

Financial hardship in the telco sector

Keeping the customer connected

MAY 2023

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Executive summary

Telecommunications is an essential service. Being connected and having access to a reliable and affordable phone and internet service has become necessary for many to work and connect to education, health and government services as well as for vital social connections and management of our everyday lives.

On 27 June 2022, the Australian Communications and Media Authority (ACMA) released its [2022–23 compliance priorities](#). The financial hardship priority focuses on protecting telecommunications customers experiencing financial hardship and making sure providers of telecommunications services (telcos) comply with their obligations, especially those relating to the disconnection of services.

We are addressing this financial hardship compliance priority through 4 key activities:

- > research to better understand the consumer experience
- > industry information to better understand telco practices when dealing with customers experiencing financial hardship
- > an audit of compliance with rules related to financial hardship and disconnection in the C628:2019 Telecommunications Consumer Protections Code (TCP Code)
- > an education campaign to raise consumer awareness of telco financial hardship programs and consumer protections.

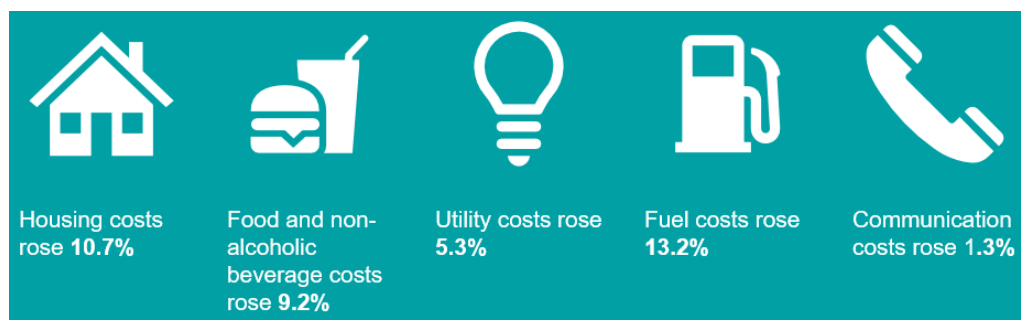
Four years ago, the ACMA recognised the importance of financial hardship in the telco sector through publication of the first of our annual *State of play* reports.¹ Informed by our research, compliance activities and industry reporting, this fourth report on financial hardship builds on our previous work and takes a more contemporary approach to determining whether safeguards are providing appropriate support to consumers in vulnerable circumstances.

This work complements ACMA's Statement of Expectations for telcos dealing with consumers experiencing vulnerability, published in May 2022. The statement covers all aspects of customer interaction, from selling practices and customer service to the provision of financial hardship support. The statement aims to improve outcomes for consumers in vulnerable circumstances who may be experiencing barriers accessing or maintaining access to telco products and services, and offers advice to industry on providing support to consumers experiencing vulnerability.

Currently, many Australians are experiencing mounting financial pressures from inflation and mortgage rates trending upwards.

¹ ACMA [Customer financial hardship in the telco industry: State of play report 2018–19](#) ; ACMA [Customer financial hardship in the telco industry: State of play report 2019–20](#); ACMA [Customer financial hardship in the telco industry: State of play report 2020–21](#).

Between December 2021–22:



Source: [ABS Consumer Price Index, Australia, December Quarter 2022](#).

It is therefore likely that in the current economic environment, telco customers may, at one time or another, experience financial pressures and have difficulties paying their telco bills.

Contemporary, effective telecommunications protections for customers in this area are essential – commensurate with the role of telecommunications as an essential service.

Fundamentally, we expect telcos to be fair, transparent and flexible when supporting consumers experiencing financial hardship, and to be accountable for meeting their obligations.

Key findings

Incidence and persistence of financial difficulties with telco services

- > **Rates of telco financial hardship are significant, and the reasonable expectations of telco consumers are not currently being met.** Consumer research commissioned by the ACMA indicated that 25% of Australians had experienced payment difficulty or concerns in the previous 12 months for at least one of their essential services bills (telco, energy, water) and 48% of those had difficulty with their telco bills. This represents just under 2.4 million Australian adults in financial difficulty or concern for their telco bills in that period.² In contrast, industry data from the main telcos reported 4,388 residential financial hardship customers as at 30 June 2022. This represents 0.03% of all residential customers.³

Financial hardship information provided to customers

- > **Industry requirements on information provision are not working sufficiently.** Telcos are required to have financial hardship policies that are easy to find and access.⁴ While the 11 telcos⁵ we sought information from confirmed that they publish financial hardship policies on their websites, our consumer experience research indicates that only 57% of the general Australian adult population and 64% of those who experienced a financial hardship situation in the past 12 months reported they were aware they could contact their telco provider for help managing the payment of bills due to financial difficulties.⁶ For example, while the financial hardship policy of one provider we collected information from was easy to find, all other providers required more extensive navigation on their websites to access financial hardship policies.

² ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 3.

³ The ACMA notes that telcos can offer payment plans and bill payment extensions outside of formal financial hardship programs. However, these do not attract the TCP Code protections, such as from credit management action, afforded the customer on a formal financial hardship program.

⁴ Communications Alliance, C628:2019 Telecommunications Consumer Protections (TCP) Code, clause 7.1.

⁵ See the 'Industry information' section on page 14 of this report for details on how the 11 were selected.

⁶ ACMA, *OmniPoll telco research, fieldwork in December 2022*, unpublished data.

- > ACMA research found that older Australians are more likely to be aware that financial hardship assistance is available, with 61% of those aged 50 and over aware that they could ask their telco for help. Older Australians are less likely to experience financial hardship (8%) and, therefore, less likely to contact their provider for financial hardship assistance (3%) or to enter into an arrangement (2%). Younger Australians are less likely to be aware that financial hardship assistance from their telco is available with only 50% of those aged 18–34 years being aware they could ask their telco for help. Younger Australians are more likely to experience financial hardship situations (41%) and therefore comprise a greater proportion of those who contacted their telco for assistance (12%) and entered into an arrangement (12%).⁷

Customer service

- > **Customers need to be able to find information about what help is available if they experience financial difficulty and should be treated with respect when they seek to access that help.** ACMA cross-sector financial hardship quantitative research showed that contact for advice to manage bill payments was significantly higher for the telco sector (32%) than for the water sector (21%), but not higher than the energy (40%) or banking (32%) sectors.⁸ Being more difficult to contact (16%) and having a negative previous experience (9%) were more likely to be cited in relation to telcos than other sectors as a reason for not contacting a provider.
- > Telcos need to show accountability by doing what they say they are going to do. Ten of the 11 providers reported to us that they proactively identify customers who may be experiencing financial difficulty. However, consumers who had financial difficulties or concerns with their telco bills reported it was rare for telcos to initiate contact, especially human contact, in relation to potential financial hardship.⁹
- > Telcos need to be more flexible in dealing with customers experiencing financial stress. The most common themes emerging from consumers in recent financial hardship about what telco providers could do better were reducing prices and being more friendly, polite, helpful, supportive, or understanding.¹⁰ Telco customers also wanted providers to be more proactive in initiating contact with customers who they identify may be in financial hardship.¹¹

Financial hardship arrangements

- > **Financial hardship arrangements should be tailored to individual circumstances.** Customers reported that the most common action by essential sector providers when contacted about bill payment difficulties was to extend the payment deadline, followed by creating a new payment plan (highest for energy, 32%), and changing the service plan (highest for telco, 40%).¹² For those in difficulty who contacted their provider to ask for advice or help managing bills, the telco sector was less likely than energy to put those customers on a new payment plan (20% for telco, 32% for energy). In the telco sector, financial hardship arrangements or payment plans were more likely to involve changing plans to downgrade or remove services (20%) compared to the energy sector (7%).¹³ Many participants suggested that telcos should be more flexible with the types of payment and financial hardship options available to customers. Examples of different payment options suggested were more frequent bills to better align with customers' payment cycles, increasing the flexibility of payment extension

⁷ ACMA, *OmniPoll telco research, fieldwork in December 2022*, unpublished data.

⁸ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 23.

⁹ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 21.

¹⁰ ACMA *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 40.

¹¹ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 6.

¹² ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 28.

¹³ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 34.

timelines, and offering discounts for paying more upfront if the customer has more money available at a particular time.¹⁴

- > As industry financial hardship information is based on post-paid services¹⁵, the exclusion of pre-paid services may lead to an under-reporting of telco consumers in financial difficulty.¹⁶ This presents a disconnect with our consumer experience research findings. As identified above, ACMA research indicates approximately 2.4 million Australians experienced payment difficulty or concerns with their telco bills.¹⁷ However, industry data from the main telcos identified only 4,388 residential financial hardship customers as at 30 June 2022.
- > Telco providers were generally seen as being less well-equipped with fewer options available, and less flexible than other essential services, particularly electricity providers, when dealing with customers in financial hardship.¹⁸

Debt

- > **Flexible approaches to billing and responses to financial hardship are important in keeping customers connected.** While direct debit (as a method of payment) was usually the default option set up at the time the contract started, it was often seen by customers as being the only option presented, with many qualitative research participants reporting being 'forced' to use it.¹⁹
- > There was a general feeling that direct debit was a convenient method of payment in *perfect* or *predictable* circumstances, but was more problematic at times of financial difficulty, adding to stresses and incurring extra fees.²⁰
- > The biggest issue that qualitative research participants mentioned was the inflexibility of direct debit arrangements and lack of control over payment dates – they liked to be in direct control of their own finances and to know exactly how much and when money was going in and out of their accounts.²¹
- > While research participants were generally told that they had been referred to a debt collection service via an email or a text message, there was also a feeling of frustration that the telco provider did not provide any forewarning that they would be referred to a debt collection service. The communication was reported as having been received after the referral had occurred, and it originated from the debt collection service, rather than the telco provider.²²

Disconnections

- > **Given that telecommunications is an essential service, telcos should contact customers well in advance of disconnection** with messages that clearly state the consequences of disconnection and afford customers sufficient time between sending the disconnection notice and the actual disconnection to seek financial assistance or make alternative arrangements.
- > While telco providers reported to the ACMA that they implement measures to prevent disconnection in error, research participants who had been disconnected recently were dissatisfied with the way their provider communicated with them to

¹⁴ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), pp. 34–35.

¹⁵ Pre-paid services are not subject to the credit management or billing obligations in the TCP Code.

¹⁶ ACCC, [Internet Activity Record Keeping Rule June 2022 report](#) (p. 7): 36% consumers on prepaid mobile plans and 64% on post-paid mobile plans.

¹⁷ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 3.

¹⁸ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 36.

¹⁹ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), pp. 5, 11–12.

²⁰ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), pp. 5, 11–12.

²¹ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 12.

²² ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 32.

advise them of their disconnection. Participants noted that their providers did not always give them adequate time between their disconnection notice and the actual disconnection.²³

Regulatory settings

Telecommunications is now considered to be an essential service

Contemporary, effective telecommunication protections are essential. Many of the existing telecommunications safeguards are built on a legislative framework developed at a time when telecommunications was not seen as an essential service, when fixed-line services dominated the market, and there was not the diverse range of service providers there are now.

The fast-moving telecommunications environment requires a new, modern and agile regulatory framework that recognises the changing needs of this essential service and the dynamic market environment. Telecommunications markets also need to be inclusive of and accessible to all consumers.

The observations throughout this report are based on the ACMA's findings and seek to provide industry with what we consider needs to improve to deliver the reasonable outcomes for consumers experiencing financial hardship or difficulties paying their telco bills. We consider it necessary to outline these views due to the large disparity between what consumers have reported in relation to financial hardship and what the 11 telco providers that provided information are delivering.

Our views include the need for:

- > **improved transparency and visibility of financial hardship arrangements.** Finding financial hardship policies on telco websites should be intuitive, with a clearly-worded, direct link provided on the homepage or a phone number customers can contact.
- > **improved customer service** for consumers, including more proactive identification and support of customers struggling to pay their bills and increased flexibility in the application of entry criteria for financial hardship arrangements. Telcos should consider ways of communicating clearly with customers about disconnections and debt collection, and make it easier for customers to contact them to discuss issues. Most customers only contact a telco when there is a problem. Improved training for staff to deal with these sensitivities is also indicated.
- > **a more flexible approach to bill payment**, including increased payment options that are free (other than direct debit) and allowing customers to part-pay their bills linked to their income payment frequency – such as bill smoothing.

²³ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 30.

Background

Telco products and services are essential to the needs of Australians who rely on them to stay connected, communicate and do business.

Consumer access to telco services has become even more critical since the beginning of the COVID-19 pandemic, with many now settling into a new era of unprecedented hybrid or variations to working arrangements and the increased reliance on telco services.

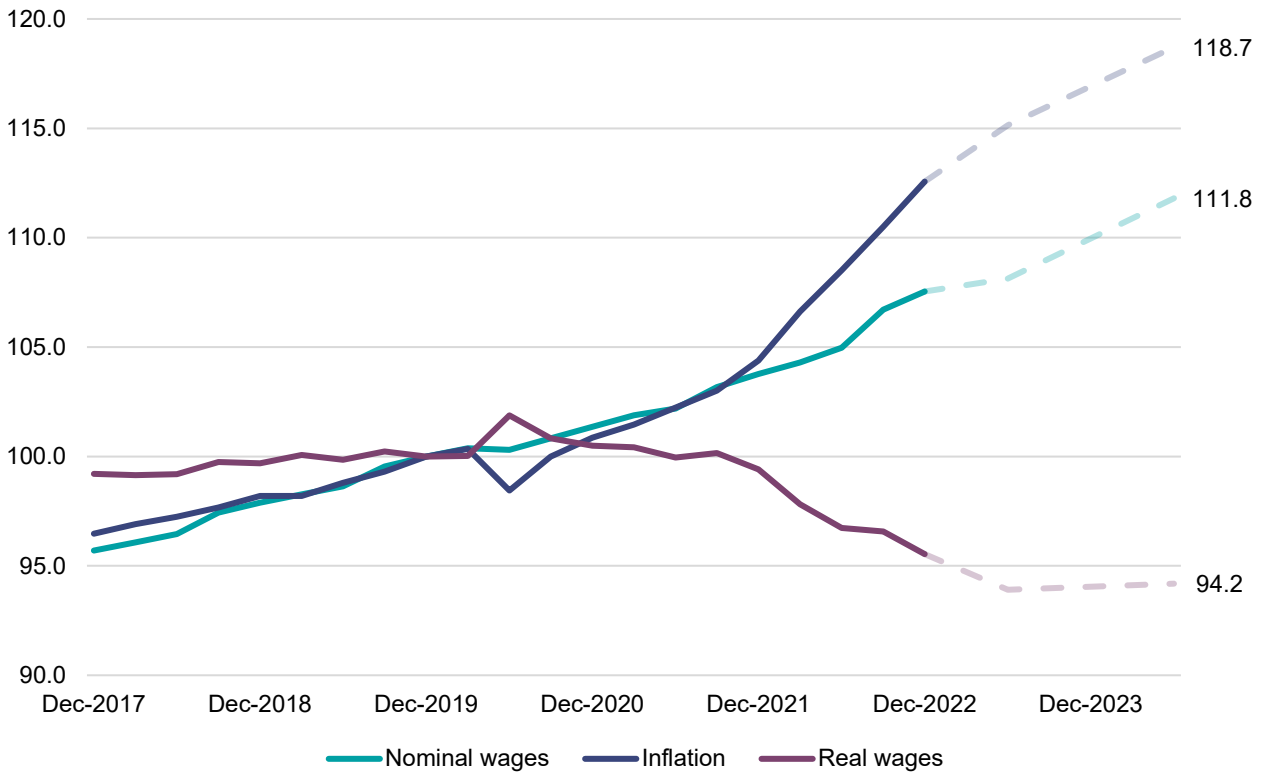
Financial pressures can happen to anyone, at any time and for many reasons, including loss of income, illness, family or domestic violence, natural disasters, or more recently, the COVID-19 pandemic and increased cost-of-living pressures. Some groups within the community are also more likely to be in financial hardship, including those who are victims of domestic violence, those living with a disability (either themselves or someone within their household), low-income households, those with low levels of financial literacy, or those that may have inadvertently signed up to a service or product without understanding the terms and conditions.

Financial hardship in the telco sector can range from temporary stress to a longer-term issue, and the extent of the hardship varies. It may be linked with financial hardship in other aspects of the consumer's finances or just be related to one or more telco services.

Telco products and services do not sit apart from other services contributing to economic or social activity. Accordingly, this report acknowledges consumers' financial pressures in their everyday lives, which include:

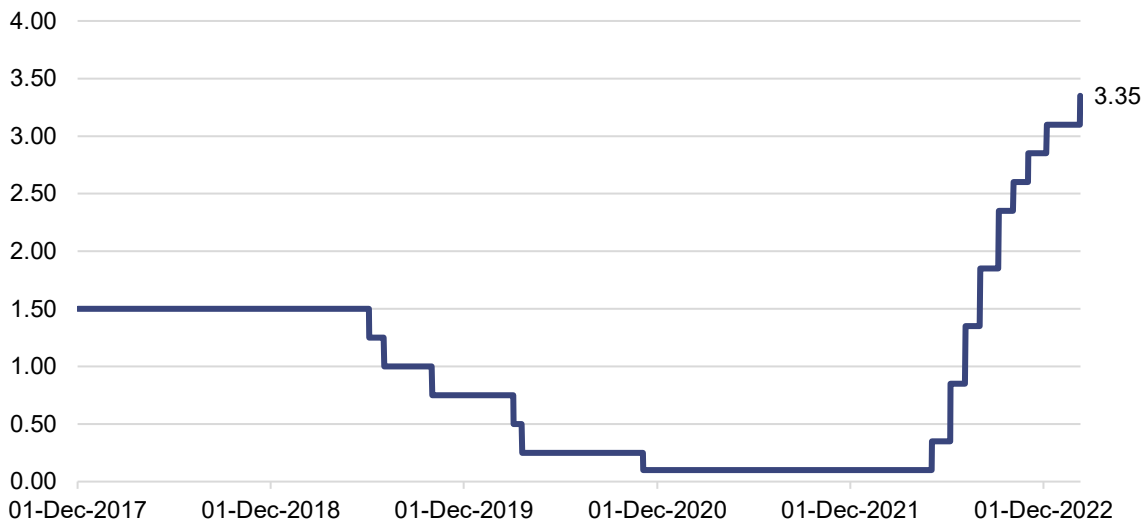
- > The cost of living for Australians has risen sharply over the past year as inflation has substantially increased.
- > Inflation, as measured by the Consumer Price Index (CPI,) rose 7.8% between December 2021 and December 2022
- > Wages have not kept pace with inflation, growing at less than half the rate of inflation over the same period. Real wages are not forecast to rise until 2024 (Figure 1).
- > Interest rates have also risen sharply in response to the sharp rise in inflation, placing further pressure on household budgets (Figure 2).

Figure 1: Wage and inflation index



Sources: [ABS Consumer Price Index, Australia, December Quarter 2022](#); [ABS Wage Price Index, Australia, September Quarter 2022](#); [AER Wage Price Index Forecasts, 14 September 2022](#).

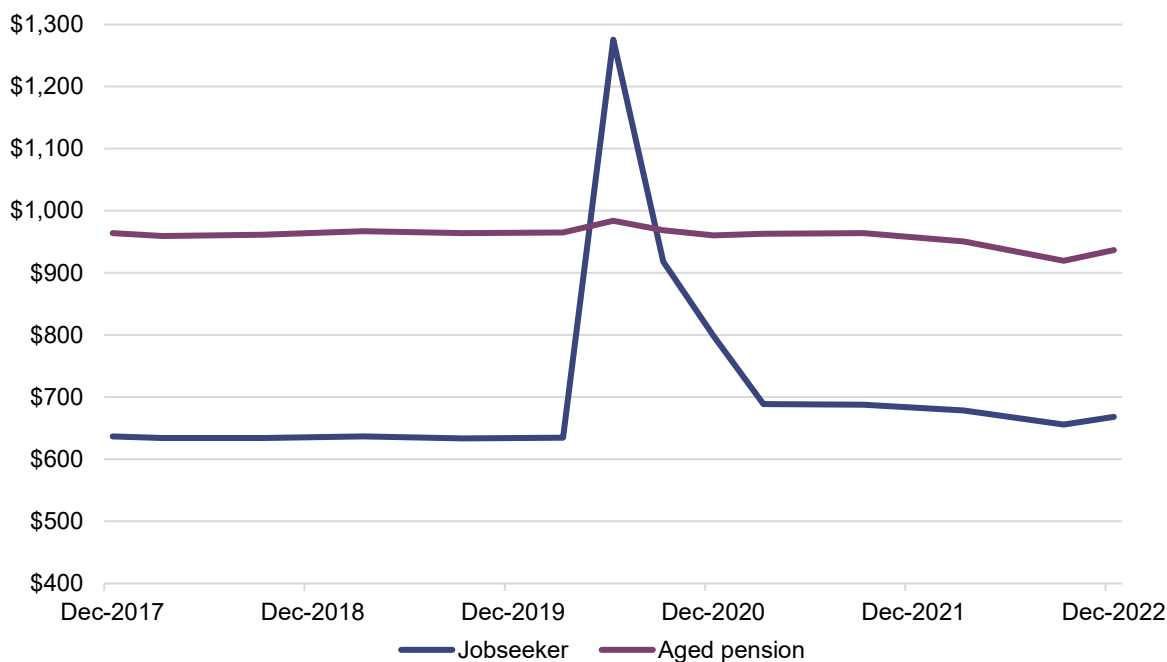
Figure 2: Interest rates (%)



Source: [Reserve Bank of Australia](#).

Social assistance rates have remained relatively flat in real terms since 2015. Jobseeker recipients received a large, short-lived financial supplement during the COVID-19 pandemic, which ranged from \$550 to \$150 (Figure 3).

Figure 3: Social assistance rates (December 2017 to December 2022, in dollars)



Note: Jobseeker payment based on payment for single with no children.

Sources: [Services Australia](#), [ABS Consumer Price Index, Australia, December Quarter 2022](#).

In the December 2022 quarter, there were over 600,000 JobSeeker recipients who relied on the payment as their primary source of income (Table 1).

Table 1: Social benefit recipients' (excluding aged pension) earnings from employment in the last fortnight, December 2022

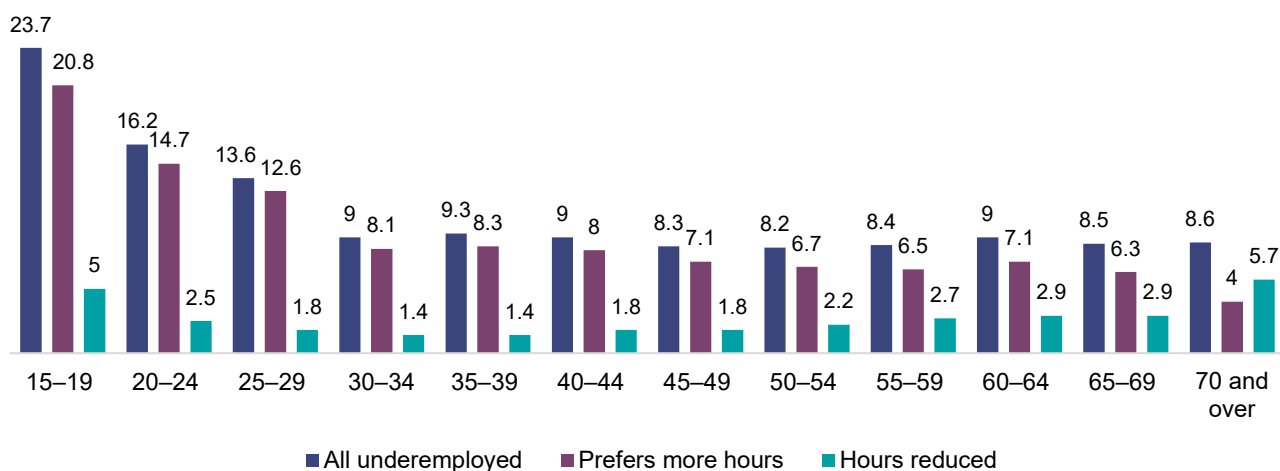
	No earnings	Earning <\$250	Earning \$250+	Total
JobSeeker payment	648,995	23,835	175,960	848,790
Total social benefits (excluding aged pension)	2,014,230	59,900	386,665	2,460,795

Source: Department of Social Services, [Expanded DSS Benefit and Payment Data – December 2022](#), 3 March 2023.

The ability to maintain a consistent income varies across age groups. Employment data released in May 2022 indicates that people aged 15–19 years, 20–24 years and 25–29 years experienced greater underemployment (23.7%, 16.2% and 13.6%, respectively) than other age groups (Figure 4).²⁴

²⁴ Australian Bureau of Statistics, [Underemployed workers](#), May 2022, accessed 8 February 2023.

Figure 4: Underemployment ratio, by age, May 2022 (%)



Note: There are people who preferred more hours and also had their hours reduced; that is, they worked less hours than usual, and also prefer to work more than their usual hours – so the sum of the people who preferred more hours and the people who had their hours reduced ratio does not equal the total underemployment ratio.

Source: Australian Bureau of Statistics, [Underemployed workers](#), May 2022.

Increased cost-of-living pressures are likely to result in more consumers encountering financial stress and needing support from their telcos to pay their bills and remain connected. The true incidence and extent of financial hardship is very likely to be under-reported, with some in hardship not asking for assistance or entering into a formal arrangement with their telco. This could be due to a number of factors, including not knowing what their options were, being too embarrassed to ask for assistance, the desire to sort out their own issues, not considering themselves ‘in financial hardship’, or not being accepted into their telco’s financial hardship program.

Therefore, it is important that telcos have financial hardship policies and practices in place that are flexible, transparent and able to assist customers in need to meet their financial obligations and stay connected.

The ACMA’s financial hardship compliance priority, 2022–23

In May 2022, the ACMA published [Consumer vulnerability: expectations for the telecommunications industry](#). The document sets out a statement of expectations for the telco industry to improve outcomes for consumers in vulnerable circumstances who may experience barriers to accessing and maintaining telecommunications products and services. Financial hardship is one of 5 key priority areas set out in the statement of expectations.

In 2022–23, protecting telco consumers experiencing financial hardship is a compliance priority for the ACMA. This means that we are focusing on telco customers experiencing financial hardship and making sure telcos comply with their obligations, especially those relating to the disconnection of services.

Current protections

Telcos are required to comply with a range of telco-specific rules in the [C628:2019 Telecommunications Consumer Protections Code](#) (TCP Code). The TCP Code is an industry code that provides consumer safeguards in the areas of sales, service and contracts, billing, credit and debt management and changing suppliers.

The TCP Code starts with a broad commitment that telcos will assist and protect disadvantaged and vulnerable consumers with appropriate policies and practices. Building on this commitment, the Code requires telcos to take specific action:

- > **Dealing with the disadvantaged and vulnerable** (Chapter 3): telcos must have regard to best practice on dealing with disadvantaged and vulnerable consumers as set out in the ACCC's Compliance Guide *Consumer vulnerability: A business guide to the Australian Consumer Law* (the ACCC Guide). Telcos must also adopt best practice as set out in the ACCC Guide in their debt collection activities.²⁵
- > **Systems, processes and training** (Chapter 3): telcos must have and must regularly review systems and processes to support their TCP Code obligations and ensure staff are adequately trained in those systems and processes.
- > **Responsible selling** (Chapter 4): telcos must ensure their sales representatives adopt a responsible approach to selling that assists consumers to make informed purchasing decisions. To achieve this outcome, telcos must:
 - > ensure sales representatives are appropriately trained to promote and sell in a fair, transparent, responsible and accurate manner
 - > monitor periodically to see how sales representatives interact with consumers and take steps to address deficiencies in sales conduct
 - > ensure sales representatives are appropriately trained and have tools and aids to assist consumers to understand the telecommunications products they are purchasing.
- > **Identifying and meeting consumer needs** (Chapter 4): telcos must, where a consumer identifies a particular need, advise if they have a product or service offering to suit the consumer's identified need and provide information to allow the consumer to assess the suitability of the product or service to meet that need.
- > **Authorised representatives and advocates** (Chapter 3): telcos must ensure that a consumer can appoint an authorised representative or an advocate to act on their behalf.
- > **Responsible provision of telecommunications products** (Chapter 6): telcos must have appropriate credit and debt management processes, including by conducting credit assessments at the point-of-sale to prevent consumer overcommitment and providing advice about alternative products where the consumer is unable to meet the financial commitment.
- > **Spend management tools** (Chapter 6): telcos must provide spend management tools and make information about these tools available in an accessible manner at no cost.
- > **Notice to restrict, suspend or disconnect** (Chapter 6): telcos must provide customers with adequate notice of any restriction, suspension or disconnection of a service for credit/debit reasons.
- > **Credit management process** (Chapter 6): telcos must ensure that customers and former customers are treated with fairness in relation to the credit management process. Telcos must not take credit management action in relation to a specified disputed amount that is the subject of an unresolved complaint where if the dispute

²⁵ Australian Competition & Consumer Commission (ACCC), [Consumer vulnerability: A business guide to the Australian Consumer Law](#) (17 November 2021), ACCC website, accessed 27 January 2023.

has not been resolved to the satisfaction of the consumer and is being investigated by the telco, the TIO or a relevant recognised third party.

- > **Debt collection** (Chapter 6): telcos must adopt best practice as set out in the ACCC and ASIC *Debt collection guideline: for collectors and creditors*.²⁶
- > **Financial hardship** (Chapter 7): telcos must provide access to financial hardship assistance, including by having financial hardship policies that are easy to find, and provide consumers with options to enable them to stay connected and meet financial obligations.

The TCP Code is enforceable by the ACMA. If we are satisfied a telco has contravened the Code, we can either issue it with a formal warning or a direction to comply. We may take further enforcement action (for example, by issuing an infringement notice or seeking a pecuniary penalty) if a direction is not complied with (that is, where a further breach has occurred).

Current protections in other essential service sectors

The sale and supply of electricity and gas to retail customers is outlined in the National Energy Customer Framework (NECF), which was established by the Council of Australian Governments (COAG). It consists of the *National Energy Retail Law (South Australia) Act 2011*, the National Energy Retail Rules and the National Energy Retail Regulations. Each state and territory participating in the NECF must pass its own legislation adopting the Retail Law, Rules and Regulations.

The Australian Energy Regulator (AER) is responsible for enforcing compliance with obligations arising from the Retail Law, Rules and Regulations. The regulatory strength of enforcement penalties contained within the Energy Retail Law and subsequent Rules is very strong, including the ability to apply enforcement actions from the first breach.

The National Energy Retail Law (South Australia) Act requires:

- > a customer hardship policy that contains flexible payment options including payment plans and Centrepay
- > suppliers to develop a financial hardship policy and place it on their website. All financial hardship policies under this law must be submitted to the Australian Energy Regulator (AER) for approval. The AER may also request that a supplier review its financial hardship policy
- > processes to review the appropriateness of a hardship customer's market retail contract
- > debt management to include moving customers on a standard contract onto a shortened billing cycle where payment difficulties have occurred for two consecutive bills. Within 10 days of being placed on the short cycle, the customer must be notified that failure to pay their short cycle will result in disconnection
- > a payment plan to be offered, and information on the availability of government funded energy charge rebates, concession or relief schemes must also be provided to the customer.

Under the National Energy Retail Rules, payment plans for financial hardship customers have specified content and considerations, such as establishing the customer's capacity to pay and any arrears owing. The rules also stipulate that a debt

²⁶ ACCC and ASIC, [Debt collection guideline: for collectors and creditors](#) (13 April 2021), ACCC website, accessed 27 January 2023.

can be waived in accordance with the retailer's hardship policy. Late payment fees are also required to be waived for financial hardship customers.

Sections 32(1) and (2) of the National Energy Retail Rules also state that providers must accept payment for a bill by a small customer in any of the following ways:

- > in person
- > by telephone
- > by mail
- > by direct debit
- > by electronic funds transfer
- > Centrepay.

Victoria's Essential Services Commission places requirements on energy providers through its Energy Retail Code of Practice, enabled by the *Essential Services Commission Act 2001*. The Code applies to all retailers of essential services and covers a full range of customer protections including (but not limited to) minimum service standards, disconnection practices and vulnerable customer processes.

Victoria's Essential Service Commission regulations require that if a customer is facing or anticipating payment difficulties, they are entitled to standard assistance measures, such as payment extensions or payment in advance. If the customer is in arrears, they are entitled to tailored assistance measures that are intended to make it easier for them to pay for their on-going energy use, repay their arrears and lower their ongoing costs.

In the water sector, states and territories are required to offer financial hardship policies and payment plans either through legislation or mandated codes. This is because water is recognised as a public health requirement. For example, in NSW under the Water Industry Competition (General) Regulation 2021, it is a licence condition for providers to establish a code of practice for debt recovery that must provide for the deferment, in whole or in part, of payments owed by customers suffering financial hardship. In Queensland, service providers are required to publish and maintain a financial hardship policy under the South East Queensland Customer Water and Wastewater Code that sets out in detail what a hardship policy must contain. This Code also requires service providers to allow a customer in financial hardship to use the Centrepay service for making regular payments towards their account.

The ACMA's approach in 2022–23

This report draws insights from a range of sources, including quantitative and qualitative consumer research, as well as information sourced directly from industry.

Four years ago, the ACMA recognised the importance of financial hardship in the telco sector through publication of the first of our annual *State of play* reports.²⁷ In February 2021, we also published perspectives of financial counsellors who had supported clients in financial hardship arrangements with telcos in 2019–20. Informed by our research, compliance activities and industry reporting, this fourth report on financial hardship builds on our previous work and takes a more contemporary approach to inform consideration of whether safeguards are providing appropriate support to vulnerable consumers.

Consumer experience research – quantitative and qualitative

The ACMA commissioned bespoke consumer research to further understand the experiences of consumers facing financial difficulty.

Financial hardship experiences in the telco sector – comparison with other essential service sectors

The ACMA commissioned Roy Morgan to conduct a representative online survey of Australians aged 18+ who were:

- > solely or jointly responsible for paying telco bills and at least one other bill in either the energy or water sectors
- > in difficulty or had concerns with paying bills or expenses in the telco, energy or water sectors in the previous 12 months.

Difficulties or concerns with banking payments were also explored among these respondents.

This research provides insights into how consumers managed their bill payment difficulties, how they prioritised their various payments, their awareness of advice and available assistance, and reasons for not contacting their provider. The research compares the telco consumer experience with that in other essential service sectors.

Fieldwork was conducted from 20 June to 6 July 2022; 1,342 surveys were completed.

Detailed findings and methodology are published in the ACMA's *Financial hardship: telco and other essential sectors – Quantitative research* report.

²⁷ ACMA, [Customer financial hardship in the telco industry: State of play report 2018–19](#); ACMA, [Customer financial hardship in the telco industry: State of play report 2019–20](#); ACMA, [Customer financial hardship in the telco industry: State of play report 2020–21](#).

Financial hardship – telco consumer experiences

The ACMA commissioned Roy Morgan to conduct in-depth interviews of approximately 40 minutes in length, with 40 participants who experienced difficulties or concerns paying their telco bill in the previous 12 months (specifically). Participants were recruited from the Roy Morgan quantitative research conducted in June and July 2022.

This research builds on the quantitative research conducted in June and July 2022 with consumers who had been in recent difficulty or had concern with bills for essential services (telco, energy, water, banking). The key objective of this qualitative research phase was to provide further insights into the views and experiences from a range of telco customers in financial hardship.

Fieldwork was conducted from 19 September to 18 October 2022.

Detailed findings and methodology are published in the ACMA's *Consumers' experiences with telco financial hardship: Qualitative research report*.

OmniPoll telco research

The ACMA commissioned OmniPoll Pty Ltd to conduct a representative online survey of Australians aged 18 and over, and provides nationally-representative results. The topics explored included: new connection issues, service disruption, purchasing considerations and financial hardship arrangements. Fieldwork dates were:

- > 10 to 15 March 2022 – 1,240 surveys completed
- > 9 to 14 June 2022 – 1,235 surveys completed
- > 14 to 20 September 2022 – 1,225 surveys completed
- > 1 to 6 December 2022 – 1,228 surveys completed.

The OmniPoll research explored the consumer experience with telco financial difficulty for respondents who answered 'yes' to one or more of the following scenarios in the past 12 months:

- > Had a direct debit payment fail for mobile phone due to insufficient funds.
- > Had to pay a mobile phone/internet bill late to manage your cashflow or other bills.
- > Had mobile phone/internet disconnected by their telco provider.
- > Had mobile phone/internet threatened to be disconnected by their telco provider.

While these are markers of financial hardship, they are not a comprehensive list of all financial hardship experiences, and the survey did not directly ask if the respondent was in financial hardship. This approach has been developed and used in other research.

The high-level quantitative nationally representative results from OmniPoll have been useful to explore and measure key issues, and reinforced the need for bespoke and in-depth financial hardship research the ACMA commissioned from Roy Morgan (above).

Industry information

The ACMA issued notices under section 521 of the *Telecommunications Act 1997* to obtain information about financial hardship indicators from the 15 largest telcos that offered post-paid services in 2021–22. All providers selected have at least 125,000 services in operation.²⁸

Following submission of responses from telcos, data from 4 providers was set aside due to data availability and data quality issues. Information from the remaining 11 providers forms the basis of the industry information contained in this report. Collectively, those 11 providers represented over 83% of the market share for telco services in Australia.

Consumer education

Research and data to date strongly suggest there is a need to raise awareness among consumers that they can discuss financial hardship arrangements with their telco.

The 2020–21 ACMA *Financial hardship: State of Play* report found that 242,246 telco residential customers had their services disconnected due to non-payment or the customer being uncontactable and, of these, 1,373 (0.6%) were financial hardship customers.²⁹ This raises questions around why such large numbers of disconnections occurred outside financial hardship arrangements, including whether customers had awareness of the availability of telco financial hardship arrangements.

ACMA research suggests that 57% of the general Australian adult population and 64% of those who experienced financial hardship were aware they could contact their telco provider for help managing the payment of bills due to financial difficulties.³⁰

In our cross-sector financial hardship quantitative research, we found that 68% of those who experienced difficulties or concerns paying their telco bills did not contact their provider for advice to manage their bill payments. The total contacts for the telco sector (32%) are significantly higher than for the water sector (21%), but not higher than the energy (40%) or banking (32%) sectors.³¹

The most common reasons among those who experienced difficulties or concerns paying their telco bills and who did not contact their provider for assistance were that they:

- > considered they did not need help (51% telco compared with 58% across all sectors)
- > were too embarrassed to ask for help (22% telco compared with 28% across all sectors)
- > thought they would not be eligible for help (17% telco compared with 27% across all sectors).

In consideration of the above, we developed a consumer education campaign to raise awareness of the financial hardship assistance and consumer protections available.³²

²⁸ Services in operation (SIO) data as at 30 June 2022. Based on data submitted to the ACMA under the [Telecommunications \(Consumer Complaints\) Record-Keeping Rules 2018](#) (RKR), covering carriage service providers that have at least 30,000 SIOs.

²⁹ ACMA, [Customer financial hardship in the telco industry: State of play report 2020–21](#) (February 2022).

³⁰ ACMA, *OmniPoll telco research, fieldwork in December 2022*, unpublished data.

³¹ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 23.

³² ACMA, [Help if you can't pay your phone or internet bill](#) (March 2023).

The campaign is aimed at encouraging consumers to engage with their telco when they experience financial stress, or to contact the National Debt Helpline.

The education campaign comprises:

- > consumer-focused materials with relevant information, advice and links – such as website content, graphics and videos
- > use of targeted communication channels to effectively reach consumer audiences – such as social media, e-newsletters, consumer advocates and paid advertising.

To increase community engagement, our messaging addresses different cultural backgrounds, assumptions and attitudes.

Compliance and enforcement

In December 2022, we completed an audit of 15 telcos' compliance with financial hardship and disconnection notification requirements in the TCP Code. As a result of the audit findings, we are undertaking some investigations. The investigation reports, including any breach findings, will be published on our website.³³

³³ ACMA, [Investigations into telco providers](#).

What we found

The issues identified in this section are grouped into categories that reflect the different stages of interaction that customers may have with their telco when experiencing financial difficulty. These categories are:

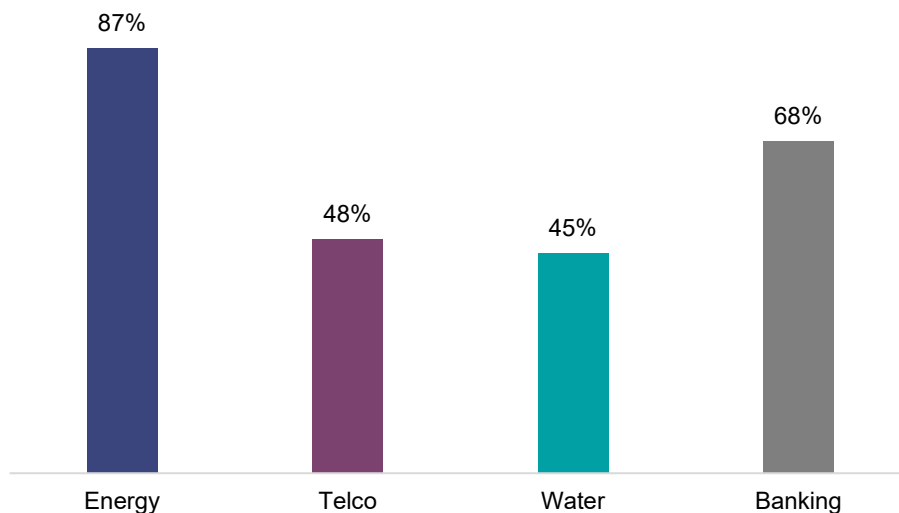
- > incidence and persistence of financial difficulties
- > financial hardship information provided to customers
- > customer service
- > financial hardship arrangements
- > debt
- > disconnections.

Incidence and persistence of financial difficulties with telco services

Incidence

Consumer research suggests that financial difficulty is more widespread than the incidence of telco financial hardship arrangements reported by industry would suggest. Of the one in four (25%) Australians with recent financial difficulty or concern with essential sector bills in the 12 months to June 2022, financial hardship was more prevalent with energy than all other sectors – energy: 87%, telco: 48%, water: 45%, banking: 68% (Figure 5).³⁴

Figure 5: Australians having difficulty or concerns with essential services bills



Source: ACMA, *Financial hardship: telco and other essential sectors – Quantitative research*, (May 2023), p. 10.

Of the 25% of Australians who experienced payment difficulty or concerns for essential services bills (telco, energy, water), the telecommunications sector featured prominently, with 48% having difficulty with their telco bills. This represents just under

³⁴ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 10.

2.4 million Australian adults.³⁵ Difficulty paying telco bills (58%) was more common for those aged 18–34, compared to other age groups.³⁶

However, based on industry data reported to the ACMA, only a small proportion of residential customers were financial hardship customers. As at 30 June 2022, industry reported that there were 4,388 residential financial hardship customers, which represents 0.03% of all residential customers.

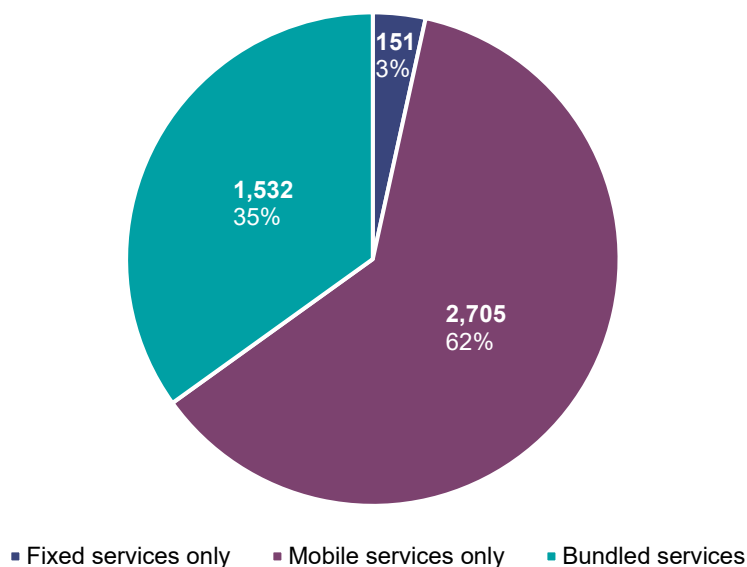
Demographics

Financial difficulties do not affect all age groups in the same way. Difficulty paying telco bills was most common for those aged 18–34 (58%), those reliant on government payments (62%) and those living with disability (58%).³⁷ People having difficulty with telco bills were twice as likely (44%) to cite physical or mental illness or injury as a factor than those having difficulty with non-telco bills (20%).³⁸

Mobile phone bills (41%) and home internet bills (39%) were the most likely cause of difficulty with telco bills.³⁹

However, industry data indicates that mobile customers were the majority (59%) of the main telcos' residential customers who were in financial hardship arrangements (Figure 6).

Figure 6: Residential financial hardship customers at 30 June 2022



Source: Industry data received via notice issued under section 521(2) of the Telecommunications Act 1997 on 28 October 2022.

³⁵ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 3.

³⁶ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 10.

³⁷ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 10.

³⁸ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 12.

³⁹ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 11.

Drivers and persistence of financial difficulty

The most common action by all the main sector providers when contacted by customers in financial difficulty was to extend the payment deadline (64%), followed by creating a new payment plan (highest for energy, 32%), and changing the service plan (highest for telco, 40%).⁴⁰

Drivers of bill payment difficulty or concern were persistent, and many did not expect the factors to be resolved soon. By far the most common factor driving bill payment difficulty or concern in the previous 12 months was the increasing cost of living – cited by 9 in 10 (88%) of those who experienced recent financial difficulty or concern for essential services.⁴¹

ACMA research into consumers experiencing difficulties or concerns paying their telco bills, highlighted that one-off, unexpected expenses also had substantial financial implications for some participants, and more so for those in telco financial difficulty (41%, compared to the average for all sectors of 31% citing this factor) affecting their ability to pay telco bills.⁴² This often involved medical expenses, but other expenses such as legal bills were also mentioned.⁴³

I'm not currently working because of my son's needs, which means if any expenses crop up, my whole budget is out the window. So I prioritise my rent. I haven't been working for a couple of years now. My son is autistic and has an anxiety disorder so it's hard for me to work.

(Participant 15, female, 35–44 years)⁴⁴

More than half (56%) of those who experienced recent financial difficulty or concern for essential services reported the COVID-19 pandemic made paying bills more difficult (more difficult + much more difficult).⁴⁵

Four in 5 people (80%) who experienced recent financial difficulty or concern for essential services bills had difficulty paying multiple bills at the same time.⁴⁶

Our financial hardship cross-sector comparison highlighted that most people who experienced recent bill payment difficulty had problems paying multiple bills at the same time. The importance to the household of the service being billed was a very important factor in deciding which bill to pay first, but a large majority would pay bills of a higher amount first. Where payment difficulty existed, consumers were most likely to make payments late (overall 68% of those with difficulties, particularly for telco and energy) and limit the use of services (63%, particularly for energy). Telco bills (mobile phone: 14% and landline phone: 8%) were less likely to be prioritised over other bills, particularly home loans (65%) and electricity bills (46%).⁴⁷

Those that had recent financial difficulty or concern for essential services bills were most likely to have had payment difficulty a few times (66%), or most or all of the time (20%) in the past 12 months.⁴⁸ Those in difficulty with telco bills were more likely to be

⁴⁰ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 28.

⁴¹ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 12.

⁴² ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 12.

⁴³ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 8.

⁴⁴ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 8.

⁴⁵ Across all essential services: 56%; telco: 59%; energy: 57%; water: 63% and banking: 62%; ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 14.

⁴⁶ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 17.

⁴⁷ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 18.

⁴⁸ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 3.

in difficulty for 'most/all of the past 12 months' (32%), compared to those who were in difficulty with non-telco bills only (9%).⁴⁹

Observations

Financial hardship is more prevalent for younger people aged 18–44. The higher incidence in this age group may be due to the prevalence of casual or insecure work among younger people and lower overall incomes associated with this demographic. Younger people who experienced recent financial difficulty or concern for essential services were also more likely to say that the COVID-19 pandemic made their bill payments much more difficult, compared to older age groups.

Our research indicated consumers in difficulty with telco bills were more likely to be in difficulty for 'most/all of the past 12 months' (32%) compared to those who were in difficulty with non-telco bills only (9%).⁵⁰ For those in recent financial hardship for essential services, all of the telco services (mobile phones, home internet, landline phones and tablets), along with credit cards, were seen as the lowest priority to pay first if there were multiple bills to pay at the same time.

Telco bills are likely to be an ongoing concern for customers who have to prioritise other bills.

Financial hardship information provided to customers

Information provided by industry about how they can assist customers in financial hardship, coupled with consumer awareness of this information, is key to consumers being able to access financial hardship arrangements.

Consumer experience – awareness

Our consumer experience research found awareness of telco financial assistance to be low in the general population (57%) and only slightly higher in customers who had experienced financial hardship (64%).⁵¹

Across essential service sectors, awareness among those in recent financial difficulty that they could contact their provider for advice was highest for energy (78%) compared to all other sectors – telco: 69%, water: 67%, banking: 72%. Those aged 18–34 were less likely to be aware – telco: 61%, energy: 68%, water: 58%, banking: 59%.⁵²

The higher consumer awareness of the availability of financial hardship assistance in the energy sector may be linked to obligations to protect customers experiencing hardship and payment difficulties under the National Energy Retail Law and the National Energy Retail Rules, and the associated penalties for breaching these obligations.⁵³ In June 2022, the Federal Court found that Origin Energy Electricity Ltd and other Origin related entities (together, Origin) contravened these obligations and ordered by consent that Origin pay a penalty of \$17 million in relation to the contraventions, contribute \$200,000 to the AER's legal costs and implement a compliance and training program in relation to its hardship obligations.⁵⁴

⁴⁹ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 13.

⁵⁰ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 13.

⁵¹ ACMA, ACMA, *OmniPoll telco research, fieldwork in December 2022*, unpublished data.

⁵² ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 22.

⁵³ The Australian Energy Market Commission (AEMC), [National Energy Retail Rules](#).

⁵⁴ Australian Energy Regulator (AER), [AER v Origin Energy Electricity Ltd & Ors](#) (29 June 2022), accessed 15 February 2023.

Our research found that many participants were aware they could contact their provider, as their telco app had a financial hardship or payment extension request option built in. Some also said they found out from either their bills or bill reminder/overdue text messages, which provided a contact number for financial hardship. However, a substantial number of participants were unaware that their telcos could be contacted for financial hardship assistance, such as payment plans and financial hardship arrangements. Most noted it simply had not crossed their mind as an option. Some of these participants were, however, aware they could contact their utility companies about bill payment difficulties.⁵⁵

Some participants who contacted their provider were not aware of payment plans or financial hardship arrangement options before contacting them.⁵⁶

If you go into the website or something, it's not obvious. Like there are some websites and some services which are obvious ... But with mobile I don't think it's obvious.

(Participant 6, male, 35–44 years)

Generally just on their website. I've gone in there just to look for the general number, which is now pretty well hidden I think.

(Participant 26, male, 35–44)⁵⁷

Further, many of those in recent financial difficulty had a minimal understanding of the terms and conditions of their telco contract when they first signed up, which often resulted in unexpected charges and increases in costs.⁵⁸

Most telco customers who had recently been in financial hardship with their telco bills seemed to have only a very basic understanding of their telco plans at the time they took out their contract, with many being caught off-guard by changes in terms or increases in costs following an initial discounted period. One of the main reasons that participants did not have a detailed understanding of their telco plan was that they did not read through the terms and conditions in detail, if at all. Among those who had made their purchase in a store, many noted that the salesperson did not explain the terms and conditions of the contract to them, but rather told them to read the document directly – a challenge for many participants due to the length, language used and complexity of the terms and conditions.⁵⁹

Some participants also discussed visiting a store to discuss difficulty with bill payments. However, very few of these participants reported receiving direct help from the store employees on this matter. The majority of these participants mentioned they were told to contact their telco provider via another avenue.⁶⁰

I've done in-store and they're often just referring you to try the online chat or you know, call their customer experience team anyway. I found in store they're more like: 'we're just trying to sell phones here, we're not trying to troubleshoot your issues'.

(Participant 22, female, 35–44 years)

⁵⁵ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 17.

⁵⁶ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 17.

⁵⁷ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 16.

⁵⁸ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 9.

⁵⁹ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 9.

⁶⁰ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 20.

The people in store are just terrible. They just try and flick you out as fast as possible. Unless you're buying a new phone. They literally don't care.
(Participant 5, female, 18–24 years)

They didn't really explain anything. They're like, 'oh, just read the contract' and the contract was like 20 pages long and you don't really see what is in there. They kind of hide it in a way.
(Participant 5, female, 18–24 years)

Now when you get the terms and conditions they're written in such small font on such small paper and it's just dribble after dribble after dribble, and you think, 'can you just put it in clear terms? If you use this amount that's your bill' ... so you just go, 'look, where do I sign these, I've got my own pen, there'.
(Participant 3, male, 45–54 years)⁶¹

As a result of not fully understanding their contract, many participants were taken by surprise that their plan increased in price after an initial discounted period. A few participants had signed up for a promotional offer, not realising that it was temporary and would later increase in price. There were also instances where there were unexpected increases in costs for items such as data charges.⁶²

I've noticed that our phone bill, my phone bill has been going up. Even though it's supposed to be a fixed plan. They keep adding little extra fees and things in the bill. And they've changed it since I've started the plan.
(Participant 8, female, 25–34 years)⁶³

Lower initial prices can be particularly alluring to those in financial stress and, combined with a lack of explanation from sales staff, often led to unexpected price rises and charges.⁶⁴

When you struggle with finance the first thing you're looking at is actually ... if you are getting even a \$10 or \$5 discount, you know, it's a big deal right? So that's what I look at. I don't really go and look at the detail ... what their charges are, how they are charging me for international call or for local call or the data charges or things like that.
(Participant 6, male, 35–44 years)⁶⁵

Others complained about telcos changing their plans, mentioning that some plans they signed up for were later cancelled and replaced with plans that they had never signed up for.

They outline what their plan and their repayments are, but they're sort of vague on it. And then they don't stick to what they promised. So they delete the plans and then they replace them with a more expensive proposition, and they don't leave you an option of grandfathering in the existing clause that you have.
(Participant 7, male, 65–74 years)⁶⁶

⁶¹ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research*, (May, 2023), pp. 9, 20.

⁶² ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 9.

⁶³ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 10.

⁶⁴ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 10.

⁶⁵ ACMA *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 10.

⁶⁶ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 10.

Some participants mentioned that they were forced onto plans that included products that they did not need or want, which exacerbated their financial hardship situation.⁶⁷

The bundle on this phone came with 2 SIM cards and I said, 'look I don't want 2 SIM cards' and he said, 'well, that's how it is' and I've gone, 'can I get rid of the SIM card?' and he said, 'well no, it comes with 2 SIM cards'. I thought, right, I'll just suck it up and go with that. So I had to manage to reduce the cost by 'wi-fi calling' all the time to reduce that hit.

(Participant 3, male, 45–54 years)⁶⁸

Financial hardship policies – information provided by industry

All industry respondents provided links to financial hardship policies on their websites. While some providers provided direct links to financial hardship information on the provider homepage (typically at the bottom of the page), other providers published the information alongside legal documents under different headings. Finding relevant information on financial hardship appears to not always be straightforward for a consumer.

A minority of providers seek feedback from customers on whether they are aware of their financial hardship policy or are able to find it. Only 4 of the 11 providers stated that they evaluate customer awareness of their financial hardship policy – either through direct discussions with customers or via feedback from financial counsellors.

Similarly, only 3 of the 11 providers stated that they evaluate whether customers are able to find their financial hardship policy, either on the provider's website or other location.

Six providers reported that they evaluate whether their financial hardship policies are generally easily understood by most customers.

While industry respondents provided links in their data response, our reviews of the websites of these 11 telcos found that one provider's financial hardship policy was easy to locate and access, but this was not always the case for other providers. The financial hardship policy was easy to find for some providers – clearly identified and one to 2 clicks away from the homepage, and with additional financial assistance information to support consumers on the same webpage as the financial hardship policy. For other providers, the financial hardship policy and additional financial hardship information to support customers was more difficult to find – up to 6 clicks from the homepage and accessible via a 'Legal' information link.

⁶⁷ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 10.

⁶⁸ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 10.



Case study: Direct debit customer not given access to telco's financial hardship options

The TCP Code requires that, where a telco issues reminder notices to its customers, those notices must include information about the telco's financial hardship policy.

Telco A did not issue payment reminder notices to Customer A. As a result, Customer A was not made aware from the outset that Telco A has financial hardship options available to assist them if they were unable to pay their bill because they were having financial difficulties.

When Telco A issued Customer A with a payment failure notice after a direct debit attempt failed, that notice also did not include financial hardship information for Customer A to consider. Similarly, the notice Telco A issued to Customer A advising that their service would be suspended if payment was not received also did not include financial hardship information.

This was a breach of the TCP Code requirements for applicable suspension notices and, crucially, did not afford Customer A the opportunity to consider the financial hardship options available to them before their situation escalated further. Telco A suspended Customer A's service the following day without having made them aware of financial hardship information and pathways that could have assisted them to pay their bill and keep their service connected.

Ease of contact/contacting providers

Most telco customers who had experienced recent financial hardship found searching for online telco financial hardship information relatively straightforward. However, some participants noted the difficulty of navigating the relevant telco website to find information and contact details for financial hardship.⁶⁹

But I do know that on their app, they do have a hardship area. And I'd read that. And there is a contact number there.

(Participant 34, female, 45–54 years)⁷⁰

Everything's difficult. Sometimes you're just on hold for 30 minutes, 40 minutes. You then get hold of someone: 'Oh sorry, that's not my area, I'll transfer you'. Then you're on hold for another 30 to 40 minutes. And then they can't help you. It's the old left-hand and right-hand don't talk.

(Participant 39, male, 65–74 years)⁷¹

Many participants were embarrassed or ashamed to have to call their telco providers for assistance, but some felt they had no other choice. Other barriers included long wait times, difficulty communicating with operators and, at times, a lack of empathy from providers.⁷²

Some participants preferred contacting their provider via phone as it allowed them to solve their problems on the spot and seemed easier when the problems were more complex.⁷³

⁶⁹ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 16.

⁷⁰ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 17.

⁷¹ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 19.

⁷² ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), pp. 16–18.

⁷³ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), pp. 16–19.

Online methods of communication like chat bots, online forms or emails were preferred by some, particularly those with social anxiety or those who felt embarrassed. However, some participants said this method was slow and, at times cumbersome, with processes going back and forth and having to wait for responses.⁷⁴

Many participants also applied through an automated online service, such as an app or chat box. This was a straightforward and quick process for these participants. However, it was noted that there were a limited number of times they could access this automated service, before having to ring their telco provider directly.⁷⁵

Reasons for not contacting telco providers

Our research found that 68% of those who experienced difficulties or concerns paying their telco bills did not contact their provider for advice to manage their bill payments. The total contacts for the telco sector (32%) are significantly higher than for the water sector (21%), but not higher than the energy (40%) or banking (32%) sectors.⁷⁶

Being more difficult to contact (16%) and having a negative previous experience (9%) were more likely to be cited in relation to telcos than any other sectors as a reason for not contacting a provider.⁷⁷

Among those who experienced difficulties or concerns paying their telco bills and who did not contact their provider for assistance, the most common reasons were:

- > thinking they would not be eligible for help (17% telco compared with 27% across all sectors)
- > considering that they did not need help (51% telco compared with 58% across all sectors)
- > being too embarrassed to ask for help (22% telco compared with 28% across all sectors).⁷⁸

Many of those who thought they wouldn't qualify didn't identify with the 'financial hardship' label, and generally thought there were people in worse situations than themselves.⁷⁹

Some participants also seemed not to fully understand the difference between payment plans and financial hardship arrangements. This may help explain why not many participants requested financial hardship arrangements – many participants were unaware of what options were available to them.⁸⁰

Actions taken by customers to address telco bill financial stress included making payments late (41%), limiting the use of their service (26%), or seeking assistance from family or friends (22%) or another source (9%). Customers also took action to address their telco bill difficulties without getting advice from their provider, including downgrading or switching to a better value service (37%), applying spend controls (13%), or pausing or cancelling the service (9%).⁸¹

⁷⁴ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), pp. 16, 19–20.

⁷⁵ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 28.

⁷⁶ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 23.

⁷⁷ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 25.

⁷⁸ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 25.

⁷⁹ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 18.

⁸⁰ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 27.

⁸¹ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 20.

No, I didn't think I qualified because I felt like I'm not in technical stress because I'm not homeless. I thought financial hardship is like you have to be literally homeless.

(Participant 5, female, 18–24 years)⁸²

Observations

While telco providers indicated that they had a financial hardship policy on their website, the location of this information was not always easily or intuitively found. Some providers included a direct link on their homepage to financial hardship information, while for other providers, this information was found alongside legal information or terms and conditions, requiring multiple clicks to reach.

A large proportion (68%) of those aware that they could contact their telco for assistance did not do so, with 17% thinking they would not be eligible for assistance. This suggests a lack of clarity around financial hardship provisions, the range of circumstances that may apply, and the variety of assistance that can be offered.

Additionally, few providers indicated that they evaluate whether customers are aware of financial hardship policies or are able to locate them. While our research indicated that over half of customers were aware that their telco can help them if they are experiencing financial difficulty, it was not always clear to them where to find the relevant information.

The disparity of treatment of financial hardship across the sector suggests that there is much more to do. The ACMA is concerned that a number of providers do not evaluate their financial hardship policies.

The ACMA is also concerned that critical information contained in the terms and conditions of plans and contracts is not being fully explained to consumers, which in turn, leads consumers into financial hardship.

As observed earlier, consumers are being caught off-guard by changes in terms or conditions, changes in plans or staff in-store not explaining contracts. This indicates that:

- > Critical Information Summaries need to be updated and set out in plain English, and include the total cost of the plan, any fees or charges over the life of the plan and when consumers can expect those increases.
- > Current obligations and expectations of staff, particularly those in store, need to be adjusted to ensure consumers can be properly informed of their options and what they are committing to, and treated with respect (see above) when seeking assistance.

We will explore these issues further when contributing to the review of the TCP Code, particularly in regard to chapters 3 and 4 of the Code.

⁸² ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 18.

Customer service

Consumer experience – common themes for improvement

Consumers who experienced recent telco financial hardship reported that telcos rarely initiated contact with them. When a telco did contact a customer, it generally consisted of reminder texts and emails about overdue or declined bill payments. These were almost always automated messages. Many participants also expressed dissatisfaction that they received what they perceived to be an inadequate number of reminder messages (some reported receiving no reminder messages), and that they would have appreciated a direct phone call from their telco. For these participants, this would have greatly decreased their likelihood of missing a payment and receiving an overdue fee.⁸³

Further, it was very rare for telcos to initiate *human* contact with participants in relation to potential financial hardship. A few participants received a phone call only if their bill payment was significantly late and they were at risk of disconnection.⁸⁴ Those telco providers that made *human* contact to enquire about assistance were generally smaller telco providers.

Many participants said they would have appreciated their telco provider contacting them to enquire and assist them with their financial difficulties. This was especially true for those who had a good track record of bill payments, and only recently found themselves in financial difficulty. These participants emphasised customer loyalty, being treated as a human, and alleviating or preventing negative feelings of anxiety or embarrassment were important.⁸⁵

Nobody reached out to me at any point and said, 'Look, we notice that there's a change here, you used to pay on time and now you're asking for extensions. Is there anything we can help you with?' No one stepped up and did that. And in some ways that would have been nice because as I said at the beginning of this, it was embarrassing and humiliating to have to ring them and say this is where I'm at. I would have felt a level of care if they had said, 'We've noticed a change in your behaviour. Is there anything we can do?' But no one did. And at that time, I would have been grateful.
(Participant 34, female, 45–54 years)⁸⁶

The most common themes emerging from consumers who experienced recent financial hardship about what providers could do better were reducing prices, and being more friendly, polite, helpful, supportive, or understanding.⁸⁷

Many participants suggested that telcos should be more flexible with the types of payment and financial hardship options available to consumers. Suggestions of different payment options included increasing the frequency of bills to better align with customers' payment cycles, increasing the flexibility of payment extension timelines, and providing discounts for paying more upfront if the customer has more money available at a particular time. One participant mentioned 'bill smoothing', where overdue amounts could be apportioned across a number of future bills to lessen the effect.⁸⁸

⁸³ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 21.

⁸⁴ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 21.

⁸⁵ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 22.

⁸⁶ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 22.

⁸⁷ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 40.

⁸⁸ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), pp. 34–35.

A number of participants also said they would like telco providers to be more proactive in initiating contact with customers that they suspect may be in financial hardship. Others said that they would like the call centre operators to be more understanding of the situations that people in financial hardship face, and to be more empathetic in their dealings with them. It was noted that sometimes there was an emotional disconnect between the call centre operator and the customer, and the call centre operator did not seek to empathise with the customer at all.⁸⁹

Be more proactive with identifying those struggling and provide support before they have to reach out for help.

(Male, 35–44 years, Sydney)

Be more helpful and accepting of payment difficulties, rather than trying to deflect you from paying other bills so you can afford to pay the one that's least important.

(Male, 25–34 years, Perth)

Listen to the questions asked and answer appropriately. Not jump to a conclusion about what the customer is asking.

(Female, 35–44 years, regional NSW)

Some providers need some empathy instead of making you feel useless for not being able to pay bill. Some help and (offer) a payment plan that you can afford, not what they expect you to pay, which still can be a struggle.

(Female, 45–54 years, Brisbane)⁹⁰

Information provided to the ACMA by industry

Financial difficulty is often a precursor to financial hardship. Ten providers reported that they proactively identify customers who may be experiencing financial difficulty. Six of those providers used key words or phrases to identify customers who may need assistance (Table 2).

Table 2: Key words/phrases used by telcos to identify customers experiencing difficulties

loss of job	unemployment
redundancy	loss or reduction of income
sudden change in income	reduction in household income
reduction in work hours	reduced Centrelink payments
business related difficulties	financial difficulty
unexpected expenses	unexpected financial expenses
family breakdown	family violence
domestic violence	death of a family member
unable to work due to injury/health	medical/health issues
mental health	medical conditions
affordability	difficulty paying
unable to pay/meet the payment	reduction in repayments
request for a payment plan	natural disaster

⁸⁹ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 35.

⁹⁰ ACMA *Financial hardship: telco and other essential sectors – Quantitative research* (April 2023), p. 40.

extreme weather events	substance dependence
gambling	vulnerable

Providers reported that customers are sometimes unsuccessful in entering into financial hardship arrangements. For customers who were unsuccessful, the key reasons cited by providers were:

- > the customer being unable to commit to a mutually agreeable arrangement
- > documentation to confirm eligibility not provided for assessment after a customer has submitted an application
- > the customer failing to complete the financial hardship application form
- > the customer ceasing to engage with the provider after submitting an application for financial hardship.

Dedicated financial hardship teams

All providers reported that they had a dedicated team within their business that communicates directly with customers (or their advocates) in need of assistance about financial hardship or preventing financial hardship. Five providers out of 11 had a team that dealt exclusively with financial hardship.

While most providers (9 out of 11) had a dedicated phone number for financial hardship customers, only 2 providers had a separate dedicated phone number for customer advocates of financial hardship customers. Having a direct phone number for customer advocates makes it easier for advocates to facilitate fair outcomes for consumers when they need help. Consumer advocates told us that problems still exist when they attempt to advocate on the behalf of a consumer as telcos will not recognise their position as advocates.

Staff training

Telco providers are required to ensure that staff who are directly involved in applying a telco's financial hardship policy be appropriately trained.⁹¹ The majority of providers (10 out of 11) require their specialist staff dealing with financial hardship customers to undergo training at least annually. Three providers specified more frequent training – 6-monthly, quarterly or monthly.

For general customer service staff, most providers (9 out of 11) conducted annual training on financial hardship, with one provider conducting monthly training.

Observations

While providers reported that they were proactive in identifying customers experiencing financial hardship, consumers did not feel this was the case.

The disparity between the industry-reported information and our consumer research suggests that telcos could be more flexible in applying entry criteria for financial hardship payment arrangements.

⁹¹ Communications Alliance, [C628:2019 Telecommunications Consumer Protections Code](#), clause 7.3.

Financial hardship arrangements

How financial hardship arrangements are used in the telco sector

Our research indicated that of those who experienced recent financial difficulty for essential services, 30% had at least one of their providers contact them directly – energy: 17%, banking: 15%, telco: 12%, and water: 7%.⁹²

However as mentioned previously, it was rare for telcos to initiate contact with customers directly to offer advice or assistance. Customers were usually contacted using automated reminders and alerts about bills being overdue.⁹³

Across all essential service sectors, the most common action by providers when contacted by customers was to extend the payment deadline (64%), create a new payment plan (35%) or change the plan (34%). Creating a new payment plan was most common for energy (32%) and changing the plan was most common for telco (40%).⁹⁴

They extended my payment deadline – outlined all payment options to manage financial issues – asked me a number of times if an extension was all I required, giving me the impression that they would always be there for assistance should I need it in future.

(Female respondent discussing their electricity provider, 35–44 years, Melbourne)⁹⁵

They talked about an extension to payment, which helped me get back on track. Telstra deleted one month's bill on internet and mobile without being asked/requested to do so ... I talked to them early and they were excellent at helping out.

(Female respondent discussing their home internet provider, 18–24 years, Brisbane)⁹⁶

Our qualitative research with customers who experienced recent financial difficulty or concern with their telco bills found participants largely considered the options that telco providers gave to assist them with dealing with financial difficulties and concerns (such as payment plans and financial hardship arrangements) to be rigid and inflexible. They reported that the solutions offered often were not tailored to their situation and so did not meet the participants' needs – in many cases, the only offer available was a payment plan or extension that did not address their difficulty. Some participants were left with an ongoing payment commitment that they could still not afford.⁹⁷

I wanted all my comms bills on the one account and they refused, even though they are providing services for internet, mobile, iPad with sim, landline and second mobile.

(Female respondent discussing their mobile phone provider, 65–74 years, Adelaide)⁹⁸

⁹² ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 29.

⁹³ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), pp. 16, 21–22.

⁹⁴ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 28.

⁹⁵ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 29.

⁹⁶ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 29.

⁹⁷ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), pp. 6, 26–27.

⁹⁸ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 39.

Treated like an idiot. Not listened to, no compassion or concern shown. The fact that I was a very long-term loyal customer made no difference.

(Female respondent discussing their mobile phone provider, 65–74 years, Perth)⁹⁹

The payment plan offered was not supportive of the longer-term nature of my difficulties and no other alternatives were proposed.

(Female respondent discussing their electricity provider, 35–44 years, regional NSW)¹⁰⁰

Many participants stated that the process was very ‘mechanical’, with there being a limited set of options that they had little say over. The overall experience here seemed to be a ‘take it or leave it’ approach. Providers were considered to be inflexible and often unwilling to compromise.¹⁰¹

So, they offered it to me and I said it wasn't going to be enough. And they said, ‘Well, we'll put you on it anyway. And then you just try your best to pay it in full, in 5 days’.

(Participant 31, female, 35–44 years)¹⁰²

They did explain my options, but as I said previously ... I needed a 12-day extension. [They said] We're going to give you 9. So, it's still leaves me with no option because you know you're not going to be. They're not willing to compromise on their position.

(Participant 1, male, 25–34 years)¹⁰³

So they sort of just gave you what their solution was and you had to either accept it or reject it.

(Participant 33, female, 25–34 years)¹⁰⁴

Payment plans

Our research indicated the most common action by providers when contacted was to extend the payment deadline (64%), followed by creating a new payment plan (35% overall and highest for energy, 32%), and changing the service plan (34% overall and highest for telco, 40%; energy, 1%; water, 7%; banking, 14%).¹⁰⁵

Energy providers (32%) were more likely to put customers asking for bill management help on a new payment plan compared with telco (20%), water (23%) and banking (22%) sectors. Those on a financial hardship arrangement or payment plan in the previous 12 months (33%) were more likely to be on a plan for energy (62%) or banking (59%) than telco (43%) or water (32%) sectors.¹⁰⁶ However, 18- to 34-year-olds were more likely than any other age group to be on an arrangement or plan for telco services (61% compared to 43%).¹⁰⁷

Of those across essential service sectors that asked to be put onto a payment plan or financial hardship arrangement, 8% of people were rejected for telco, 7% for banking, 4% for energy, 2% for water and 13% were rejected from any (at least one) of these

⁹⁹ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 39.

¹⁰⁰ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 39.

¹⁰¹ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 26.

¹⁰² ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 26.

¹⁰³ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 26.

¹⁰⁴ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 27.

¹⁰⁵ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 28.

¹⁰⁶ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 32.

¹⁰⁷ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 32.

sectors. Customers reported that reasons for rejection included having sufficient funds in their accounts and debt levels being considered too low.¹⁰⁸

Overall, those aged 65 and over were less likely to be put on a new payment plan (17%) or to have their payment deadline extended (42%) than younger customers.¹⁰⁹

For the telco sector (20%), financial hardship arrangements or payment plans were more likely to involve changing plans to downgrade or remove services compared to the energy sector (7%).¹¹⁰

Those on a financial hardship arrangement for a telco service in the previous 12 months were more likely to have successfully completed it (71%), compared with energy (45%), water (45%) and banking (47%).¹¹¹

Many participants said there was rigidity and a lack of empathy when applying for payment plans and/or financial hardship arrangements. It was noted that these options were typically well explained but not particularly tailored to the participants' situation. Some participants also mentioned that their provider would only defer their bill payment date, rather than providing a payment plan or financial hardship arrangement.¹¹²

They said that I could pay it late and the service wouldn't be disconnected. But that was neither granting my extension, nor declining it. So, I felt a bit sort of unsure what to do, but yeah, it wasn't really that helpful. So they sort of just gave you what their solution was and you had to either accept it or reject it.

(Participant 33, female, 25–34 years)¹¹³

Our research indicated that the majority of participants had their bill payments deferred or extended, with only a small portion being put onto a financial hardship arrangement. However, some participants who experienced difficulties or concerns with their telco bills did not fully understand the difference between payment plans, payment extensions and financial hardship arrangements. This may, in part, explain why not many participants requested financial hardship arrangements.¹¹⁴

¹⁰⁸ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), pp. 4, 33.

¹⁰⁹ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 28.

¹¹⁰ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 34.

¹¹¹ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 35.

Note that this data sums to more than 100% as consumers may have been on multiple arrangements across different services or sectors.

¹¹² ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), pp. 26–27.

¹¹³ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 27.

¹¹⁴ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 27.



Case study: Direct debit customer on a payment plan not given prior notice of service restriction and suspension

Customer B's direct debit for payment of their telco bill failed, and Telco B sent them a notice to let them know. This notice included a link to Telco B's financial hardship information. Customer B contacted Telco B to request an extension of time to pay their outstanding bill. Telco B entered Customer B into a financial hardship arrangement and gave them a 2-week payment extension.

However, when Customer B failed to pay by the extended due date, Telco B restricted Customer B's mobile service without notice and advised them that their service would be further suspended if payment was not received. Telco B did not receive payment and subsequently suspended Customer B's mobile service, again without notice. Telco B's rationale for not providing prior notice of these actions was that a payment plan was already in place for the customer.

The TCP Code requires that telcos include information about their financial hardship policies when giving notice of a decision to restrict or suspend a customer's service. This ensures that customers who are in hardship have timely access to information and pathways that can assist them to pay their bills and keep their services connected.

Among people in financial difficulty who switched providers, telco customers were more likely than energy or banking customers to say they did so because of affordability.¹¹⁵

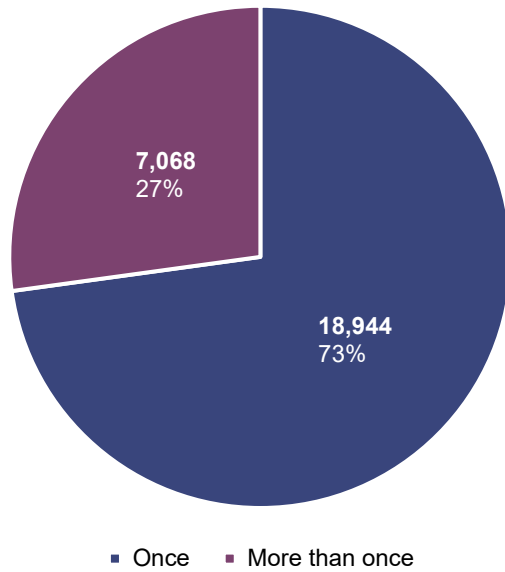
Our cross-sector research into the experience of people who had recent difficulty or concern with essential service bills indicated that around two-thirds were satisfied with the customer service and outcome from their providers, with very little difference across sectors.¹¹⁶

Information from providers indicated that in 2021–22, the majority of residential customers who entered into a financial hardship arrangement (73%) did so just once in the previous 5 years (Figure 7).

¹¹⁵ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 27.

¹¹⁶ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 39.

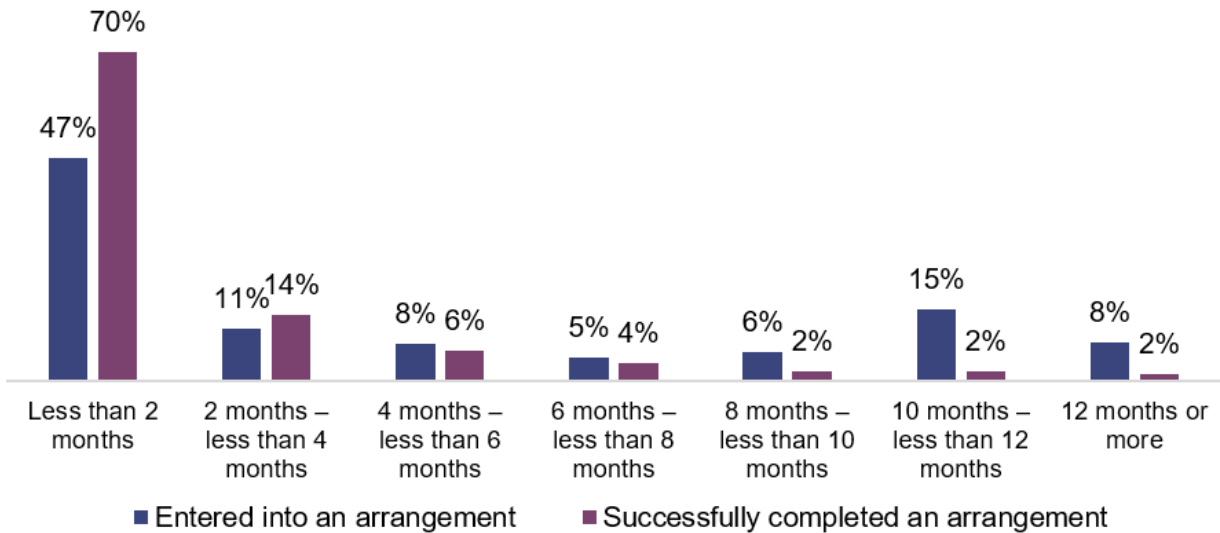
Figure 7: Number of times that residential customers entered into a financial hardship arrangement during 2021–22 (in the past 5 years)



Source: Industry data received via notice issued under section 521(2) of the Telecommunications Act 1997 on 28 October 2022.

Industry information indicates that most financial hardship arrangements entered into by residential customers are less than 4 months in duration (see Figure 8).

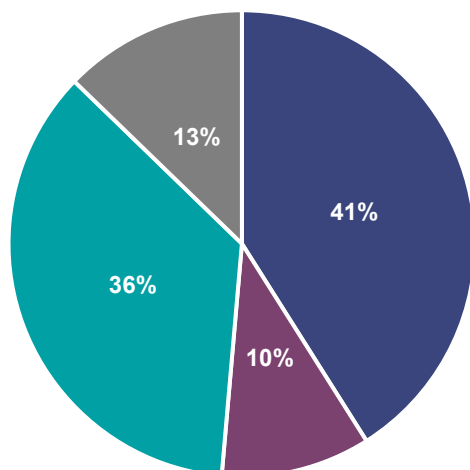
Figure 8: Arrangement duration of financial hardship customers who entered into an arrangement during 2021–22



Source: Industry data received via notice issued under section 521(2) of the Telecommunications Act 1997 on 28 October 2022.

Upon exiting a financial hardship arrangement, most customers stay with their telco, regardless of whether they successfully completed the arrangement (see Figure 9).

Figure 9: Exit outcomes for residential customers who exited a financial hardship arrangement



- Successfully completed the financial hardship arrangement and stayed with the telco
- Successfully completed the financial hardship arrangement and left the telco
- Didn't successfully complete the financial hardship arrangement and stayed with the telco
- Didn't successfully complete the financial hardship arrangement and left the telco

Source: Industry data received via notice issued under section 521(2) of the Telecommunications Act 1997 on 28 October 2022.



Observations

Some participants who experienced difficulties or concerns with their telco bills did not fully understand the difference between payment plans, payment extensions and financial hardship arrangements. This may, in part, explain why not many participants requested financial hardship arrangements. Telcos need to better explain the different forms of assistance to customers and provide more flexibility in applying financial hardship arrangements.

Providers were considered to be inflexible and often unwilling to compromise by participants. This may reflect the power imbalance between the telco provider and the customer, as in these circumstances, customers do not have the power to negotiate, which is often exacerbated by lack of information or skills, and feel they have to accept offers that are not always helpful to their situation in the longer term, or even in the short term.

The assistance offered by telcos should be appropriate to the customer's circumstances, flexible and aimed at keeping the customer connected. Financial hardship arrangements should be tailored to individual circumstances and not a 'one size fits all approach'.

Debt

Customers with telco debt

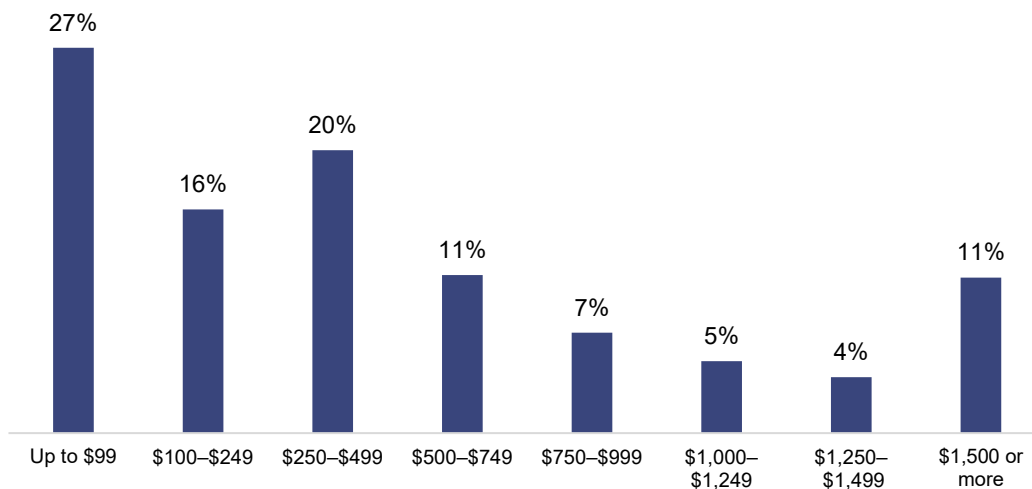
Our consumer research indicated that 80% of people who experienced recent bill payment difficulty had problems paying multiple bills at the same time. The importance of the service to the household was a very important factor in deciding which bill to pay first, but a large majority would pay higher-value bills first (68% compared with 32% who would not). Telco bills were less likely to be prioritised over other bills, particularly home loans and electricity. Telco services were most likely to be paid last.¹¹⁷

Many of those in difficulty only with non-telco bills said the lower amount of telco bills was the reason they were not in difficulty with those. Those with only telco bill payment difficulty had often prioritised other bills first.¹¹⁸

It was very common for participants to mention cutting back and making sacrifices elsewhere to be able to afford to pay their telco bills. This most often involved cutting back on their groceries. Many participants also managed by reaching out to family and friends for financial assistance.¹¹⁹

However, industry has reported, as at 30 June 2022, residential financial hardship debt represented a very small proportion (1.65%) of the overall debt of residential customers. Most residential customers (62.2%) that enter into a financial hardship arrangement have an entry debt of less than \$500 (Figure 10).

Figure 10: Entry debt of residential customers who entered into a financial hardship arrangement during 2021–22



Source: Industry data received via notice issued under section 521(2) of the Telecommunications Act 1997 on 28 October 2022.

Direct debit

Complaints about unsuitable payment options and direct debit have increased over time (Figure 11).¹²⁰

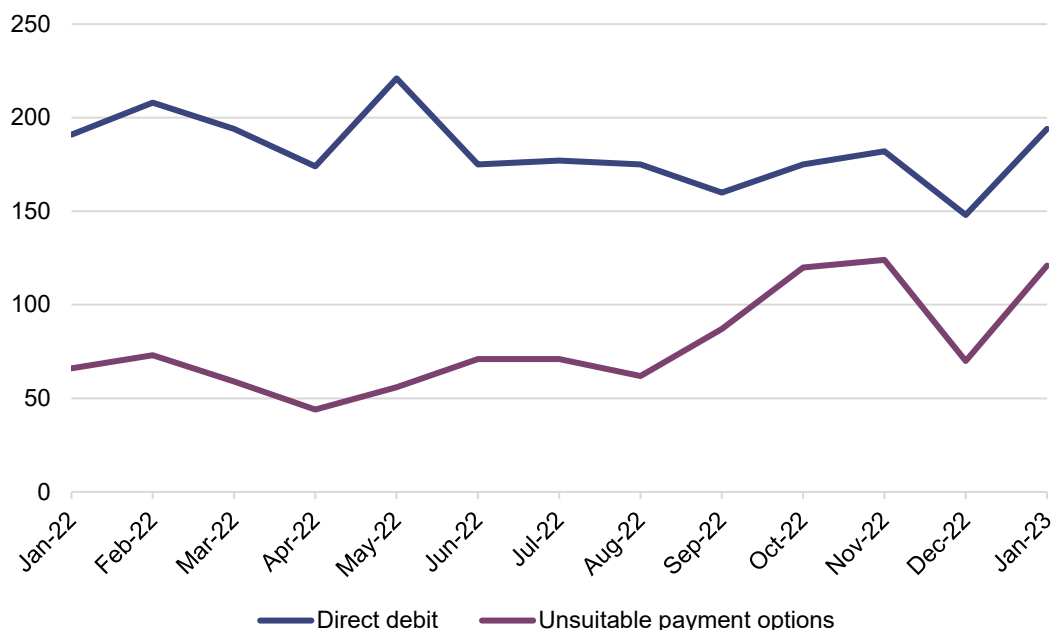
¹¹⁷ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 17.

¹¹⁸ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 19.

¹¹⁹ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 5.

¹²⁰ Information provided to the ACMA by the Telecommunications Industry Ombudsman (February 2023).

Figure 11: Unsuitable payment methods and direct debit



Note: The issues in new complaints record the consumer's view of the complaint and have not been verified. The issue numbers are a snapshot of TIO data at the end of the month. The data has not been adjusted to reflect further review and/or reclassifications of cases that may occur after the report date at the end of each month.

Source: Telecommunications Industry Ombudsman.

Direct debit as a method of payment is generally the default option set up with providers at the time a contract starts. Direct debit as a method of payment had mixed assessments among consumers, with some liking it, and others strongly opposed to being forced to use it.¹²¹

There was a general feeling that direct debit was a convenient method of payment in *perfect* or *predictable* circumstances, but was more problematic at times of financial difficulty, adding to stresses and incurring extra fees.¹²²

It's helpful for some bills. But usually we run such a tight budget that it doesn't always work and then if something fails, you get the extra fees of it failing. It can then push you back.

(Participant 8, female, 25–34 years)¹²³

It's great when it works. When you come across a brick wall, that's when everything sort of falls out behind you and everything falls out of whack. I struggled to get back.

(Participant 13, female, 55–64 years)¹²⁴

Debt was considered too low to be put on a plan – kept going over my limit by about \$150 due to conflicting direct debits.

(Female, 55–64 years, Perth)¹²⁵

¹²¹ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), pp. 6, 11–13.

¹²² ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 11.

¹²³ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 12.

¹²⁴ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 12.

¹²⁵ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 33.

A number of participants mentioned that they did not like being forced onto direct debit as it represented a loss of control. Some participants felt quite strongly about this, and one was particularly angry about having to pay a fee to use a different payment method.¹²⁶

The biggest issue that participants mentioned was the inflexibility of direct debit arrangements. These people liked to be in direct control of their own finances and to know exactly how much money was going in and out of their accounts. Some participants also mentioned the uncertainty of how much money would be debited from their account when bills were a variable amount. One participant mentioned that direct debits were difficult to set up with the Centrepay system provided by Centrelink.¹²⁷

There was also a feeling that direct debit often meant charges could be applied to their account without their knowledge or approval, which many participants felt uneasy about. This was sometimes due to variable bill amounts, or in some cases, additional charges that were applied to accounts. Some people mentioned their contracts being automatically renewed, and large amounts of money being direct debited from their accounts.¹²⁸ This concurs with information that consumer groups have conveyed to the ACMA, highlighting the situation where a customer misses a direct debit and is subsequently charged the entire amount of the contract, which puts them further into financial hardship.

It makes me nervous when places just automatically take money out of my account. And I like to know where my money is going, at least.

(Participant 9, male, 25–34 years)

When our contract ended, we renewed our contract and they automatically direct debited an additional \$400 for the new contract – as 3 months in advance, that again, wasn't in the contract that we weren't aware of. And that's when I stopped all of the direct debits.

(Participant 31, female, 35–44 years)¹²⁹

Some participants felt that direct debit schedules were irregular, which made it difficult to know when the money was going to come out of their account. This often meant that they were left short on funds.¹³⁰

Many participants had experienced a direct debit payment fail for their telco bills because of lack of funds in their account. Often this was due to the date of direct debits not aligning with the participant's pay day. Some participants said that they would prefer other payment options to be made available so they could avoid this problem and pay their bills on their pay day. For others, the direct debits failed due to poor budgeting, overspending in other areas and generally low or variable incomes.

Direct debit failures had adverse effects on all participants who had experienced them. A common consequence was that participants were charged fees from their financial provider for having overdrawn their account. This posed an additional problem, as they were already in financial hardship. In some cases, participants were charged both a late fee from their telco, as well as a fee from their bank. Failures of direct debit often caused feelings of embarrassment or shame and exacerbated the problems for those already facing poverty.¹³¹

¹²⁶ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 11.

¹²⁷ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 12.

¹²⁸ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 12.

¹²⁹ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 12.

¹³⁰ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 12.

¹³¹ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 13.

There's no guarantee that I'm going to have money in my account on any other day apart from pay day. We live week to week.

(Participant 25, female, 35–44 years)¹³²

Debt collection

While less common, those experiencing financial difficulties with their telco bills who had experienced debt collection, felt intimidated by the process and concerned that they were not given appropriate notice that this was going to occur.¹³³

Participants were generally told about their referral to a debt collection service via an email or a text message. Some participants indicated that a phone call may have been preferable in this situation. There was also a feeling of frustration that the telco provider did not provide the participants with any forewarning that they would be referred to a debt collection service. The communication was received after the referral had occurred, and it originated from the debt collection service, rather than the telco provider.¹³⁴

Debt collection was also problematic as it limited people's options to receive financial assistance or loans, including interest-free loans intended to assist those in financial difficulty. In one case, a participant mentioned that no-interest loan schemes would not approve loans if people had been referred to a debt collection service.¹³⁵

The 11 providers canvassed reported that in 2021–22, a total of 2,773 residential financial hardship customers were subject to debt collection activities.



Observations

Most customers entering into a telco financial hardship arrangement had a relatively small entry debt – 62% had an entry debt of less than \$500. By comparison, the average debt on entry to a financial hardship program in the energy sector was \$1,692 for electricity and \$781 for gas.¹³⁶

Telco is an essential service. Telco bills tend to be paid last. With the increasing cost-of-living pressures, and consumer calls for more flexible approaches to paying telco bills, consumers would benefit from telcos rethinking their approach to enabling customers to pay their bills and stay connected. A flexible approach to bill payment may include increased payment options other than direct debit and allowing customers to part pay their bills linked to their income payment frequency – such as bill smoothing.

Telcos should also consider the fairness in charging consumers who require a different payment method or a paper bill. Making these options available at no cost would facilitate more equitable outcomes for consumers that do not have access to a particular payment method or are not able to receive a bill via email.

Consumer complaints to the TIO about unsuitable payment options (including direct debit) have increased.

Customers should be notified by their telco before having their debt referred to a debt collection agency.

¹³² ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 13.

¹³³ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), pp. 6, 29.

¹³⁴ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 32.

¹³⁵ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 32.

¹³⁶ Australian Energy Regulator (AER), [Retail energy market performance update for Quarter 4, 2021–22](#) – schedule 4, accessed 14 February 2023.

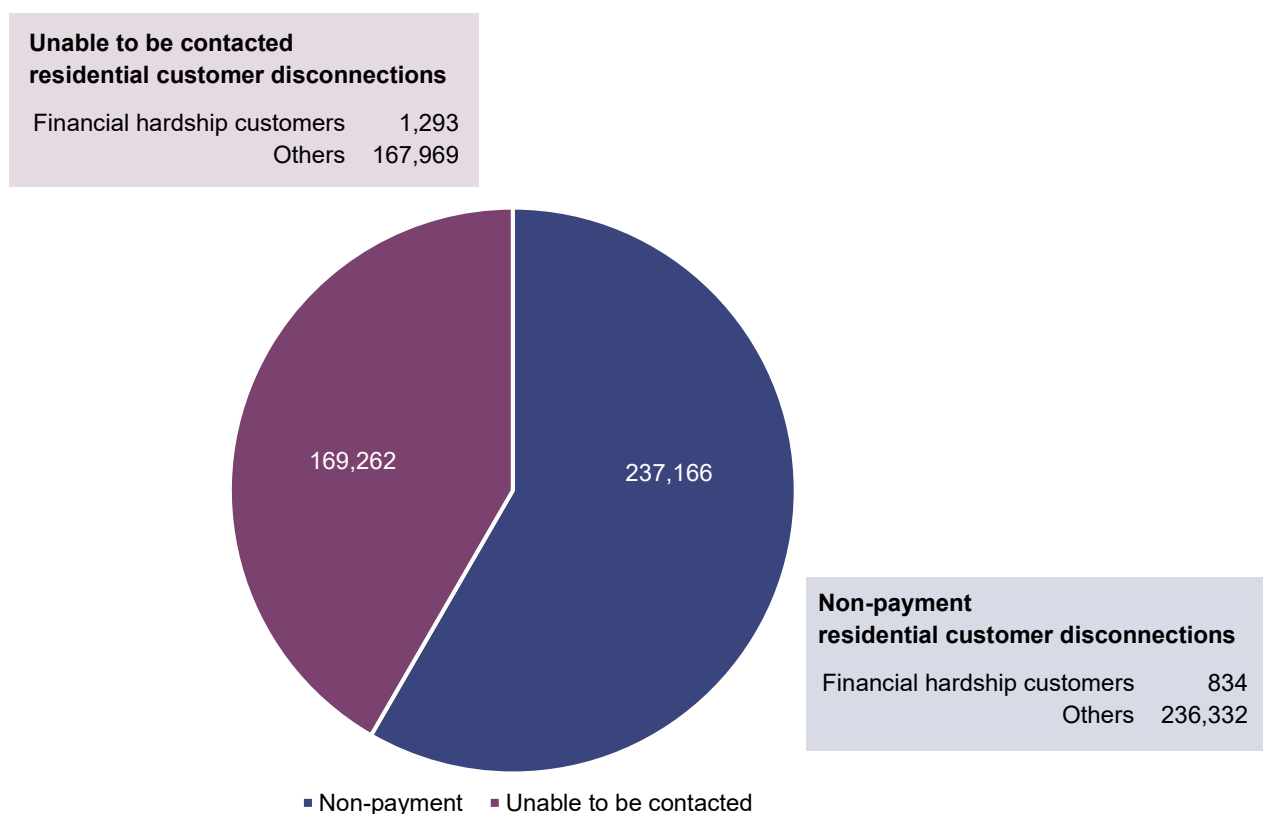
Disconnections

Incidence of disconnections

The primary reason reported by telcos for disconnecting customers is non-payment. During 2021–22, a total of 237,166 residential customers had their services disconnected due to non-payment. Of those, 834 were financial hardship customers (Figure 12).

Telcos may also disconnect customers when they are not able to be contacted. During 2021–22, a total of 169,262 residential customers had their services disconnected due to being uncontactable. Of those, 1,293 were financial hardship customers (Figure 12).

Figure 12: Incidence of disconnections



Source: Industry data received via notice issued under section 521(2) of the Telecommunications Act 1997 on 28 October 2022.

Of those surveyed who had recent difficulty or concern with bills for essential services, the total number across all sectors (telco, energy or water) who were disconnected was low (96).¹³⁷ Disconnections were uncommon – overall 11% were disconnected from any essential service. Of those who were disconnected from any service, 7% were disconnected as a result of not completing their financial hardship arrangement or payment plan.¹³⁸ Those who had recent financial difficulty or concern for telco services were more likely to be disconnected (11%), compared to energy (3%) and water (1%).¹³⁹

¹³⁷ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 37.

¹³⁸ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 4.

¹³⁹ ACMA, *Financial hardship: telco and other essential sectors – Quantitative research* (May 2023), p. 37.

Those who experienced recent financial difficulty or concern with their telco bills and who had been disconnected, noted that their providers generally didn't give them enough notice, or that the communication didn't convey the level of importance that it should have.

While disconnection was rare among the participants, when it did occur, it usually had a considerable effect on their lives. The effects of disconnection were significant on many aspects of everyday life, including work, education commitments and accessing MyGov. It also limited their social interaction and communications with family and friends. Disconnection was generally short-lived, however, participants noted that it was easy to be reconnected once the required payments had been made. Telco providers were generally seen as being less well-equipped and less flexible than other essential services, such as electricity providers, when dealing with customers in financial hardship.¹⁴⁰

While few participants had actually been disconnected from their telco services recently, more participants had been threatened by their provider that their services would be disconnected if they did not pay their bills by a set date. In many cases, this created a sense of urgency and, in some cases, stress in participants, and heightened their need to access help or support, often from family or friends, to pay their bill.¹⁴¹

It would have been difficult because obviously it's how people communicate now. I was looking for work ... how would someone contact me? Can you imagine the embarrassment of you applying for a job and somebody ringing up and then hearing, 'I'm sorry, this number is not available'? Oh my God. That would have just that would have been the worst. So, how would it make me feel? Yeah, pretty ordinary.

(Participant 34, female, 45–54 years)

Without access to the internet I can't access unemployment benefits. Pretty much you have to do everything through MyGov nowadays ... it has to take priority, and also looking for work to comply with those things to report online, I have to have an internet connection.

(Participant 4, male, 45–54 years)¹⁴²

Preventing disconnections

Participants who had been disconnected recently were dissatisfied with the way their provider communicated with them to advise them of their disconnection. Participants noted that their providers did not always give them adequate time between their disconnection notice and the actual disconnection. The means of communication was also criticised, with disconnection warnings and notices generally coming via text message or email. There was also a broad consensus that more could be done to forewarn customers about the possibility of disconnection before it occurred. One participant mentioned they would have preferred a phone call from their provider, as a text message did not convey an appropriate level of seriousness and was lost among the many other marketing and direct communications from the telco provider.¹⁴³

¹⁴⁰ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 36.

¹⁴¹ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), pp. 29–30.

¹⁴² ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), pp. 29–30.

¹⁴³ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 30.

There was no warning, I was getting text messages saying that they've tried to contact me, but, for me, that means making phone calls, because even the bank will make a phone call and even if it's an automated, you know, 'Press 1, if you're going to pay within the next 6 days', sort of thing. There was nothing like that. It was just a 'You've missed a payment and we have now therefore cancelled the account; you now owe the full amount'.
(Participant 25, female, 35–44 years)¹⁴⁴

Providers stated that customers who had active financial hardship arrangements were excluded from credit management and collection activities (including disconnection). This is done by flagging customer accounts and/or configuring systems so that that credit management activities cannot occur for those accounts.

For customers that may be in financial stress but have not requested assistance, 9 providers stated that they proactively contact those customers using a combination of phone calls, text messages, emails and letters.

Measures to prevent disconnections in error include configuring systems with rules to prevent disconnection, delivery of notices to customers before disconnection and contacting customers via phone, email and text message. Several providers noted that disconnections are done on a manual basis.

Complaints about disconnections are generally dealt with via providers' general complaints handling processes.



Observations

Customers identified that telcos should proactively reach out when the telco suspects the customer may be in financial hardship. For instance, where a telco notices customers are repeatedly unable to pay their bills, contact should be made rather than disconnecting them.

Telcos should make financial assistance information easy to find and access.

Suggested improvements from participants included greater flexibility and tailoring solutions for those in financial hardship, telcos being more proactive in contacting customers to offer assistance and offering concessions for those on low incomes.

There is a disconnect between what providers say and the consumer experience. While telcos report that they take proactive measures to prevent disconnection in error, including by advance communication with customers, our research revealed that communication before disconnection could be greatly improved.

¹⁴⁴ ACMA, *Consumers' experiences with telco financial hardship: Qualitative research* (May 2023), p. 30.