Broadband bills set to rise by staggering 10%

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New research from Choose finds 87% of broadband and mobile customers are unaware prices may increase by as much as 10% by April 2022.

With annual price rises linked to inflation set to come into force over the coming months, almost half of respondents (46%) did not know prices would be increasing at all.

Although knowledge of mid-contract price rises has improved since Tesco Mobile commissioned research in early 2021 and found 50% were unaware broadband and mobile bills could increase during a contract, 33% of respondents in Choose's survey said they were unaware of this.

The survey also found a significant number of customers are unprepared for the annual round of price rises:

- 1 in 4 (25%) said they would it financially difficult if their broadband and mobile bill went up by 10%
- 11% said they wouldn't be able to afford a 10% rise in their bills at all

Many broadband and mobile companies use the rate of inflation published in January to set their price increases with big names including BT, O2 and Vodafone adding a percentage to a CPI or RPI rate. However, inflation data published in December 2021 found RPI had reached its highest level since the 1990s to 7.1% and CPI was continuing to soar above the 2% inflation target, reaching 5.1%.

If inflation hits 6% in the upcoming figures, some households could be in line for 10% increases on their broadband and mobile bills at the same time as their finances are squeezed by expected energy bill hikes. This could see consumers paying an extra £111 million each month based on average household spend on broadband bills.

With 65% of broadband customers and 89% of mobile customers still in-contract according to Ofcom, there is no way for millions of customers to avoid paying the higher bills or incurring a prohibitive early termination fee.

While the regulator guards against inflation-beating price rises that would cause 'material detriment' to customers, these safeguards do not apply when a customer has signed a contract with inflation-beating annual price rises already included. With all but a handful of providers including hefty increases as standard, consumer choice is severely restricted.

Highlighting the seriousness of the situation, Hull incumbent KCOM have recently announced they'll be waiving their contracted CPI + 3.9% increase due to the high living costs people are facing.

Lyndsey Burton, MD of Choose said, "It is time for Ofcom to act again on mid-contract price increases. They have previously brought in regulations specifically to prevent financial hardship, yet their safeguards are failing to protect customers from exactly that.

"The pandemic has demonstrated how reliant we are on broadband and mobile services to keep us connected to each other. Ofcom concede these are 'essential' services and yet they are failing in their duty to support customers' ability to budget for them. As the current economic climate shows, CPI and RPI linked prices are difficult to plan for and customers will only get a few months' notice before inflation-beating price rises are implemented.

"Broadband contracts are usually between 12 and 24 months in length, with many customers signing up to 18-month deals. Surely it is fair and reasonable to expect providers to fix their prices completely during the contract period to ensure customers know where they stand financially until the contract runs out.

"Ofcom either needs to ban mid-contract price hikes completely or, at the very least, they must set a cap that more fairly distributes inflationary costs.

"With little time for regulatory changes however, I hope we see more providers following in the footsteps of KCOM and waiving their annual rises in the coming months."

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We strongly believe that consumers as well as looking for the best price are looking for a fair option.

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