Unfair Commercial Practices: Price Transparency

Virgin Media O2 response

8th September 2025

Non-confidential response

Virgin Media O2 welcomes the opportunity to respond to the Competition and Market Authority's consultation on price transparency guidance.

Virgin Media O2 welcomes the CMA's continued work on pricing transparency and supports the core principles underpinning the guidance and its legislative foundation in the Digital Markets, Competition and Consumers Act. We commend the CMA's active engagement with industry stakeholders and its responsiveness in refining the guidance, particularly in acknowledging the proportionality concerns previously raised by the telecoms sector regarding total aggregate pricing requirements.

However, in developing this second iteration, we are primarily concerned that a new requirement, specifically section 5.33, reintroduces many of the same challenges. It states that: *"some periodic contracts may include an additional one-off fee (e.g.: an administration, set up or installation fee) that is payable at the start of the contract. In these cases, the trader must provide either a total cumulative price or a total monthly price for the first month that includes those fees."*

VMO2 believes this requirement is not appropriate for our sector – a position based on consumer research that we commissioned and the findings of which are included in this response. We also believe this change would undermine the broader strategic goals that government has clearly articulated, and, as such, our concerns are set out below in the context of the government's stated priorities on growth, investment, and regulatory streamlining.

1. Regulatory and Political Context

The Government has made clear that promoting economic growth is its overriding national priority and has encouraged regulators to support this objective. This is reflected in the Strategic Steer for the CMA and the Proposed Strategic Statement of Priorities for Ofcom (currently under consultation), in which both regulators are encouraged to prioritise growth and investment.

Within its broader strategic documents, such as the Industrial Strategy and the 10-year Infrastructure Strategy, government recognises the need for a proportionate approach to regulation and moving away from placing endless regulatory constraints on businesses' ability to thrive. As a means of delivering these ambitions, government's Regulatory Action Plan commits to cutting "*administrative costs for business by 25% by the end of the Parliament.*"

We do not believe that the CMA's proposed application of Section 5.33 to the telecoms sector aligns with these strategic objectives. The requirement introduces unnecessary regulatory friction in a sector already governed by extensive consumer protection obligations that ensure clarity and transparency on pricing information.

2. Concerns with the Current Draft

We fully support the principle that all mandatory charges should be clearly and prominently presented as soon as possible within invitations to purchase in order to avoid 'drip pricing' and to ensure consumers are readily able to make a well-informed transactional decision. In the telecoms and ISP sectors, this is already standard practice.

However, Section 5.33 would require significant change to well-established and well-understood pricing information practices within these sectors. As articulated in Mobile UK's and ISPA's response, industry's working interpretation is the guidance would require providers to adhere to the following structure: *"this is a 12-month contract, first month £65 (including a one-off £35 installation fee), followed by £30 per month for the remaining 11 months",* whereas the current practice *"this is a 12 month contract, at £30 pounds per month, plus an up-front £35 one-off installation fee"* would be prohibited. We believe this is a disproportionate restriction on an established and clear approach to pricing, and have set out further concerns below:

- **Lack of evidenced harm or benefit:** the change appears to be a solution in search of a problem. Within the telecoms and ISP sectors, there is no compelling evidence of consumer harm under current industry practice, nor of likely consumer benefit resulting from the proposed change.
- **Existing rules to ensure compliance:** including mandatory one-off fees clearly and prominently within an invitation to purchase under other existing parts of the CMA guidance, even if separate from the monthly cost, already avoids the risk of 'drip pricing'. As such, the requirement set out under 5.33 serves no additional purpose.
- **Reduced clarity for consumers:** the proposed format risks confusing consumers by merging one-off and recurring charges in a single monthly price for the first month. This departs from familiar and intuitive presentation formats and may obscure rather than clarify the cost structure. This confusion may be further exacerbated by the fact consumers will, for the most part, continue to see two separate charges in their account - that is, the £35 installation fee payable at point of purchase and then the £30 tariff fee as part of the monthly billing, as opposed to the receiving the combined charge of £65 for the first monthly bill.
- **Failure to reflect reality:** as alluded to in the bullet above, consumers within the telecoms and ISP sectors do not necessarily pay the applicable one-off fee, whether an installation cost for broadband or an upfront cost payable towards a mobile handset plan, as part of their first monthly bill but rather it is paid at the point of purchase. This means 5.33 will actually lead to misleading advertising, which doesn't appropriately reflect the reality of how consumers pay such fees.
- **Commercial impact:** telecoms and ISP providers operate in a competitive market where price clarity is critical. The proposed format is likely to complicate advertising messaging, reducing its effectiveness and potentially deterring consumers from making the transactional decisions they would have otherwise made if not for this more overly complex and confusion pricing presentation. This introduces commercial friction at a time when government policy emphasises the importance of reducing burdens and costs on business.
- **Cost of compliance:** implementing this measure would require widespread changes across advertising, marketing systems, web interfaces for purchasing journeys, customer service scripts, and in-store signage. The sector would be incurring unnecessary cost for limited, if any, consumer benefit. Again, this action runs contrary to the direction of current government policy.

The positions outlined above are predicated on consumer research, we commissioned, via independent insight agency, Redblue, involving a survey of 2,000 individual consumers who were split into 3 groups and each asked to review a Virgin Media advert with different pricing presentation. These adverts can be found under Annex A and are referenced as the Control ad, Test 1 and Test 2, respectively.

As you can see, the Control ad shows a Virgin Media advert following existing practice, whilst Test 1 implements the CMA's proposed guidance using a combined 'month 1' price and Test 2 demonstrates a more prominently presented one-off fee but separated from the recurring monthly charge.

We include excerpts of the report alongside this submission for you to review, however, for the sake of brevity in this document, we have provided a high level summary below of the results comparing how consumers interpret Test 1 and Test 2 in respect of factors such as clarity, appeal, impact on perceived value and brand perception. Specific slides from the report are also shown for illustrative purposes under Annex B.

- Consumers are **twice as likely** to say that one-off fees are transparent when the installation cost is **separated from the initial monthly payment.**
- The general response to a **combined first monthly cost** is **negative** as consumers perceive the pricing to be **more expensive**, which impacts value and brand perception and has a knock-on effect on **purchase intent.**
- Highlighting the one-off installation fee **more prominently** and **separately** from the recurring monthly cost is seen as the **clearest position** for consumers. This is due to the perceived levels of **transparency**, whilst maintaining **positivity** towards the **brand and purchase intent**.
- Consumers gave positive feedback about the perceived **convenience, affordability** and how **achievable** they felt the **separate one-off fee** appeared to be**.**

As supported above, the results clearly show that a 'month 1' requirement is unnecessary for the purposes of preventing 'drip pricing' and will be detrimental to both consumers and businesses, if the CMA push to implement it without amendment.

3. Proposed Remedy

Therefore, taking into account our concerns, we do not believe we should be subject to the requirements proposed under 5.33, particularly as we're already obligated to present transparent pricing under existing sector regulation and do so accordingly in respect of one-off fees.

However, acknowledging that a sector specific exemption may not be desirable or viable from the CMA's perspective, we propose that the guidance introduce flexibility, at the very least, to allow one-off, upfront charges to be presented separately from the recurring monthly price, provided that:

- The one-off charge is clearly labelled, unambiguous, and presented prominently within any invitation to purchase; and
- Any total cost summaries at later stages of the relevant purchasing journey (e.g. a basket review page showing the total contract cost or minimum commitment) include the one-off charge for completeness.

This approach would preserve transparency, maintain consistency with existing consumer expectations, and avoid imposing unnecessary burden on providers. It would also satisfy

Parliament's and the CMA's intention of ensuring that companies avoid 'drip pricing' in line with this legislation.

This is a proportionate stance considering the telecoms and ISP sectors are sectors where consumer pricing information is already tightly regulated by existing regulators such as Ofcom, the Financial Conduct Authority and the Advertising Standards Authority.

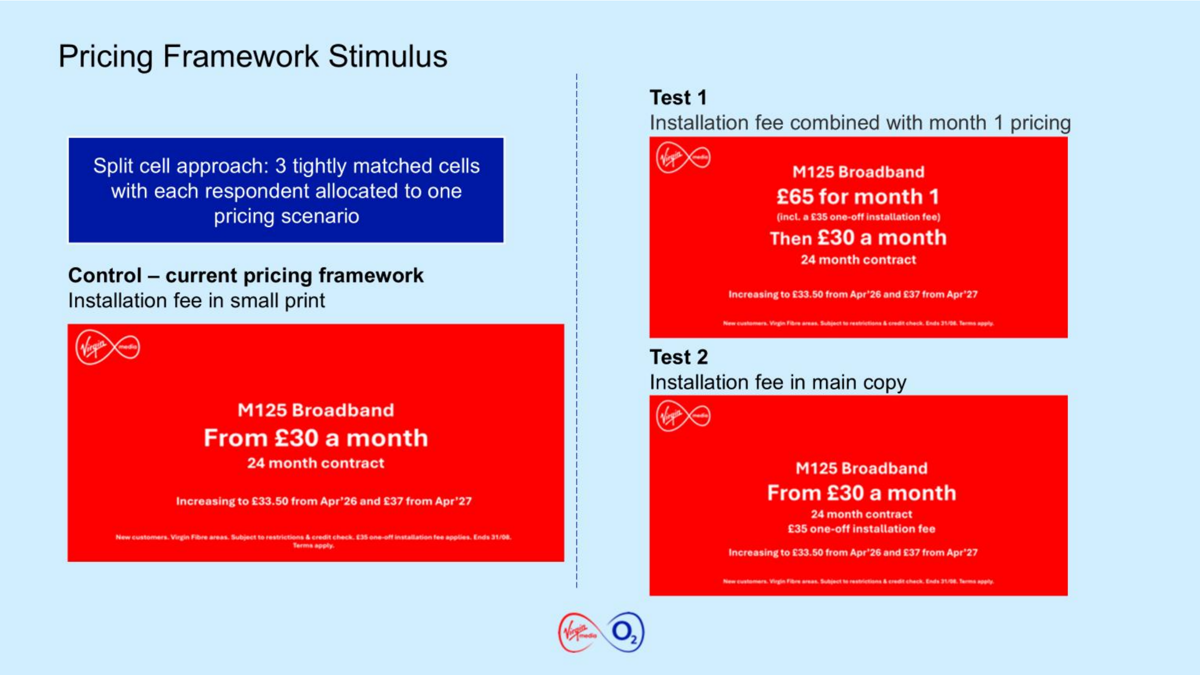
4. Timelines and Implementation Periods

Notwithstanding the above, whichever direction the CMA chooses to pursue in respect of the overall guidance on pricing transparency for the telecoms and ISP sectors, whether to retain the proposed provisions as drafted or to introduce a greater level of flexibility in their interpretation (as we've proposed), then a proportionate approach to implementation timelines will inevitably be required once the guidance has been finalised.

As we have set out, specifically in terms of 5.33, retaining this provision in its current form is a significant change meaning telecoms and ISP providers will need an even greater time to update the various aspects of our systems and customer sales journeys that this measure will affect.

Annex A

Ads tested with consumers in Redblue research



Annex B

Selected slides from Redblue research

Summary

1

The £35 installation fee is clearer for both test cells than the current pricing framework.

Including the fee within the main copy is easier to comprehend than combining it with first month pricing.

Consumers are **twice as likely to say the fees are transparent when the installation cost is separated from the initial monthly payment**.

2

Response to the **combined first month pricing structure is generally more negative**.

The pricing appears **more expensive** impacting appeal, value & brand perceptions.

This in turn has a knock-on **negative effect on purchase intent**.

3

Highlighting the installation fee in the main body of the pricing framework **feels like a strong middle ground** between the current & proposed framework.

Fees **are transparent** whilst maintaining positivity towards the brand & purchase intent.

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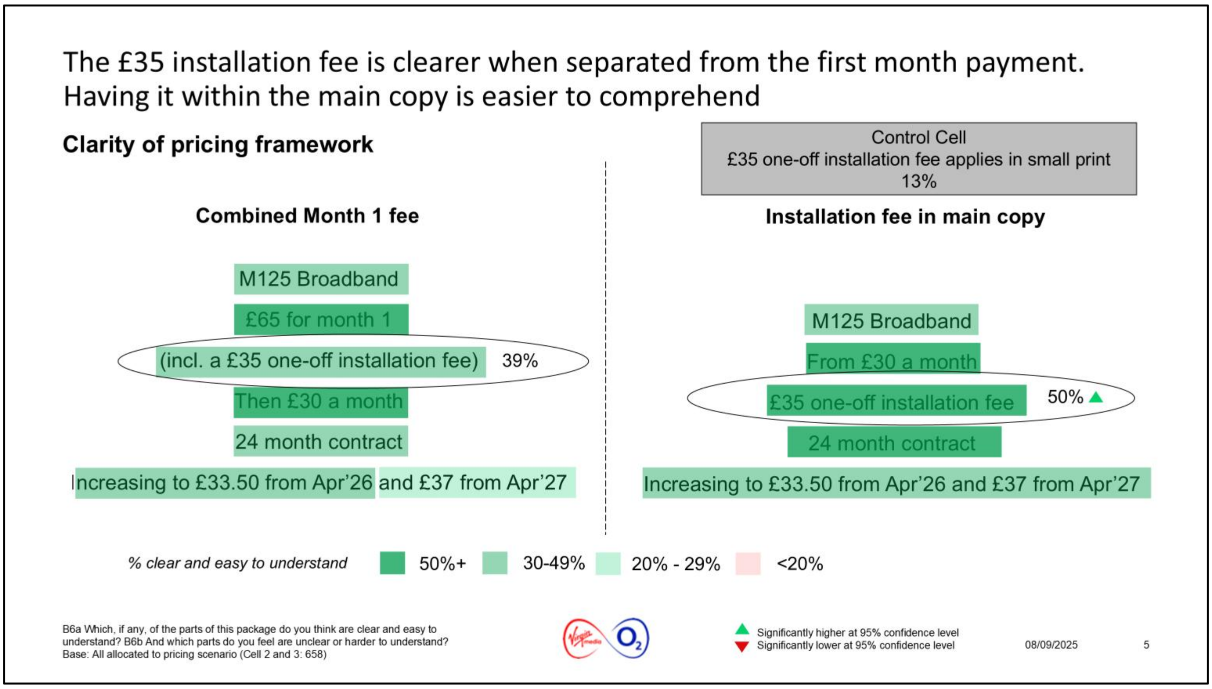


Consumers are twice as likely to say the fees are transparent when the installation cost is separated from the initial monthly payment

First impressions: Test 2 - Installation fee in main copy (likes)

Test 2 (Installation fee in main copy) mentions the installation fee

2.3x

more than Test 1 (Combined Month 1 fee)

"**Fees seem transparent**"

"**Affordable. Straightforward. All fees are spelt out** I like the duration."

"Good prices, **including the one-off installation fee**."

"I like the **one-off installation fee**. I find it **convenient**"

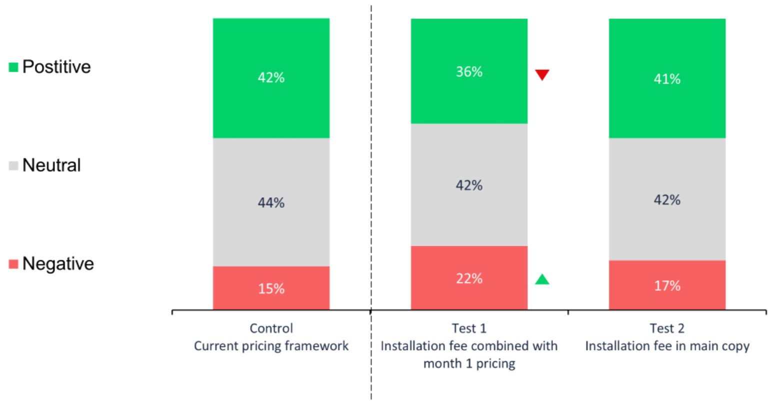
"**One off installation fee** is fairly achievable"

I think that it is a great price for the product and **seems reasonable to pay an installment fee** due to the low cost per month."

B2a.Please tell us about your initial thoughts on this broadband package/ What do you particularly like? Base: All allocated to pricing scenario (Cell 3: 686)

As a result, the package with the combined upfront fee (Test 1) is not as well received as other iterations – initial impressions are significantly more negative

Initial Impressions of packages

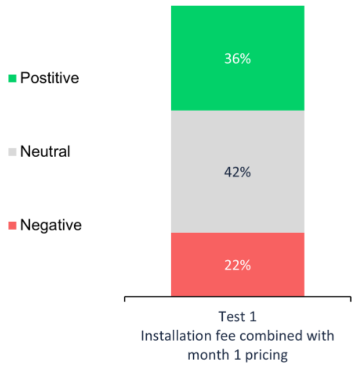


B1. Generally, how do you feel about this broadband package? Base: All allocated to pricing scenario (682-686 per cell)

Significantly higher than control at 95% confidence level
Significantly lower than control at 95% confidence level

However, the cost of the plan, particularly '£65 for the first month' is the biggest barrier for up take

Initial Impressions: Combined Month 1 fee



"The **initial payment is too high** for me"

"**Payment price for first month** and contract length"

"**I dislike the fact that I will be paying £65** at first because it's a bit pricey"

"I dislike that the price isn't consistent."

"**£65 for the first month**, you must be joking"

"I think **£65 for the first month is too expensive** and I would therefore not be able to take it out"

B1. Generally, how do you feel about this broadband package? Base: All allocated to pricing scenario (Cell 3: 686)