

Mobile phone contracts

You can choose from many types of mobile phone services, depending on your needs. In some cases, for example pre-paid services, you do not need to sign a service contract. For others you need to sign a contract that may run for up to two years or longer. This fact sheet provides information about some of the most common types of mobile phone contracts and the main conditions you need to be aware of when signing a contract.

What is a fixed-term contract?

Fixed-term contracts vary in length, usually from one to two years, but some may be longer. They usually involve a range of charges, such as:

- connection charges;
- monthly or periodic access fees;
- call costs;
- disconnection and reconnection charges;
- variation and termination fees; and
- in some cases, charges for information received through the mobile phone handset.

Calls up to a certain value may be included as part of the access fee under the contract. When calls exceed that value they are charged at a rate set by your service provider under your contract.

When thinking about signing a fixed term contract, you should read it carefully and make sure you understand the terms and conditions involved so you can make an informed decision.

Some questions to ask before making your choice are:

- What is the minimum cost over the period of the contract?
- What period of time does the contract cover?
- What are the call rates once I exceed the value of the access fee?
- Can I change the access fee during the term of the contract?
- What are the charges for ending my contract early?
- Does the contract include a handset or do I have to buy my own?
- How often will I receive a bill?

You should also think about what your mobile phone usage pattern is likely to be—what types of calls you will make and at what times of the day—and choose the most suitable plan or contract for your needs.

It is important to find out whether you can change your plan if you wish, and what you will be charged to change your contract or end it early.

Things to remember when you are a guarantor or you buy a mobile phone for someone else:

- If you act as a guarantor for someone when they sign a contract for a mobile phone service, you will be fully responsible for any amount owing which the person using the phone does not pay.
- When buying a mobile phone for someone, either as a gift or for a relative, if you enter into a contract for the service you will be responsible for paying the bill.

Can I have a mobile phone service without

Yes, some mobile phone companies now offer mobile phone services without customers needing to enter into a contract. These are either pre-paid services or a service that is regularly billed but not under contract.

Prepaid

For a pre-paid mobile phone service, you need to buy a SIM (subscriber identity module) card. This card allows you to connect your mobile phone to a network and make calls up to the value of the card.

With a pre-paid service, you may buy a new mobile phone or insert the SIM card into your existing mobile phone. In some cases, mobile phone handsets are sold with a pre-paid service included. If you want to use a pre-paid mobile phone service, find out how often you have to recharge your credit and whether your credit expires if you don't use it within a certain time.

You should also compare the call rates on a pre-paid service with those for a fixed term contract.

Pay monthly (no contract)

If you want a more flexible service, it may be possible to use a mobile phone without signing a contract and receive a periodic bill, usually monthly, for calls made.

Leasing

Leasing or renting a handset is an alternative to purchasing one if you only need one for a short period for example while travelling. Some companies offer to lease or rent mobile phones for a specified period. Often the range of handsets available for you to choose from is limited by availability. Taking insurance on the leased handset is often recommended.

What are 'variation and termination fees'?

Variation and termination fees are charges that may be made by the service provider to change the conditions of your contract or end it early. These fees can be quite high, so before you sign a contract, find out what it will cost to change the contract or end it early.

What is meant by a 'verbal contract'?

Verbal agreements are as binding as written ones. If you agree verbally to a contract, the conditions of that contract can be enforced as if you had signed it. So if you are asked to agree verbally to a mobile phone service contract, make sure you understand the conditions before you agree to it. You should ask for written confirmation of any verbal agreement.

What is a 'standard form of agreement'?

Companies providing mobile phone services may use a [standard form of agreement](#) (SFOA) with their customers, instead of having a separate contract with each customer. An SFOA is a standard contract providing details of the terms and conditions of service for any customer. A phone company who uses an SFOA must give you a summary of that agreement with up-to-date information about your key rights and obligations under the agreement.

Not all phone companies use SFOAs. Some use other forms of standard contracts. Phone companies usually only have individually agreed contracts with large or medium-sized business customers, not individual customers.

Is a handset included in the contract and is it free?

In some cases, service providers offer contracts with a handset where the cost of the handset is included in the fees and charges over the period of the contract, so the handset is not 'free'.

Some mobile phone companies are moving away from providing a mobile phone handset as part of the contract, so the mobile phone handset may or may not be included, depending on the conditions of the contract and the service provider.

In some of the most recent contracts being offered, the mobile phone handset is bought by the customer on credit and paid off over the period of the contract. The handset is not part of the contract unless specifically requested by the customer. The contract period may vary according to the value of the phone purchased on credit.

Some other recent trends in mobile phone service contracts include offering:

- bonuses to customers who sign up for specified periods of time;
- a mobile phone handset on interest-free credit, paid off over the term of the contract; and
- a SIM-card only service, which means you must buy a SIM card to access a mobile phone network for a specified period and provide your own mobile phone handset.

Some mobile phone companies offer connection on a monthly basis (with no contract). This offers you flexibility and allows you to change plans or companies more easily. You can take advantage of new deals without being penalised with hefty termination fees.

These types of offers may be available to individual and business customers.

More information

More information on mobile phones is available on ACMA's website, at www.acma.gov.au (go to For the public > Consumer and community advice > Choosing products and services).

Please note: this document is intended as a guide only and should not be relied on as legal advice or regarded as a substitute for legal advice in individual cases.

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