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Microsoft issues apology for misleading Microsoft 365 pricing plans

Microsoft's U-turn after facing regulatory heat for pushing Copilot-linked price hikes could mark a turning point in how Big Tech discloses AI-driven software costs.

Read on: https://www.computerworld.com/article/4085852/microsoft-issues-apology-for-misleading-microsoft-365-pricing-plans.html

Article Content: Microsoft has publicly acknowledged its poor communication to subscribers to some of its productivity-software-as-a-service packages after forcing them to accept a price increase tied to its AI-assistant service Copilot being bundled into its Microsoft 365 Personal and Family offerings in Australia and New Zealand. It gave those affected eight weeks to apply for a refund of the amount they were overcharged.

While this change only affects consumers in Australia, it will lend weight to moves by enterprises to resist price increases linked to unwanted or unnecessary AI features in software products.

Microsoft's move came days after the Australian Competition & Consumer Commission (ACCC) threatened to take Microsoft to court, alleging that the company misled around 2.7 million Australian users of Microsoft 365 Personal and Family software by forcibly upgrading them to a higher-priced plan including Copilot AI features on renewal, and not clearly disclosing the existence of a cheaper version, "Classic," without the new Copilot

AI features at the price they were previously paying. The company faces potential penalties of up to A$50 million ($33 million).

Starting November 6, Microsoft has begun emailing affected Microsoft 365 Personal and Family subscribers in Australia acknowledging that the company could have communicated more clearly about the subscription alternative available following the pricing change in October 2024. “

It also posted the message to the company news section of its website under the heading “An apology to our Microsoft 365 subscribers in Australia.” A similar message addressed customers in New Zealand. We fell short of our standards here, and we apologise. We will learn from this and improve,” it said.

Righting the wrong

Microsoft was accused of wrongly telling subscribers of the Microsoft 365 Personal and Family plans who had auto-renewal enabled to either pay higher prices for the integration of Copilot or cancel their subscription. The integration of Copilot led to a price increase of 45 per cent, from A$109 to A$159, for the annual subscription of the Microsoft 365 Personal plan. For the Microsoft 365 Family plan, the price increase was 29 per cent, from A$139 to A$179.

Announcing its plan to sue Microsoft in late October, the ACC said, “This information provided to subscribers was false or misleading because there was an undisclosed third option, the Microsoft 365 Personal or Family Classic plans, which allowed subscribers to retain the features of their existing plan, without Copilot, at the previous lower price.”

Today, Microsoft acknowledged the error. “In hindsight, we could have been clearer about the availability of a non-AI enabled offering with subscribers, not just to those who opted to cancel their subscription,” it said.

The email provided details of that offering and gave subscribers eight weeks to tell the company if they wished to revert to the lower-priced plan and apply for a refund for the increased fees already paid.

The current pricing for Microsoft 365 Personal, including the new AI features, is A$16 per month in Australia, or A$18 for the Family edition. Affected subscribers there who revert to Microsoft 365 Personal Classic, without the AI features, before December 31, 2025, will pay A$11 per month, or $14 for Family Classic. They will also receive a refund of the difference in price between plans, starting from their first renewal date after November 30, 2024. Microsoft said it will process the refund within 30 days.

Damage control under regulatory heat

Large tech vendors often face regulatory scrutiny over pricing and bundling practices. But rarely does a major global tech firm with multi-billion-dollar revenue publicly apologize.

For instance, Microsoft had faced scrutiny from the European Commission for bundling Teams in the Microsoft 365 suite, giving the company a distribution advantage. The Commission viewed this as anti-competitive behavior, which led to company rework the price difference between its Microsoft 365 suite bundled with Teams and the standalone Teams application.

In another incident in April this year, Microsoft acknowledged that the NCE license-based price list was published with incorrect pricing for Microsoft 365 Copilot, Microsoft 365 Copilot for Sales and Microsoft 365 Copilot for Service.

“Public apologies from major tech companies over pricing practices is very rare. Vendors often clarify pricing or announce credits but avoid the word apology,” said Pareekh Jain, CEO at Pareekh Consulting.

Microsoft issuing a public apology to customers could be more about damage control, suggested Devroop Dhar, MD and co-founder at Primus Partners.

“ACCC has taken this very seriously and even hinted at legal action over this pricing issue. So yes, this kind of pressure, from both the government and users who are paying for your product, has put a lot of pressure on Microsoft,” he said. “Australia’s consumer laws are strict, probably some of the toughest across the globe and companies usually take complaints seriously because there they have to. When you have millions of users, who are not satisfied with your product’s pricing and the regulator is also involved, a small statement not enough. Accepting your fault and offering refunds sounds more genuine, even if it is mainly about managing perception.”

Call for transparency

The Microsoft Australia case highlights another broader trend of the software vendors increasingly embedding AI capabilities into core products and using that as a rationale for price increases or new premium tiers. For instance, in January this year, Google announced it was including Google AI in Workspace Business and Enterprise plans, making it a foundational part of the service rather than an optional add-on.

Vendors justify this cost increase citing AI features requiring greater compute, model maintenance, cloud infrastructure, data-processing resources and ongoing innovation. But it has significant impact on enterprise IT budgets and SaaS renewal cycles.

The rising cost of adding AI to enterprise software has already pushed some CIOs to demand AI transparency clauses in renewal contracts, ensuring they aren’t blindsided by sudden price hikes tied to automation features. Microsoft’s apology in Australia could amplify that call, setting a precedent for clearer, more transparent disclosure of AI-linked pricing across the industry.

“Microsoft’s experience in Australia has already set that process in motion. Other vendors are watching closely. They see that customers now expect complete disclosure

— what AI does, what it costs, and whether there is a way to opt out," said Sanchit Vir Gogia, CEO and chief analyst at Greyhound Research.

Enterprises are starting to embed these demands in their contracts, insisting on detailed pricing tables and explicit credit systems, Gogia added. Vendors that explain their models in plain language will build stronger relationships; those that hide behind complexity will face resistance or regulation, he said.