

**MINUTES OF THE PHONEPAYPLUS BOARD MEETING**

**THURSDAY 30<sup>th</sup> JUNE 2011  
NO. 377**

**12.30noon-16.50pm**

**PHONEPAYPLUS LIMITED, CLOVE BUILDING, 4 MAGUIRE STREET, LONDON SE1 2NQ**

**Board Members**

Sir Alistair Graham (Chairman)

Bob Chilton  
Matti Alderson  
David Clarke  
Hugh Griffiths  
Jeremy Hallsworth  
Howard Webber  
Paul Whiteing

David Cockburn (item 2.0)

**Ofcom**

Claudio Pollack

**PhonepayPlus**

Bradley Brady  
Joanne Prowse  
Mark Collins (item 5.1.2 & 5.1.5)  
Jodie Isaac (item 2.0 & 5.3.2)  
David Oatway (item 5.1.5 & 6.1)  
Stephanie Ratcliffe (Minutes)

**Mazars LLP**

Pierpaolo Spadoni (item 1.1)

## **Pre-meeting discussion**

The Board received a presentation on 'Micropayments for Digital Content: Lessons from the Analysys Mason Research' by Stephen Locke.

### **1.0 Apologies**

Apologies were received from Ruth Evans.

### **1.1 PhonepayPlus Report and Audited Financial Statements Year Ended 31.03.11**

The Board was presented with the report and financial statements for year ended 31<sup>st</sup> March 2011 confirming the audit of the annual accounts. The Executive confirmed the report and financial statements had been presented to the Finance, Budget & Performance Monitoring and Audit, Risk & Corporate Governance Committees on 7<sup>th</sup> June with no material discrepancies apparent.

Pierpaolo Spadoni, from Mazars LLP, confirmed the financial audit had run smoothly with no deficiencies found, no outstanding issues had arisen which required Board consideration.

The following points were noted:

- Surplus in income from previous year fines has been released to cover costs for this year.
- Profit and loss accounts for both PhonepayPlus and the registration scheme have been separated out for improved clarity, transparency and understanding.
- Cash in bank is in decline as anticipated, given the levy was set in recognition of the cash surplus from the previous year.
- Further reduction in costs is visible following the re-negotiation on the premises lease.

The Board approved the signing of the annual accounts to take place with the auditor present on 30<sup>th</sup> June 2011.

Sir Alistair Graham and Bob Chilton duly signed three copies of the director's report and annual accounts; for PhonepayPlus Ltd; Mazars LLP and Companies House.

### **2.0 Code Compliance Panel report**

David Cockburn delivered the Code Compliance Panel (CCP) report on Tribunals for the period 31<sup>st</sup> March 2011 to 9<sup>th</sup> June 2011.

The following points were noted:

- A new Chair of the Independent Appeals Body, Robin Callender Smith was appointed on 1<sup>st</sup> July 2011. The interview panel was chaired by Hilary Bainbridge, the Complaints Lay Assessor sitting with the former Chair of the IAB, Judge Derek Holden and David Cockburn.
- A CCP Forum was held on 16<sup>th</sup> June. David Lee from 4DInteractive presented an overview of service providers along with research and market trends. Topics discussed at the forum included prior permission application procedures and a service revenue project.
- CCP Training sessions are planned on the 12<sup>th</sup> edition of the Code of Practice.
- From nine applications for prior permission requested, one, concerning consumer credit services, was not granted.
- Transact Ltd case, concerning unsolicited reversed SMS billing following 2009 events, was brought to the Independent Appeals Body on 16<sup>th</sup> May on the principle grounds of appeal concerning the burden of proof. The IAB's decision was published on 21<sup>st</sup> June.
- Fines for this period, excluding the Transact Ltd appeal case, total £216K.

- Multiplex Media Ltd oral hearing has been cancelled following an agreed settlement reached by the parties.

The following emerging issues were discussed:

- Adult Recorded Fantasy Stories – the Tribunal found the service *did* imply the involvement of persons under the age of 18 years, despite the service provider believing the information provider to be at fault and a fine was duly imposed.
- Non payment of fines and administrative charges – following two cases brought to Tribunal, the breaches were upheld and the providers prohibited from operating any category of premium rate service, until payments received on the outstanding invoices.
- Mobile Application Services – these services concern the downloading of applications on the Android handset which send chargeable messages, without the consumer's knowledge or consent.

### **3.0 Minutes of the 376<sup>th</sup> Board Meeting held on 7<sup>th</sup> April 2011**

The minutes were approved without amendment.

#### **3.1 Matters arising and Action Log**

Misleading Directory Information Services (CCP Report) update: work remains ongoing; a process is in place to alert service providers where errors occur.

#### **3.2 Standing and Other declarations of interest**

There were no standing nor other declarations of interest recorded.

### **4.0 SECTION A: REPORTS FROM THE CHAIRMAN, CHIEF EXECUTIVE and CHAIRS**

#### **4.1 Chairman's report**

The Chairman reported on developments since the last Board meeting:

- Board members' Terms of Office: Matti Alderson and Jeremy Hallsworth have agreed to serve second terms of office following current terms' expiry on 31<sup>st</sup> August. Due to heavy work commitments the Board accepted that Ruth Evans will not be serving a second term following current expiry on 31<sup>st</sup> August.
- Individual performance reviews for Board members are impending and will be arranged shortly.

#### **4.2 Chief Executive's update**

The Chief Executive presented an update on recent developments and issues of interest were noted since the last Board meeting:

- The organisational restructure and staffing arrangements are now complete.
- Bradley Brady will be leaving PPP in July; the recruitment process for his replacement is underway.
- HMRC letter regarding VAT registration status – PPP solicitors have been instructed to identify and reassess the issues of concern. Discussion followed on whether other regulatory bodies had been affected by similar treatment from HMRC and whether to consider these matters in relation to next year's budget.
- New complaints policy update – very few complaints have been received. The Independent Lay Assessor, Hilary Bainbridge, will be appointed full term following her performance review.

### 4.3 Reports from Committee Chairs

#### **Finance, Budget and Performance Monitoring Committee**

Sir Alistair Graham reported on matters covered at the recent Finance Meeting held on 7<sup>th</sup> June:

- Review of year end accounts ending 31<sup>st</sup> March 2011
- Analysis of fines history
- Registration scheme costs schedule update

#### **Audit, Risk and Corporate Governance Committee**

Bob Chilton reported on matters covered at the recent Audit Meeting held on 7<sup>th</sup> June:

- Annual report and accounts year ended 31<sup>st</sup> March 2011
- Review of risk registers
- Budget flexing proposals with re-forecasting to take place quarterly
- Delegation scheme and levels of authority update

## 5.0 SECTION B: REPORTS FROM EXECUTIVE TEAM

### 5.1 STRATEGY, POLICY AND REGULATORY EFFECTIVENESS

#### 5.1.1 Micropayments Next Steps

Bradley Brady presented a positioning paper on the key consumer issues emerging in the developing digital micropayment market. The paper set out further analysis of the research report from Analysys Mason surrounding consumer issues such as online games and consumer protection concerns. The research will be examined alongside future implications and policies and will take the form of further discussion at the Board Strategy Day on 13<sup>th</sup> July.

The Board were asked to note the report and contents with a view to encouraging further discussion with Ofcom and the government.

The following points were noted:-

- An ILP working group has been set up to look at joint responses to market developments and new consumer risks that are emerging in the sector.
- Despite the difficulty in predicting future markets, we have identified the current issues and necessary action required and we are able to define the services and market factors at play, which potentially could lead to consumer confusion and unfair competition.

The following recommendations were made:

- Look to stimulate discussions on issues of concern and broaden knowledge, stimulate and encourage a wider audience for debate.
- Continue to keep pace with the debate on the future of micropayments.

The Board endorsed the paper following the above recommendations and further discussion to take place at the Board Strategy Day.

**(Action: TBC)**

#### 5.1.2 Prior Permissions Procedure update

Bradley Brady presented a paper on proposals for the prior permission application regime along with a graph illustrating the annual breakdown of prior permissions.

The Board were asked to agree the recommendations of the operational process and note the proposed changes to the application process for prior permission.

The following issues were highlighted

- In line with feedback received from the industry and the CCP, clarification and review of the current application process, framework policy and enforcement processes is sought.
- The regime represents an opportunity to streamline processes, in particular with the implementation of the new CRM system.
- Fundamental changes include the extension of the Executive's mandate to process standard applications within a policy framework set by the Board, implementation of routine monitoring for services considered to have a higher risk of harm to consumers and a clear separation of roles in pre-empting and preventing harm and protection through enforcement.

The Board questioned the additional governance layer proposed and recommended the process be streamlined utilising the current governance framework i.e. the Board and the CCP.

The Board broadly endorsed the proposals and requested the following steps be undertaken for consideration and approval at the September Board:

- Properly review the governance arrangements to ensure there are clear roles and responsibilities for Prior Permissions between the Executive, Board and CCP and provide an update at the next Audit, Risk and Corporate Governance meeting if appropriate.
- Set out a clear policy framework for approval by the Board.
- Give further consideration and resolution to the operational procedures and implementation of the regime.
- Produce regular prior permission reports at Board meetings which highlight key issues and include accountability checklists.

**(Action: Joanne Prowse)**

### **5.1.3 08 Regulation – review and options**

Bradley Brady presented the Board with a paper on findings undertaken last year, following a review of regulation of 087x services.

The Board were asked to consider the recommendations set out in the proposals which define the future options and benefits for PhonepayPlus to regulate 087x services. Following the Board's steer, a case will be developed and presented to Ofcom for consideration, in line with the NGCS review.

The Board made the following recommendations:

- Undertake further compliance work in 0871/2/3 to ensure current rules are being adhered to.
- Submit the review evidence to Ofcom as part of the NGCS review.

**(Action: Mark Collins)**

### **5.1.4 CA Super Complaint on Consumer Credit Services**

Jo Prowse provided an update on the citizen advice super complaint on consumer credit services submitted to the OFT in March 2011.

The Board were asked to approve the changes and additions proposed in respect of the prior permission conditions for consumer credit services which, following Board approval, are intended to take effect, following a 6 week notice period.

The Board noted the update and made the following recommendations:

- Consider extending the conditions further to include requirements for promotions to include acceptance rates, total call duration and APRs.
- Consider the form of industry consultation necessary before effecting any changes.

**(Action: Jo Prowse)**

#### **5.1.5 WMC External Monitoring Report and Action Plan Q1 2011**

David Oatway presented a summary of findings carried out by WMC Global of trend information obtained on the nature of non compliance in high risk market sectors such as PSMS services, 090 and Payforit services. He confirmed over 200 services had been tested for user experience.

The Board were asked to consider the proposed actions recommended; to target the most prevalent compliance failings such as the high failure rate of help lines and; to seek agreement on whether to use the outcome of text chat service cases as 'precedents' for an industry notice or letters targeted at most serious offenders.

The Board considered the findings useful and endorsed the proposed actions. The Board recommended the severity in particular is noted where high failure rate is apparent as this represents a breach of the Code.

**(Action: David Oatway)**

### **5.2 REPORTING AND PERFORMANCE**

#### **5.2.1 Management Summary Report period ended 31<sup>st</sup> May 2011**

Jo Prowse presented to the Board the management summary report for May 2011, along with KPI information, period ended Q4.

The Board noted the report.

### **5.3 PROJECT**

#### **5.3.1 Registration Scheme Project update**

Jo Prowse gave the Board an update on the Registration Scheme project and confirmed Phase1, which provides the ability for organisations to register and pre register other client organisations, was launched to plan on 27<sup>th</sup> April. Phase 2, which involves delivery of number checker registration and due diligence functionality is imminent. To date already 400 users have registered, of which 25% are exempt from the registration fee. No major issues are apparent.

The Board noted the update.

#### **5.3.2 Update on Service Revenue Verification Project**

Jodie Isaac updated the Board on the service revenue verification project and ongoing working with industry stakeholders. The Executive confirmed meetings have taken place with industry stakeholders to discuss the capability of their systems and processes to provide

further breakdowns on service revenue and the potential impact on their own resources. Feedback is generally positive.

The Board were asked to note the proposed process for verifying revenue with implementation to commence as soon as possible.

## **6.0 SECTION C: ITEMS FOR INFORMATION ONLY**

### **6.1 Market Risk Register**

David Oatway gave a bi annual update on the market risk register and confirmed progress with legacy issues. The Executive advised further discussion will take place at the Board Strategy Day with focus on the threat of mobile malware causing potential consumer detriment through calls to PSMS, PRS and international PRS, running on the Android platform and other apps stores.

The Board noted the update and asked that the '30 day rule' is reviewed in light of new services arising.

### **6.2 Organisational Restructure and Organogram – overview**

The Board noted the update on the organisational restructure and thanked the Executive for the useful information.

The Board requested a directory of staff extension numbers is produced and circulated to the Board.

**(Action: Gail Weightman)**

## **7.0 AOB**

On behalf of the Board, Sir Alistair Graham thanked Bradley Brady for his hard work and commitment over the years to PhonepayPlus and wished him much success in his future endeavours.

### **Next Meeting:**

**Date:** Thursday 22<sup>nd</sup> September 2011

**Time:** 12.30 – 17.00

**Location:** PhonepayPlus Ltd, Clove Building, 4 Maguire Street, London, SE1 2NQ