

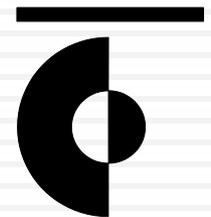
Pitfalls of telco debt

National Association of Community Legal
Centres Conference

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**Telecommunications
Industry
Ombudsman**

What I will cover

- The rights of consumers and/or the obligations of telcos.
 - ▣ What can consumers expect from service providers, in the way of appropriate credit checks, credit limits, correct advice, and flexibility in the face of financial hardship?
- The sort of outcomes you can expect if you refer your clients to the TIO, or make a complaint on their behalf.

TIO procedure

- on a case-by-case basis we apply:
 - ▣ the law (Australian consumer law)
 - ▣ good industry practice (Telecommunications Consumer Protections code)
 - ▣ what's fair and reasonable
 - ▣ TIO's position statements (guides to how we will resolve cases)

Telco's obligations

- TCP code was developed by industry and contains sections about:
 - information on prices, terms and conditions
 - contracts
 - billing
 - credit management
 - customer transfer
 - complaint handling.

Telco's obligations

- TCP Code is:
 - a guide to industry best practice
 - code being reviewed
 - TIO collates statistics for Australian Communications and Media Authority (ACMA) on code breaches
 - when investigating cases, the TIO holds telcos accountable to the code.

Telco's obligations

- ACMA says by Feb 2012 the code should contain rules for:
 - clearer pricing information in advertisements allowing consumers to more easily compare services
 - improved and more consistent pre-sale information about plans
 - the development of meaningful performance metrics which allow consumers to compare providers
 - tools for consumers to monitor usage and expenditure
 - better complaints-handling by providers

Areas of concern

- Credit assessment
 - code says that providers *must* undertake an appropriate credit assessment to determine whether to supply a service, or
 - supply a service which includes measures to effectively limit the customer's expenditure or usage by:
 - a hard cap
 - a pre-paid service
 - the barring of international and premium service calls
 - reducing broadband internet download speed on reaching a limit

TIO cases

- ▣ Jay

- a young man with an intellectual disability with extremely limited means entered a contract for a high-end mobile telephone. He incurred more than \$54,000 in a single billing period, and his family was pursued for the debt.

Our expectations

- ▣ Providers should take reasonable and effective measures to limit credit.
 - *This means when people are accruing excessive debt, providers should call them, or temporarily suspend their service until the consumer contacts them.*
- ▣ Appropriate credit limits depend on the consumer's circumstances.

Our expectations

- restore the consumer to where they would have been if the telco had applied good industry practice.
- what might constitute good industry practice is assessed on a case-by-case basis

We may

- expect a debt waived and contract ended without early termination fees, provided any handsets obtained are returned ... *if a consumer ought to have been denied a service.*
- expect a provider to waive part of a debt ... *if the provider failed to educate a consumer about the risks of using a product and they incurred a large debt as a result*
- expect the telco to waive all charges after the point at which it would have been reasonable for a credit limit to be applied, or reduce those charges to a previous average or other amount ... *if a consumer accidentally or even knowingly incurs a large debt*

Areas of concern

▣ Financial hardship

- Code says telcos must have “financial hardship” policies
- They must inform consumers about the availability of these options.
- Policies must be flexible, and will include things like payment extensions, *reasonable* periodic payment arrangements, voluntary restriction of services, and the option of switching from post-paid to pre-paid.
- Providers should suspend their usual credit management activities while a hardship arrangement is in place.

TIO cases

▣ M

- an elderly pensioner incurred a debt of a few hundred dollars, more than she could afford
- she asked for a payment arrangement of \$50 a fortnight
- she restricted her service to incoming calls and made regular payments of \$50 a fortnight.
- M's service was disconnected, a default listing placed on her credit file, and the debt sold to debt collectors
- the telco said it had no record of the payment arrangement, and it was not obliged to offer assistance under its “financial hardship” policy because it had no record of M using the words “financial hardship”

Telco hardship policies

Vodafone Hutchison Australia Pty Limited
ABN 76 096 304 620
PO Box 388
St Leonards NSW 2060
Vodafone.com.au



FINANCIAL HARDSHIP ASSISTANCE: APPLICATION FORM

Vodafone Pty Ltd and Vodafone Network Pty Ltd ("Vodafone") is committed to giving consideration and assistance to customers experiencing financial hardship. One way in which Vodafone endeavours to assist eligible customers is by enabling them to pay their account over time while maintaining an agreed amount of ongoing access to Vodafone services wherever possible.

The screenshot shows the iinet website header with the logo and tagline 'connect better'. Navigation links include 'home', 'support', 'about', and 'contact'. A secondary navigation bar contains 'customer home', 'residential products', and 'business solutions'. A dropdown menu is open under 'customer home', displaying 'Useful links' and 'Financial Hardship Assistance'. A 'powered by Go' logo is visible in the top right corner.



links to skip down:

Financial Hardship Assistance Policy – Helping You Stay Connected

Telstra is committed to providing you with flexibility when it comes to paying your bills because we recognise that sometimes unforeseen events in your life may affect your ability to pay us for Telstra services you have used.

Our expectation

- Try to reach a reasonable payment arrangement with the telco.
- Telco is not obliged to accept an unreasonably low offer.
- Evidence of financial hardship may have to be produced (eg. a letter from a financial counsellor/community legal centre).
- Where financial hardship has been identified, services should not be suspended or disconnected, payments demanded, or consumers default listed. *Doesn't always happen.*

Our expectation

- In M's case, we believed it was inappropriate for the telco to have disconnected, default listed and initiated debt collection against M while she should have been protected by its financial hardship policy. So, the TIO directed the telco to remove the default listing, and pay M compensation for the period of time in which her service was disconnected inappropriately.

Remember

- remember the magic words: “Financial Hardship”
- advise clients to pay whatever they can to demonstrate a commitment to the debt
- advise them to keep thorough file notes of conversations

How to complain

- By ringing 1800 062 058
- By ringing Interpreter Service 131 450
- Through our website www.tio.com.au
- Through TTY or National Relay Service
- Through a:
 - community legal centre
 - financial counsellor
 - migrant resource centre