

Communications services: Are the recourses before disconnection sufficient?

Executive summary
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Communications services are indispensable nowadays in the daily lives of Canadians: access to emergency and government services, searches for employment and housing, all types of socialization and communication (family, doctor, work, etc.), access to information (news, health, education, etc.) and to entertainment, etc.

Accordingly, it's not surprising that the vast majority of Canadian households subscribe to one or more major communications services (wireless and residential phones, Internet access and cable TV). But many have difficulty paying their communications bill every month. A series of regrettable situations often follows: reaching a payment agreement consumers can't comply with, suspension or disconnection of services, black mark on the credit file, etc.

Our research focused on problems encountered by consumers of communications services who are in a precarious financial situation or have payment difficulties, in order to verify if those consumers have adequate protections, rights and remedies. More specifically, we examined the issues related to security deposits, service suspensions or disconnections, payment agreements, and the processing of subscribers' credit files.

After presenting the history of protection measures provided to Canadian consumers of communications services who have payment difficulties, our report examines the legislative and regulatory framework currently applicable to communications service providers in Canada. The system of highly complex rules is analysed; the protections benefiting a consumer will depend on the service to which he subscribes, and even on the region where he resides. While some differences can be explained, others seem totally arbitrary, even unjustifiable. Those differences are all the more incomprehensible given the progressive disappearance of distinctions between the different services, which have become complementary and most often sold by the same provider in the context of bundles of two, three or even four services.

Moreover, when the regulations in place are not incoherent, they still tolerate certain provider practices that clearly appear unfair, identified in our study of the contractual documentation of certain service providers: billing monthly fees for a service suspended by the provider; the possibility of negotiating a payment agreement and terms at the provider's entire discretion; more than 40% (annual) interest for outstanding accounts, in addition to other fees of all kinds (collection, disconnection, reconnection, etc.).

Given the inadequate current regulations, it's not surprising that the Commission for Complaints for Telecom-television Services receives many complaints about disconnections, suspensions and other provider practices regarding the management of bad debts. Our study draws a portrait of the complaints received by the Commission since its creation. A survey of budget consultations also enables us to further detail the problems experienced by consumers trying to reach a payment agreement with their service providers. Those problems are many.

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Our Canada-wide survey reveals that service suspensions or disconnections, payment agreements, deposit demands or negative marks in the credit file are much more frequent than one might think. Almost half, 44%, of consumers have reportedly faced one or more problems in those situations.

Payment agreements are particularly concerning: This is the only aspect examined that is totally unregulated, whereas almost 30% of respondents (and 40% of consumers 18-34 years of age) have reportedly entered or tried to enter into a payment agreement. Excessively short-term agreements, too substantial monthly payments, agreements not complied with by providers, disconnection of services after an insignificant default on the agreement: Consumers make a lot of complaints about the management of payment agreements by communications service providers.

Given that patchwork, incomplete and occasionally lax regulatory framework, and the multiple problems identified in this study, how can it be claimed that the free market offers sufficient protections to vulnerable consumers, those who have difficulty paying for their communications services and for whom providers seeking additional customers are certainly not competing? Our report's findings are to the effect that the rules must be tightened up. It is imperative to establish formal protection measures that recognize the full importance of access to communications services and its maintenance even in situations of financial difficulties.

How to proceed? Our study explores various regulatory models or initiatives regarding communications services abroad (France, Australia, Belgium and the United States) and regarding other consumer sectors in Canada – models or initiatives that might be transposable to communications services in Canada and solve a number of the problems identified in this report.

An examination of the practices of major energy providers in Québec and Ontario reveals, for example, much more nuanced practices related to payment agreements – more accessible, more flexible, and seriously taking into account the ability to pay. The process to develop those practices and criteria is negotiated with consumer groups. Similarly, situations allowing the demand for a security deposit are clearly limited, so as not to restrict access to a service so essential to consumers, even vulnerable ones.

Several foreign legislations also provide avenues toward possible regulatory frameworks. In France, a consumer experiencing difficulty paying for his telecommunications services can apply to his region's *Fonds de Solidarité Logement* (housing solidarity fund) for financial assistance and thus avoid a service interruption. In Australia, providers must adopt appropriate policies and practices to protect vulnerable or poor customers. In the United States, some subscribers are exempted from providing a deposit, because of their particular vulnerability. In Belgium, the government regulates the fees that providers can charge following a default of payment, to prevent providers' abuses.

Our report ends with recommendations, notably in favour of regulations for providers' management regarding bad debts, a harmonization of applicable rules, and announcements of

those rules, to ensure that consumers know what to expect in case of payment difficulties, and are treated adequately.

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