

# Minutes

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## 75<sup>th</sup> ILP Meeting

Tuesday 14 September 2021, 10.00-12.00

Phone-paid Services Authority, 25<sup>th</sup> Floor 40 Bank Street, London E14 5NR/Microsoft Teams

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### Attendees:

**Chair:** David Edmonds, Chairman PSA

### ILP Members

James Barnett – Three

Kevin Butcher – BBC

Joanna Cox – aimm

Holly Fairweather – Channel 4

Peter Garside – EE

Neil Johnson - aimm

Sukhi Kooner – BT Agile Media

Tony Maher – TUFF

Paul Miller – Three

Jeremy Stafford-Smith – Vodafone

Rob Weisz – Fonix

### Phone-paid Services Authority

Peter Barker

Gavin Daykin

Jonathan Levack

Ayo Omidoyi

Joanne Prowse (Chief Executive)

Simon Towler

Emma Hurt (minutes)

### Guests

Hugues-Antoine Lacour – Analysys Mason

Stela Bokun – Analysys Mason

Madhu Bedhan – Ofcom

Neil Kitheran – Analysys Mason

Chris Newell - Donr

### Apologies

Jennie Avery -EE

Ann Cook – ITV

Murray Findlay - Telefonica

Hamish MacLeod – Mobile UK

Mark Stannard – Boku

Joel Stern – Global Radio

Suzanne Gillies – Action 4

Neil Roberts – Vodafone

Rickard Granberg – UKCTA

Imogen Willdigg – Cancer.org.uk

Laurence Laroche, Three

<b>1.</b>	<b>Introduction and apologies</b>
	In the absence of Ann Cook, David Edmonds chaired the meeting and welcomed members to the 75 <sup>th</sup> ILP. Apologies were noted as above.
<b>2.</b>	<b>Review of actions</b>
	The actions from the last meeting have been completed and the minutes were approved.
<b>3.</b>	<b>Focus on topic</b>
	<p><b>3.1 Annual Market Review</b></p> <p>Analysys Mason presented the findings from the Annual Market Review (AMR), giving an overview of the market trends market in 2020 /21. The findings are based on insights obtained through:</p> <ul style="list-style-type: none"> <li>• an in-depth survey of 5000 users of phone-paid services.</li> <li>• Interviews with 17 industry stakeholders/service providers</li> <li>• Undertaking an extensive market modelling exercise forecasting future spend on phone-paid services.</li> </ul> <p><u>Headline findings</u></p> <ul style="list-style-type: none"> <li>• Consumer spending fell by 2.7% in FY2021.</li> <li>• Most spending channels declined, although charity text donations rose significantly.</li> <li>• Subscription Special conditions had an effect on PSMS and operator billing revenues.</li> <li>• Operator billing remains the largest spending channel with TV, radio engagement and charities key growth areas</li> <li>• The phone-paid services market is expected to be worth £599.5 million in 2021-22, representing a 4.6% decrease YoY.</li> <li>• All spending channels are expected to be in decline, though for charity donations, this will represent a return to the norm after an exceptional 2020-21.</li> <li>• Market consolidation is expected to continue; operator billing and premium SMS will make up 78% of the market. Games, TV and radio engagement and entertainment will account for 63% of spend.</li> </ul> <p><u>Net Promoter Score</u></p> <p>One unexpected feature of the report was a fall in Net Promoter Score (NPS) across all service types, despite reductions in complaints and other consumer indicators remain consistent. One possible explanation for the fall is that the survey was undertaken during March and April 2021, and it is considered possible that the generally difficult conditions of the pandemic made for less happy consumers who were then less likely to positively recommend services.</p>

Analysys Mason thanked all contributors to the review.

### 3.2 Code 15 update

The Executive provided an update on Code 15 development.

#### Where we are

- Code allows us to implement our strategic purpose putting consumers at heart of regulation
- Focus on prevention of harm rather than cure
- Is fit for mature and changing market to help the industry innovate and grow.
- Should continue to raise standards across market

#### Main changes

- To have standards in place of outcomes.
- Shift to prevention of harm rather than cure through:
  - Enhanced verification: enhancing DDRAC requirements
  - Supervision: working together with networks and L1s to build in compliance and best practice to stop harm developing in the first place.
- Streamlined enforcement - smarter enforcement – enabling issues to be solved as quickly as possible. Achieved through an engagement approach to identify issues early on and solve informally where possible.
- Information gathering powers – this will be a step change for providers in terms of behaviour, to allow proportionate gathering of information without current limits of Code 14.

There has been extensive engagement with industry throughout the consultation period which closed in July. PSA received 45 stakeholder responses and around 100 detailed comments all of which are being carefully considered.

#### Key themes from the discussion:

- **12-month re opt in proposal** – responses and options are being fully considered.
- **Sequencing of draft guidance and published procedures** – guidance supports compliance with the Code. Draft guidance cannot be finalised before the Code is finalised.
- **Data retention requirements/additional clarity on expectations** – further clarity will be forthcoming.
- **Clarity around customer care who has primary responsibility under the Code** – the Executive will clarify which party has primary responsibility.
- **ICSS** Some respondents called for the banning of ICSS. Further actions by PSA are limited by its powers as a regulator. PSA continues to work with Ofcom and DCMS to explore what more might be done about ICSS.
- **Possible retrospective application of Code 15 and new code amendment powers** – clarification was given on Code amendment powers which would enable discreet changes to Code subject to consultation and approval from Ofcom.

#### Timeline

The planned schedule is to publish the final statement in mid-October

	<p>This will be closely followed by the consultation document on guidance for which there will be a formal consultation period of around four weeks, working towards a final statement expected in February 2022</p> <p>Code 15 is planned to take effect from April 2022.</p> <p>A member of the ILP requested clarification around receipting requirements.</p> <p><b>ACTION: The Executive and the ILP member will liaise on this question outside the meeting.</b></p>
<b>4.</b>	<p><b>Market Issues</b></p> <p><b>4.1 Operational metrics</b></p> <p>The Executive presented the latest operational metrics.</p> <p><u>Complaint numbers</u></p> <p>Complaint numbers continue to decline.</p> <p>During 2019/20 there were 13,900 complaints compared to 5,400 complaints in 2020/21. It is currently estimated 2,400 complaints will be received during 2021/22. Since 2015/16, complaints have been reduced by 93% (from 33,600).</p> <p>ICSS remain the most complained about service type.</p> <p><u>Enforcement activity</u></p> <ul style="list-style-type: none"> <li>• 76 cases open at the start of the year</li> <li>• 23 new cases opened since April + 2 cases reopened</li> <li>• 35 cases closed/no further action</li> <li>• 41 open formal investigations: <ul style="list-style-type: none"> <li>▪ 6 Track 1s</li> <li>▪ 32 Track 2s – including 4 due diligence/risk assessment cases</li> <li>▪ 3 post adjudication (breach of sanctions and naming cases)</li> </ul> </li> <li>• 4 formal cases with completed settlements/adjudications – total fines £1.6m</li> </ul> <p><u>Market revenues</u></p> <p>Q1 data for the year was presented, including how it had been incorporated into the Annual Market review forecast provided earlier in the meeting. Q2 data available at the end of October will give a good indication as to whether this forecast is on track.</p> <p><b>4.2 Market issues</b></p> <p>The key current issue in the market remains ICSS, illustrated by a consumer representative body recently contacting PSA to notify their freephone telephone number had been subject to a call connection service.</p>
<b>5.</b>	<p><b>PSA Update</b></p> <p>The delivery of Code 15 continues to be the primary focus as covered under item 3.2. The final statement is on schedule to be published in October.</p>

	Earlier in the month it was announced the Board in agreement with Ofcom, have extended the Chairman's term to April 2022.
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<b>6. Industry update</b>	<p>Chris Newell (Donr) presented consumer research on subscriptions. The research findings are based on survey responses from 1000 consumers, happy with subscription services, evenly split by gender, age and location.</p> <p><u>Key finding included:</u></p> <ul style="list-style-type: none"> <li>• Subscriptions have become normalised in recent years.</li> <li>• Subscriptions are viewed as long term commitments not in timeframe of one year, this is important when considering Consent to Charge lasts three years.</li> <li>• People are generally not subscribed to services they do not want.</li> <li>• Clarity of sign-up process has improved, just 7% felt unclear during the signup process.</li> <li>• A move to fixed term subscription is unpopular as this leads to a loss of accumulated entitlements through reward schemes.</li> </ul> <p>90% of consumers felt it should be their decision to cancel a subscription service. 74% felt it was not good practice for the subscription provider to automatically cancel a subscription after 12 months or only in limited scenarios.</p> <p>An alternative model to the 12-month re-opt in was proposed as an Annual Service Reminder.</p> <ul style="list-style-type: none"> <li>• Consideration could be given to an "annual information only" summary about a subscription which could be sent on the 12-month anniversary of creating a charity donation or subscribing to a service.</li> <li>• 44% of people felt this was a good option. 38% considered it a good prompt to consider their ongoing subscription</li> <li>• 97% considered it to be beneficial in some way.</li> </ul> <p>The Executive thanked Chris for the update on the research findings and proposed alternative model.</p>
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<b>7. Any other business</b>	No further business was discussed.
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The next meeting will be held on **Tuesday 14 December 2021**

### Action log

Actions carried forward from September meeting	Status	Notes
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The ILP member is to submit their question on receipting requirements for response.	Open	
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