



Helping telco consumers sign up to the right phone and internet products

Systemic investigation report, May 2021



Telecommunications
Industry
Ombudsman

Helping telco consumers sign up to the right phone and internet products

Telco products and services are now widely regarded as essential to our daily lives. Telco providers promote and sell many innovative products and services that help keep consumers connected.

However, our investigations show consumers do not always understand what they are signing up for. Sometimes the way a provider advertises or sells a product or service can contribute to misunderstanding. Consumers rely on information from providers, and information that is unclear or misleading can lead to problems for both providers and consumers.

This report highlights the importance of providers having responsible selling practices that help consumers make informed decisions about telco products and services.

Complaints we receive reveal gaps in selling practices

Over the past two years, we have received complaints from consumers who did not understand what they were signing up for. Some of these complaints revealed problems with the way a provider was advertising or selling a product or service.

This report discusses five investigations in which we found providers:

- did not accurately explain the terms and conditions of a product
- did not clearly describe a service to consumers
- left out key information about the terms and conditions of a product, or
- sold consumers a service they did not understand or need.

Providers improved their selling practices

In these investigations each provider improved its selling practices. Improvements included updating advertising and increasing training for sales staff. Providers also contacted affected consumers about payment options and offered to release them from contracts where appropriate.

OUR KEY FINDINGS

1

Advertising and point-of-sale information does not always cover key terms

2

Online information about telco products and services can be difficult to find and understand

3

Providers do not always responsibly promote or sell telco products and services

4

Consumers sometimes unknowingly sign up for products or services they do not need

Consumer law and industry rules require providers to sell products and services responsibly

The *Australian Consumer Law* requires providers to be honest and frank in the representations they make about their products and services. It prohibits misleading representations and requires products sold to be fit for purpose.

Rules in the *Telecommunications Consumer Protections Code* set out the type of information providers must give when promoting and selling products and services.

Responsible selling means consumers have access to the information they need to make an informed decision about whether a product or service is right for them. This includes information a provider gives either:

- **directly** to consumers in-store, online, or over the phone, or
- **indirectly** through advertising, on its website, or during its online sign-up process.

“Responsible selling means consumers have access to the information they need to make an informed decision.”

Our systemic investigations improve industry outcomes

Our systemic investigations can help improve the delivery of telecommunications services and lead to better outcomes for consumers and the telecommunications industry.

We investigate issues that have, or are likely to have, a negative effect on a group or particular type of consumer, including about:

- a provider's systems, policies, processes, or practices
- a provider's repeated conduct that indicates non-compliance with the law, regulatory requirements, or good industry practice
- issues about general industry practices, gaps in consumer awareness, or the regulatory and telecommunications operating landscape that lead to complaints.

We accept complaints from residential consumers, small businesses, not-for-profits, and charities. In Financial Year 2020, we received more than 125,000 complaints and conducted 32 systemic investigations. As a high-volume external dispute resolution service, we are well placed to identify and report on systemic issues.

We publish systemic investigation reports to raise awareness of industry-wide issues, reduce consumer complaints, and provide recommendations for action.

A complaint to the Ombudsman could be the ‘tip of the iceberg’

The way a provider promotes or sells a product or service can have an impact on consumers that is much broader than complaints made to our office.

While our dispute resolution team helps consumers and providers resolve individual complaints, our systemic investigations address problems that may affect a group of consumers. Issues can be far-reaching, have a significant impact, or disproportionately affect consumers who are experiencing vulnerability.



As part of our investigation process, we send details of relevant complaints to the provider¹. For the five investigations discussed in this report, we sent providers a combined total of almost 200 complaints.

In a recent investigation, consumers who signed up with a telco during a promotion told us the provider had not added promised credits to their account. While we received fewer than 100 complaints about the problem, the provider found it affected more than 10,000 consumers. The provider resolved the problem by adding credits to the affected consumers' telco accounts over their contract term. The credits totalled more than \$1.4 million. The provider also improved its processes for future promotions.

In some instances, problems with selling practices can affect consumers who do not know they have been impacted. We also occasionally find providers are not aware there is a problem before we contact them during an investigation.

The improvements providers make during our investigations help remediate affected consumers, and also mean consumers signing up for the product or service in the future are less likely to experience the same problem.

1. The complaints we send during an investigation do not reflect all the complaints we receive about a problem or indicate how many consumers were affected by it.

Finding 1: Advertising and point-of-sale information does not always cover key terms

Some consumers told us they signed up for a product or service relying on information on a provider's website or in its advertising, but later found the information did not include key terms. Other consumers tell us they talked about a product or service with a provider in store, over the telephone, or on online chat, and later found the provider had not given them key information.

Regardless of the way a consumer seeks information, providers must give clear, accurate information and include key terms to help consumers decide whether to sign up.

When providers clearly explain key terms like monthly and total cost, the contract length, and any relevant exclusions or limitations, we see less uncertainty and confusion both before and after a sale.

Recommendation 1: Product advertising and information should cover key terms

Investigation: Providers offer 'free' accessories and then charge for them

Telco A and Telco B offered accessory plans to customers who were signing up to a new mobile plan. Customers could have the cost of items like mobile phone cases, bluetooth speakers, or phone chargers added to their account and pay them off in instalments.

Customers told us the salesperson said the accessories would be free if they signed up to a new plan, but they were later charged for them. We were concerned the offer of 'free accessories' could influence a customer's decision to buy or upgrade their plan.

We began an investigation with each provider and found neither was accurately describing the accessory plans to customers.

Both providers were using terms like 'free', 'gift', and 'included', or telling customers the charges would be credited if they bought or upgraded their service plan.

Telco A's Critical Information Summary for the mobile plan did not include terms or conditions for the accessory plan, and it had not given customers access to the Critical Information Summary before sign-up.

We worked with both providers to help them improve the way they sold accessory plans. During our investigation, Telco A credited the cost of accessories to affected customers. It also updated its Critical Information Summary for mobile plans to include key terms for accessory plans and made this available to customers before sign-up. It trained sales staff to accurately describe the plans and reviewed the sales practices of stores with complaints about them.

Since these changes, the number of complaints to us about Telco A's accessory plans has significantly reduced. We continue to work with Telco B to improve its sales practices.

Case study

Angelo was offered accessories as part of a promotion and then charged for them

Angelo went to a Pebble Telco store to upgrade his mobile plan and handset. The salesperson said Angelo could choose accessories to a certain value as part of a promotion Pebble Telco was running. He was not told there was any cost for the accessories.

When Angelo's next bill showed a cost for each of the accessories he had chosen, he contacted the store. He told Pebble Telco he had been charged for accessories the salesperson had given him as part of a promotion. Pebble Telco said it had not offered the accessories for free and did not agree to credit the charges.

After Angelo contacted our office to complain, Pebble Telco and Angelo worked together to resolve the problem.

Names of all parties have been changed



Finding 2: Online information about telco products and services can be difficult to find and understand

Signing up for a telco product or service online can be quick and convenient. For this to be effective, consumers need to have easy access to clear and accurate information about the product or service.

Some consumers told us they were not directed to a Critical Information Summary or terms and conditions during sign-up and could not find them online when they went looking later. In online environments, relevant terms and conditions should be readily available before, during, and after sign-up. In some complaints we see, consumers have needed to visit multiple sources or web pages to understand the terms of the product or service they are buying.

At times, consumers have told us the information they received about a product or service was not clear, accurate or complete, and there was no easy way to ask the provider questions. Consumers may be able to start using a service immediately and when terms such as possible extra costs are not adequately explained, consumers can end up with unexpected charges on their bill.

Consumers should not need to conduct an exhaustive search or review long or complex terms and conditions to find key information about what they will owe and what they are entitled to receive.

Recommendation 2: Information on websites and apps about telco products and services should be easy to find and understand

Investigation: Telco C credits customers who received high bills after using a 'pre-paid' service

Telco C advertised a roaming service so customers could use their mobile service while travelling overseas. Customers could select the date range they wanted and then pre-pay a daily rate for all mobile calls and texts and a small amount of data each day for that period.

Some customers who signed up to this service contacted us after receiving unexpectedly high bills for excess data. They said they understood once they used up their daily data allowance the service would stop working and then reset the following day.

When we investigated, we found the total data was pooled into one allowance, rather than becoming available each day. Once the

customer used the pooled data, Telco C charged for excess usage at often high rates. While Telco C sent data usage alerts² to customers, the small amount of data meant the alerts often arrived together – and after the consumer had already used more data. The terms and conditions for the roaming service were not available on Telco C’s app where customers would most commonly buy the service.

We worked with Telco C to help it improve the information it gave customers about possible data charges. During our investigation, Telco C credited some of the excess charges to affected customers who met certain criteria. It updated its terms and conditions and the description of the service on its website and app. And it also added a clearer explanation about how data was allocated and the cost of excess data.

Since these changes, the number of complaints to us about Telco C’s roaming service has significantly decreased.

Case study

Linh is charged nearly \$500 for data after using a ‘pre-paid’ service

Before Linh went on an overseas trip, she went onto Bayleaf Telco’s app and bought an international roaming service for the number of days she was going to be overseas. She paid a daily rate that covered her standard calls and text messages and a small amount of data.

After returning home, Linh received a bill from Bayleaf Telco that included almost \$500 in excess data charges. When she contacted Bayleaf Telco about the bill, it told her she had used more data than the roaming service included. Bayleaf Telco said that it sent her notifications for her data usage and she would need to pay the charges.

Linh complained to us, saying she understood the roaming service was like a pre-paid plan. She said when she bought the roaming service she thought the data service would be restricted once she reached her daily limit.

After Linh made a complaint to our office, Bayleaf Telco credited the excess data charges.

Names of all parties have been changed



2. Usage alerts are issued when 50%, 85%, and 100% of included data is used – Telecommunications Consumer Protections Code cl 6.5.2.

Finding 3: Providers do not always responsibly promote or sell telco products and services

Complaints we receive show providers do not always meet their obligations under the *Australian Consumer Law* and the *Telecommunications Consumer Protections Code* to sell and promote products and services responsibly. For example, we see complaints where consumers were misled into thinking they were signing up to services that had different terms, such as a lower price or shorter contract term. These consumers say they would not have signed up had the terms been clearly explained to them.

Recommendation 3: Product advertising and information should cover key terms

Investigation: Telco D's advertising does not include possible costs of 'free' trial

Telco D advertised a 'risk-free' trial period on its website. Customers could trial Telco D's service and cancel within a specified period if they did not wish to continue with it.

Customers signing up to the offer could either use their own equipment or equipment supplied by Telco D. We received several complaints from customers who cancelled during the trial period and were left out of pocket for the cost of the device. The customers told us Telco D would not allow them to return the equipment.

Although only a small number of customers complained to us, we realised the problem could affect any customer who signed up for the offer with Telco D's equipment and cancelled during the trial period.

Telco D readily engaged with our Systemic Investigations team and actively worked to address each of our concerns and improve its practices. During our investigation, Telco D:

- renamed the offer, removing the reference to it being without risk
- added a symbol to the offer name in its advertising, with a hover box containing information about costs if the customer did not continue with the service
- ran extra training for its employees
- sent us details of how it had resolved each complaint.

Some customers were entitled to a remedy such as ending the contract or receiving a refund.

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Consumers say they would not have signed up had the terms been clearly explained to them.

Case study

Fetu was charged for equipment when his service could not be connected

Fetu signed up for a 'risk-free' trial with Octagon Networks. It sent him a modem and made a date to connect the service.

Octagon Networks tried to connect the service but found the infrastructure it needed was not available at Fetu's address.

It referred him to its terms and conditions and charged him for the modem even though it could not connect him.

Fetu complained to us saying he felt it was unfair that he had to pay for the modem when Octagon Networks could not connect the service.

Octagon Networks resolved the complaint by letting Fetu return the modem and refunding the cost.

Names of all parties have been changed



Finding 4: Consumers sometimes unknowingly sign up for products or services they do not need

We encourage consumers to look carefully into telco products and services before signing up but acknowledge this can be difficult or challenging for some.

Consumers have very different levels of knowledge and experience with telco products and services. While some consumers might be familiar with a product or service, others might rely on the provider giving them the information they need. Some consumers tell us that when they are unsure which product or service is best for them, they prefer to discuss their needs with a provider in store or by phone.

At times, consumers who need extra time to understand a product or service tell us they accepted a salesperson's recommendation rather than taking the time they needed to understand the product or service first. Consumers who find it difficult to understand technical information can be vulnerable to poor selling practices. These include consumers who are older or those less proficient in English.

Recommendation 4: Providers should sign consumers up for products and services that are right for them

Investigation: Telco E sells technical support to customers who do not understand or need it

Telco E offers its customers a basic level of technical support for free. Customers who want extra help with technical problems can sign up for a paid service and choose from different options depending on the type of help they need. Support can be either in-home or over the telephone, and one-off or ongoing.

Many customers of Telco E contacted us to say they were being charged for a paid service when they did not want or need it. Some said they agreed to a one-off charge but were

then charged each month. Some said they felt pressured into signing up for the service. And others said they had not signed up for the service and only became aware of it when charges appeared on their phone bill.

Our complaints showed many of these customers had signed up to the service relying on Telco E to offer the most suitable option. We began a systemic investigation after identifying a concerning number of complaints showing Telco E had:

- disproportionately signed up customers who were less technically minded (including those who were elderly or not proficient in English)

- sold the service to customers who did not understand, need, or benefit from it (some problems were covered by the free support offered by the provider)
- sold a level of service beyond what some customers needed and, in some cases, could afford
- added the service without a customer knowing and without keeping a record of the sale.

Customers in these groups who asked Telco E to cancel the service were commonly told they would have to pay a cancellation fee.

In response to our investigation, Telco E reviewed its sales practices and retrained its staff about the service. It also gave customers who were signed up to the service the option to cancel without a cancellation fee.

We continue to work with Telco E to improve its sales practices.

Case study

Maggie was signed up for a service she did not want

Maggie contacted Bluestone Connect for help with a problem accessing her email. Bluestone Connect offered Maggie its technical support service and began explaining the charges to her.

Maggie said she did not want to sign up or pay for anything, but just wanted help with her email problem. Bluestone Connect gave Maggie a phone number for its 'IT

department' saying they could help with the problem. It instead gave Maggie the number for its paid technical support service.

Maggie later received a letter welcoming her to the technical support service. She called Bluestone Connect and said she had not agreed to the service and did not want it. Bluestone Connect agreed to cancel the service, but instead sent her more information and began charging her for it. When Maggie contacted Bluestone Connect again, it told her she would be charged if she cancelled the contract.

Maggie complained to our office saying she had not agreed to the service. Bluestone Connect cancelled the service and refunded the costs it had charged.

Names of all parties have been changed



Tips for phone and internet providers



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Helping customers sign up for products and services

Does your advertising and information cover all key terms and conditions?

Make sure your advertising and product information covers the key things customers need to know before they sign up.

Key information includes the price of the product or service, the contract length, and any extra costs or exclusions.

Are terms and conditions on your website and app easy to find and understand?

Make sure the Critical Information Summary and terms and conditions of products are easy to find and understand.

Customers should have clear access to this information at the point of sale, whether in store, online, or via an app.

Are you responsibly selling and promoting your products and services?

Make sure your advertising is clear and accurate.

Explain extra costs or conditions to the customer and let them know where they can find more information to make an informed decision.

Are you signing customers up for products and services they need?

Make sure customers understand a product or service before they sign up for it. If a customer does not seem to understand the information you have given them, suggest they take extra time to decide – do not rush them into making a decision.

Offer to print out information the customer can read later or let them know where they can find more information online.

Tips for phone and internet consumers



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Signing up for products and services

Check you understand what you are signing up for

Before signing up to a new product or service, check the [Critical Information Summary](#) and make sure you know:

- how long the contract is
- the plan's call and data limits, and when these reset
- what happens if you use more than your call or data limit
- what happens if you cancel the contract early
- the costs to buy any equipment you need to use the service.

Ask whether 'free' or 'included' products have any conditions

If your provider offers you a 'bonus' or 'free' product, ask whether there are costs or conditions attached to it. Consider whether you need the product and check how its value through the provider compares with the market.

Remember product advertising might not contain all the terms and conditions

Advertising generally focuses on the benefits of a product and service rather than your obligations. Check terms and conditions before you decide to sign up for anything – don't just rely on the advertising.

Think about whether the product or service is right for you

There are many products and services on the market and sometimes it can be difficult to understand their differences. If you are unsure about a product or service, ask your provider for information you can take away and read in your own time before deciding. Only sign up for a product or service when you are sure it is right for you.

Talk to your telco if you've signed up for something you didn't expect

If you have signed up for something you didn't expect, talk to your provider about what options are available. Depending on your circumstances, you may be able to change your plan or exit your contract.

Contact us

You can complain through our website at www.tio.com.au or by calling **1800 062 058**.

You can post a letter to
PO Box 276, Collins Street West,
VIC 8007 or fax it to 1800 630 614.

If you need to use a language other than English, call the Translating and Interpreting Service on **134 450** and they will help you speak with us. They are a free service. Calls to the above numbers on mobile phones may incur charges.

Getting someone to help you

You can also ask someone else to complain for you or your business, such as a friend, family member or financial counsellor. Ask for our authorisation forms over the phone or find them on our website.



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