**NOTES OF THE ILP Business PLAN MEETING NO. 71st HELD ON**

**TUESDAY 1st December 2020**

**10.00am-12.30pm**

**Microsoft Teams**

**ILP Members**

Anna-Rosa Broster– Telefonica

Rob Weisz - Fonix

Joanna Cox – aimm

Jeremy Stafford-Smith – Vodafone

Lorna Bryant – Three

Mark Stannard – Boku

Peter Garside – EE

Neil Johnson – aimm

Tony Maher – TUFF

Caroline Press – Three

Sukhi Kooner – BT Agile Media

Rickard Granberg – UKCTA

Neil Roberts – Vodafone

**Phone-paid Services Authority**

David Edmonds (PSA Chairman)

Joanne Prowse (Chief Executive)

Winnie Palmer (PSA Board Member)

Peter Barker

Gavin Daykin

Jonathan Levack

Alex Littlemore

Ayo Omideyi

Simon Towler

Emma Bailey

Agnieszka Taylor (minutes)

**Others**

Ian Strawhorne – Ofcom

Madhu Bedhan – Ofcom

Joel Stern – aimm (Item 4)

**Apologies**

Ann Cook -ITV

Kevin Butcher – BBC

Rosaleen Hubbard – Towerhouse

Imogen Willdigg – Cancer.org.uk

Danny Barclay – Telefonica

Michael Barford – The Number UK

Suzanne Gillies – Action 4

Holly Fairweather – Channel 4

Hamish MacLeod – Mobile UK

Clark Johnson - Telefonica

1. **Introductions and apologies**

Jo Prowse welcomed everyone to the final ILP meeting in 2020 and introduced new Board Member Winnie Palmer, who observed the meeting. Apologies were noted.

1. **Business Plan and Budget 2021/22**

In introducing the Business Plan and Budget 2021/22, Jo:

* outlined that the timetable for consultation on the plan (and subsequent approval by Ofcom) was similar to that of previous years;
* highlighted that this consultation will be linked closely to the Code 15 consultation timetabled for Q1 2021/22, with this Business Plan largely setting out the activities needed to successfully implement the Code during the year.

Jo provided background to the proposed plan for 2021/22 by giving a brief review of the current 2020/21 year, highlighting:

* that PSA operations had been largely unaffected by the pandemic, but that some adjustments had been made to regulatory work to assist industry – with delayed policy work on refunds and due diligence, risk assessment and control (DDRAC) now being incorporated into Code 15 development work;
* the year is characterised by PSA working hard to develop Code 15 whilst continuing to fully apply Code 14 until the new Code is approved and comes into force;
* PSA continues to assess the impact of all regulatory activity, including ensuring the consent to charge guidance is having the desired effect in terms of security payment platforms;
* the PSA’s approach to stakeholder management has been successfully embedded with key industry stakeholders, and will now also be extended to key regulatory partners;
* the PSA continues to invest in improving consumer confidence in the market, with activities during the year including Consumer Panel involvement in policy development; developing the Annual Market Review to improve our understanding of consumer issues; publishing the research on vulnerable consumers; and holding a consumer webinar to enable direct consumer input into Code 15 development;
* PSA’s enforcement strategy has backed up its regulatory priorities, with the focus on DDRAC having a noticeable impact, and has enabled us to deal with the most serious issues arising in the market;
* complaint volumes have now been reduced to consistent lower monthly levels, with a year on year fall of over 50% expected by the end of the 2020/21 year.

Jo then set out the market assumptions behind the activities planned for 2021/22, noting in particular:

* an expected increase (to 90% of revenues) in the dominance of mobile services across the whole phone-paid services market;
* most of this market share is also expected to be dominated by the major brands - Google, Apple, Microsoft, Spotify, Sony, Global, Bauer ITV and big charities;
* consumer engagement will remain high, with engagement from over half of the adult population in the UK;
* while the AMR survey of consumers anticipates the market becoming healthier, there remains much to be done with 25% of consumers still experiencing issues in the market.

David Edmonds joined the meeting.

In setting out the planned activity for 2021/22, Jo highlighted the following:

* this activity was fully aligned with the Strategic Purpose that PSA published last year;
* in addition to continuing to apply Code 14, much of the planned activity was focussed on the work need to implement Code 15, including:
	+ ensuring the right Standards and underlying requirements are in place;
	+ developing how bespoke regulatory approaches can be agreed with those business models that deliver good outcomes for consumers through different means;
	+ designing practical and proportionate processes for verifying and supervising industry players in the market;
	+ developing how the greater emphasis on prevention rather than cure can work in practice, including designing procedures to ensure industry engage fully with PSA when required and reducing the need for formal investigations and sanctions;
* PSA will continue to engage closely with all stakeholders, both in terms of ongoing regulation and with respect to the consultation on Code 15 and its subsequent implementation.

In considering the overview provided by Jo, the following points raised by the ILP were covered:

* in response to a request from Joanna Cox, Simon Towler explained that the Consumer webinar consisted of 15 people ranging from individual consumers to participants from ESAN (Essential Services Access Network), and that the discussion of the webinar focused mainly on participants understanding the refunds process and PSA’s role in supporting consumers;
* Jo explained that the ongoing risk of non-compliance related both to providers knowingly breaching the rules (as evidenced by the history of the market) and inadvertent non-compliance.

Following Jo’s review of activities, Peter Barker provided an overview of the finances behind the business plan and highlighted the following:

* activities continued to be carefully costed through a zero-based approach to budgeting;
* most of PSA’s costs continue to be fixed and in relation to staff and premises;
* there is a potential extraordinary cost of around £100k in respect of Code 15 development which PSA will fund from reserves and won’t therefore feature in the levy calculation;
* the proposed budget for 2021/22 is £4,087k, a neutral change in real terms over 2020/21 and a cash increase of £45k.

A wide-ranging discussion on PSA’s budget and the cost of regulation then followed, during which the following key points were made:

* Neil Johnson questioned the cost of regulation in relation to a significant reduction in complaints. Peter explained that PSA did not see a direct correlation between PSA’s budget and complaint volumes, and that the budget is the estimated cost required to deliver the whole range of regulatory activity as Jo had just set out. Simon added that the number of people answering the phones and processing complaints was already reduced from 8 to 3 people, and that the number of complaints also doesn’t correlate with the level of enforcement activity. Jo emphasised this point by observing that despite changes in the volume of complaints, our level of investigatory case work has remained the broadly consistent for the last 3-4 years and that the organisation doesn’t have the resources to proceed with all the cases that meet the allocation criteria. Jo also noted that some services/service types do not necessarily have high levels of complaints but can be found to be non-compliant. Finally, Jo reminded the ILP that PSA is a regulator and not a complaint or dispute handling agency, and that our regulatory remit is not directly affected by changes in complaint volumes – as evidenced by the fact that our budget has not risen in recent years when compliant volumes have gone up;
* in terms of questions asked about the cost of regulation under Code 15, Peter explained that the PSA’s starting assumption is that its budget will broadly be at the same level, since we expect the activities required to prevent harm from occurring in the first place are likely to be broadly the same as currently expended on dealing with harm after it has happened;
* Jeremy Stafford-Smith asked about the level of detailed market monitoring that PSA is planning to undertake and questioned whether this meant the MNOs would no longer be required to continue with their own compliance monitoring. In response, Jo explained that PSA will continue to use its intelligence function to monitor the market for our independent regulatory purposes, but that our expectations remain that MNOs and others will need to continue to meet their DDRAC requirements;
* in response to questions about the levy calculation for 2021/22, Peter explained that the unadjusted levy, which has been in the 0.8%-0.9% range for several years, was a function of the estimated size of the market. Although the figures for Q1 and Q2 were less than expected based on the Annual Market Review forecast for the year, Peter reported that PSA were expecting an uptake in Q3 and that this informed the overall the market size estimate for 2021/22.
* Rob Weisz raised the issue that margins are not the same as they were 5 years ago, and that it was essential that reducing the overall burden of the levy on the network operators was vital for the future of the industry. Peter confirmed that, should fines be collected at a material level in the future, rebating these monies back to the operators (on the similar proportions to how the levy was originally collected) was one of the options that PSA discussed with the MNOs during 2020. Peter explained that other options were also considered, e.g., using collected fines money for a consumer education campaign, but that at the moment there is nothing to offset the levy and the PSA need to recover all the budget;
* Neil Roberts asked if consideration had been given to collecting the levy directly from the major brands such as Apple and Google. Peter explained that the funding arrangements as set out in Code 14 doesn’t allow for that, but that the consultation on Code 15 will give opportunity for that to be raised. Simon added that PSA is a small organisation with the finance function consisting of two people, and that any changes to funding arrangements is likely to lead to an increase in costs;
* Mark Stannard suggested that consideration was given to applying different levies to services with low compliance issues. Peter highlighted that while we are open to considering all models that allow for a fair apportionment of the levy, the PSA also needs certainty that it will recover its the budget.
1. **ILP Forward look**

The meeting discussed upcoming engagement between PSA and industry, and noted:

* an Industry webinar is scheduled on 9 December 2020, and that a wider Industry Forum is planned to take place online in the first quarter of the next year;
* plans for the forthcoming year will be focused on Code 15, with ILP touchpoints at critical stages i.e., formal consultation (March and May), final PSA statement (September) and the subsequent implementation stage through to April 2022.
* the PSA proposed a forward plan of topics focusing on developments with Ofcom’s future of numbering work, consumer matters, the AMR in September and the business plan and budget in December.

Neil Johnson left the meeting.

Joanna Cox introduced the recent work aimm has been doing to develop its Consumer Education website, and handed over to Joel Stern to provide an overview of the site:

* the three key objectives of the website for consumers are:
	+ to allow consumers to investigate unknown phone charges, either through networks number checkers of through PSA’s Service Checker;
	+ to clearly identify who has charged consumers and why;
	+ to find out what consumers can do to resolve the query;
* the “Charges page” contains basic information on how to investigate charges using the links, who to contact, what’s an aggregator and who is the Phone-paid Service Authority;
* the section on refunds provides information whether refunds may be available to consumers and why the service provider may not be able to apply the refund straight back to the phone bill;
* there is a FAQ section, and a news section designed to present good news stories;
* the “About us” page explains the purpose of the website and who aimm are;
* the “Contact” page contains contact details for the press or feedback.

Joel then welcomed any feedback by the end of the week and announced that the website will be launched early in the New Year. A discussion followed, in which:

* Simon Towler asked if consideration had been given to include information about Alternative Dispute Resolution (ADR). Joel confirmed that this information will be included within the website;
* aimm confirmed further developments will include:
	+ aimm members adding links to the website on their own promotional sites;
	+ potential financial support from some of the networks to enable the site to be prominent in search rankings;
* David Edmonds complimented aimm on the initiative, welcoming all efforts to improve consumer knowledge and trust in the market.
1. **AOB**

Tony Maher thanked PSA, in particular Simon Towler and Sarah Louise Prouse, for their informative and very helpful presentation on ICSS at a recent TUFF webinar event.

Jonathan Levack suggested that a waiting list was created for those who wanted to attend the oversubscribed webinar on 9 December, with a view to either extending the number of participants or organising a second webinar. Simon added that the Code 15 team is also available for one-to-one meetings.

In concluding the meeting, Jo thanked the ILP for their collective and individual contributions during the year and reminded everyone that the Business Plan and Budget consultation will be out on 10th December.