

Telecommunications Retail Service Quality

Submission by Christians Against Poverty

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Executive Summary

Tēnā koe,

Christians Against Poverty (CAP) welcomes the opportunity to provide feedback on the Telecommunications Retail Service Quality (RSQ) matters as set out in the Commerce Commission's draft baseline report.

We believe that telecommunications are essential to the well-being of communities. Internet and phone services enable New Zealanders to connect with whānau and friends, order essentials online, and correspond with agencies such as Work and Income. Yet, people experiencing financial hardship may have limited internet and phone access due to not having broadband at home or limited data caps on cheaper phone plans. Furthermore, COVID-19 lockdown periods can accentuate digital exclusion during times where telecommunications are more crucial than ever as people work and study from home. Therefore, any guidelines for telecommunications RSQ require considering the needs of vulnerable people and those in hardship.

The submission is a response to the consultation questions provided by the Commerce Commission. CAP would like to see a telecommunications sector with competitive pricing, clear contracts, and fair conduct in terms of disputes resolution and debt collection. Overall, CAP agrees that the proposed RSQ matters need improving and that debt and affordability have an important place within the scope of RSQ. CAP further contends that the Commerce Commission should go beyond maintaining a watching brief of debt and affordability matters and, instead, address these concerns as a priority.

We look forward to working with you to make constructive changes to the draft baseline report. Thank you for the opportunity to provide input, and I welcome any questions.

Nāku noa, nā



Matilda Gaby

Christians Against Poverty

Introduction to Christians Against Poverty

Free debt counselling and money education

CAP's free nationwide Debt Help service has now helped thousands of New Zealanders over the last 12 years to live on a budget, pay off debts, and grow in financial capability.

CAP visits approximately 100 households each month. As a result, CAP constantly comes face-to-face with the crushing despair and misery created by debt. **Over 65% of clients owe money for utilities and housing.** Anxiety and depression due to debt caused 3 out of 5 clients to isolate themselves. Before coming to CAP, 1 in 4 clients had contemplated or attempted taking their lives.¹

CAP has helped thousands of clients pay off over 38 million dollars of debts and bills and enabled the write-off of over \$30 million of debt through negotiations with creditors and insolvency. The fruits of this work mean that over 1,900 people have become debt-free. Moreover, these numbers have positively transformed the homes of over 2,000 children.

In response to the vast need that we saw in families struggling in debt, Christians Against Poverty also developed the CAP Money course in March 2009. Nearly 15,000 people have completed a CAP Money course to learn how to take control of their finances.

Responses to Consultation Questions

Do you agree the proposed key RSQ matters need improving? Please tell us why, or why not.

Yes, CAP agrees the proposed key RSQ matters need improving based on the anecdotal evidence outlined below. Fair access to essential phone and internet services is vital for the well-being and social participation of whānau.

Billing:

A common challenge for CAP clients is understanding their internet and phone bills. Clients have reported that bills are confusing due to the amount of information on one page, the jargon used, and bundle services. For example, Mark*, who is in a rest home, recently called CAP after receiving a \$2000 bill. Mark* was not aware that he had been sold a \$1000 smartphone (that he did not know how to operate) with a fixed-term contract. In addition, 67% of CAP clients identify with an ethnicity other than New Zealand European and face language barriers. As a result, clients often do not read their bills but rather ask CAP to. CAP proposes stronger regulations that ensure retailers adequately explain contracts to consumers, so they understand the contracts before signing.

CAP clients also experience unexpectedly high late fee charges. For example, a late fee of \$18.50 only places an additional burden of stress on a client who is already in arrears and has other debt. Late fees can result in clients having fewer funds for essentials such as food. CAP also notes some

¹ Christians Against Poverty New Zealand. (2020). *Below Zero: Living in unmanageable debt in Aotearoa.*

telecommunication services charge a \$58 reconnection fee which does not seem commensurate with the actual cost of reconnection. We recommend that providers should not profit off the fees they charge and that fees should be for cost recovery purposes only.

Customer service:

CAP clients have reported difficulty in communicating with customer service representatives. For example, Nina* wanted to set up her internet and had to explain the same story several times to different representatives. None of the representatives could help Nina* as she did not have a credit or debit card or access to internet banking. CAP tried to step in; however, we were not recognised as authorised persons to act on Nina's* behalf, even after sending a client authority. CAP would like to see specific guidelines regarding how customer service representatives engage with customers and financial mentors and what kind of assistance can representatives offer to customers facing difficulties.

Product disclosure:

CAP is concerned that providers are not adequately considering that the way they provide goods and services may cause whānau to face hardship and vulnerability. As mentioned, CAP clients often misunderstand bundle offers and sign up for new phones and contracts with a lack of information. For example, Jerry* is in his 70's and lives alone. Jerry* had to replace his phone and his provider convinced him to get insurance for the phone and sign him up for a new phone plan costing \$140 per month. CAP would like to see provisions around retailers informing customers of the best rates available according to the client's needs, particularly when dealing with customers who are in hardship or vulnerable.

Switching process:

CAP encourages clients to switch to the most affordable internet and phone plans to provide more funds for essentials like food and their debt repayments. However, difficulties switching, long delays and unreliability can mean clients do not follow our advice. For example, it has taken Nina* nearly a year to change her internet provider. In the meantime, she has been paying multiple providers out of fear of ending up with no internet connection. It would be helpful to provide clear expectations around the reasonable duration it should take to reconnect a customer.

Debt practices and affordability:

A significant concern is that there are no affordability assessments required for telecommunication goods and services. While credit checks may be completed, these do not seem to result in clients not buying expensive smartphones or signing up for costly contracts. It appears that there is a low threshold to qualify for phone and internet products and services. The Credit Contracts and Consumer Finance Act (CCCFA) does not cover this sector, even though buying a new phone or signing up for a 24-month contract is like taking out a loan.

In addition, CAP has noticed a lack of consistent debt management policies to help those in debt within the telecommunications sector. While some telecommunication companies have clear guidelines around disconnection and hardship on their website, others do not. CAP would like to see initiatives to encourage telecommunications providers to have consistent financial hardship practices that financial mentors could engage with and refer to.

*Names changed to protect privacy.

Do you agree that debt and affordability practices fall within the scope of RSQ? Please tell us why, or why not.

CAP strongly agrees that debt and affordability practices fall within the scope of RSQ. Debt and affordability matters are an aspect of customer service, contract issues and billing problems. Customers in debt and hardship should be prioritised they are the most impacted and vulnerable to poor customer service or billing errors. In FinCap's debt collection report, they state that utility debts mostly with electricity and gas providers, but also phone and internet providers were the main original sources of debt collection seen by those interviewed.² This finding highlights the importance of addressing debt and affordability challenges within the sector. Staying connected with whānau and friends, communicating with government and non-government services and working and studying from home should be accessible to every New Zealander. No one should be put in a situation where they do not have access to internet and phone services because of an inability to pay.

CAP recommends that protections in this space should be brought up to speed with those in other industries. Lenders and electricity providers have expectations for good debt practices in the Electricity Authority's Consumer Care Guidelines³ and the soon to be implemented changes to the Responsible Lending Code.⁴ While there may be some voluntary industry guidelines for internet and phone providers, these are nowhere near as robust.

Do you agree that we should only maintain a watching brief over the matters in paragraph 53 of the report? Please tell us why, or why not.

CAP would like to see the Commerce Commission go beyond a watching brief over the matters outlined in paragraph 53 of the report. CAP believes that the Commerce Commission should use its powers to monitor matters such as disproportionately high late payment fees, telecommunication providers not returning built up credit when a customer switches and no notifications around contracts ending or sizeable early termination fees proactively. CAP has anecdotal evidence of these matters negatively impacting clients in hardship and facing unmanageable debt. Being proactive would enable the Commerce Commission to understand the RSQ issues causing ongoing harm in Aotearoa's communities. We, therefore, propose that the Commerce Commission actively collects data on the outlined matters and conducts a thorough investigation into telecommunication debt and affordability issues.

Of the proposed key RSQ matters, which ones do you think we should address first? Please tell us why.

² Fincap. (2021). *Debt collection in Aotearoa from the perspective report*. <https://www.fincap.org.nz/wp-content/uploads/2021/09/Debt-collection-in-Aotearoa-from-the-perspective-report.pdf>

³ Electricity Authority. (2021). *Consumer care guidelines*. <https://www.ea.govt.nz/assets/dms-assets/28/Consumer-Care-Guidelines.pdf>

⁴ Ministry of Business, Innovation and Employment. (2021). *Responsible lending code*. <https://www.mbie.govt.nz/assets/responsible-lending-code.pdf>

CAP would like to see debt and affordability issues addressed first. These issues have detrimental impacts on marginalised and vulnerable people, including having no access to essential services and spiralling into further unmanageable debt. Both outcomes can cause long term, compounding hardship.

Do you think an industry or Commission RSQ code would improve the proposed RSQ matters? Please tell us why, or why not.

CAP agrees that an industry or Commission RSQ code would improve the proposed RSQ matters. Regulation and enforcement should be used to ensure all providers meet a mandatory minimum standard or face penalties. More robust guidelines will also enable customers to access essential telecommunication services. Further, organisations such as CAP would be able to raise concerns more efficiently and have them addressed.

Conclusion

CAP envisions Aotearoa as a nation filled with whānau who live life to the fullest and have hopes for the future. CAP wants to see hardship and poverty alleviated in Aotearoa with everybody having access to essential services. Overall, Aotearoa needs stronger consumer protections to ensure that whānau can reasonably access essential telecommunication goods and services. Providers need to sell appropriate products to consumers so that households do not fall into long-term hardship due to telecommunication services.

CAP would like to thank you for the time you have taken to read our submission. The telecommunications RSQ baseline report is an excellent opportunity to ensure telecommunication providers are offering a high-quality service to consumers and that consumers can access phone and internet services for essential needs.

We welcome any further discussion you may wish to have.