

Making a good call on mobile phone services

SALVATION ARMY MONEYCARE FINANCIAL COUNSELLOR MARIA TURNBULL EXPLAINS THE DIFFERENCES BETWEEN MOBILE PHONE CONTRACTS.

THERE ARE MANY types of mobile phone services to choose from, ranging from pre-paid services where you do not sign a service contract, to contracts that may run for up to two years or longer.

What is a fixed-term contract?

Fixed-term contracts vary in length, generally from one to two years. They usually involve a range of charges, such as connection charges; monthly or periodic access fees; call costs; disconnection and reconnection charges; variation and termination fees and, in some cases, charges for information received through the mobile phone handset.

This can result in bill shock if you exceed or are not aware of the contracted services. Calls or data up to a certain value may be included as part of the access fee under the contract. When calls exceed that value they are charged at a rate set by your service provider under your contract.

It's important to get the answers to the following questions before choosing a contract: what is the minimum cost over the period of the contract? What period of time does the contract cover? What are the call rates once I exceed the value of the access fee? Can I change the access fee during the term of the contract? What are the charges for ending my contract early? Does the contract include a handset? How often will I receive a bill?

You can, however, have a mobile phone without signing a contract. Some companies now offer pre-paid services or a service that is regularly billed, but not under contract.

For a pre-paid mobile phone service, you need to buy a SIM (subscriber identity module) card. This card allows you to connect your mobile phone to a network and make calls up to the value of the card. With a pre-paid service, you may buy a new mobile phone or insert the SIM card into your existing mobile phone. In some cases, handsets are sold with a pre-paid service included.

If you want to use a pre-paid mobile phone service, find out how often you have to recharge your credit and whether your credit expires if you don't use it within a certain time. You should also compare the call rates on a pre-paid service with those for a fixed term contract.

If you want a more flexible service, it may be possible to use a mobile phone without signing a contract and receive a periodic bill, usually monthly, for calls made.



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What are 'variation and termination fees'?

Variation and termination fees are charges that may be made by the service provider to change the conditions of your contract or to end it early. These fees can be quite high, so before you sign a contract find out what it will cost to change the contract or terminate it early.

What is meant by a 'verbal contract'?

Verbal agreements are as binding as written ones. If you agree verbally to a contract, the conditions of that contract can be enforced as if you had signed it. If you are asked to agree verbally to a mobile phone service contract, make sure you understand the conditions before you do so. You should ask for written confirmation of any verbal agreement.

Is a handset included in the contract and is it free?

In some cases, service providers offer contracts with a handset where the cost of the handset is included in the fees and charges over the period of the contract, so the handset is not 'free'.

Some mobile phone companies are moving away from providing a mobile phone handset as part of the contract. In some of the most recent contracts being offered, the handset is bought by the customer on credit and paid off over the period of the contract.

The handset is not part of the contract unless specifically requested by the customer. The contract period may vary according to the value of the phone purchased on credit.

Some other recent trends in mobile phone service contracts include offering:

- bonuses to customers who sign up for specified periods of time;
- a mobile phone handset on interest-free credit, paid off over the term of the contract;
- a SIM-card only service, which means you must buy a SIM card to access a mobile phone network for a specified period and provide your own mobile phone handset.

Always read contracts carefully before signing anything—remember, it's your call.