

*April 2023*

# ACCAN Research Snapshot: Direct Debit in Telecommunications

Some of the payment options that are offered by telecommunications providers to their customers are not suitable for people in vulnerable circumstances. A thriving and competitive communications market is characterised by a variety of free payment options that reflect consumer preferences for payment. However, some payment options may place unfair financial risk on consumers.

The Telecommunications Consumer Protections Code (**TCP code**) requires that telecommunications providers offer one payment method free of charge, with fees for other payment methods being passed on to the consumer.<sup>1</sup> This arrangement presents concerns for vulnerable consumers as they may be unable to utilise the fee free option.

To better understand the difficulties that consumers may face when paying for their telecommunications products and services, the [Australian Communications Consumer Action Network \(ACCAN\)](#) and the [Public Interest Advocacy Centre \(PIAC\)](#) commissioned research on how consumers experience their billing arrangements.<sup>2</sup> The research conducted by Action Market Research (**AMR**) and Ipsos examined billing arrangements in the energy and telecommunications sectors, however this research snapshot will focus on the telecommunications findings of the research. Some of the key findings include:

- For telecommunications consumers, direct debit is the most used form of payment.
- One third of consumers have experienced some form of telecommunications payment issue in the past two years.
- 65% of all surveyed consumers mentioned having to reduce or go without social activities at some point to afford their utility bills. Of these consumers, more than 50% reported having to do this at least once a fortnight.
- The main reasons direct debit is less easy to use for consumers are not having the flexibility to choose when to pay and not having the money available when direct debit payments are due.
- Consumers want options that do not impose additional financial costs on them for using them.

## Methodology

ACCAN and PIAC first commissioned a nationally representative survey of 1,000 adults aged 18+ via the Ipsos Digital Omnibus platform. This survey was conducted in March 2023.

<sup>1</sup> Telecommunications Consumer Protections Code Incorporating Variation No.1/2022. 5.3.1.h

<sup>2</sup> For further information about this research, contact [ACCAN](#) or [PIAC](#).

Based on the omnibus results, AMR was then engaged to conduct further research consisting of multiple methodologies, including a targeted survey and interviews with consumers and financial counsellors and legal services staff (**service providers**). AMR’s research included interviews with 10 different service providers.

For the targeted survey, participants were screened as having an annual household income of less than \$50,000. If participants’ income was higher than this, then only people who reported having experienced some difficulty in affording their household bills were included. 73% of the 1,026 survey participants earned \$50,000 or less in gross annual household income.

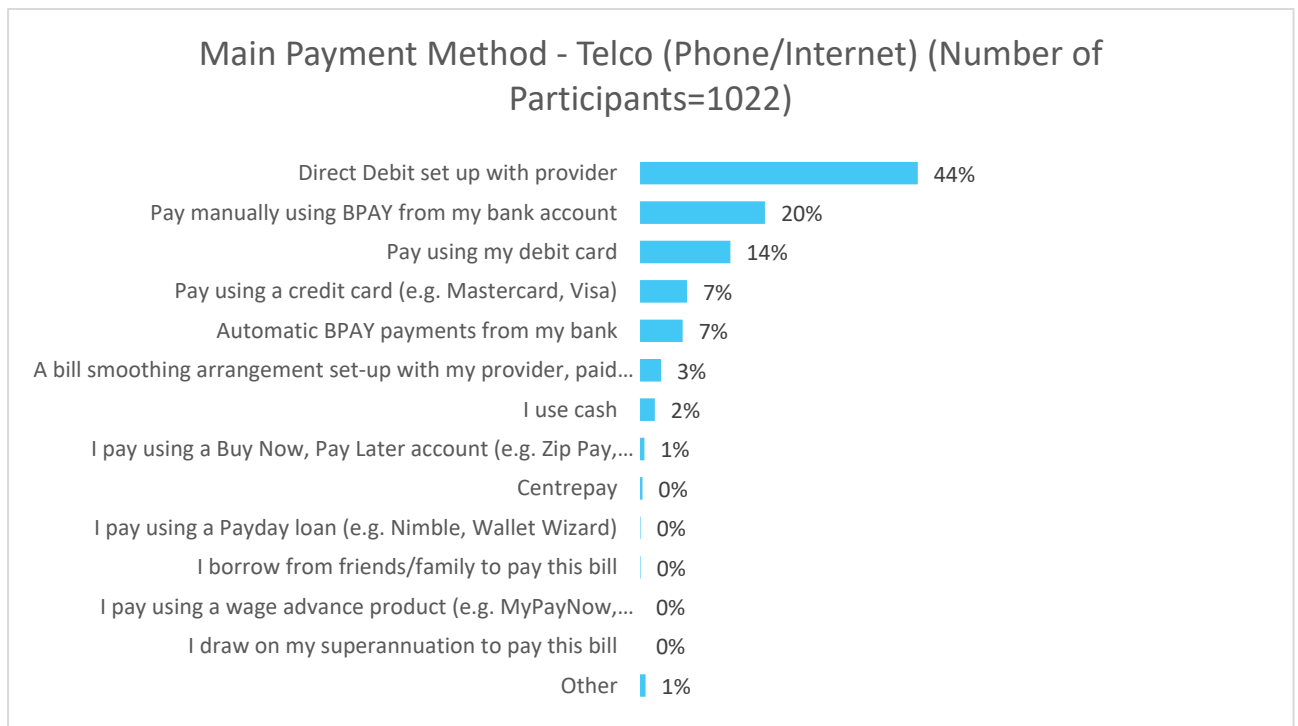
Survey participants were receiving their income from a variety of sources, with the following being the most common:

- Full time work (21% of participants).
- Part time work (19% of participants).
- The age pension (19% of participants).
- Other welfare payments (15% of participants).

A total of 30 in-depth interviews were also conducted with consumers. Five consumers from each of the 6 key cohorts (examined further below) were interviewed and received a \$40 dollar payment as compensation for their time and input. These interviews were conducted with consumers of a variety of age groups, living in a variety of Australian states.

## Direct debit in the telecommunications space

Of the consumers who use direct debit to pay their phone and internet bills, 81% found it mostly easy to use and 76% said direct debit is their preferred way to pay.



The most common method people use to pay their telco bills is direct debit (44%), followed by BPAY (20%) or paying with a debit card (14%).

## Consumers' perspectives on direct debit

The research considered the telecommunications billing experience of First Nations consumers, people from culturally and linguistically diverse backgrounds (**CALD**), low-income consumers, seniors, precariously employed consumers, and those living with a disability.<sup>3</sup> These demographics were surveyed regarding their interactions with direct debit and telecommunications payments.

### First Nations

First Nations consumers are balancing far more payment methods (6.3 versus 2.8 overall) and experiencing a higher number of payment issues (6.2 versus 2.0 overall) compared with the general population. First Nations consumers are also more likely to ask for help when interacting with direct debit payment systems (80% versus 32% overall). Furthermore, some service providers said when interviewed, that they did not feel that Telstra helps First Nations consumers enough and would like to see the return of the Telstra voucher system.

The survey of consumers found:

- 28% of First Nations consumers (compared to 11% overall) do not find direct debit an easy method for paying their telco bills.
- 80% of First Nations consumers (compared with 32% overall) have experienced a payment problem with their telco bills and asked for help.<sup>4</sup>

### CALD consumers

The research found that consumers from CALD backgrounds are balancing far more payment methods, are experiencing a higher number of payment issues, and are more likely to have asked for help when experiencing problems paying their telecommunications bills. CALD consumers may also be unaware of the financial hardship provisions available to them and thus, put themselves under unnecessary pressure to pay bills.

The survey of consumers found:

- 11% of CALD consumers (compared to 11% overall) do not find direct debit an easy method for paying their telco bills.
- 45% of CALD consumers (compared with 32% overall) have experienced a payment problem with their telco bills and asked for help.

### Low-income consumers

Low-income consumers are more likely than consumers on higher incomes to either have never used direct debit or find it more difficult to use.

The survey of consumers found:

- 15% of low-income consumers (compared to 11% overall) do not find direct debit an easy method for paying their telco bills.

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<sup>3</sup> Precariously employed consumers may not have a consistent income to plan their bill payments around. This cohort may include consumers who are employed on a casual or seasonal basis.

<sup>4</sup> Payment problems include consumers paying bills late because they could not afford them at the time, using a credit card to pay bills because they could not afford them at the time, or incurring late fees from telecommunications providers.

- 36% of low-income consumers (compared with 32% overall) have experienced a payment problem with their telco bills and asked for help.

## Senior consumers

A significant issue for seniors is their ability to pay their telecommunications bills. According to survey data, these consumers have used fewer payment types and are more likely to have never used direct debit than the general population.

Service providers raised several concerns regarding seniors, in particular that they tend to be more vulnerable to upselling / mis-selling and that some of their senior clients may have been signed up to plans which are more expensive and extensive than they require.

The survey of consumers found:

- 11% of senior consumers (compared to 11% overall) do not find direct debit an easy method for paying their telco bills and 29% have never used direct debit.
- 8% of senior consumers (compared with 32% overall) have experienced a payment problem with their telco bills and 80% have asked for help.

## Precariously employed consumers

Based on the interviews conducted, the biggest issue facing those who are precariously employed was income irregularity and not knowing how much their living expenses will be. Consumers who are precariously employed are also more likely to make sacrifices regarding food, either opting for cheaper grocery items or reducing their intake altogether, to be able to afford their telecommunications bills.

Those who were unemployed were more likely to have never used direct debit and were less likely to have asked for help with direct debit payment services.

The survey of consumers found:

- 11% of precariously employed consumers (compared to 11% overall) do not find direct debit an easy method for paying their telco bills and 20% have never used direct debit.
- 22% of precariously employed consumers (compared with 32% overall) have experienced a payment problem with their telco bills and asked for help.

## People living with disability

Consumers living with disability are balancing more payment methods and experiencing a higher number of payment issues than other cohorts surveyed. Service providers noted that some consumers living with disability experienced being up-sold devices by telecommunications providers. Promisingly, some consumers living with disability reported that they no longer had to sacrifice certain things to afford their telecommunications bills.

The survey of consumers found:

- 22% of consumers living with disability (compared to 11% overall) do not find direct debit an easy method for paying their telco bills, and 17% have never used direct debit.

- 52% of consumers living with disability (compared with 32% overall) have experienced a payment problem with their telco bills and asked for help.
- Consumers living with disability were most commonly charged late fees due to insufficient funds at the time of the direct debit payment.

In-depth Interviews of consumers found that:

- Consumers living with disability experienced the most customer service issues.

## Service providers' sentiments on direct debit

AMRs research included interviewing 10 service providers about their clients' interactions with direct debit payments. Some service providers reported that changes in the timing of direct debit charges and the late fees that are often associated with them, can considerably disadvantage consumers undergoing financial stress or hardship. They also said that for consumers who experience issues with digital literacy, direct debit payments can be too complex. For consumers experiencing significant financial hardship, some service providers are concerned that the timing of direct debit payments means that if they do not coincide with their consumers income, direct debit can possibly result in further financial hardship.

Some service providers highlighted concerns about digital literacy and direct debit payment methods:

- "...There's been a big move to end paper bills to make services only available by online billing or having to pay additional charge for paper billing. That's a really big barrier to older consumers but also to people who are not tech literate for other reasons, for example, people who have an ABI (acquired brain injury) or learning disabilities or people from a background where they might not have had much access to computers prior to coming to Australia." – Lawyer, VIC
- "I think the other issue with setting up ongoing direct debit as a payment method, if it's not someone who's particularly tech literate or financially literate, is that sometimes it takes a long time to notice issues or discrepancies, so if the bills are coming in the mail and they need to respond to each bill, you tend to pick up issues like, 'oh I've been charged for something I didn't realise' faster than if it relies on the person going back through their bank accounts and looking at the direct debits have come out that month." – Lawyer, VIC

Some service providers demonstrated concerns about the irregularity of direct debit payments and how it can impact consumers with irregular incomes:

- "I think an insistence on a certain type of payment method is the problem. The most important thing is to give people the flexibility to manage their finances in a way that they can understand and in a way that they can practically prioritise. - Lawyer, VIC
- "I'm dead set against direct debits, especially if a person's living week to week." – Financial Counsellor, WA
- "I think a lot of times, especially with most of the retailers for telco and also the energy providers, they always want direct debit. And that is a massive problem for someone who lives from week to week. To me, I'm not a fan and they demand it before they give them the hardship program." – Financial Counsellor, WA

- “Direct debit... is a big problem, especially when people aren’t really realising how big their bill is going to be.” – Financial Counsellor, NSW
- “There’s a huge power imbalance between the utility company and the vulnerable customer. And people are not in a position to be able to advocate and say, ‘Sorry, I can’t pay that, I can pay \$20 a fortnight’. The debt is still increasing.” – Financial Counsellor, QLD

Some service providers believe that there should be a marker for when people are accessing Centrelink that triggers a retailer to assist that person with the right type of payment plan that is suitable to their needs and budget.

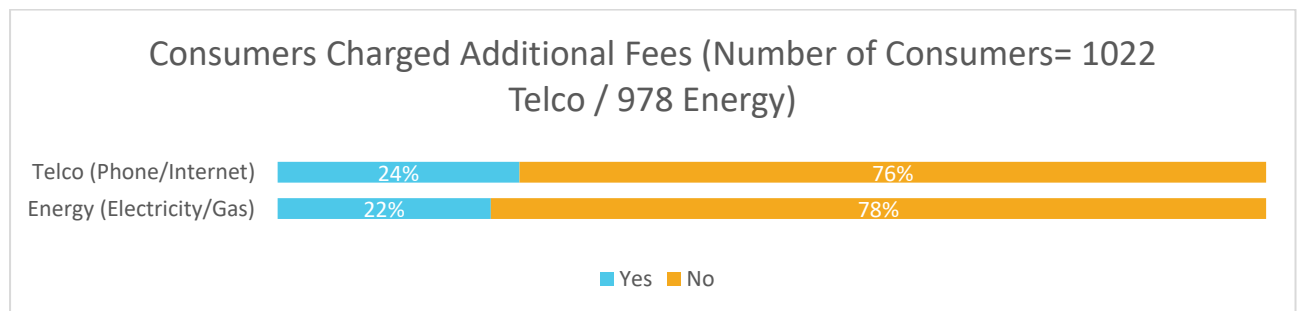
## Consumer concerns with direct debit

Consumers’ concerns around their use of direct debit centred around their lack of control of the timing of making payments. These concerns were especially prevalent in younger or precariously employed consumers.

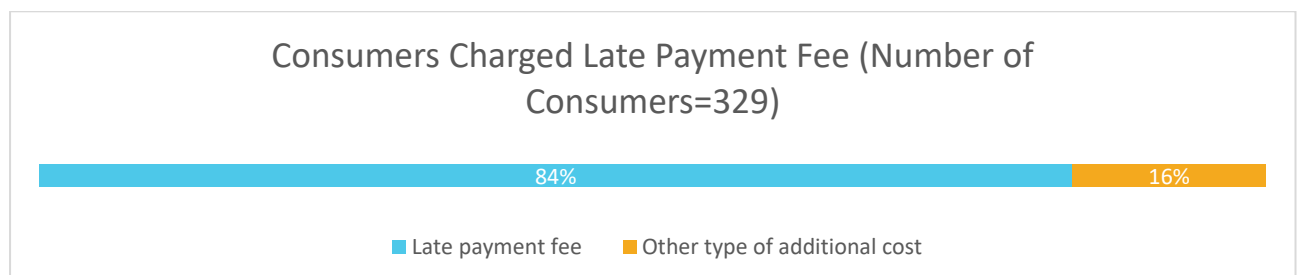
## Late payment fees and other fees

Consumers using direct debit can experience additional fees, including late fees, when they are unable to pay their bills on time.

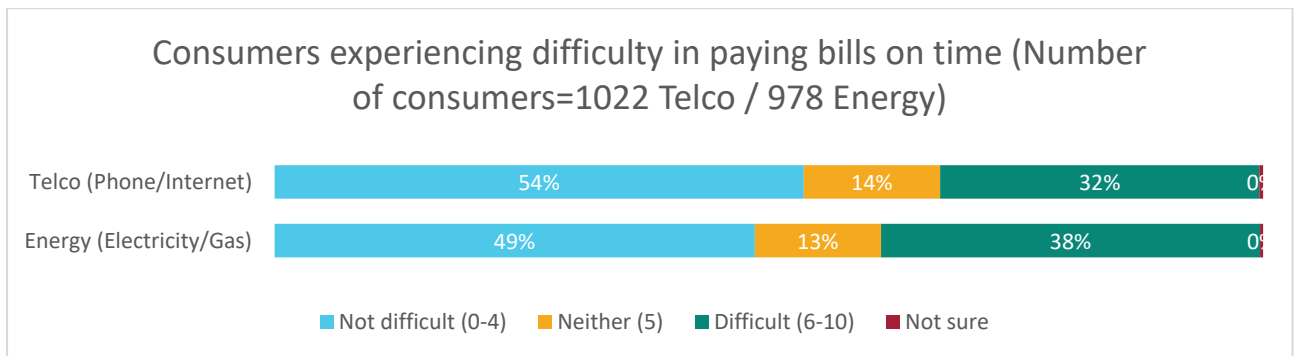
- 21% of consumers who experienced additional fees in relation to their telco or energy bills had experienced a fee or surcharge for the method of payment used.
- 71% of these consumers were charged a fee more than once and of these, 54% percent said they could not afford the payment at that time.
- 20% of surveyed consumers experienced fees for receiving a paper bill.



Just under a quarter of low-income consumers (24%) have been charged additional fees on their telco bills, and 22% have been charged additional fees on their energy bills.



Of those consumers who have been charged additional fees on their telecommunications bills, the majority (84%) have been charged late payment fees.



Interview participants noted difficulty with some aspects of direct debit:

- Although for most people their choice of payment method is based on what works for them, our research showed that some consumers had felt pressured by their telecommunications providers into using direct debit.
- Participants were unhappy with the additional fees associated with telecommunications bills, mostly due to direct debit dishonor fees or late payments. Some participants, who were charged additional fees as a result of late payments, indicated they were due to delayed processing rather than actually being paid late.
- Some consumers would prefer to be notified before their bill is due and pay it themselves.
- Some consumers noted direct debit to be inflexible, with one remarking that direct debit is “very rigid” and that they can incur penalties when the payment does not go through.

Telecommunications providers often encourage or require consumers to pay for services with direct debit. Telstra has recently moved to direct debit only for all post-paid telecommunications products.

## What do consumers need?

Consumers need:

- Payment options that don’t impose additional financial costs on them for using them.
- Bill payments to be simple and convenient.
- Control over when and how bill payments are taken.

## ACCAN recommendations

Telecommunications consumers should have access to a variety of payment methods that are convenient, free and reflect their preferred payment option. ACCAN recommends that telecommunications providers:

- Provide consumers choice of payment method from the outset and not nominate direct debit as a default option for consumers.
- Offer multiple free methods of bill payment in addition to direct debit.
- Stop imposing charges or late fees for late payments caused by delayed processing.