

MoneySavingExpert.com

Ofcom call for inputs: consumer switching

Response

MoneySavingExpert.com is dedicated to cutting consumers' bills and helping them find the best deals. We provide consumers with detailed guides including the best deals for landline, broadband, TV and mobile phone packages. Not only do we encourage consumers to switch if they can get a better deal elsewhere or are dissatisfied with their current service, we have a guide on haggling with existing providers if they want to stay, to make sure they access the best prices which are often reserved for new customers only.

Bigger picture

We agree with Ofcom that in general, there are relatively low levels of switching and shopping around by consumers. We don't necessarily believe a lack of switching is an issue as long as consumers have made an informed decision to stay with their existing provider, having looked at what other providers have to offer. Our concerns are wider than just the specific switching processes and we urge Ofcom to look at the bigger picture. Consumers need to be more engaged in this market and changing the switching process alone will not address this.

We believe Ofcom needs to introduce standards that providers must adhere to when presenting their deals. It can be difficult for consumers to understand which offer is best where a comparison on a like for like basis is not possible. For example, if consumers are tied into a minimum contract period with a periodic (e.g. monthly) payment, the total cost or average monthly payment over the period should be made clear. This is so deals offering several months' "free" give realistic cost expectations and can be easier to compare with other deals, which may have no such "free" offer but a lower overall cost. As another example, fair use policies need to be made clearer and they should not vary from one contract to another. Again, this should mean that it is easier for consumers to understand and be able to compare different contracts.

We would urge Ofcom to look at Ofgem's Retail Market Review as an example of the reform that is needed. As well as a consistent way in how prices are displayed (akin to the Tariff Information Label), we believe providers should notify consumers when their contract comes to an end (like the End of Fixed Term notices). This will help engage consumers with the market, encourage them to review their contract and services and motivate them to shop around.

Providers should also be required to tell their customers of their cheapest contract available, particularly when their contract comes to an end. Ofgem's Cheapest Tariff Messaging rule requires energy suppliers to give their customers personalised information on what the cheapest available tariff is and how much they would save if they moved tariffs (within the same supplier). Two alternative tariffs must be provided; one based on the customer's current preferences and the other is the overall cheapest tariff. The messages have to be provided on certain communications including bills, annual statements, price increase notifications and end of fixed term notices. As a minimum, we believe that communications providers should notify consumers of their cheapest alternative contract based on the number of minutes, TV channels, data allowance etc. included in the consumer's current package.

Call for inputs

While we agree that some of the potential issues Ofcom has identified with switching need resolving (such as loss of service), we strongly disagree with Ofcom's conclusion that 'reactive save' is harmful to consumers. More often than not, providers give the best deals for new customers. Switching apathy and brand loyalty often mean customers remain on contracts which are more expensive than those offered to new customers. If a customer has approached their existing provider because they want to switch, they will have done so because they have seen better deals elsewhere or they are dissatisfied with the service. We believe that it is perfectly acceptable, and in fact should be encouraged, that the existing provider makes a targeted retention offer. This offer can often mean that consumers are better off staying with their existing provider, and are paying less than they did before. Ideally, this would happen without the need for haggling but as it doesn't, consumers need to take control.

It is important that haggling at the point of leaving is allowed to continue as this increases availability to consumers. An existing customer of Virgin, for example, may want to stay with them as in their area they offer the best or fastest service. Or a customer of Sky may want to stay with them as they have a limited choice of providers in their area. If there is no opportunity to pay a lower cost with the existing provider, they may feel either forced to switch away from a provider they want to stay with in order to pay a reasonable cost, or not switch and overpay with their existing provider.

We believe that consumers get the best discounts from their existing provider when there is a real threat to leave. We disagree with Ofcom that this would still be available to consumers if they only had to contact their new provider to switch services. In this instance, if a consumer called their existing provider to negotiate a discount, they would have already had to enter into a contract with a new provider in order for their negotiation to be taken seriously. If the consumer has already done this, they have no leverage with their existing provider as the switch has already been initiated. The argument that the consumer could still cancel the contract within the 14 day cooling off period as a result of successfully obtaining a deal with the existing provider is illogical. Firstly, consumer awareness of cancellation rights is low and providers do not help by hiding these in lengthy terms and conditions. Secondly, consumers who are aware will be more reluctant to cancel a contract on the promise of a better deal than before

entering a contract. It is much easier for consumers to have obtained the deal before cancelling with no change in service, than to spend time switching to a new provider, contacting their existing provider, then arranging to cancel the new contract. This administrative burden is going to put consumers off from haggling.

We disagree with Ofcom that targeted retention offers hinder competition. Consumers are not always offered a better deal with their existing provider than with a new provider as a result of haggling, and may therefore still switch if price matters to them most. Similarly, consumers who are dissatisfied with their existing provider's service will still switch to another provider regardless of any retention offer. If another provider offers a competitive deal, it can be successful in this market, without needing to ban retention offers.

Ofcom's concern that providers put undue pressure on consumers who are genuinely trying to leave can be addressed by introducing appropriate communication guidelines. Similarly, Ofcom has raised an issue that some consumers are not aware they are entering into a new contract once they accept their existing provider's retention offer. We agree that providers need to be clear about the terms and conditions of the new offer, and we believe Ofcom should enforce this with rules that communications must be fair and not misleading, much like the Financial Conduct Authority's. We believe with proper enforcement these issues can be successfully remedied, without the need to ban reactive save.

Negotiating with providers when threatening to leave empowers consumers to find the best deals for them. We believe it will be detrimental to consumers to ban reactive save and we are very concerned that Ofcom has already started introducing this on the Openreach network. Until providers stop excluding existing customers from their latest deals and relying on apathy to make a profit, consumers will have better outcomes with haggling.

Evidence

In August 2014, over 26,000 people visited our haggling guide a total of 28,500 times. The guide has been most popular this year in January, when 57,700 people visited it 64,400 times.

We conducted a poll on 23 September 2014 asking users if Ofcom should prevent providers cutting their prices to keep customers when they ask to leave. We have received 5,294 votes so far. The poll question and results are below.

Ofcom, the communications regulator, is investigating digital TV, broadband, landline and mobile phone 'retention' offers - those where when you ask to leave they try and cut prices to persuade you to stay.

It believes this could be harmful to consumers in the longer term as new providers find it hard to compete for business, therefore reducing choice and meaning only decent hagglers get the better deals (for tips on how to do it see our [How to haggle service providers](#) guide).

Which of the following is CLOSEST to your opinion?

Stop it! - If I'm asking to leave I want to move as quickly & easily as possible.	■	900 votes (17 %)
Stop it! - It's unfair as it allows more confident consumers to get better deals.	■	966 votes (18 %)
Don't stop it! - We should encourage providers to fight for our business.	■	2,028 votes (38 %)
Don't stop it! - It's great, I often talk to the retentions dept. & slash my cost.	■	1,400 votes (26 %)

We have a raft of good experiences on our forum from haggling with existing providers that have been in the best interest for the consumer. We have included some examples below where the consumer wanted to stay with their existing provider but was aware of cheaper deals elsewhere, and with successful haggling after threatening to leave they received the extra benefit of a cost reduction:

- “Plusnet are brilliant, but when I saw the recent deal with Talktalk for 5 pounds a month broadband, we couldn't really ignore it. Rang Plusnet to say sorry but can I have mac code - to be asked why I was leaving - explained and they matched talktalk! Delighted as didn't want to leave!” – ellesbellesxxx (August 2014)
- “Thanks MSE for the broadband/phone advice, especially on haggling - it actually worked! Was on Sky - line rental £15.40pm and B/Band £7.50pm and saw the current EE offer [which included a £120 Amazon voucher]. Although the voucher offer sounded good, I was more interested in reducing my other costs, as I try to buy from alternatives to Amazon. Rang Sky to cancel and explained why. After a few minutes of holding, they came back with £140 one-off line rental and free broadband. Total saving £134 for the year - almost halved.” – fromewends (July 2014)
- “Just had a call with Sky Broadband. Mentioned the EE offer (which I was reluctant to go with, after they screwed up my broadband over a year ago) and Sky offered me free ADSL2+ broadband for a year with a £15.40/mth line rental charge. Just 25p more expensive than last year.” – TheMacs (April 2014)
- “I am an existing customer with Plusnet (I have line rental/inclusive calls/broadband) and I'm very happy with their products and service. However, I thought it was time to look around again and see what else was on offer. I checked the Plusnet website and could see they had a deal for new customers showing unlimited broadband for £2.50/month for 12 months if you took line rental at £14.50/month. I did a really quick check around and saw Tesco Broadband also had a special offer for unlimited broadband with line rental and calls for £20.40/month. The broadband is effectively free for 12 months, then rises in price to the normal month rate. Ringing Plusnet first line customer support got me nowhere as they were not authorized to give me the £2.50/month deal - it was for new customers only. So I asked for my MAC code and got through to second level customer support to see what they could do. After highlighting the Tesco offer and threatening to leave right there and then, they did agree to give me the new customer deal for unlimited broadband at £2.50/month for 12 months only...So a 10 minute phone call and a bit of negotiating with Plusnet has saved me just about £9/month for my broadband without

changing suppliers (or the line rental/inclusive calls parts of my overall package).” – MisterD (January 2014)

- “Sky Broadband and Phone Line Only: Paying £25.40 a month for unlimited BB and Weekend Phone calls. New customers could pay £20.40 a month, so really unhappy. Rang to cancel, was offered the £20.40 per month, still unhappy as I was better off cancelling and going with Quidco etc. Was offered £17.40 per month, for 12 months. Pretty much matches the Tesco Offer we could not get. Really happy with [Sky’s] service too, and will look to upgrade to TV whenever.” – Alias_Omega (January 2014)
- “We are not major TV watchers, we don't subscribe to movies and sports, etc, but we do like the convenience of the Sky+ box. However, seeing an outlay of £45 for a TV we use infrequently, a phone we never use and broadband which we use all of the time seemed a bit excessive. Spent 10 minutes researching the others and realized that I could get what I have now (minus a couple of Sky channels) for half the price. Called Sky, told them I was leaving and immediately put through to retentions. Discussed the Talk Talk package, told them I was happy with Sky but cannot justify such a monthly cost when I can have the same for less...They kept me on the same package with no service interruptions but reduced my cost, including line rental, to £30 a month for the next 12 months. That's a saving of £180 a year! And I haven't got to go through all the inconvenience of transferring to another provider.” – seekingabargain (November 2013)

Consumer successes like these would not have been possible without a real threat of switching providers, i.e. telling their existing provider they want to leave. We believe introducing a process where consumers do not need to contact their existing provider in order to switch will significantly reduce consumers’ negotiation power. This will result in bad outcomes for consumers and ultimately disengage them further with the market.

[About MoneySavingExpert.com](#)

MoneySavingExpert.com is the UK's biggest money website dedicated to saving consumers money on anything and everything by finding the best deals, beating the system and campaigning for financial justice. It's based on detailed journalistic research, cutting edge tools and has one of the UK's top ten social networking communities.

In August 2014 there were over 15 million users a month visiting the site 25 million times and looking at over 70 million pages. Over 9 million people have opted in to receive the free weekly email and more than 1 million users have registered on the forum.