

Mid-contract price rises

Tightening the squeeze on consumers

More than 13 million consumers could pay **£100 more** in 2023 for their mobile and broadband services than in 2022, despite remaining on the same contract with the same provider, thanks to mid-contract price rises.¹

- **9 out of 10 broadband** customers and **7 out of 10 mobile** customers are due to face a mid-contract price rise next year.²
- With inflation spiralling, these rises will be higher this year than previously, costing consumers an **estimated £2.5bn.**³

Citizens Advice is calling for providers to **urgently scrap mid-contract price rises** to protect their customers during the **cost-of-living crisis**. Government and Ofcom should help to deliver this, and **explore options for banning these price rises** in future.

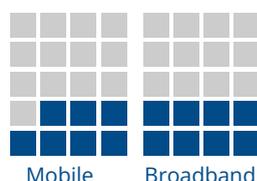
How will these price rises impact consumers?

Consumers are already in the grip of a serious cost-of-living crisis. Against this backdrop, mid-contract price rises next year will tighten the squeeze. Our data already shows a worrying picture for those people who are facing price rises:



One third of mobile and broadband customers facing price rises have already **cut back on everyday essentials such as food, energy and clothing.**

Nearly one in five mobile and broadband customers facing price rises had to **rely on credit to pay for essentials** in the first half of 2022.



35% of mobile customers facing price rises were already **worried about their ability to afford their mobile bill** in the second half of this year - for broadband customers facing price rises, **40% were worried about affording their internet bill** in the same period.

Price rises in perspective



For the people on low incomes who come to us every day for help with debts, **£100 is roughly equivalent to what they spend on two weekly grocery shops.**⁴

Why are prices going up mid-contract?

Most mobile and broadband providers build yearly price rises into the terms and conditions of their contracts. Sometimes the extent of the price rise will be stated in advance; other times only a 'discretionary price increase' clause (e.g., "prices may rise") is included in the contract.

Worryingly, **our research shows that many customers are not fully aware of the extent of the price rises that they could face in the middle of their contracts.**



Our research shows that **1 in 4** customers didn't know their prices could go up mid-contract, and a **further 2 in 5** were aware they could rise, but did not know by how much.

How are price rises calculated?

Most companies use inflation to calculate how much to raise prices by, **but many then add a percentage on top.** With inflation predicted to reach **12.6%** by January 2023 (or even higher by some measures), this will mean a big increase in bills that many people will struggle to manage.⁵

	Providers	How price rise is calculated	Share of market *
BROADBAND	BT, EE, John Lewis, Plusnet, Talktalk, Vodafone	Consumer Price Index (CPI) + 3.7-3.9% = 16.3-16.5%	45%
	Sky, Virgin	Discretionary price rises in contracts. In both cases prices did rise in 2022 - for Sky by £2.50 per month, for Virgin by an average of £4.70 per month. ⁶	41%
	CountryConnect, G.Network, Hyperoptic, SSE	No mid-contract price rises	<14%
MOBILE	O2, Virgin	Retail Price Index (RPI) + 3.9% = 18.9% (airtime contracts only)	24%
	EE, Vodafone, Plusnet, TalkMobile	CPI + 3.9% = 16.5%	31%
	iD Mobile	RPI increase	3%
	Three	Fixed 4.5% rise	9%
	Tesco, Sky	No mid-contract price rises	16%

* Market share percentages calculated using polling data. Percentages may not round to 100 due to some smaller providers not being included in market share calculations, including John Lewis and Talkmobile.

15%

The average rise across both markets, based on Bank of England inflation projections for 2023.⁷

What options do consumers have left?

Customers are often told that they can switch providers if they are unhappy with their current contract. But we don't think this response is good enough, for several reasons.

1. Many customers are locked in



Most providers charge hefty fees - called **Early Termination Charges** - for customers to leave their contracts early, meaning that switching to a cheaper provider might not save the customer money overall.

* A small minority of providers, including ASDA Mobile and CountryConnect, do not charge ETCs for their contracts at all, and a few more waive them for customers leaving after a price rise (including Virgin and Sky). But ETCs remain largely the norm across both markets.

2. Switch to what?

Our research also reveals that consumers' options for switching-to-save are slim, and getting slimmer:

The majority of mobile and broadband providers are expected to raise contract prices next year, leaving consumers with little in the way of dependably cheaper options.



Although in the mobile market consumers have options other than traditional contracts - rolling monthly contracts, bundles and PAYG - many providers are **also massively increasing prices for these non-contract services**. Asda PAYG and bundle rates, for example, are set to rise by over **150%** in September; Three is increasing the cost of pay-as you go calls by **250%**.⁸

3. The problems with switching

We also know from our research that there are **lots of barriers to customer switching**:



Only 54% of broadband customers who have stayed on their contract beyond the minimum term have done so because they are satisfied with their current deal.



1 in 3 mobile consumers find switching providers too difficult, meaning they end up staying on the same contract even when they know that a better deal might be available.⁹

And we know that the cost of living is already an big source of stress for a lot of people - **3 in 4 people on low incomes are losing sleep over their financial situation**.

4. Why should consumers have to shoulder the burden for increasing costs?

There is also a deeper problem with the fact that mid-contract price rises have become the norm in mobile and broadband markets.

We believe that **if you sign up for a contract for a period of time with a fixed price tag, it's reasonable to expect that price won't change** - you shouldn't have to switch to avoid being hit with a price hike.

This is how **fixed-term mortgages** work, it's how **fixed-term energy contracts** work, and we see no reason why fixed-term mobile and broadband contracts should be different.



The responsibility of planning for inflationary increases should fall on service providers. Unlike consumers, firms have access to sophisticated financial risk management tools to do precisely this. **Consumers should not be expected to plan unpredictable increases into their personal budgets** - especially at a time when making ends meet is increasingly difficult due to the rising cost-of-living across the board.

Jane's story

When Jane was struggling with money, they agreed to a new, fixed contract with their broadband provider for £34 per month, which was more affordable for their budget. However, the provider has already put the cost up to £37 per month - and Jane wasn't told anything about potential price increases. Jane took this fixed contract to help manage money and ensure they could afford broadband over the next 2 years - now they're struggling to balance their budget once again.

What needs to happen now?

Household budgets are being squeezed on all fronts as inflation bites and energy prices soar. **Increasing mobile and broadband prices next year will only tighten this squeeze, at a time when people desperately need help to make ends meet.** These mid-contract price rises are out of step with how fixed-price contracts work in other markets, without good reason.

That's why Citizens Advice is asking all mobile and broadband providers to immediately scrap mid-contract price rises.



The fact that a few providers have taken this step already shows that it is **possible for service providers to absorb the cost of inflation** without punishing consumers with unpredictable price hikes mid-contract.

Government and Ofcom should help to ensure firms do the right thing by consumers - and if they don't, they should explore options to ban mid-contract price rises altogether.

Methodology note

Citizens Advice commissioned Opinium Research to survey 3,087 UK adults (18+) about their mobile phone and broadband contracts, their knowledge of mid-contract price rises in these markets, their experience of switching providers, and how they are managing the cost of living crisis. Fieldwork took place online, between 15th and 23rd June 2022. All figures used are from Opinium polling unless otherwise stated.

1. Calculations:

- a. Average price rise of £100: our researchers calculated the average expected price increase across all providers for next year. Where providers have discretion on price rises, the percentage rise they put in place in 2022 was used; where contracts set out how the rise will be calculated, this approach was followed using Bank of England estimates for CPI. Provider level increases were then weighted according to market share (from Opinium polling) to give a market average (15.77% for mobile and 14.4% for broadband); then multiplied by the average monthly mobile and broadband costs (£22.60 for mobile, £15.20 for airtime-only contracts and £33.10 for broadband - from Opinium polling); then multiplying to get expected yearly increase in price (£42.72 for mob and £65.52 for BB).
 - b. 13 million customers: our researchers calculated the number of adults with both mobile and broadband contracts expected to see a price rise, given the individual figures of 62% of adults facing a price rise for a mobile contract, and 63% facing a price rise for their broadband contract (Opinium polling). Estimated UK adult (18+) population in 2022 of 53,200,000 taken from the Annual Population Survey estimates via Nomis.
2. 9 in 10 broadband customers and 7 in 10 mobile customers facing a rise: calculated from the market share data for confirmed price-rise providers (market share figures from Opinium polling and price rise information confirmed through desk research).
 3. Overall cost of £2.5bn: calculated using (1) the estimated UK adult (18+) population in 2022 of 53,200,000 taken from the Annual Population Survey estimates via Nomis, (2) household data from ONS 2021 Census and (3) [ONS data on internet access](#). Our researchers calculated the number of adults facing price mobile price rises (28.4 million), and the number of households facing broadband price rises (20.4 million); these figures were multiplied by the average expected price rises next year (£42.72 for mobile and £65.52 for broadband).
 4. 34,423 people who came to Citizens Advice for help with debt completed a Budget Planner between January and June 2022. The Budget Planner is a detailed examination of the finances of someone in debt which considers their income, expenditure and any existing debts they hold. We looked at the average spend on everyday grocery shopping for people on low incomes (under £19,000 per year).
 5. Inflation figure used is CPI estimate taken from Bank of England, '[Monetary Policy Report](#)', August 2022.
 6. All information in the table is correct as of 22 September 2022 - price-rise information for older contracts may vary. Some exemptions apply to the figures in the table, as follows:
 - a. Broadband: Sky prices only cover people on Essential Broadband and Superfast Broadband tariffs (to avoid packages linked with TV packages). Vodafone did not increase prices for vulnerable customers in 2022. Virgin did not increase prices for those on promotional contracts and vulnerable customers in 2022.
 - b. Mobile: O2 only increased contract prices for those who joined after 25 March 2021. Virgin did not increase prices for those on promotional contracts and vulnerable customers in 2022. Vodafone did not increase prices for vulnerable customers.
 7. Average increase of 15%: Calculated from price rise information for providers, averaged according to market share information from Opinium polling data. Where providers use RPI instead of CPI to calculate rises, a figure of 15% has been used, based on estimate of CPI + 2.4% taken from [OBR Economic and fiscal outlook](#), March 2022.
 8. Pay As You Go price rises by ASDA and Three have been widely reported: <https://www.moneysavingexpert.com/news/2022/06/thousands-of-three-payg-customers-to-be-hit-by-price-increase-ne/>
<https://www.mirror.co.uk/money/one-cheapest-uk-mobile-networks-27647597>
 9. Citizens Advice, '[Overcharging consumers in a cost-of-living crisis. The loyalty penalty: 4 years on.](#)', August 2022.