

Vodafone UK response to Ofcom rulings

Vodafone UK today issued its response to the Ofcom investigations into compliance matters related to Pay As You Go (PAYG) disconnections between December 2013 and April 2015 and general complaints handling between 1 January 2014 and 5 November 2015. The company also explained the background to the errors identified by Ofcom and set out the actions taken since to address the concerns raised.

We deeply regret these system and process failures. We are completely focused on serving our customers: everyone who works for us is expected to do their utmost to meet our customers' needs, day after day, and act quickly and efficiently if something goes wrong. It is clear from Ofcom's findings that we did not do that often enough or well enough on a number of occasions. We offer our profound apologies to anyone affected by these errors.

What happened - and why

The matters under investigation were a consequence of errors during a complex IT migration which involved moving more than 28.5 million customer accounts and almost one billion individual customer data fields from seven legacy billing and services platforms to one, state-of-the-art system. The IT project began at the end of 2013 and was the largest of its kind ever undertaken by Vodafone anywhere in the world.

Despite multiple controls in place to reduce the risk of errors, at various points a small proportion of individual customer accounts were incorrectly migrated, leading to mistakes in the customer billing data and price plan records stored on the new system. Those errors led to a range of different problems for the customers affected which - in turn - led to a sharp increase in the volume of customer complaints. This was the focus of the Ofcom investigation under General Condition 14.4.

We accept that numerous customers were frustrated and affected by these issues and accept that we were not as effective as we should have been in handling and resolving customers' issues fairly, consistently and in a timely manner. As Ofcom confirms, we were working to address the issues from October 2014 but also accept that that the steps taken weren't effective or sufficient until November 2015.

The PAYG top-up error

From late 2013 until early 2015, a failure in our billing systems - linked to the migration challenges explained above - meant that customers who had topped up a PAYG mobile which had been dormant for nine months or more received a confirmation message that the credit had been added to their account; however, the mobile in question continued to be flagged as disconnected on our systems.

This meant that customers who had paid Vodafone in order to resume using a previously inactive mobile were led to believe - incorrectly - that they would be able to make calls, send texts and use data on Vodafone's network. Affected customers continued to have access to the emergency services as all charged mobile phones can dial 999 via any mobile network, including when out of credit.

This was a serious error that affected a total of 10,452 PAYG customers and forms the focus of the Ofcom investigation under General Condition 23.2 and 11.1. Unfortunately, as the circumstances of the IT failure in question were very unusual (at the time, less than 0.01% of all Vodafone UK PAYG customers' phones were inactive for more than nine months before being reactivated), the teams responsible for the day-to-day operation of the relevant areas were not fast enough in identifying the issue and did not fully appreciate its significance once they did so.

Once the issue was finally escalated to senior management there was a prompt, full and thorough investigation and every effort was made to fix the underlying failure and to refund in full all affected customers as quickly as possible.

What have we done to put this right?

We have fully refunded or re-credited 10,422 customers out of the 10,452 affected. The average refund per customer was £14.35.

We were unable to track down the remaining 30 customers affected. As we cannot refund those customers and have no intention of profiting from this issue in any way, we have instead made a donation of £100,000 to a number of UK charities.

The IT failure involved was resolved by April 2015 - approximately 11 weeks after senior managers were finally alerted to it - with a system-wide change implemented in October 2015 that - as Ofcom acknowledges - means this error cannot be repeated in future.

More broadly, we have conducted a full internal review of this failure and, as a result, have overhauled our management control and escalation procedures. A failure of this kind, while rare, should have been identified and flagged to senior management for urgent resolution much earlier.

Investment in improving our customer services

Our new billing and customer management system is designed to give our customers the best experience possible. It puts the customers in control of every aspect of the Vodafone products and services upon which they rely. It also enables our customer service and retail employees to respond quickly and efficiently to changing customer needs and swiftly put things right if they go wrong.

All of our consumer customer accounts have now been migrated successfully to the new system with a number of positive effects as a consequence. For example, there has been more than 50% reduction in customer complaints since November 2015 and our Net Promoter Score - which measures the extent to which our customers would recommend Vodafone to others - has increased by 50 points.

We fully appreciate the consequences for our customers of various failures in the migration process over the last three years. We have sought to remedy these through an additional £30 million investment this year in customer service and training including hiring an additional 1,000 new UK-based call centre personnel and more than 190,000 hours of training to improve how we identify and resolve individual customer problems. We are also working with the Ombudsman to ensure that customers are able to escalate problems more effectively if we are unable to resolve these within our own systems quickly.

This has been an unhappy episode for all of us at Vodafone: we know we let our customers down. We are determined to put everything right. We are also confident that our customers are already beginning to see the benefits of our substantial investment in new systems designed to meet their needs much more effectively in future.

For further information:

Vodafone UK Media Relations

Telephone: 01635 693 693

<http://mediacentre.vodafone.co.uk/>