



# Responding to consumers in financial hardship

Systemic Investigation Report, September 2021



Telecommunications  
Industry  
Ombudsman

# Contents

Introduction from the Ombudsman .....	3
Helpful guide for phrases used in this report .....	4
Complaints about financial hardship .....	6
We investigated complaints about provider responses to financial hardship .....	7
Four areas where improvements could support better outcomes for consumers in financial hardship .....	9
Finding 1: Consumers need accessible, proactive, and timely hardship assistance .....	11
Finding 2: Effective hardship arrangements factor in consumers' circumstances .....	15
Finding 3: Payment plans are not always recorded and applied accurately .....	19
Finding 4: Regular engagement with consumers supports better outcomes .....	23
Tips for phone and internet providers .....	26
Tips for phone and internet consumers .....	27
Contact us .....	28

# Introduction from the Ombudsman

Every year, my office receives over 2,000 complaints from consumers who say they are unable to pay their phone or internet bills due to financial hardship.

When a consumer is struggling to pay their bills, they may be in financial hardship. Financial hardship can happen suddenly, for example, when unexpected life events cause drastic changes in circumstances. Hardship may also occur gradually, perhaps when consumers misjudge their capacity to pay or are mis-sold products or services they struggle to afford. In these situations, a consumer's inability to pay bills may only become clear over a longer period of time.

Financial hardship can significantly affect a consumer's physical, emotional, and social wellbeing. Consumers in hardship are often willing to pay their bills but require support from their providers to spread out the payments. When providers do not offer this support, consumers may complain to my office.

We were pleased to see the number of financial hardship complaints to my office drop sharply during the beginning of the COVID-19 pandemic.<sup>1</sup> We acknowledge the industry acted quickly in responding to financially vulnerable consumers in this time of need.

However, we think the industry can do more to support vulnerable consumers as the economy recovers and the community lives with the impacts of the pandemic. Despite innovative approaches and solutions from some providers, recent reports have shown telco providers may



be responding to financial hardship with less flexibility and empathy than other sectors.<sup>2</sup> While most providers have robust policies about financial hardship, these policies are not always applied consistently.

This report shines a light on consumer experiences, our complaints data, and our systemic investigations into financial hardship. It also contains information on approaches being taken by providers. Our recommendations for providers are designed to be used in conjunction with the financial hardship guidelines jointly developed by industry and consumer stakeholders.<sup>3</sup> We are also using learnings from the report to improve the way we handle complaints involving financial hardship.

1. Telecommunications Industry Ombudsman, 'Impact of COVID-19 on phone and internet complaints' (2020) [www.tio.com.au/reports-updates/impact-covid-19-phone-and-internet-complaints/](http://www.tio.com.au/reports-updates/impact-covid-19-phone-and-internet-complaints/)

2. Financial Counselling Australia, 'Telcos and Financial Hardship: Feedback from the Frontline' (2021) [www.financialcounsellingaustralia.org.au/docs/telcos-and-financial-hardship-feedback-from-the-frontline/](http://www.financialcounsellingaustralia.org.au/docs/telcos-and-financial-hardship-feedback-from-the-frontline/)

3. 'Assisting and responding to customers in financial hardship: Principles and practices – guide for telecommunications providers 2nd Edition' (2017) [www.tio.com.au/sites/default/files/2019-05/TIO\\_FinancialHardship-Guidelines-2nd-edition-28-April-2017.pdf](http://www.tio.com.au/sites/default/files/2019-05/TIO_FinancialHardship-Guidelines-2nd-edition-28-April-2017.pdf)

# Helpful guide for phrases used in this report



## What are systemic investigations?

Systemic investigations are investigations into issues that have or are likely to have a negative effect on a broad number of consumers or particular type of consumer, including:

- a. providers' systems, policies, processes, or practices
- b. repeated conduct by a provider that indicates potential non-compliance with the law, regulatory requirements, or good industry practice
- c. widespread issues driving complaints, which may arise from common industry practices, gaps in consumer awareness, or industry codes and regulations.



## What is financial hardship?

According to the *Telecommunications Consumer Protections Code*, a consumer is in 'financial hardship' when they cannot pay a specific debt or ongoing bills to their telco provider, but they believe they could pay if the payment arrangements changed.<sup>4</sup>

Reasons for hardship are broad, and can be temporary or ongoing, including:

- sudden or chronic illness
- unemployment
- domestic or family violence, or
- any other reasonable cause.

This report uses the term 'financial hardship' more broadly than the definition in the *Telecommunications Consumer Protections Code*. We use 'financial hardship' to describe any financially vulnerable consumers who are struggling to pay their bills, whether or not their provider has formally assessed them as being in hardship.

4. [Industry Code C628:2019 Telecommunications Consumer Protections Code](#) cl 71, Communications Alliance Ltd.



## What is a financial hardship policy?

Under the *Telecommunications Consumer Protections Code*, all providers of phone and internet services must have a policy explaining how they can assist consumers who are experiencing financial hardship.<sup>5</sup> This financial hardship policy must be easily accessible from the provider's website.<sup>6</sup>

A financial hardship policy must contain information about ways to contact the provider about financial hardship, ways the provider can assist with consumer debt, and other organisations the consumer can contact for assistance.



## What is a financial hardship assessment?

When a consumer requests assistance from their provider because of financial hardship, a provider must assess the consumer's eligibility for hardship assistance. The method of assessment is up to the provider, as long as it is conducted in a fair and timely manner.<sup>7</sup>

While it is not ordinarily required for smaller debts, providers can ask consumers to give information about their financial circumstances to help assess the consumer's financial hardship.



## What is hardship assistance?

This report uses the term 'hardship assistance' to describe the different ways providers can help consumers work through financial hardship.

Hardship assistance may include (but is not limited to):

- offering a flexible payment plan
- moving consumers onto a lower-tier or prepaid plan
- removing late fees or termination fees
- restricting part of a service to keep the remaining services active, or
- discounting or waiving a debt.

5. [Industry Code C628:2019 Telecommunications Consumer Protections Code](#) cl 7.1, Communications Alliance Ltd.

6. [Industry Code C628:2019 Telecommunications Consumer Protections Code](#) cl 7.1.1, Communications Alliance Ltd.

7. [Industry Code C628:2019 Telecommunications Consumer Protections Code](#) cl 7.4, Communications Alliance Ltd.

# Complaints about financial hardship

We regularly receive complaints from consumers who are experiencing financial hardship. During the COVID-19 pandemic, we have seen a change in complaint trends and providers improving their responses to consumers experiencing financial hardship.

## Telco consumers regularly experience hardship

Between 1 July 2018 and 31 March 2021, we received over 8,000 complaints from consumers who raised concerns about financial hardship.<sup>8</sup> These complaints appeared across a wide variety of different service types, plans, and providers.

Most complaints were from consumers who said they were financially vulnerable or that their provider did not take enough action to help them overcome their vulnerability.

## Hardship complaints fell during the COVID-19 pandemic

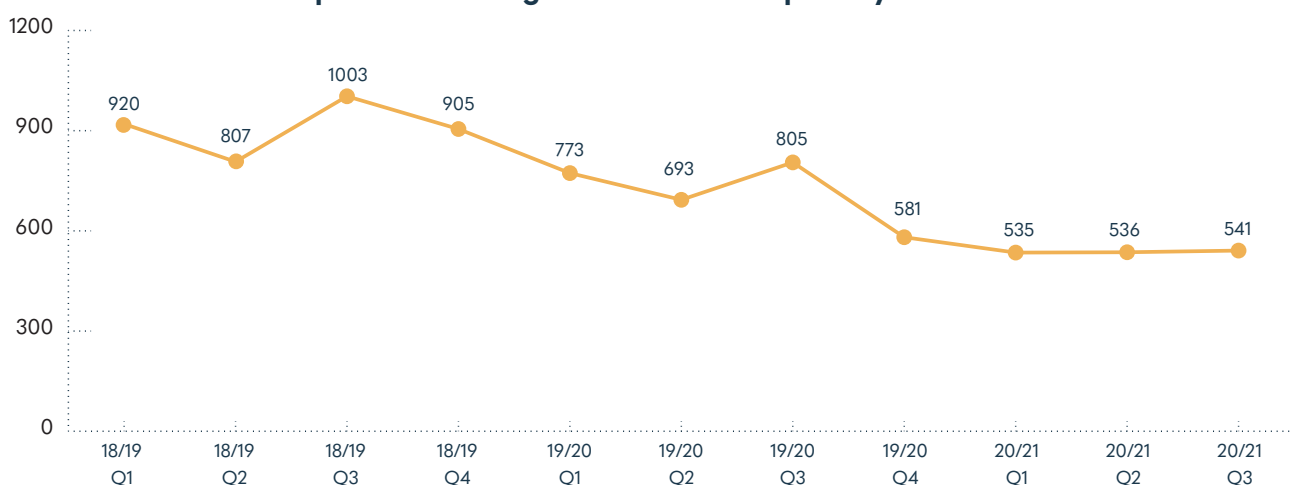
We identified an early increase in financial hardship complaints in the January to March 2020 quarter, at the beginning of the

COVID-19 pandemic. Our hardship complaints then declined to their lowest numbers since July 2018,<sup>9</sup> and remained at that level in the following three quarters. This coincides with the government providing financial support and providers pausing debt collection and offering other forms of support (such as additional data).

## Improvements by the industry

While telco providers were initially affected by call centre closures and other pandemic-related disruptions,<sup>10</sup> many have recently recovered and improved their processes. We observed many providers hiring additional staff, improving self-service options, and identifying consumers in hardship more quickly.

**TIO complaints involving Financial Hardship – July 2018 to March 2021**



8. For reporting purposes, our financial hardship keyword is used for complaints that specifically use the words “financial hardship”, as well as broader complaints from consumers who have unexpected financial issues and/or require a payment plan to pay their outstanding fees.

9. Prior to July 2018, we used a different keyword to monitor these complaints.

10. Telecommunications Industry Ombudsman, ‘Impact of COVID-19 on phone and internet complaints’ (2020) [www.tio.com.au/reports-updates/impact-covid-19-phone-and-internet-complaints/](http://www.tio.com.au/reports-updates/impact-covid-19-phone-and-internet-complaints/)

# We investigated complaints about provider responses to financial hardship

Our report on COVID-19 phone and internet complaints identified new complaint trends about financial hardship. We monitored these trends, and this led to a series of systemic investigations, a survey of providers, and the findings in this report.

## We monitored our complaints and recent reports about the industry

Last year, we prepared a report on the impacts of COVID-19 on phone and internet complaints. At the time, we noticed financial hardship complaints were trending downwards. However, we remained concerned about the complaints we saw involving poor communication, difficulty accessing and understanding information, and inadequate support.

Recent reports from the Australian Communications and Media Authority (ACMA) and consumer advocate bodies have also highlighted trends and challenges with financial hardship. While some reports highlighted the positive trends since the beginning of the pandemic,<sup>11</sup> reports also highlighted areas where providers could do more to support consumers with telco-related debt.<sup>12</sup>

## We conducted systemic investigations

The trends we identified led us to conduct systemic investigations into the behaviours of some providers. The providers responded positively to our investigations. They explained their hardship processes and agreed to work with us on a number of improvements.

These included better training for frontline staff, clearer pathways to access assistance, and changes to refund processes.

## We surveyed providers about their responses to financial hardship

To better understand the trends and challenges, we also surveyed six providers who had received complaints involving financial hardship in the 12 months from 1 January 2020. The providers were selected from a mix of larger and smaller providers, and those with high and low numbers of financial hardship complaints.

Each provider showed it had robust policies in place to respond to consumers in financial hardship. The providers emphasised the strengths of their policies and the specialised training of their hardship teams. Some providers chose to let consumers start the discussions around hardship, while others took more proactive steps to support consumers.

Each provider also expressed challenges when engaging with consumers experiencing hardship. These included consumers not openly discussing their financial position, and consumers not saying when their circumstances changed.

11. The ACMA's State of Play report showed that while financial hardship arrangements had increased in the first three months of COVID, the arrangements were shorter and more successful than pre-COVID arrangements.

12. See Financial Counselling Australia, 'Telcos and Financial Hardship: Feedback from the Frontline' (2021) [www.financialcounsellingaustralia.org.au/docs/telcos-and-financial-hardship-feedback-from-the-frontline/](http://www.financialcounsellingaustralia.org.au/docs/telcos-and-financial-hardship-feedback-from-the-frontline/)

“

Hardship is a loaded term that can be assumed to come with judgment. Empathy is fundamental during conversations with consumers who may be reluctant to ask for help.”

– TIO team member

# Four areas where improvements could support better outcomes for consumers in financial hardship

This report identifies four key areas where responses to financial hardship can be improved.

1

## Consumers need accessible, proactive, and timely hardship assistance

Financial hardship can be a difficult topic for consumers and providers to recognise and feel comfortable discussing. If hardship is not proactively identified or consumers have difficulty contacting the right teams, this may delay or discourage consumers from seeking assistance.

Providers can overcome these challenges by empowering all staff, including frontline staff, to **proactively intervene at earlier stages** before debts become unmanageable.

3

## Payment plans are not always recorded and applied accurately

Mistakes can occur when a provider does not put a payment plan into their billing system, or when a consumer misunderstands the arrangement. This can result in financial pressure on the consumer, unexpected disconnections, and frustration for both parties.

Consumers and providers gain greater certainty when **staff and billing systems are set up to easily record payment plans, payment plans are explained and then confirmed in writing, and disconnections are reversed quickly.**

2

## Effective hardship arrangements factor in consumers' circumstances

Financial hardship can arise in many different circumstances and affect consumers in different ways. This means a one-size-fits-all solution may only delay a consumer's financial problems, rather than help resolve them.

Hardship arrangements are most effective when providers **consider the consumer's future needs for the service and the reasons behind the debt, alongside the consumer's capacity to pay.**

4

## Regular engagement with consumers supports better outcomes

Consumers' circumstances often change, and a hardship solution suitable in one month may become unmanageable the next. Ongoing engagement is critical to ensure consumers complete their hardship arrangements.

Providers can support the success of a payment arrangement by **setting up regular times to speak with consumers** during payment plans, **reassessing arrangements** as required, and **introducing incentives** for consumers who meet their obligations.

“

I was told that hardship was only available to people that were experiencing homelessness or domestic abuse.

I believe that I am in genuine hardship due to a loss of income, but there is more income on the way. All I was asking for was a little support through this time. I am not disputing the amount owing - but would just like the opportunity to pay it off.”

– Consumer

# Finding 1: Consumers need accessible, proactive, and timely hardship assistance

Hardship assistance is most effective when it is offered at the earliest stage. This is before unpaid bills accumulate, services are suspended, and the consumer feels they cannot get back on track. Providers should proactively identify consumers in hardship, and respond promptly to direct requests for hardship assistance.

## Financial hardship can be difficult to talk about

Financial hardship can stem from a variety of circumstances, some of which can make it difficult for consumers to ask for help.

For example, when hardship arises because of unemployment or family violence, the emotional impact of the hardship can make it difficult for consumers to ask for help. Similarly, if a consumer has suddenly become unwell or overwhelmed with other expenses, they may forget or not prioritise their phone or internet bills.

Consumers may not always recognise they are heading towards hardship until their bills have become unmanageable.

Even when a consumer is aware they are in hardship, they may feel shame or stigma about their financial position. This stigma can very easily delay a consumer from seeking help.

“**Stigma can very easily delay a consumer from seeking help.”**

## Empathy can make the conversation easier

The *Telecommunications Consumer Protections Code* ('TCP Code') requires providers to give information about assistance when consumers show signs of needing help, even when the consumers do not directly say the word 'hardship'.<sup>13</sup> Our complaints show that providers do not always start this conversation, even when consumers mention unemployment or illness.

Our survey of providers revealed different approaches to starting these conversations. Many said frontline staff were trained to identify multiple missed payments and certain key phrases (such as 'lost job' or 'on Centrelink') and refer those consumers to specialised hardship teams.

Other providers reported success from taking a more proactive and empathetic approach. For example, one provider said it trained staff to build rapport and trust with vulnerable consumers. Once this trust is in place, the provider can then ask questions and begin offering further guidance and support.

13. [Industry Code C628:2019 Telecommunications Consumer Protections Code](#) cl 7.1.4, Communications Alliance Ltd.

## Consumers can be discouraged by lengthy delays

Once a consumer is ready to discuss financial hardship, they may still struggle to contact the right team.

Our review of complaints identified repeated instances of:

- long hold times
- slow response times for online chat services, and
- providers not calling or emailing back as promised, sometimes for months at a time.

In some cases, the consumer was only able to speak with their provider after intervention from our office or a financial counsellor, or both. These delays can discourage consumers from asking providers for the help they need.

We saw a significant increase in these accessibility issues in the early months of the pandemic. While providers have now largely resumed answering calls and escalating cases, we continue to see lengthy delays in some financial hardship complaints.

## Frontline staff could do more at earlier stages

While specialised teams have significant benefits, these teams are not always available, and providers can do better at actively identifying hardship in early interactions.

Providers could empower frontline staff to offer plan reductions, waivers, and extended payment plans at earlier stages. Offering these options at an earlier stage could mean consumers remain connected on a plan suitable for their changing financial needs.

While early assistance will benefit many consumers, this assistance may not always be sufficient where ongoing support is required. In these instances, early assistance should be paired with support from a specialist team or staff member.

## Suggested improvements for providers

- 1. Ensure consumers can always access hardship assistance** by phone, chat, or self-service channels. This enables and encourages consumers to seek assistance.
- 2. Reconsider frontline staff authorisations, training, and scripting** to ensure consumers with financial vulnerabilities are proactively identified and offered empathetic support. This should include proactive referrals to financial counsellors.
- 3. Intervene early.** An offer to change plans at the first signs of financial hardship can avoid much distress and uncertainty. Providers do not need to wait for consumers to approach them or to demonstrate hardship before making flexible offers.

## Case study

### Rita's provider made it difficult for her to discuss hardship options

Rita had a mobile phone and internet service with Monsoon Mobile. She began experiencing severe financial difficulties when she and her children left her violent partner.

Rita contacted Monsoon Mobile to discuss her financial options. Using their online chat service, she explained her circumstances to Monsoon Mobile and asked for a payment plan. Monsoon Mobile offered her a plan she could not afford. Monsoon Mobile then did not respond when she asked them to consider her circumstances.

Rita continued to struggle with her payments, and Monsoon Mobile disconnected her services. Rita contacted Monsoon Mobile again for assistance, but Monsoon Mobile again did not respond.

Ultimately, Rita had to contact our office to get Monsoon Mobile to speak with her. After we referred Rita's complaint, Monsoon Mobile reached an agreement with Rita, and accepted a payment plan for the amount she initially proposed.

\*Names of all parties have been changed.



“

We find that when customers self-identify as being in financial hardship, they are more likely to be contacting us as a last resort and are genuinely wanting to find a way forward.”

– Provider

## Finding 2: Effective hardship arrangements factor in consumers' circumstances

Consumers commonly tell us they are unsatisfied with their provider's offer of hardship assistance. For providers, finding the right assistance for each consumer can be challenging. To make the process easier, providers could set clearer expectations, assess the consumer's financial capacity, and examine the origins of the debt.

### Providers may offer hardship assistance that is unsuitable

Providers are required to work with consumers to find a flexible repayment option that meets the consumer's individual circumstances.<sup>14</sup> This does not mean providers always have to give the consumer what they want, but providers should make a good faith attempt to find a suitable arrangement.

Some providers work closely with consumers to establish the best path forward. However, consumers also tell us providers make unsuitable offers that do not consider their circumstances.

Generic offers of assistance may not work for every consumer. There is a risk consumers may accept these offers for the short-term benefit of keeping their services connected. The short-term benefit may only delay, rather than help overcome, a consumer's financial problems.

### Hardship assistance requires a tailored approach

Consumers experiencing financial hardship are likely to be juggling other expenses alongside their telco bills. These other expenses can make it difficult for providers and consumers to calculate how much a consumer can pay.

However, it is crucial for providers to take the time to consider each consumer's individual circumstances. These circumstances may include the consumer's current income and other expenses, but also broader factors such as the reasons behind the overdue payments.

The reason behind the payments can be an important factor in finding the best approach. For example, a consumer may be struggling because they purchased an expensive plan and did not consider their upcoming expenses. In that case, it may be appropriate to move them onto a cheaper plan.

Unsustainable plans may also reveal poor selling practices.<sup>15</sup> In those cases, it may be appropriate to cancel the plan and waive the debt.

Some providers we surveyed agreed that they found it useful to assess the origin of a debt. One provider said it also keeps track of these reasons across multiple consumers and uses insights from this data to help improve its financial hardship responses.

However, several providers did not appear to consider the origin of the debt as a significant part of their assessment process.

14. [Industry Code C628:2019 Telecommunications Consumer Protections Code](#) cl 7.6.1, Communications Alliance Ltd.

15. See our previous systemic reports on [Sales practices driving consumer debt](#) (2019) and [Helping telco consumers sign up to the right phone and internet products](#) (2021).

## Expectations should be set early

We also see complaints from consumers who expect the entire debt will be waived if they complain. Alternatively, consumers in hardship may expect to receive the same plan offerings at a lower rate.

While removing the debt is one option providers can offer, it is typically only offered in special circumstances. A more likely outcome is for providers to offer partial credits, or to

make changes to the plan and billing to make paying off the debt more manageable.

To help frame these offers and make them more appealing, it is critical providers clearly explain what solutions they can offer before completing a financial hardship assessment. Once providers have given clear explanations to consumers, those consumers will be in a better position to reflect on what services they need and how much they can realistically afford.

## Suggested improvements for providers

### 1. Assess financial capacity to pay before offering a payment arrangement.

If a consumer who is eligible for assistance says they can only afford to pay a certain amount regularly, and that amount is lower or over a longer period than desired (or both), an assessment of the consumer's current financial capacity is needed. A provider's decision should be based on the consumer's financial reality.

### 2. Assess the causes of the debt, alongside the consumer's capacity to pay it back.

Consider removing fees if the debt appears disproportionate or if the consumer shows signs they did not understand or did not agree to the service in the first place.

### 3. Design hardship arrangements that hold both parties appropriately accountable.

During a hardship assessment, providers may find they inappropriately sold products and services to the consumer. In these situations, the provider should reduce the total debt amount before agreeing on a way forward.

### 4. Consider preventative system features.

Consider how systems can be changed to help consumers to avoid signing up for products and services above their financial capacity. For example, if a consumer is assessed at initial sign up with the capacity to pay a maximum monthly amount, a provider's system could block add-ons that exceed this pre-assessed amount.

## Case study

### Herb's provider did not consider his financial circumstances

When Herb's Centrelink benefits were reduced, he quickly fell behind on his mobile phone bills with StrayComms. Herb had limited English, so he asked a friend to contact StrayComms on his behalf.

Herb's friend explained his financial situation and asked StrayComms to give Herb a flexible payment arrangement. StrayComms said it would only offer a flexible plan if Herb made an upfront payment of \$500 towards his debt. Herb could not afford this.

StrayComms declined to make any other offer and did not appear to factor in any of Herb's surrounding circumstances or good payment history.

With no other options, Herb contacted our office for assistance. By sending a complaint through our office, Herb was able to come to an agreement with StrayComms on an arrangement he could afford.

\*Names of all parties have been changed.



“

I find it useful to consider the situation the consumer was in at the time they signed up for services. Where relevant, it helps to question whether the provider should have sold the services in the first place.”

– TIO team member

## Finding 3: Payment plans are not always recorded and applied accurately

Once a provider has found a suitable solution for the consumer, it is critical for both parties to confirm their understanding of the arrangement. It is also critical the hardship arrangement is applied correctly. Providers should ensure staff are trained on their billing systems, and able to reverse things quickly if something goes wrong.

### Providers and consumers need clear records of their agreement

Providers are required to tell consumers they can get details of hardship arrangements in writing.<sup>16</sup> Providers must also give consumers details about the length of the arrangement<sup>17</sup> and the consumer's rights and obligations under the arrangement.<sup>18</sup>

Providers largely follow these obligations. However, we identified a trend where consumers said their provider had no record of a hardship arrangement or the arrangement did not reflect what had been agreed.

These complaints typically arose from system or human errors when recording the agreements. In some cases, we found consumers had not correctly remembered what the provider had offered them.

Disagreements or misunderstandings can have significant consequences for consumers. Consumers may plan their limited finances around a payment arrangement they thought they agreed to, only to be suddenly disconnected for missing a payment.

To avoid these problems, providers need to be especially careful to ensure consumers are given the agreement in writing. This written agreement should be clear and easy to

understand. Providers must also ensure their staff are properly trained to enter payment arrangements into their billing systems.

### Direct debits can cause bill shock

In other complaints, consumers said they agreed to a payment plan and for direct debits to stop. However, the provider continued to direct debit payments from their bank account.

These unexpected debits can add to financial hardship by suddenly draining a consumer's remaining funds. Some consumers told us they were unable to afford food, medicine, or accommodation. These debits can also take over a week to refund, and during that time, the consumer may incur debit dishonour fees from their bank, in addition to the financial pressures.

### Unexpected disconnections or suspensions can have consequences

Unexpected disconnections and suspensions can also create further financial difficulties for the consumer. For example, disconnection can affect a consumer's ability to work remotely. It could limit their income and, therefore, their ability to pay their debts. To remain connected, some consumers may also resort to purchasing additional services (such as prepaid mobile services).

16. [Industry Code C628:2019 Telecommunications Consumer Protections Code](#) cl 7.5.1, Communications Alliance Ltd.

17. [Industry Code C628:2019 Telecommunications Consumer Protections Code](#) cl 7.5.3, Communications Alliance Ltd.

18. [Industry Code C628:2019 Telecommunications Consumer Protections Code](#) cl 7.5.2, Communications Alliance Ltd.

We see complaints where a consumer's service is suspended or disconnected, despite assurances that this would not occur while the hardship arrangement is in place.

Typically, these disconnections can also take time to reverse, and may inhibit the consumer's ability to make payments and their willingness to contact their provider for further assistance.

All the providers who responded to our survey told us they notify consumers to prevent them from being suspended or disconnected unexpectedly. Two providers take this engagement a step further by encouraging consumers to speak with financial counsellors.

.....

### Suggested improvements for providers

1. **Review staff training** to ensure your staff can enter hardship arrangements into your billing systems in a timely and effective manner.
2. **Give consumers the option to move off direct debit payment options** when they raise concerns about their financial position. While automated direct debit payments can make it easier for consumers to consistently meet their payment arrangements, they will not be suitable for all consumers. Direct debits may instead hinder consumers from making payments in a controlled, sustainable way.
3. **Ensure billing systems have the option to flag accounts when hardship arrangements have been made.** These flags can help providers pause regular billing, prevent automated disconnections, and inform frontline staff when they are speaking to a consumer who may be affected by financial hardship.
4. **Reverse situations quickly when things go wrong.** Consider ways to optimise reversal processes when a consumer has been incorrectly disconnected, or when they have been debited in contradiction of their payment arrangement.

## Case study

### Unexpected direct debits put Ursula further into hardship

Ursula was struggling with her finances, so she contacted her internet provider, Token Fones, to discuss her options.

Token Fones said it could cancel the service and said Ursula could pay off her debt at \$90 each month. Ursula accepted this offer.

The day after this conversation, Token Fones deducted \$360 from Ursula's bank account. This deduction, which was not part of the agreed plan, placed a significant financial burden on Ursula, who was already finding it difficult to keep up with her bills.

Ursula asked Token Fones to immediately refund the \$360 and stick to the \$90 agreement. Token Fones agreed it had made an error, but said would take five to seven days to process the refund. However, Ursula needed the refund to pay for her daily living essentials.

Ursula raised an urgent complaint with the TIO, and we facilitated the communication between Ursula and Token Fones. This ultimately resolved the issue.

\*Names of all parties have been changed.



“

If a customer becomes disengaged with the process, it is difficult to bring them back into our financial hardship program and to give them the support they may need.”

– Provider

## Finding 4: Regular engagement with consumers supports better outcomes

Once a suitable payment arrangement has been put in place, consumers may still fail to pay off their debts. A flexible approach and regular communication can help consumers successfully complete their payment arrangements.

### Communication issues may arise, and circumstances may change

The ACMA's recent State of Play report<sup>19</sup> found less than 50% of residential consumers complete their financial hardship arrangements. While this number greatly improved at the beginning of the COVID-19 pandemic, we still regularly see consumers who struggle to complete their hardship arrangements.

Our complaints and survey responses reveal maintaining communication can be challenging. Several providers told us they regularly have difficulty helping consumers who miss a payment and then stop communicating with the provider. If the consumer does not respond for weeks at a time, the provider may feel that the only available option is to suspend or disconnect the consumer's services.

In contrast, consumers who have regular communication with their provider are more likely to have better outcomes. Regular contact gives consumers the opportunity to let their provider know about any changes to their circumstances. In turn, providers can make informed decisions about possible next steps.

Some consumers in hardship have greater certainty about their upcoming financial situation and can complete the arrangement as agreed. Other consumers may experience

additional changes to their circumstances, which can impact their ability to complete the agreed arrangement.

Providers largely encourage consumers to contact them when these changes happen, so that new arrangements can be made. However, we see complaints from consumers who say their provider was inflexible and would not consider changing the arrangement once it was in place.

### Being flexible could keep consumers engaged

When a payment arrangement is set, the consumer is required to make regular minimum payments at agreed intervals. If any payments are missed, the consumer is often told their service may be suspended, or their contract will be terminated.

The *TCP Code*<sup>20</sup> sets a framework for this process. Sometimes suspending the service or terminating the contract can be a way to protect consumers from incurring further debt. However, these consequences can appear inflexible and intimidating to consumers.

There is an opportunity for providers to bring other creative solutions into this process. Where consumers are told early about these options, it could reduce consumer reluctance to engage.

19. Australian Communications and Media Authority, 'Customer financial hardship in the telco industry: State of play report 2019–20' (2021), [www.acma.gov.au/publications/2021-02/report/customer-financial-hardship-telco-industry-state-play-report-2019-20](http://www.acma.gov.au/publications/2021-02/report/customer-financial-hardship-telco-industry-state-play-report-2019-20)

20. *Industry Code C628:2019 Telecommunications Consumer Protections Code* cl 7.7, Communications Alliance Ltd.

For example, our complaints review showed a provider taking a new approach to paying off mobile handsets. Where a consumer's contract is cancelled early, they are not automatically asked to pay the full cost of their device. Instead, the consumer is invited to pay it off over 36 months. This reduces the effect of a sudden increase in the debt and creates a sustainable path forward where a device cannot be returned.

Another solution is to introduce a rewards-based model for payment plans.<sup>21</sup> Under this model, providers would review consumer performance on payment plans after several months and reward good payment history. The reward may take the form of credits or further reductions to the debt.

This model is supported by the *TCP Code*.<sup>22</sup> If financial incentives are not an option, other possible rewards could be offering consumers additional data or removing restrictions from plans.

### Suggested improvements for providers

- 1. Maintain regular contact throughout the hardship arrangement.** Building rapport with consumers can make it easier for consumers to communicate changes to their circumstances. For example, if a consumer had a payment plan scheduled over six weeks, consider contacting the consumer on the third and seventh week to assess their situation.
- 2. Reassess hardship arrangements when circumstances change.** If a consumer communicates that their circumstances have changed, reassess their capacity to meet the existing hardship arrangement. Make appropriate adjustments to empower the consumer to pay.
- 3. Consider rewarding consumers who meet their payment arrangements.** When a consumer reaches a milestone in their payment arrangement – such as paying off half their debt or meeting four payment dates in a row – consider offering appropriate incentives to keep the consumer engaged with the process. For example, additional credits or data could be added to the account, or services could be unrestricted (only in situations that will not lead to additional debt).

21. Australian Communications and Media Authority, '[Telco financial hardship programs: views from financial counsellors](#)' (2021)

22. [Industry Code C628:2019 Telecommunications Consumer Protections Code](#) cl 7.2.2, Communications Alliance Ltd.

## Case study

### Steve was not given flexibility once a payment plan was in place

Steve had multiple mobile and tablet services with Graphite Mobile, which he gave to his family to use. He fell behind on payments, so Graphite Mobile restricted and later cancelled all of his services. Between the unpaid bills and cancellation fees, Steve owed over \$5,000 to Graphite Mobile.

Steve contacted Graphite Mobile to ask for a low-cost payment plan. Graphite Mobile declined this plan, and instead asked Steve to pay back the entire \$5,000 within a year. Since his options were limited, Steve accepted the offer.

In the following months, the COVID-19 pandemic meant Steve's family lost income. Steve was concerned he would be unable to keep to his payment arrangement, so he attempted to contact Graphite Mobile for assistance. Graphite Mobile did not return his calls, which discouraged Steve from seeking additional assistance.

Before the deadline for payment of the \$5,000 passed, Steve called Graphite Mobile again. Instead of changing the payment arrangement, Graphite Mobile told Steve his account had already gone to a debt collection agency.

Steve then complained to our office. With our assistance, Steve and Graphite Mobile reached an agreement. Steve agreed to return his mobile handsets, and Graphite Mobile agreed to remove \$2,500 in outstanding fees. Graphite Mobile then worked with Steve to find a flexible arrangement to pay off the remaining amounts.

\*Names of all parties have been changed.



# Tips for phone and internet providers



Telecommunications  
Industry  
Ombudsman

Assisting consumers who are in a position of financial hardship

## Ensure consumers can easily access hardship assistance

- Consumers should be able to freely ask for assistance by telephone, chat, or self-service channels.
- Specialised hardship teams should respond quickly so that consumers are not discouraged by delays.

## Review the training, scripting, and delegations of your frontline staff

- Frontline staff should be able to proactively identify signs of hardship and offer appropriate assistance.
- Frontline staff should respond with empathy, build rapport, and encourage consumers to seek the assistance of financial counsellors.
- Consider allowing frontline staff to make more flexible offers, such as offering plan changes at the first signs of hardship.

## Work with consumers to find a suitable offer of hardship assistance

- Assess the causes of the debt and offer plan changes, waivers, or refunds where appropriate (for example, where mis-selling occurred).
- Consider what additional charges can be removed, such as late fees and termination fees.
- Tailor your offers to the consumer's financial reality.

## Set expectations and ensure consumers understand the next steps

- Provide written copies of the arrangement that are clear and easy to read. This will ensure that misunderstandings can be avoided or quickly remedied.

## Ensure your staff and systems record payment arrangements correctly

- Ensure staff training includes how to record payment plans and pause credit management action in the billing system.
- Ensure staff can make timely reversals of incorrect payments or disconnections if things go wrong.

## Offer flexible payment options to consumers in financial hardship

- Consider pausing direct debit payments because manual payments may give consumers better control over their finances.
- Consider alternatives to immediate disconnections when consumers miss a payment.

## Maintain regular contact throughout the hardship arrangement

- Consider having a single staff member manage a consumer through their hardship arrangements to help build rapport.
- Consider regularly checking in with the consumer throughout their payment arrangement, so that consumers can easily communicate any changes to their circumstances.

## Incentivise consumers to stick to their payment plans

- Consider ways to reward consumers who regularly meet their payments, such as additional credits or the relaxing of account restrictions.
- Be prepared to rethink an arrangement when a consumer alerts you to a change to their circumstances.

# Tips for phone and internet consumers



Telecommunications  
Industry  
Ombudsman

Getting help when you are in a position of financial hardship

## **Tell your provider early that you may need assistance**

Contact your provider by phone or in writing as soon as you suspect your circumstances will prevent you from paying your bills.

## **Ask your provider to send you information about hardship**

If you are uncomfortable telling your provider details about why you are having financial difficulties, ask about your provider's financial hardship policy and what information your provider needs from you.

## **Explain what you can afford and why**

Tell your provider why you can only afford a certain amount over regular periods. Giving your provider a picture of your other expenses and income will help your provider help you to agree on a suitable hardship arrangement.

## **Be realistic about what you can and cannot afford**

When your capacity to pay changes, think about what parts of your service you really need. When you sign up for a new plan or upgrade a telco product or service, be realistic about your needs and the effect on your future finances.

## **When things change, tell your provider**

You may agree to a financial hardship arrangement, but then things might change, and you may not be able to do what you agreed. When this happens, tell your provider as soon as possible.

## **Ask if your provider has staff who specifically deal with financial hardship**

Your provider may have staff who are specially trained to help consumers experiencing financial hardship. Ask your provider if you can be transferred to or have the contact details for these staff.

## **Request your financial hardship arrangement in writing**

To help you manage your financial obligations, and make sure you and your provider have the same understanding, make sure you ask for a written record of what was agreed.

### **Other help is available**

If you are experiencing financial hardship and would like more help, you can also contact:

Financial Counselling Australia  
[www.financialcounsellingaustralia.org.au](http://www.financialcounsellingaustralia.org.au)

The National Debt Helpline  
[ndh.org.au](http://ndh.org.au) | 1800 007 007

# Contact us

You can complain through our website at [www.tio.com.au](http://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.



**Telecommunications  
Industry  
Ombudsman**