agreement shall continue in full force and effect.

16.2 The Parties shall use reasonable endeavours to procure that any such deleted provision is replaced by a provision which is valid and enforceable, and which gives effect to the spirit and intent of this agreement.

17. GOVERNING LAW AND JURISDICTION

17.1 This agreement, and any non-contractual obligations arising out of or in connection with it, or concerning the carrying into effect of it, will be governed by, and construed in accordance with, English law.

17.2 Any dispute arising out of or in connection with, or concerning the carrying into effect of, this agreement will be subject to the exclusive jurisdiction of the Courts of England and Wales, and the parties irrevocably submit to the exclusive jurisdiction of the Courts of England and Wales for these purposes.

18. ENTIRE AGREEMENT

18.1 This agreement constitutes the whole agreement between the Parties and supersedes all previous agreements between the Parties relating to its subject matter, except for the Retainer as varied by this agreement.

18.2 If there is found to be any inconsistency between any provision of this agreement and a provision contained in the Retainer, this agreement shall prevail.

18.3 Each Party acknowledges that, in entering into this agreement, it has not relied on, and shall have no right or remedy in respect of, any statement, representation, assurance or warranty (whether made negligently or innocently) other than as expressly set out in this agreement and/or in the Retainer as varied by this agreement.

18.4 Nothing in this clause shall limit or exclude any liability for fraud.

The Parties have entered into this agreement on the date stated at the beginning of it.

The Client:

SIGNED by **JUSTIN LE PATOUREL**

<i>Signature</i> [Personal signature redacted]
<i>Print name</i> Justin Le Patourel

Mishcon:

SIGNED by Rob Murray, Partner, for and on behalf of **MISHCON DE REYA LLP**

<i>Signature</i> [Personal signature redacted]
<i>Print name</i> R P Murray

Form of Notice of Cancellation for Individual (Consumers) Only

To [NAME OF MATTER PARTNER]

I/We hereby give you notice that I/we cancel my/our conditional fee agreement dated [INSERT].

Name of client:

Address of client:

Signature of client:

Date:

Annex I – Agreed Budget

[TO BE INSERTED]