

# Dialling down the debt

An assessment of mobile phone debt in  
Arun and Chichester



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## Executive Summary

Arun and Chichester Citizens Advice reviewed in detail where our clients sought advice on mobile debt throughout 2016. We reviewed all detailed conversations that our Advisors had with clients seeking advice as recorded in our Petra Case Management system.

As part of the research we visited each of the mobile phone providers in Bognor Regis with a consistent question framework and we found a varying willingness to engage in the research. These visits were undertaken prior to doing the detailed research.

This report will provide input to the national Citizens Advice campaign of Dialling Down the Debt. In addition, we will encourage our local MPs to understand the issues faced by their constituents and steps they may take to alleviate the problem.

The debt can be summarised in a number of ways:

- Mobile phone debt is often part of an overall set of complex debt issues that clients have.
- 25% of the Clients with mobile phone debt have debt with multiple mobile phone providers and in some cases, have debt with up to four different mobile phone providers.
- Unexpectedly high charges, for services that were outside the clients standard monthly tariff. E.g. Premium services or International Dialling.
- Lack of understanding how the use of mobile data will impact the usage allowance and thus result in higher charges than expected.

We note and welcome the work that Citizens Advice have done in campaigning for a Voluntary Cap in the Digital Economy Bill. This voluntary cap needs to be clearly integrated into the sales and marketing campaign of all mobile phone providers.

Clients having debt from multiple mobile providers should be an avoidable debt and we would encourage mobile phone providers and Credit Checking Agencies to develop a method to avoid this type of debt in the future wherever possible.

Education is key to the future of the Digital Economy in ensuring that all citizens have the life skills to understand both technology and managing their finances within that Digital Economy. Although Financial Education is taught as part of the National Curriculum in maintained secondary schools it is essential that this is rigorously taught in all schools. Financial Education is key to our young people but it is essential that mechanisms are developed to address the generation who have neither benefitted from that education or where there is not a full understanding of the impact of the technology that is now, such a major part of our lives which is not fully understood. Although this research is not about the digital economy, understanding the value of money is going to become ever more difficult as we move to a cashless society and will surely add the challenges of managing debt with mobile phones as their usage often cannot be directly or immediately attributable to a cost in the future.

The research strongly indicates people with Disability and Mental Health problems having a higher propensity to mobile debt than their percentage of the population in the Arun and Chichester area or compared to the number of clients that we help on a day to day basis.

This report does not cover practices around debt collection.

## Background Research

### Client Summary

Overall 52% of the clients we support are female, whilst 65% of the clients we supported with mobile debt issues were male.

Overall 33% of the clients we support are in the age range 35-54, 50% of the clients we supported with Mobile debt were in the age range 35-54.

Surprisingly, the mobile debt is not associated with young people.

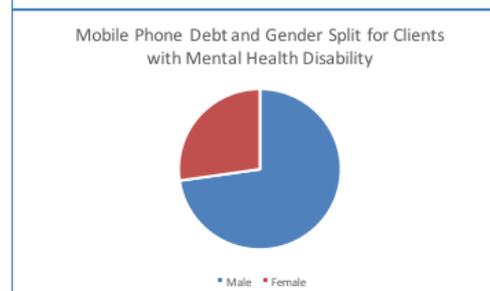
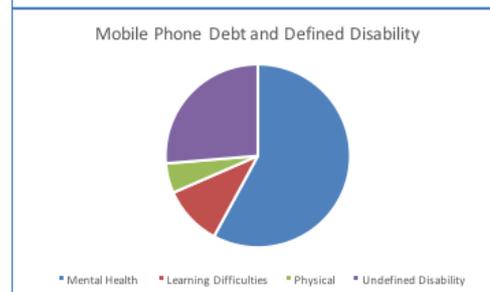
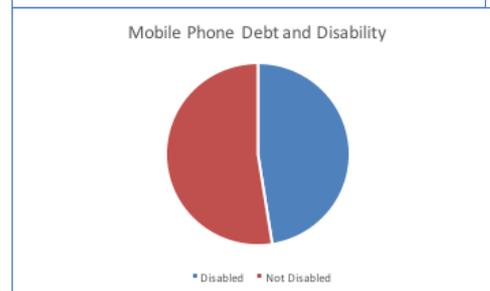
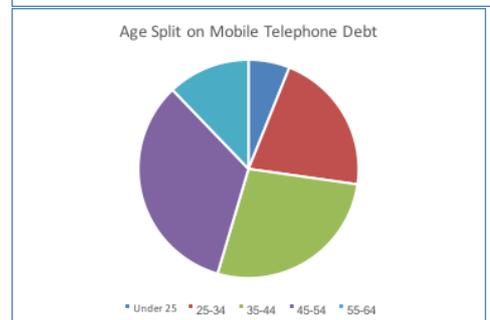
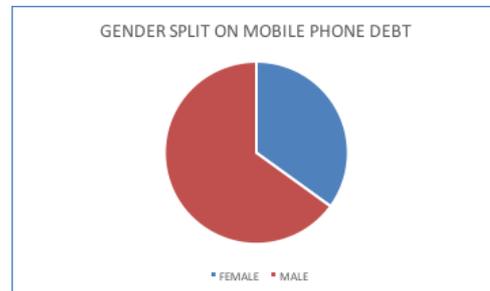
8% of the clients had English as a second language and 8% had difficulty reading.

We wanted to understand the impact of Disability had on debt. 48% of the Clients that we supported through the year with mobile phone debt self-defined themselves as being disabled and 58% of those people indicated that they suffered from some form of Mental Health problem. For those clients with Mental Health problems the gender split is further swung toward male clients, 73% male.

We have supported 2327 unique clients who defined themselves as Disabled or with a Long-term health condition. This equates to 23.63% of our client base.

48% of the clients that we supported who had mobile debt defined themselves as Disabled or with a Long-term health condition. It is difficult to know for example whether debt causes Mental Health issue or the Mental Health issue contributes to the clients over ability to manage debt

This would indicate that people suffering from some form of Disability are more likely to suffer mobile phone debt compared to the rest of the population. People with Mental Health



problems appear to experience mobile debt at a higher rate.

## Mobile Provider Summary

We visited each mobile provider, who has High Street presence, in Bognor Regis. We were welcomed at three of the providers. The other providers either asked us to liaise with head office or disappointingly in the case of one provider did not wish to engage with us despite trying in person to make appointments on two separate occasions.

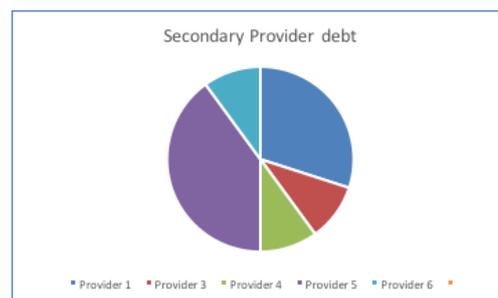
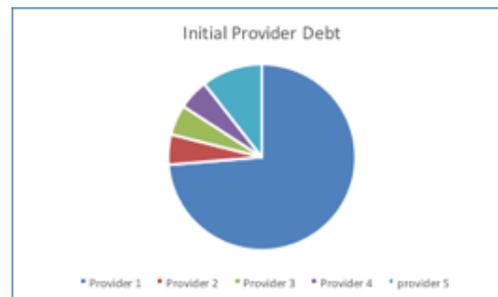
NOTE: - The mobile providers names have been anonymised for this report.

We looked at the debt held and with which provider. In addition, we identify if clients had mobile phone debt with multiple providers.

None of the retail outlets that we visited had a target to minimise debt, or were measured on outstanding debt associated with their local branch

74% of these Clients had debt issues with Provider 1. According to Kantar, Nov 2015, no mobile provider had this level of market share in the UK.

25% of the clients had debt with multiple providers and the second chart, Secondary Provider Debt, identifies where clients have debt where they have debt with multiple providers. 30% of the clients with debt with more than one provider had secondary debt with Provider 1.



Providers appear to have a number of approaches to Affordability and Credit Checking. They use Experian and Equifax, this checking does not give them insight into whether the potential customer has debt outstanding with a different mobile provider. Credit checking conclusion appears to "Accept, Condition Accept or Decline"

- Lifestyle questionnaires are used by some providers to give indication to the sales rep on the future customer's ability to pay monthly tariff.
- As part of the sales process the providers go through an on screen question and answer with the customer of what is included and not included in the contract, but as many of us are all too aware it is all too easy to click OK on a WEB site to say that you agree with contract terms without reading, it must be all too easy in this scenario when a 3<sup>rd</sup> party is completing the form to have a cursory interest in the detail.
- Some providers allow a 14-day cooling off period even when the contract is signed in a retail outlet

- Some providers provide an alert when monthly data is close to the limit, when a customer uses a premium service and when airtime usage is over their monthly tariff.
- Multi-lingual skills available in the retail outlets, other than English contracts the only other offering appeared to be Braille. Contracts appear to be overly complicated and there is no simple check list that the customer can refer to about what is included in the charges and what is not.
- Although the providers make available technical advice there does not appear to be a ready set of instructions that will help the customer manage their usage.

## RECOMMENDATIONS

Our recommendations to help DIAL DOWN THE DEBT are broadly split into four areas:

1. Credit Checking and Affordability
2. Product Offering
3. Education
4. Communication

### Credit Checking and Affordability

We understand that Clients often have complex debt issues with many organisations, however we recommend that the Mobile Phone Airtime providers work together and immediately build a plan to stop customers accumulating mobile phone debt across different providers. It has to be seen as a **socially unacceptable** practice in the future for a Mobile Provider to offer a contract to a new customer whilst there is debt outstanding greater for example than 2 or 3 times the monthly tariff with another provider. We do not want to stop competition between providers, but having debt with multiple providers must be seen as an unacceptable practice.

Consideration needs to be made in the sales cycle of getting people more actively involved in the affordability process. For the sales agent to be showing a prospective customer an online screen and for the sales agent to complete the online form will encourage the prospective customer to be passive in the process.

### Product Offering

We understand that Mobile Phone Airtime providers are a business, but it is essential that during the sales cycle consideration needs to be made about the reputational damage to the company of selling the wrong contract with the subsequent debt.

Providers need to ensure that prospective customers are offered the right contract, especially those where a conditional acceptance is provided by the Credit Checking Agency. Voluntary Capping to the Monthly Tariff limit as recommended by Citizens Advice, SIM only contract with voluntary capping, potentially inbound only contract or potentially a limited contract with data over wifi only and limited number of agreed outbound dial numbers.

Access to the internet is **essential** in the modern world and sometimes it is like a drug where people cannot leave their mobile device alone. Serious consideration needs to be made on how to minimise the risk to people of over using their DATA limits and as a result accruing unknown debts. There are so many wifi hotspots available on the High St that serious consideration needs to be made in either providing a wifi only device with voice access, but no 3 or 4G access for data.

### Education

Each of the providers who participated in our research would happily provide advice and guidance to customers on an ongoing basis

Education must be integrated into the sales cycle and should be clearly targeted in ensuring the customer is fully aware of how to keep within their monthly tariff. Consideration needs to be given

to producing a “cheat” sheet about phone set up and phone usage. This should cover everything that may impact the customer’s usage both in the UK and abroad, but especially the use of data roaming. It is all too easy to say the instructions are on the internet, but that is showing no ownership of the million pound UK Mobile phone debt and it assumes that everyone has the skill level to navigate the internet and ability to understand what they are looking for.

Citizens Advice may consider making available a set of information sheet to Clients and especially to those where Debt Advice is sought providing guidance on how to minimise the on-going monthly costs.

## Communication

How many of us truly understand the detail of our mobile phone contract, that “must have” device and in some cases. It is a must have device where the client has no access to a fixed telephone available due to their life style circumstances and yet many government Benefits Agencies depend on contact through phones or indeed access to benefits and application forms.

Contracts need to be clear. What is included in the contract needs to be crystal clear. The penalties for going outside the contract need to be crystal clear. Consideration needs to be made to have all contracts using Plain English only, supported by the Crystal Mark. When a customer completes a transaction, they should be provided with a clear set of short guidelines of what is included in their monthly tariff and secondly the costs associated with going outside that tariff.

The Utility Companies are providing SMART meters to everyone. Consideration needs to be given to providing a SMART meter on the mobile phone which the customer has to positively acknowledge once a week for example to ensure they are fully aware of the ongoing unseen costs associated with using their mobile phone on a day to day basis.

Mobile providers should be encouraged to provide local “Guru” sessions to clients at walk-in centres or centres that provide support to people with Mental Health problems as part of their corporate social responsibility.

