



**Science, Innovation
and Technology
Committee**

Monday, 17 March 2025

Hugh Milward
Vice President External Affairs, Microsoft
By email only

Subject: Microsoft 365 price increases

Dear Hugh,

As discussed briefly with you, I have noted with some dismay the significant price increase for Microsoft 365 Personal and Family plans, which were raised by 42% and 31% respectively earlier this year; reportedly due to the addition of Copilot.

This represents a marked contrast to the 6% reduction in Microsoft 365 licence pricing secured by the government in February, and the wider context of notable price reductions across many technology product categories.

Whilst it has subsequently emerged that Microsoft will offer customers the option of reverting to a Classic plan, this is on an opt-out rather than opt-in basis, and the existence of this option was not made clear in communications with customers and in their online accounts.

It is also unclear whether users will be able to remain on this plan for longer than a year or whether it is possible to switch from a monthly Classic plan to an annual Classic subscription.

The apparent bundling of Copilot – which according to reports is a lossmaking product for your company – with a long-established offering such as 365 also raises cross-subsidy and competition concerns.

I would therefore be grateful if you could provide further details regarding:

- the reason for such significant price increases;
- the reason for making Copilot an opt-out rather than opt-in offering for 365 customers;



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- what assessment was made of the regulatory implications of bundling Copilot with 365;
- the reason for the apparent de-prioritisation of a cheaper option for users in communicating the changes;
- whether Classic plans without Copilot will continue to be made available for customers beyond 2026;
- the duration of the Strategic Partnership Arrangement agreed by Microsoft and the government in November; and
- the period that the 6% reduction in Microsoft 365 licence costs paid by the government covers.

I would be grateful if you could reply by 7 April. I will be placing a copy of this letter in the public domain.

With best wishes,

Chi Onwurah MP
Chair, Science, Innovation and Technology Committee

Chi Onwurah MP
Chair, Science, Innovation and Technology Committee
House of Commons
London SW1A 0AA

19 March 2025

Dear Ms Onwurah,

I write in response to your letter dated 17 March 2025 about Microsoft 365 Personal and Family subscription price increases. Thank you for taking the time to set out your questions, which we address below.

We understand that price increases can be frustrating for our customers and do not like to put up prices. Since Microsoft launched the online subscription service of what was then called Office 365 in 2013, there have been no price increases for subscribers of the M365 Personal and Family consumer services in the UK. The vast majority of consumer subscription services across technology, media and entertainment have had regular and often significant price increases, where Microsoft 365 Personal and Family subscriptions have had none.

The reasons Microsoft has recently put the price of Microsoft 365 Personal and Family subscriptions up include significant product enhancements, the rising costs of doing business, and inflation over the last 12 years. Continual improvements have been made to Microsoft 365, such as the addition of features like Designer in PowerPoint for creating polished presentations, Text Predictions in Word to help people write more efficiently, and the Clipchamp video editing app, to name a few. Another factor is the addition of some Copilot AI features into applications such as Word, Excel and PowerPoint. These features amplify the user's experience of the service in a way that we believe consumers are coming to expect, as the world moves to adopt and embrace AI technology in all areas, with the UK government at the forefront of this movement. Microsoft views these types of product improvements as critical for meeting customer demand and the essence of competition that benefits consumers in the UK and beyond.

Regarding the communications about the price changes sent to existing Microsoft 365 Personal and Family subscribers, such notices focus on the subscription the user currently has and which is impacted by this price change, and not all the other options that might also be available. Annual subscribers are sent a total of three email notices alerting them to the new price, and monthly subscribers are sent two notices. These email notices contain information about how users may cancel their current subscriptions or switch to a different plan.

To provide additional flexibility, Microsoft also made available to existing subscribers the "Classic subscriptions," which do not include the recently added generative AI features and will not include some future innovations that will be added to Microsoft 365 Personal and Family. Customers who choose to downgrade to Classic subscriptions will continue to be charged the previous price when their subscriptions renew and can choose either monthly or annual billing.

Microsoft announced the availability of the Classic subscriptions on the [Microsoft 365 blog](#), and also [published an article](#) explaining how existing subscribers can downgrade. As with many product

offerings at this stage, we are unable to confirm how long Classic subscriptions will be available as a downgrade option and those decisions will be made based on many factors.

In addition to the Microsoft 365 Personal and Family and the Classic subscriptions, Microsoft offers a variety of consumer choice in its productivity solutions, including a Microsoft 365 Basic Plan costing £1.99 per month, and a one-time purchase perpetual license to use Office Home 2024. Consumers also have full control of their Microsoft account and can access that account and turn off the option to renew at the next billing cycle.

We hope the above information reassures the Chair that Microsoft acted reasonably during the implementation of this price increase. The price increase was carried out in a way that kept Microsoft's commitment to always provide subscribers with the latest features, and with fair notice, choice and control. For those consumers who wish to opt out and would prefer Microsoft's productivity applications without our most recent product improvements, they have a variety of options available.

Addressing your questions on Microsoft's engagement with government, those product offerings are separate from the consumer offerings discussed above. The 6% reduction in licence pricing was the result of a local currency price adjustment for all Microsoft's Commercial Cloud customers in the UK, and the public announcement is available [here](#). The duration of the Strategic Partner Arrangement (SPA) between Microsoft and the Government is 5 years, please see our public announcement [here](#).

I hope this information resolves the questions you raised. If you or the Committee would like to discuss this further, I will of course make myself available to do so.

Yours sincerely,

Yours sincerely,



Hugh Milward

Vice President, External Affairs
Microsoft UK

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1. <https://www.microsoft.com/en-us/microsoft-365/blog/2025/01/16/copilot-is-now-included-in-microsoft-365-personal-and-family/?msockid=20d4fb0cb06f662f176fee58b1db67ef>
 2. <https://support.microsoft.com/en-gb/office/switching-to-microsoft-365-personal-and-family-classic-plans-58342e83-38e7-4cda-b63b-88604a8fb7ef>
 3. <https://news.microsoft.com/2024/12/03/local-currency-price-adjustments-for-microsofts-commercial-cloud/>
 4. <https://news.microsoft.com/source/emea/features/microsoft-and-uk-government-sign-five-year-agreement/>