



Operational Report

2016-2017 - Quarter 1

Based on data run on: 05 September 2016

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ANNUAL SUMMARY

Contacts per month

	2015	2015	2015	2015	2015	2015	2016	2016	2016	2016	2016	2016
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
All complaints	2,887	2,044	2,025	1,744	1,497	1,715	2,359	2,499	2,357	2,698	2,505	3,083
Phone enquiries	2,931	2,450	2,339	2,297	1,931	1,318	1,261	1,167	1,307	1,247	1,119	1,312
Web enquiries	22,017	18,803	18,396	18,532	16,813	16,106	21,339	20,718	21,253	23,146	25,387	28,848
Total	27,835	23,297	22,760	22,573	20,241	19,139	24,959	24,384	24,917	27,091	29,011	33,243

Complaints per month

	2015	2015	2015	2015	2015	2015	2016	2016	2016	2016	2016	2016
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Phone	2,019	1,271	1,310	1,034	860	1,095	1,489	1,662	1,561	1,729	1,348	1,820
Web	867	772	709	710	632	618	860	826	782	953	1,129	1,224
Other	1	1	6		5	2	10	11	14	16	28	39
Sum:	2,887	2,044	2,025	1,744	1,497	1,715	2,359	2,499	2,357	2,698	2,505	3,083

Cases open during month

	2015	2015	2015	2015	2015	2015	2016	2016	2016	2016	2016	2016
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Formal	32	31	30	29	30	30	28	25	22	22	27	26
Informal	287	290	292	294	293	296	156	144	141	85	106	126
Total balance	319	321	322	323	323	326	184	169	163	107	133	152

Actionable vs Non-Actionable

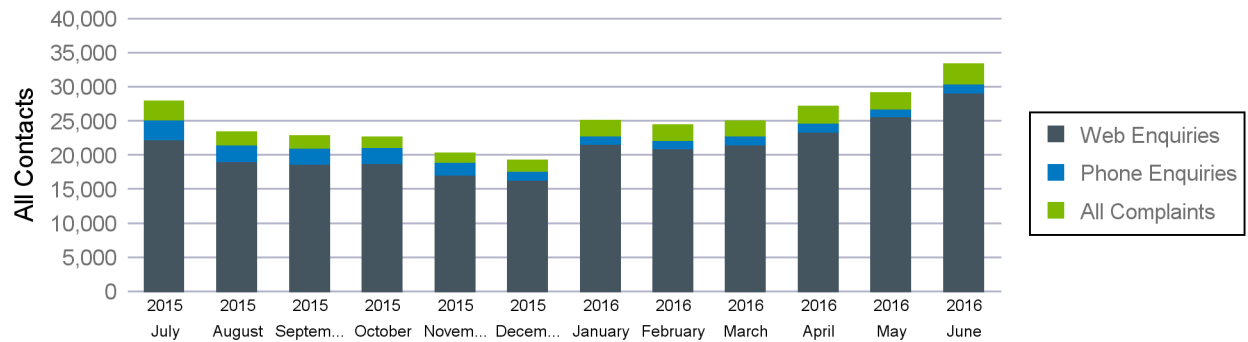
	2015	2015	2015	2015	2015	2015	2016	2016	2016	2016	2016	2016
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Actionable	415	370	418	470	421	464	680	708	654	729	705	875
Non-actionable	2,470	1,673	1,607	1,273	1,076	1,251	1,679	1,790	1,701	1,940	1,759	2,187
Pending	2	1		1				1	2	29	41	21
Sum:	2,887	2,044	2,025	1,744	1,497	1,715	2,359	2,499	2,357	2,698	2,505	3,083

Tribunals

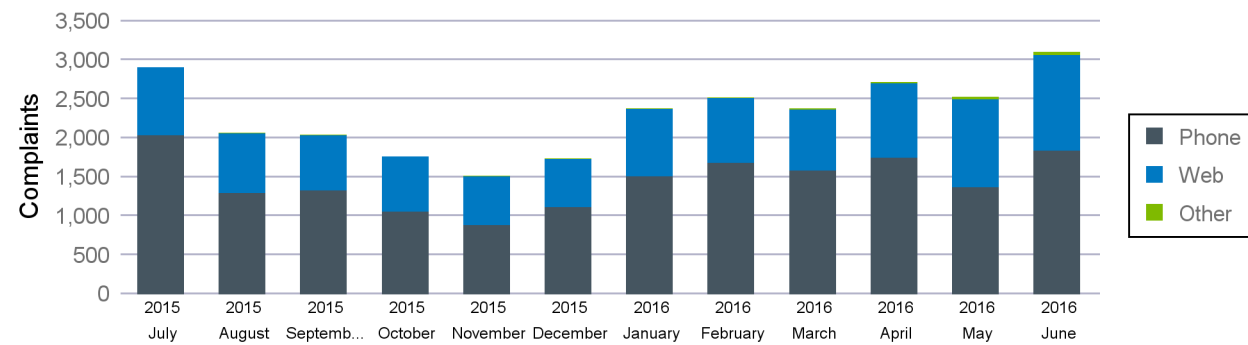
	2016	2016	2016	2016	2016	2016	2015	2015	2015	2015	2015	2015
	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul
Tribunals	2	5		4	3	2	1	2	3	2	2	2

ANNUAL SUMMARY

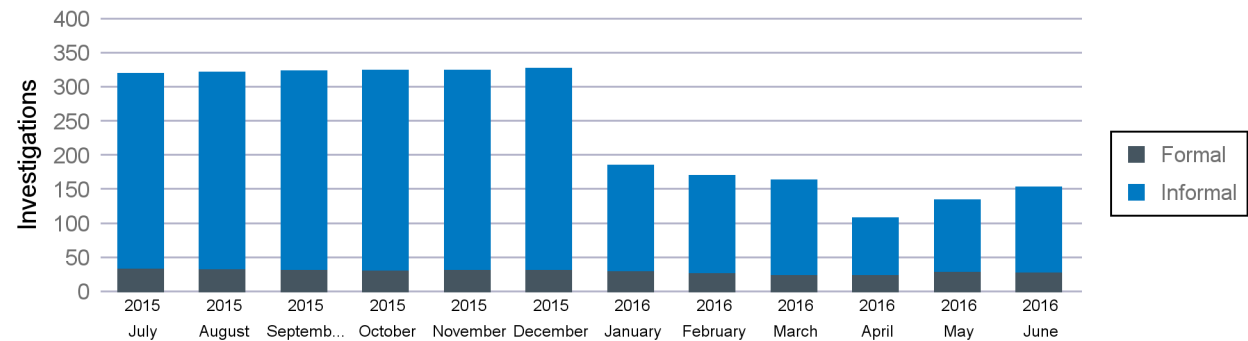
Contacts per month



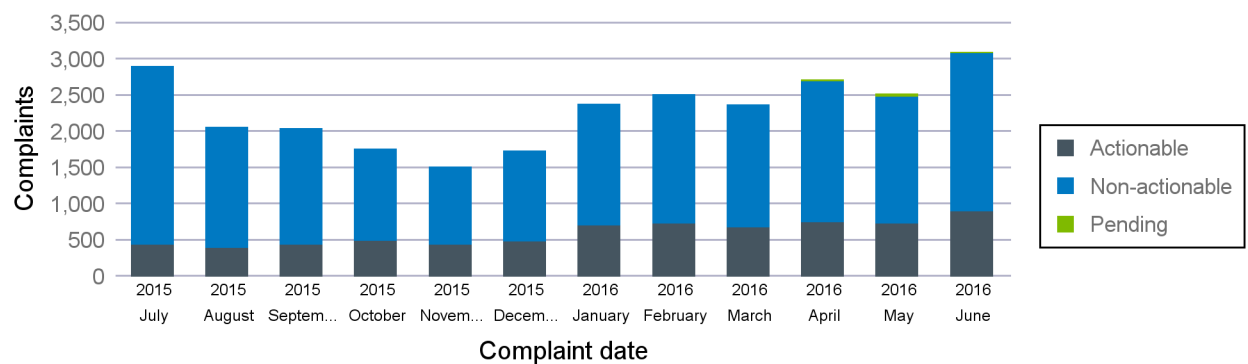
Complaints per month



Cases open during month



Actionable vs non-actionable



ANNUAL SUMMARY

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1.0 INTRODUCTION

Introduction

We are the UK's independent regulator of premium rate services, and our vision is that anyone can use premium rate services (PRS) with absolute confidence in a healthy and innovative market.

As the telecoms, internet and payments sectors continue to experience an unprecedented rate of change and innovation, we take positive action to safeguard consumers and help cutting-edge providers of digital content and services to thrive. Within our remit and expertise, we seek a more consistent approach to regulating micropayments that are like PRS.

Our mission is to achieve our vision and be a world-class regulator by:

- Putting the consumer at the heart of everything we do through providing effective regulation, information and assistance;
- Understanding the market in which we operate and how it is evolving, so that we can take early, proportionate and targeted action where needed to prevent consumer harm;
- Working with providers to build a healthy market with high standards of compliance;
- Having a Code of Practice, approved by Ofcom, that is cutting edge in protecting consumers while also supporting innovation in a fast-changing digital landscape;
- Applying our Code in a way that is impartial, fair, transparent, effective and proportionate;
- Working with Government, other regulators, industry, consumer bodies and international partners on matters within our remit and expertise.

As published in our Strategic Plan 2014-17, we have five key objectives that shape our work as a quality regulator and ensure we adhere to high standards however the market fluctuates. Adherence to these strategic objectives is enabling us to pursue our mission with clarity and confidence in a fast-moving market:

- Objective 1: to continue to drive up compliance levels and trust in the market
- Objective 2: to identify and prevent emerging risks to consumers
- Objective 3: to help consumers use premium rate services with confidence
- Objective 4: to ensure that regulatory frameworks keep pace with market changes
- Objective 5: to deliver effective and efficient regulation

This Operational Report provides us with the opportunity to indicate how we are doing against our strategic objectives, and to provide an overview of our regulatory context.

1.0 INTRODUCTION

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2.0 PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Objective 1: To continue to drive up compliance levels and trust in the market

Updating our Code of Practice and Guidance to ensure they remain effective and future-proof.

- Code 14 consultation completed, including workshops with industry stakeholders.
- New Code Adjudication Panel members recruited.
- New guidance developed on Advice Services, Enabling Consumer Spend and Digital Marketing & Promotions.

Engaging actively and sharing information with industry and other stakeholders throughout the value chain.

- Spring Industry Forum held in May 2016.
- Continuing high levels of industry engagement, through the Industry Liaison Panel; the Rapid Response Team; and our programme of one-to-one meetings and engagement with industry representative bodies (including AIME and Mobile Broadband Group), network operators, service providers (both L1 and L2), and their compliance companies.
- Cultural shift programme beginning to even further align our people and processes with a balanced approach to regulation.

Making effective and proportionate use of enforcement powers under our Code of Practice.

- Clear communication on the benefits of the new adjudicatory process as part of the Code 14 consultation.
- Supporting Procedures shared for comments and feedback.

Objective 2: To identify and prevent emerging risks to consumers

Using research and market intelligence to identify emerging issues in the market.

- Market intelligence capabilities developed through launch of new PRS website analysis tool.
- Preliminary work undertaken on reviewing and developing our operational reporting.
- Annual Market Review commissioned and prepared for Q2 launch.
- Programme of industry engagement on findings of Craft research into consumer behaviour around online competitions and adult services.

Developing our market expertise and partnerships with other regulators, consumer bodies, trade bodies and organisations such as internet security companies.

- Ongoing work with other regulators (including Ofcom, Financial Conduct Authority, Advertising Standards Authority) in order to understand and coordinate areas of regulatory overlap.
- In collaboration with Ofcom, and with ongoing dialogue with AIME, consideration given to Trading Standards draft position on Consumer Contracts Regulations in relation to PRS.

2.0 PERFORMANCE AGAINST STRATEGIC OBJECTIVES

In collaboration with phone providers and others, taking early action through enforcement, policy development and other tools to prevent emerging issues from becoming active problems.

- Industry Liaison Panel (ILP) meeting held in May, with detailed consideration given to the findings from the Craft research.
- New market issues report disseminated through ILP.
- No new issues requiring the deployment of the Rapid Response Team.

Objective 3: To help consumers to use premium rate services with confidence
Helping consumers to obtain redress where they have suffered harm.

- Ongoing development of an integrated consumer strategy, including scoping Registration Scheme requirements to allow for enhanced self-help tools for consumers.
- Ongoing engagement with networks, merchants and aggregators on complaint handling processes.

Putting in place additional protection for vulnerable consumers, such as children.

- New guidance on protecting vulnerable consumers published.

In collaboration with partners, providing information and support to consumers about potential risks and how to avoid them.

- Consumer research findings shared with industry partners (including consumer behavioural research from Craft).

Objective 4: To ensure that regulatory frameworks keep pace with market changes
Developing our knowledge of how the market in digital content and services is changing and of the implications of this for consumers, providers and regulation

- Collaborative work with industry and regulatory stakeholders to explore further regulatory flexibility or deregulation of the market, while ensuring that the proper levels of protection for consumers are maintained. Consultation paper prepared for Q2.
- Ongoing support for the compliant development of new and emerging PRS models, including app stores, quasi-physical goods, and new service areas.
- Annual Market Review developed to identify more granular key market change information.

Working with industry, other regulators and government to build a consensus on the best and most effective responses to these changes.

- Engagement with HM Treasury regarding the Government consultation process on the implementation of PSDII in the UK.
- Regulatory clarity developed around e-money business models.
- Ongoing engagement with Department for Culture, Media and Sport officials as they work through the UK's response to the review of the EU regulatory framework for electronic communications.

2.0 PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Objective 5: To deliver effective and efficient regulation

Ensuring that our regulation continues to deliver the outcomes for consumers and the industry set out in our Code of Practice.

- Outcomes-based approach to regulation reinforced through embedding revised values and behaviours throughout the organisation which better reflect the new regulatory approach we have been delivering ('cultural shift programme').

Ensuring that we use resources efficiently and provide good value for money.

- Budget savings of £500k in real terms being delivered in 2016/17.
- Preparatory work on undertaking a comprehensive funding review with major funders.

2.0 PERFORMANCE AGAINST STRATEGIC OBJECTIVES

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3.0 CONTACT MANAGEMENT

We provide professional handling and assessment of all enquires and complaints received, either through automated means (on-line and interactive voice response) or direct contact with consumers.

Our contact management is designed to identify non-compliance or compliance with our Code, through the collection of evidence from consumers, and to prepare the way for further investigation and enforcement where required. We do not seek to provide resolution of individual complaints (consumers are directed back to their network, or the provider of the service, and only to revert to us if they remain unsatisfied), but we will support individuals where appropriate and proportionate in the line of making further regulatory enquiries.

Our broad scope of operations is:

- We receive over 1/4 million contacts from consumers annually, either online (including use of Number Checker) and by telephone;
- We deal with 82% of these contacts through automated means (as well as Number checker, we use interactive voice response on our phone systems);
- Around 11,000 complaints are received online annually following use of Number Checker;
- We are currently responding to over 40,000 telephone calls per annum; after filtering of enquires, roughly 40% are complaints;
- Total complaints are currently running at nearly 30,000 annually.

Comments

Compared to the first quarter of 2016/17 to the first quarter of 2015/16:

- Total contacts are up by 9%, due to an increase in the number of web enquiries (up by 14% over the same period)
- Complaints are down by 22% but actionable complaints are up by 6%, potentially connected to improvements in contact assessment processes
- Complaints in June 2016 (3,083) were the highest monthly total since June 2015 (3,818)
- Adult video services and online non-broadcast competitions remain the primary service categories related to complaints

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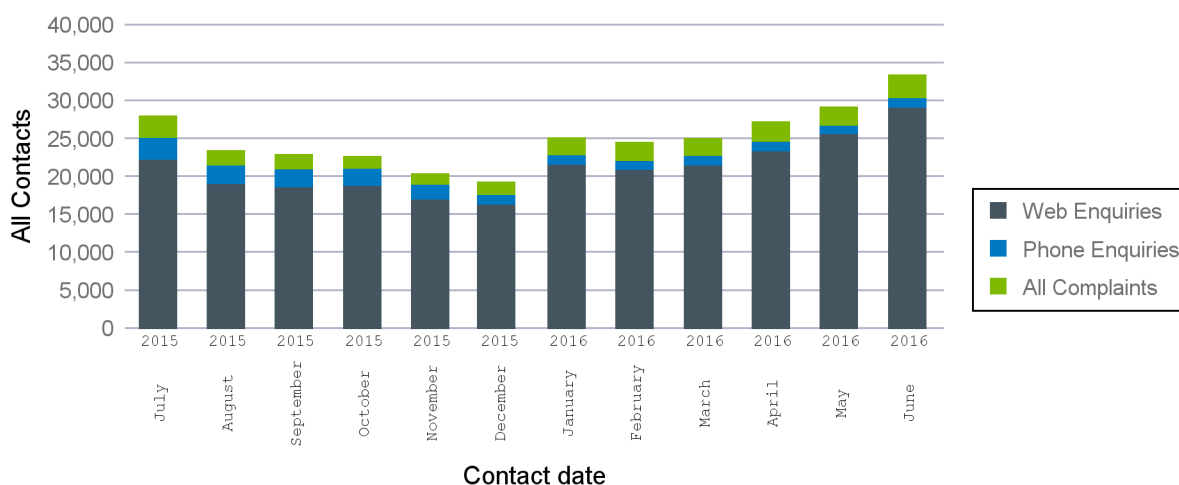
3.1 TOTAL CONTACTS

Overview

3.1.1 Contacts per month

	2015	2015	2015	2015	2015	2015	2016	2016	2016	2016	2016	2016
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
All complaints	2,887	2,044	2,025	1,744	1,497	1,715	2,359	2,499	2,357	2,698	2,505	3,083
Phone enquiries	2,931	2,450	2,339	2,297	1,931	1,318	1,261	1,167	1,307	1,247	1,119	1,312
Web enquiries	22,017	18,803	18,396	18,532	16,813	16,106	21,339	20,718	21,253	23,146	25,387	28,848
Total	27,835	23,297	22,760	22,573	20,241	19,139	24,959	24,384	24,917	27,091	29,011	33,243

3.1.2 Contacts per month



Definitions

Complaints: a consumer expression of discontent about a discernable potential CPRS

Phone enquiries: consumer contacts not related to new Complaints

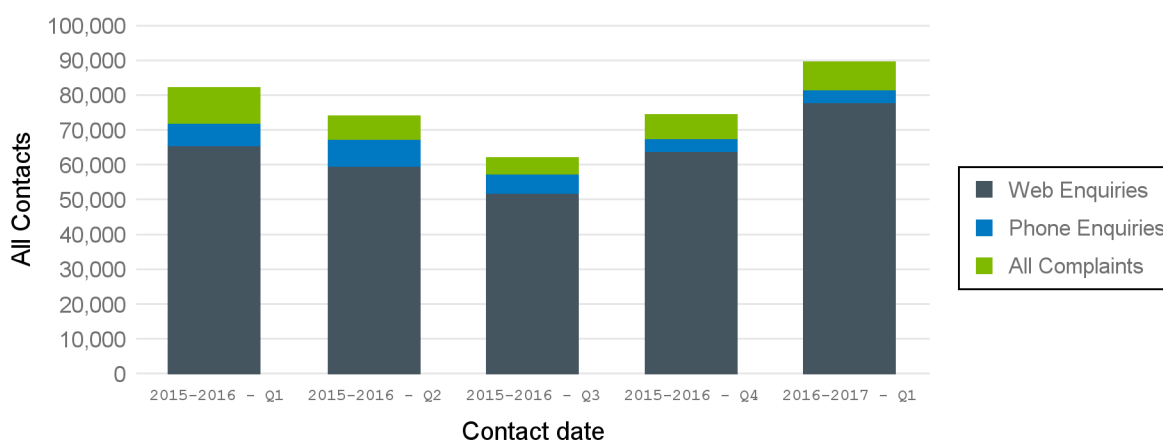
Web enquiries: a web-based form which returns provider information and contact details for a PRS number or shortcode

Quarterly view

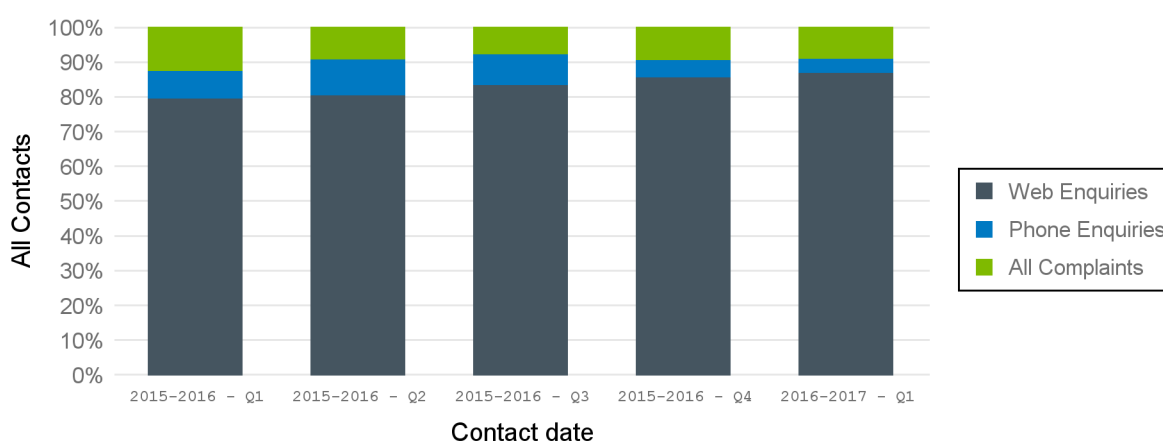
3.1.3 Contacts per quarter

	2015-2016 - Q1		2015-2016 - Q2		2015-2016 - Q3		2015-2016 - Q4		2016-2017 - Q1	
All complaints	10,595	12.9%	6,956	9.4%	4,956	8.0%	7,215	9.7%	8,286	9.3%
Phone enquiries	6,484	7.9%	7,720	10.4%	5,546	9.0%	3,735	5.0%	3,678	4.1%
Web enquiries	64,990	79.2%	59,216	80.1%	51,451	83.0%	63,310	85.3%	77,381	86.6%
Total	82,069		73,892		61,953		74,260		89,345	

3.1.4 Contacts per quarter (volume)



3.1.5 Contacts per quarter (proportion)

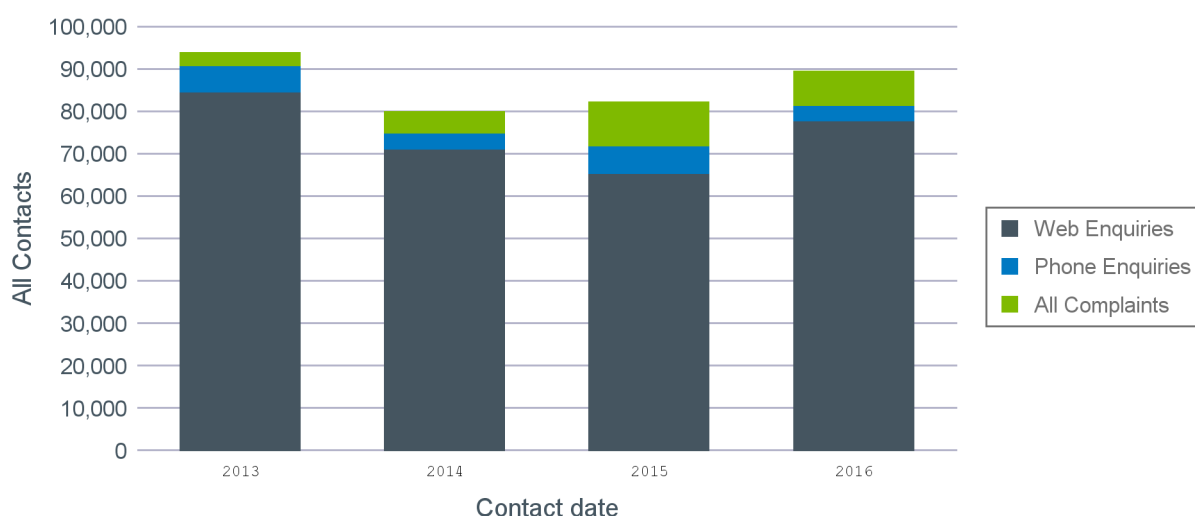


Annual view

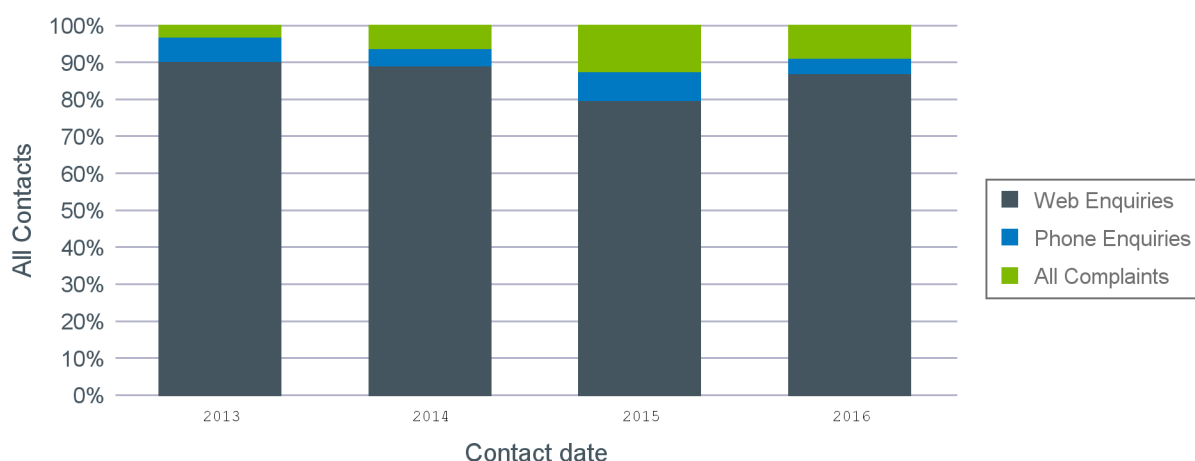
3.1.6 Contacts per Financial year to date (Q1 comparable)

	2013		2014		2015		2016	
All complaints	3,270	3.5%	5,319	6.7%	10,595	12.9%	8,286	9.3%
Phone enquiries	6,172	6.6%	3,769	4.7%	6,484	7.9%	3,678	4.1%
Web enquiries	84,253	89.9%	70,762	88.6%	64,990	79.2%	77,381	86.6%
Total	93,695		79,850		82,069		89,345	

3.1.7 Contacts per Financial year to date (volume)



3.1.8 Contacts per Financial year to date (proportional)



Comments

We implemented CAPTCHA on our web enquiry form in 2014.

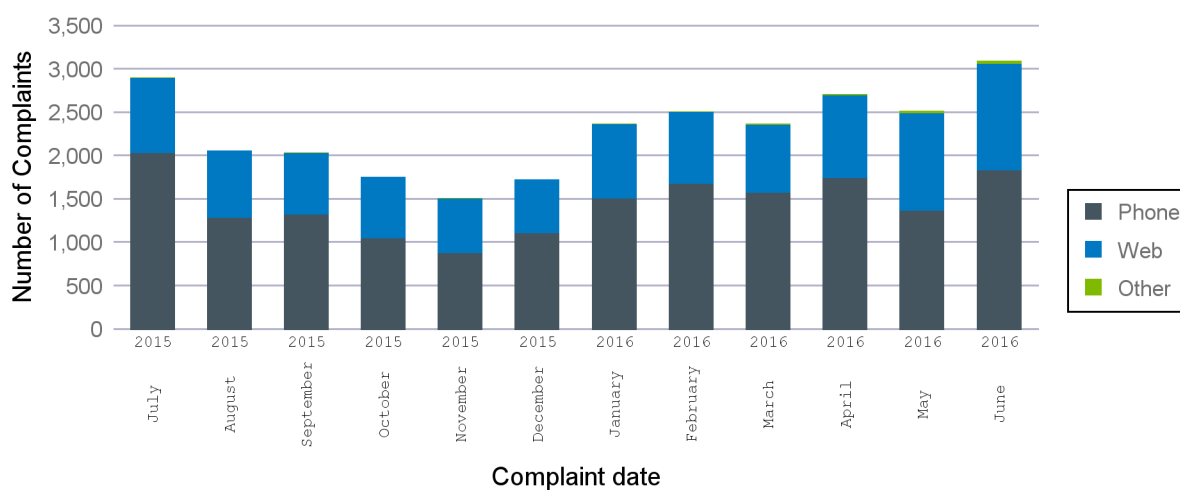
3.2 TOTAL COMPLAINTS

Overview

3.2.1 Complaints by origin per month

	2015	2015	2015	2015	2015	2015	2016	2016	2016	2016	2016	2016
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Phone	2,019	1,271	1,310	1,034	860	1,095	1,489	1,662	1,561	1,729	1,348	1,820
Web	867	772	709	710	632	618	860	826	782	953	1,129	1,224
Other	1	1	6		5	2	10	11	14	16	28	39
Sum:	2,887	2,044	2,025	1,744	1,497	1,715	2,359	2,499	2,357	2,698	2,505	3,083

3.2.2 Complaints by origin per month



Definitions

Complaint: a single incident of a consumer expression of dissatisfaction with a PRS, or a single monitoring exercise

Phone: complaints registered by speaking with a call centre operative

Web: complaints registered over the automated internet complaint form

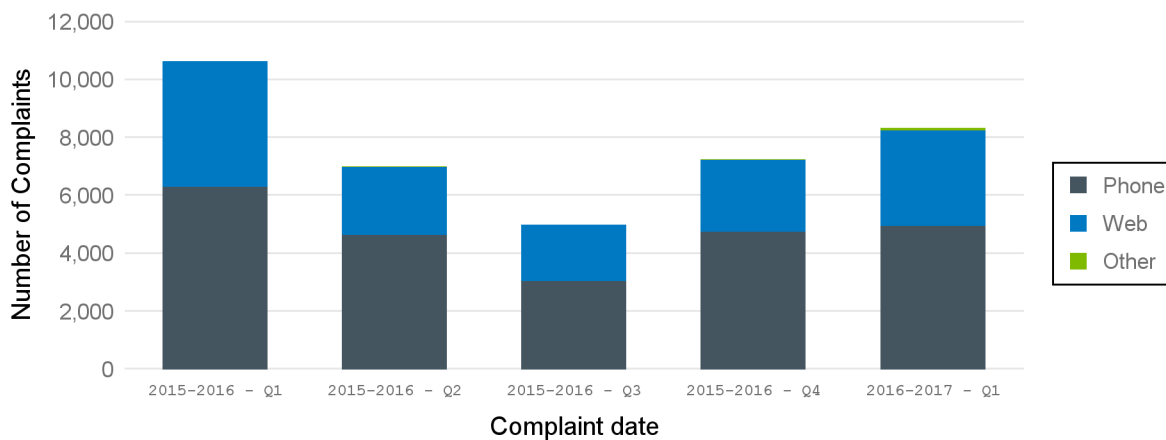
Other: includes complaints received by direct email, letter, internal monitoring and industry

Quarterly view

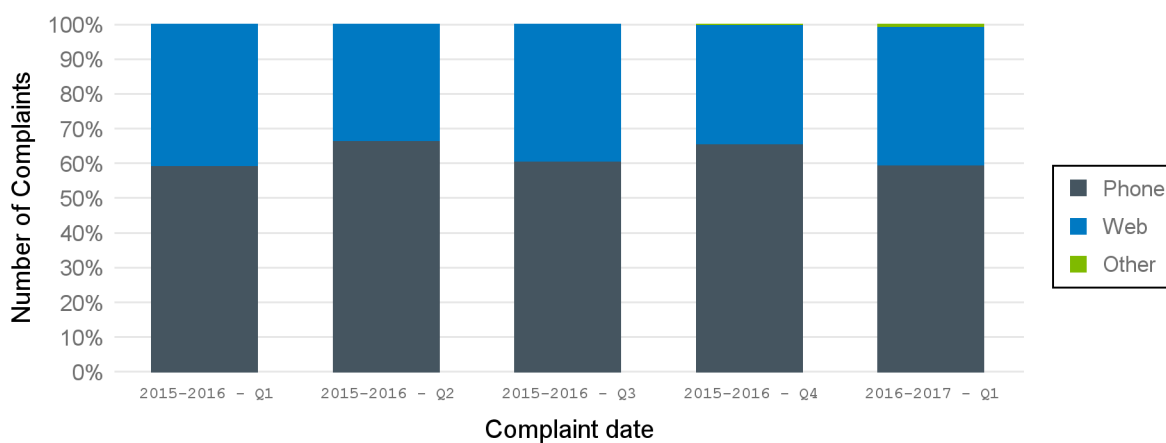
3.2.3 Complaints by origin per quarter

	2015-2016 - Q1		2015-2016 - Q2		2015-2016 - Q3		2015-2016 - Q4		2016-2017 - Q1	
Phone	6,249	59.0%	4,600	66.1%	2,989	60.3%	4,712	65.3%	4,897	59.1%
Web	4,341	41.0%	2,348	33.8%	1,960	39.5%	2,468	34.2%	3,306	39.9%
Other	5	0.0%	8	0.1%	7	0.1%	35	0.5%	83	1.0%
Sum:	10,595		6,956		4,956		7,215		8,286	

3.2.4 Complaints by origin per quarter (volume)



3.2.5 Complaints by origin per quarter (proportion)

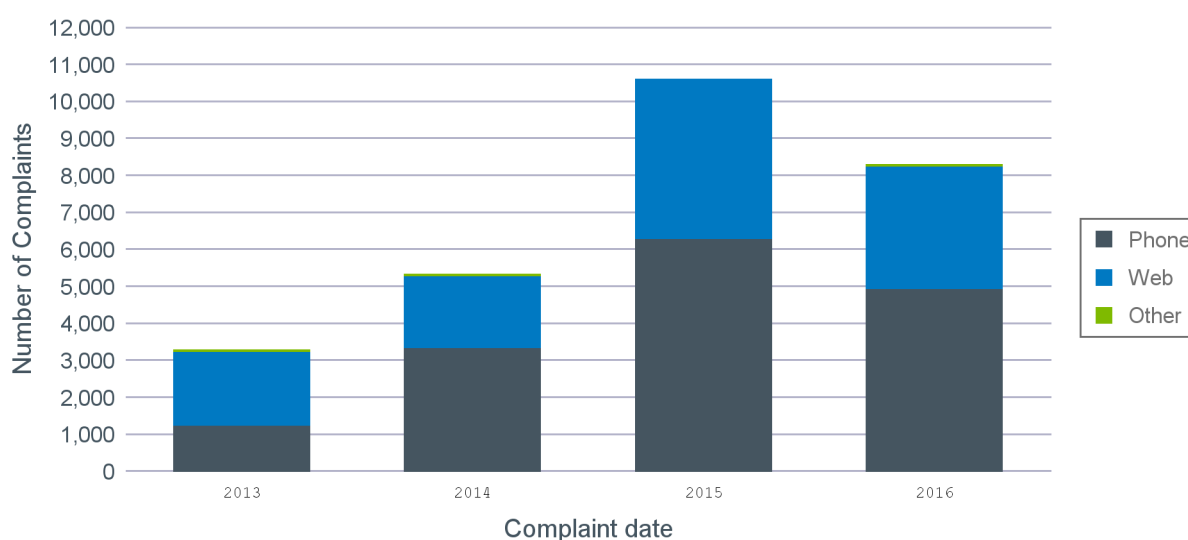


Annual view

3.2.6 Complaints by origin per Financial year to date (Q1 comparable)

	2013		2014		2015		2016	
Phone	1,196	36.6%	3,310	62.3%	6,249	59.0%	4,897	59.1%
Web	2,002	61.3%	1,938	36.5%	4,341	41.0%	3,306	39.9%
Other	69	2.1%	68	1.3%	5	0.0%	83	1.0%
Sum:	3,267		5,316		10,595		8,286	

3.2.7 Complaints by origin per Financial year to date (volume)



3.2.8 Complaints by origin per Financial year to date (proportional)



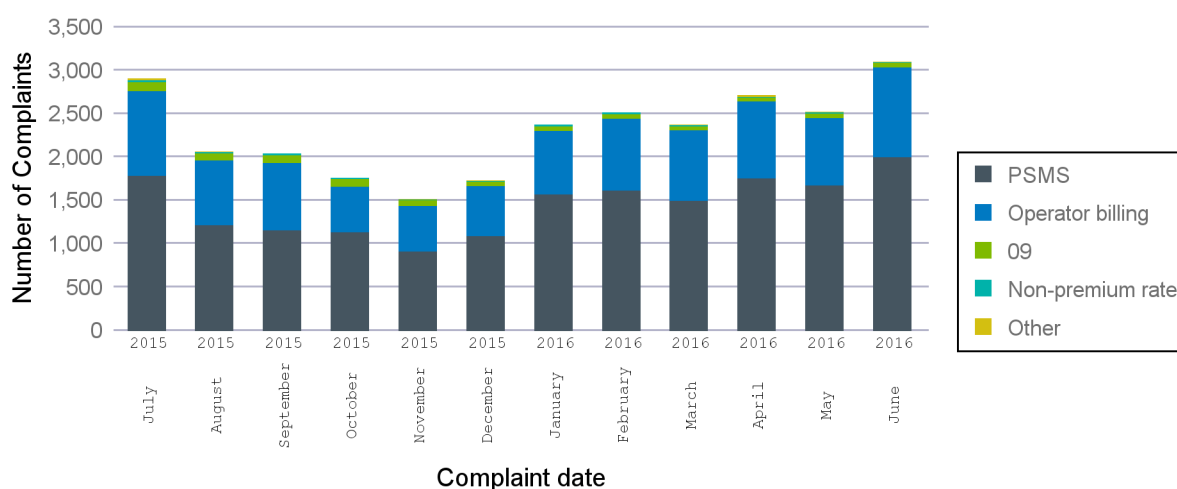
3.3 COMPLAINTS BY PAYMENT MECHANISM

Overview

3.3.1 Complaints by payment mechanism per month

	2015	2015	2015	2015	2015	2015	2016	2016	2016	2016	2016	2016
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
PSMS	1,763	1,193	1,136	1,115	893	1,070	1,554	1,595	1,478	1,733	1,654	1,980
Operator billing	981	750	777	528	525	580	728	830	816	892	778	1,033
09	98	84	91	88	65	50	50	50	40	40	54	55
Non-premium rate	29	13	17	11	11	7	22	20	18	12	14	10
Other	16	4	4	2	3	8	5	4	5	21	5	5
Sum:	2,887	2,044	2,025	1,744	1,497	1,715	2,359	2,499	2,357	2,698	2,505	3,083

3.3.2 Complaints by payment mechanism per month



Definitions

PSMS: premium short message services

Operator billing: a secure mobile payment service, includes payments via "Payfort"

09: PR services operating in the Landline sector utilising Non-geographic numbers beginning with 09

087: PR services utilising the 087 number range. Prices range from aprox. 5p per minute to 15p per minute. Typical services include Sales booking lines for Hotels and Cinemas.

Voice shortcode: PRS services utilising the mobile short numbering system which are designated to carrying voice traffic

DQ: directory enquiry services

Non-premium rate: includes legitimate use of 070, own portal services and 084 services

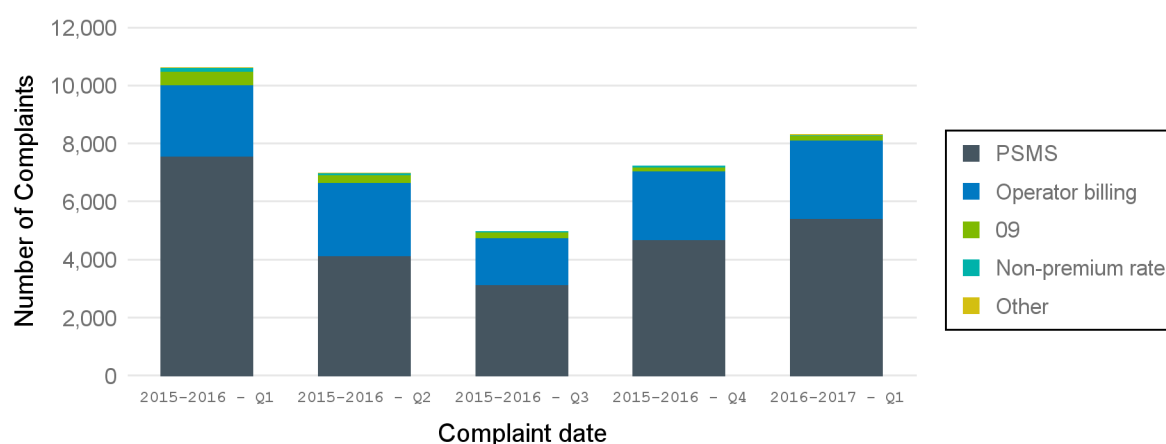
Other: includes illegitimate use of 070 and general complaints about PRS

Quarterly view

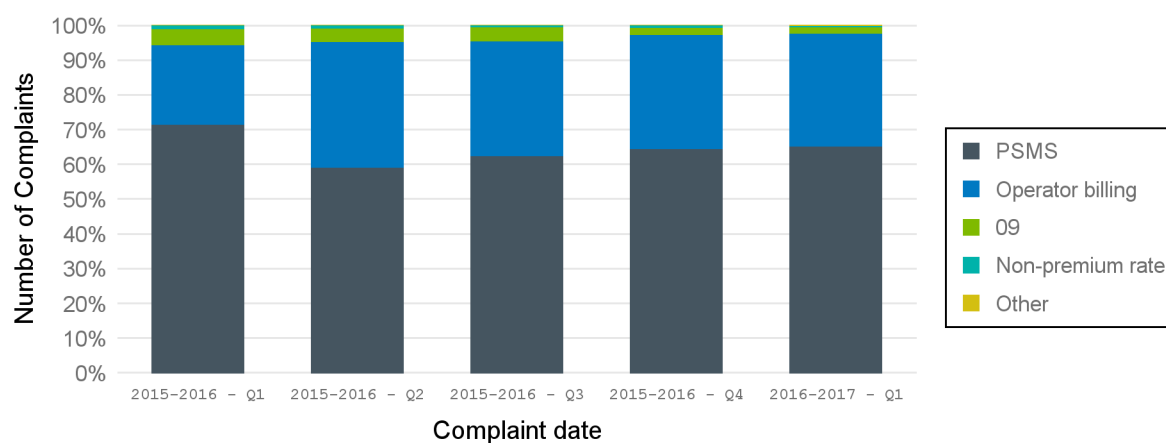
3.3.3 Complaints by payment mechanism per quarter

	2015-2016 - Q1		2015-2016 - Q2		2015-2016 - Q3		2015-2016 - Q4		2016-2017 - Q1	
PSMS	7,527	71.0%	4,092	58.8%	3,078	62.1%	4,627	64.1%	5,367	64.8%
Operator billing	2,438	23.0%	2,508	36.1%	1,633	32.9%	2,374	32.9%	2,703	32.6%
09	482	4.5%	273	3.9%	203	4.1%	140	1.9%	149	1.8%
Non-premium rate	122	1.2%	59	0.8%	29	0.6%	60	0.8%	36	0.4%
Other	26	0.2%	24	0.3%	13	0.3%	14	0.2%	31	0.4%
Sum:	10,595		6,956		4,956		7,215		8,286	

3.3.4 Complaints by payment mechanism per quarter (volume)



3.3.5 Complaints by payment mechanism per quarter (proportion)

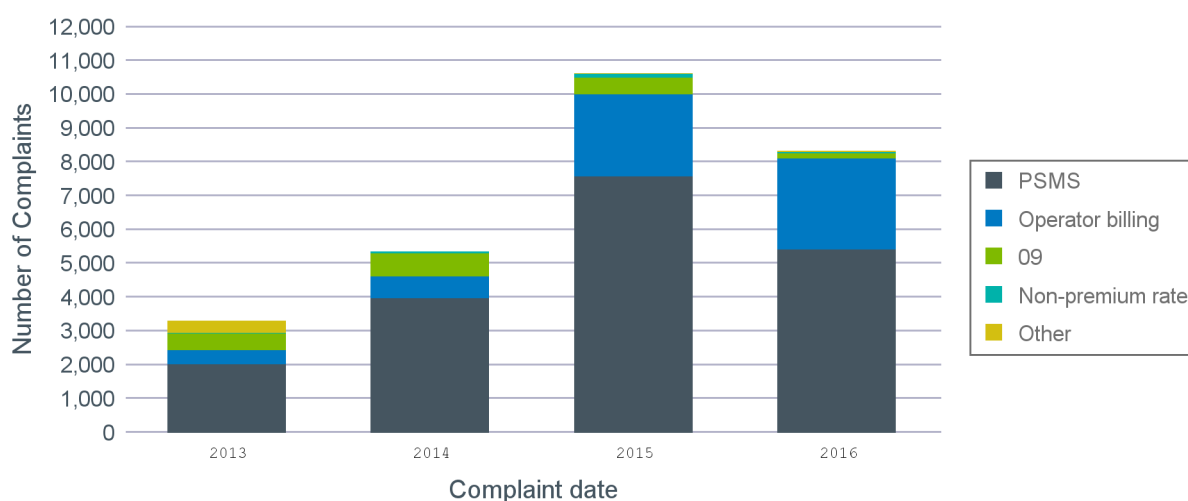


Annual view

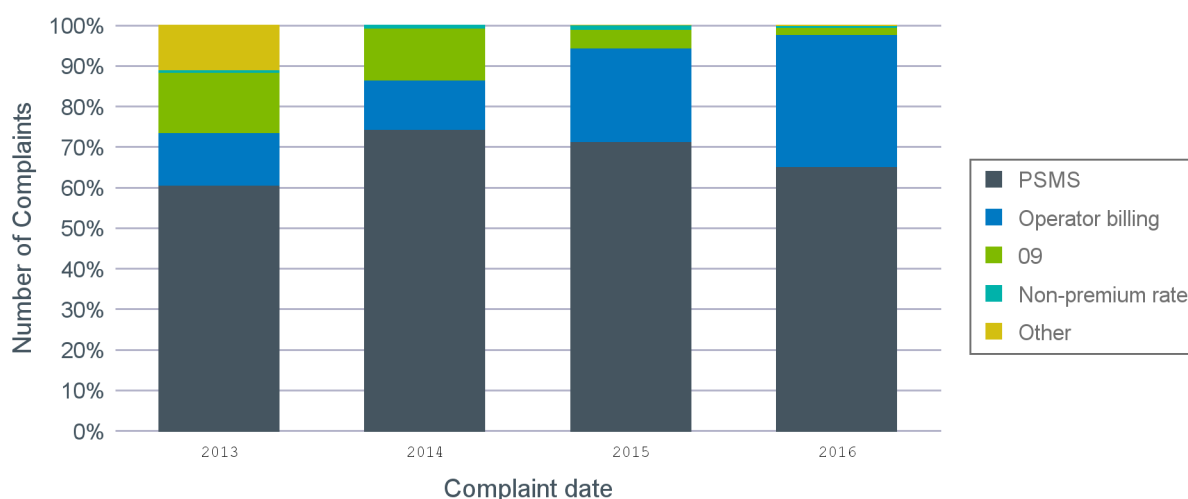
3.3.6 Complaints by payment mechanism per Financial YTD (Q1 comparable)

	2013		2014		2015		2016	
PSMS	1,969	60.3%	3,934	74.0%	7,527	71.0%	5,367	64.8%
Operator billing	423	12.9%	646	12.2%	2,438	23.0%	2,703	32.6%
09	485	14.8%	684	12.9%	482	4.5%	149	1.8%
Non-premium rate	23	0.7%	50	0.9%	122	1.2%	36	0.4%
Other	367	11.2%	2	0.0%	26	0.2%	31	0.4%
Sum:	3,267		5,316		10,595		8,286	

3.3.7 Complaints by payment mechanism per Financial year to date (volume)



3.3.8 Complaints by payment mechanism per Financial year to date (proportional)



4.0 INVESTIGATIONS AND ENFORCEMENT

Overview

We have an outcomes-based Code of Practice, under which we are committed to ensuring we thoroughly investigate cases fairly and enforce them proportionately.

With our contact management efficiently processing complaint information and market intelligence, some 535 separate cases each year are put forward for further consideration by the investigations and enforcement team. The scope of their activities includes:

- Undertaking detailed further investigations to decide whether cases should be: closed; held under review; resolved informally (Track 1); or resolved formally (Track 2);
- Engaging with service providers to allow them to understand the issues under consideration and respond within reasonable timescales;
- Ensuring there is a clear and robust audit trail for all decisions taken;
- Building complex and comprehensive legal arguments and evidence to bring any case before a Tribunal, balancing robustness with timeliness;
- Dealing with all post-adjudicatory work, including breaches of sanctions and naming cases.

Comments

In January 2016, as part of an database administration process, we closed 146 historic service review cases.

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4.1 TOTAL CASES

Overview

4.1.1 Cases historical status by month

Month	Status	IA	EEA Ref	SR	IN	T1	T2	DDRAC	Pro'b	BoS	Appeal	Total
2015-06	Balance	30	1	204	9	14	27	1	2	0	0	288
2015-07	Opened	13	0	19	0	3	4	0	0	0	0	39
2015-07	Closed	2	0	0	0	4	2	0	0	0	0	8
2015-07	Balance	41	1	223	9	13	29	1	2	0	0	319
2015-08	Opened	7	0	3	0	0	0	0	0	1	0	11
2015-08	Closed	2	0	0	0	5	0	0	2	0	0	9
2015-08	Balance	46	1	226	9	8	29	1	0	1	0	321
2015-09	Opened	7	0	4	0	0	0	0	0	1	0	12
2015-09	Closed	7	0	0	0	2	2	0	0	0	0	11
2015-09	Balance	46	1	230	9	6	27	1	0	2	0	322
2015-10	Opened	2	1	5	0	1	1	0	0	1	0	11
2015-10	Closed	3	0	1	0	3	1	0	0	2	0	10
2015-10	Balance	45	2	234	9	4	27	1	0	1	0	323
2015-11	Opened	2	0	0	0	1	0	0	2	1	0	6
2015-11	Closed	3	0	0	0	1	0	1	0	1	0	6
2015-11	Balance	44	2	234	9	4	27	0	2	1	0	323
2015-12	Opened	3	0	0	0	0	0	0	1	0	0	4
2015-12	Closed	0	0	0	0	0	1	0	0	0	0	1
2015-12	Balance	47	2	234	9	4	26	0	3	1	0	326
2016-01	Opened	9	0	1	0	2	0	0	0	0	0	12
2016-01	Closed	6	0	146	0	0	2	0	0	0	0	154
2016-01	Balance	50	2	89	9	6	24	0	3	1	0	184
2016-02	Opened	3	1	0	0	0	0	0	0	0	1	5
2016-02	Closed	5	0	1	9	2	3	0	0	0	0	20
2016-02	Balance	48	3	88	0	4	21	0	3	1	1	169
2016-03	Opened	3	0	0	0	0	0	0	1	0	1	5
2016-03	Closed	5	1	1	0	0	3	0	0	1	0	11
2016-03	Balance	46	2	87	0	4	18	0	4	0	2	163
2016-04	Opened	20	0	0	2	1	0	0	0	0	1	24
2016-04	Closed	14	0	65	0	1	0	0	0	0	0	80
2016-04	Balance	52	2	22	2	4	18	0	4	0	3	107

INVESTIGATIONS AND ENFORCEMENT

4.1 Total cases

Month	Status	IA	EEA Ref	SR	IN	T1	T2	DDRAC	Pro'b	BoS	Appeal	Total
2016-05	Opened	31	0	0	0	0	1	0	0	0	0	32
2016-05	Closed	0	0	0	0	1	3	0	1	0	1	6
2016-05	Changed	-17	8	0	0	1	8	0	0	0	0	0
2016-05	Balance	66	10	22	2	4	24	0	3	0	2	133
2016-06	Opened	35	0	0	0	0	0	0	0	0	0	35
2016-06	Closed	10	0	0	2	1	2	0	1	0	0	16
2016-06	Changed	-1	0	0	0	0	1	0	0	0	0	0
2016-06	Balance	90	10	21	0	3	23	0	3	0	2	152

Definitions

Case: a collection of evidence relating to a potential breach of the Code

Initial Assessment (IA): detailed service information being requested from the Level 1 or Level 2 providers as per paragraph 4.2.3 of the Code

EEA Referral (EEA Ref): a case relating to a Provider based in the EU subject to the referral procedure

Service Review (SR): services subject to ongoing monitoring

Informal Notification (IN): an investigation resolved by the Provider without the need for a Track 1 or Track 2

Track 1 (T1): enforcement action resulting in an agreed action plan to remedy the breach

Track 2 (T2): enforcement action resulting in a Tribunal decision

DDRAC: a type of track 2 case which focuses on the due diligence responsibilities of Level 1 providers or networks

Prohibition: a sanction under the Code resulting in an enforced period of prohibition from operating PRS

Breach of Sanctions (BoS): a case based on a breach of a sanction (such as non-payment of a fine) by a Provider

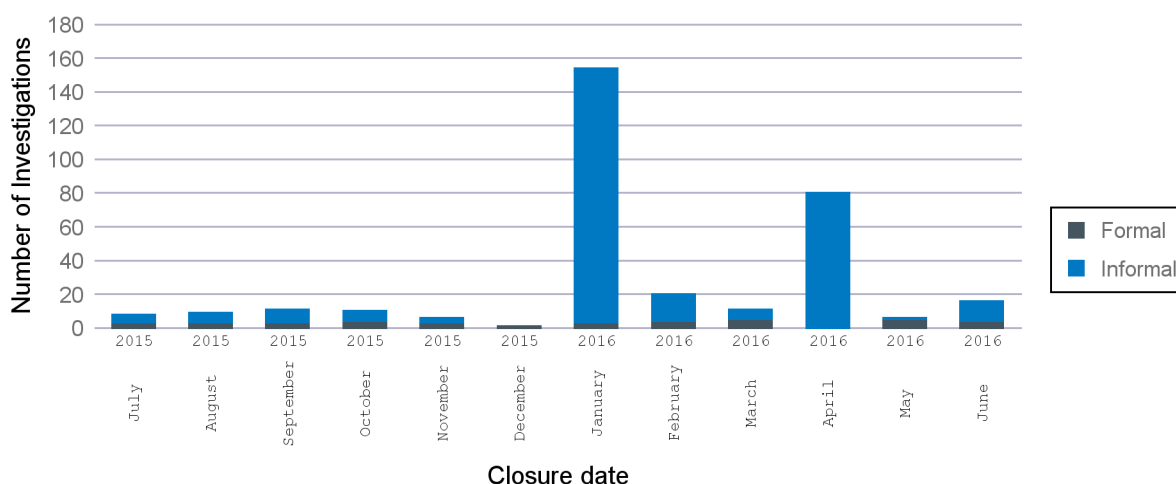
Appeal: following a tribunal decision the Provider has requested a review or oral hearing

Overview

4.1.2 Investigations closed by enforcement action type per month

	2015	2015	2015	2015	2015	2015	2016	2016	2016	2016	2016	2016
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Formal	2	2	2	3	2	1	2	3	4	0	4	3
Informal	6	7	9	7	4	0	152	17	7	80	2	13
Total Closed	8	9	11	10	6	1	154	20	11	80	6	16

4.1.3 Investigations closed by enforcement action type per month



Definitions

Enforcement action: an Investigation of a provider or service, either formal or informal, regarding potential breaches of the Code

Formal: a case of potentially serious breaches which may require a tribunal or legal action

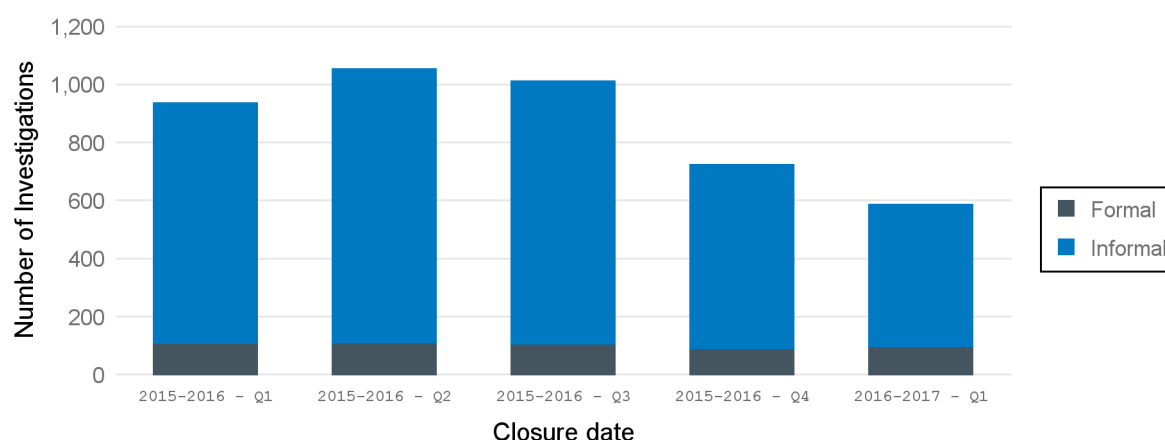
Informal: a case resolved without tribunal or legal action, includes no further action, service review, informal notification and Track 1

Quarterly view

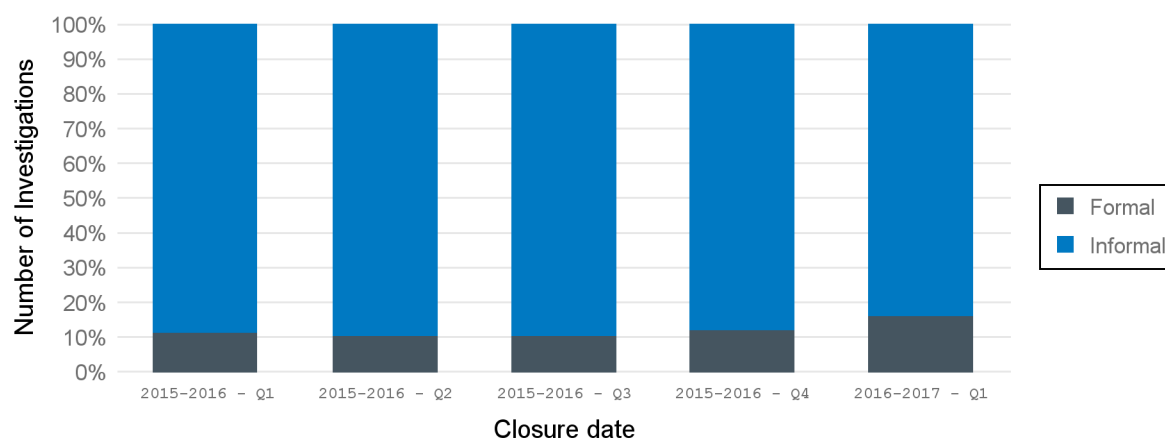
4.1.4 Investigations closed by enforcement action type per quarter

	2015-2016 - Q1		2015-2016 - Q2		2015-2016 - Q3		2015-2016 - Q4		2016-2017 - Q1	
Formal	8	15.4%	6	21.4%	6	35.3%	9	4.9%	7	6.9%
Informal	44	84.6%	22	78.6%	11	64.7%	176	95.1%	95	93.1%
Total closed	52		28		17		185		102	

4.1.5 Investigations closed by enforcement action type per quarter (volume)



4.1.6 Investigations closed by enforcement action type per quarter (proportion)

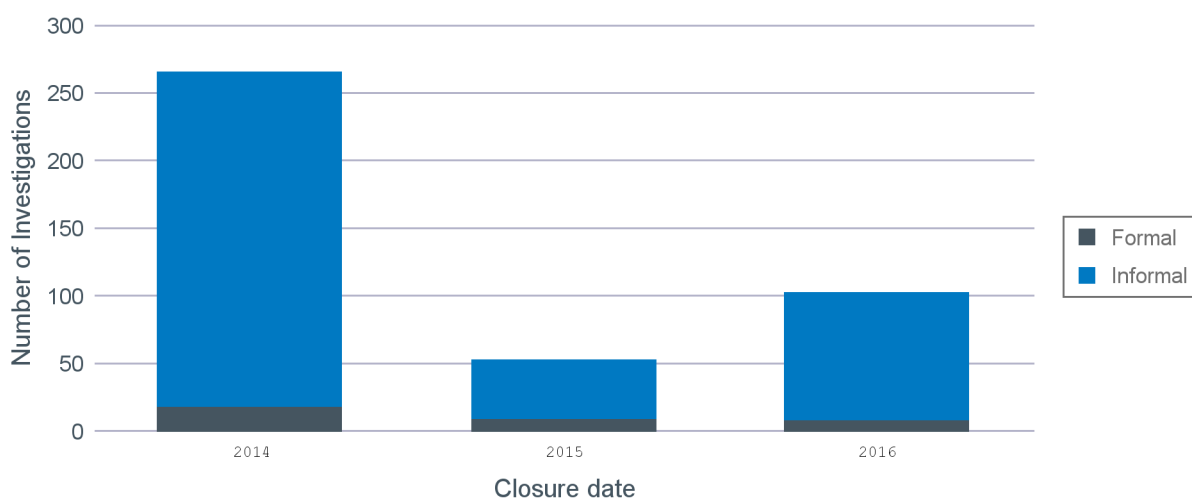


Annual view

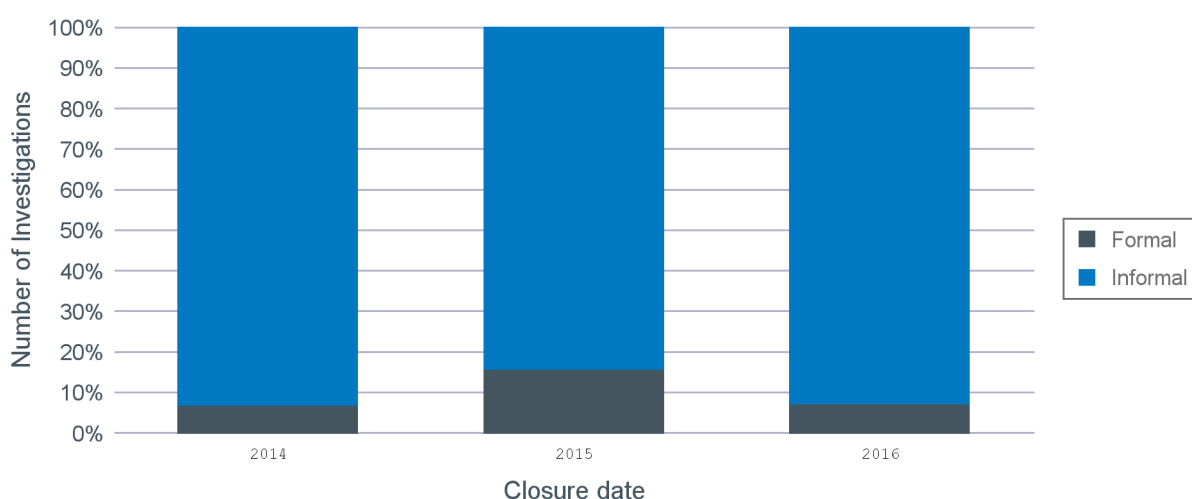
4.1.7 Investigations closed by enforcement action type per FYTD (Q1 comparable)

	2014		2015		2016	
Formal	17	6.4%	8	15.4%	7	6.9%
Informal	248	93.6%	44	84.6%	95	93.1%
Sum:	265		52		102	

4.1.8 Investigations closed by enforcement action type per FY to date (volume)



4.1.9 Investigations closed by enforcement action type per FY to date (proportional)



4.2 TRIBUNAL INFORMATION

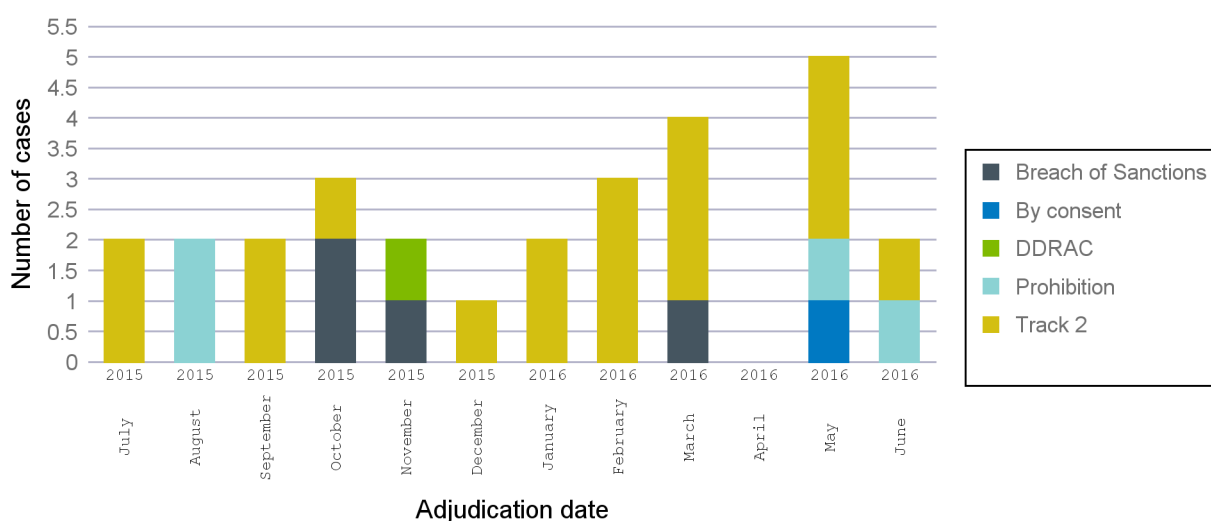
INVESTIGATIONS AND ENFORCEMENT 4.2 Tribunal information

Overview

4.2.1 Number of cases heard at tribunal

	2015	2015	2015	2015	2015	2015	2016	2016	2016	2016	2016	2016
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Breach of Sanctions				2	1				1			
By consent											1	
DDRAC					1							
Prohibition		2									1	1
Track 2	2		2	1		1	2	3	3		3	1
Sum:	2	2	2	3	2	1	2	3	4		5	2

4.2.2 Number of cases heard at tribunal per month



Definitions

Breach of Sanctions: a case based on a breach of a sanction (such as non-payment of a fine) by a Provider

By consent: a resolution agreed between the PhonepayPlus board and the respondent, before or after a first instance decision, only available via the oral hearing route

DDRAC: a type of track 2 case which focuses on the due diligence responsibilities of Level 1 providers or networks

Oral hearing: a hearing where the Provider makes oral representations in addition to written submissions

Prohibition: a sanction under the Code resulting in an enforced period of prohibition from operating PRS

Review: a tribunal decision that changes a first instance decision by a previous tribunal

Track 2: enforcement action resulting in a tribunal decision

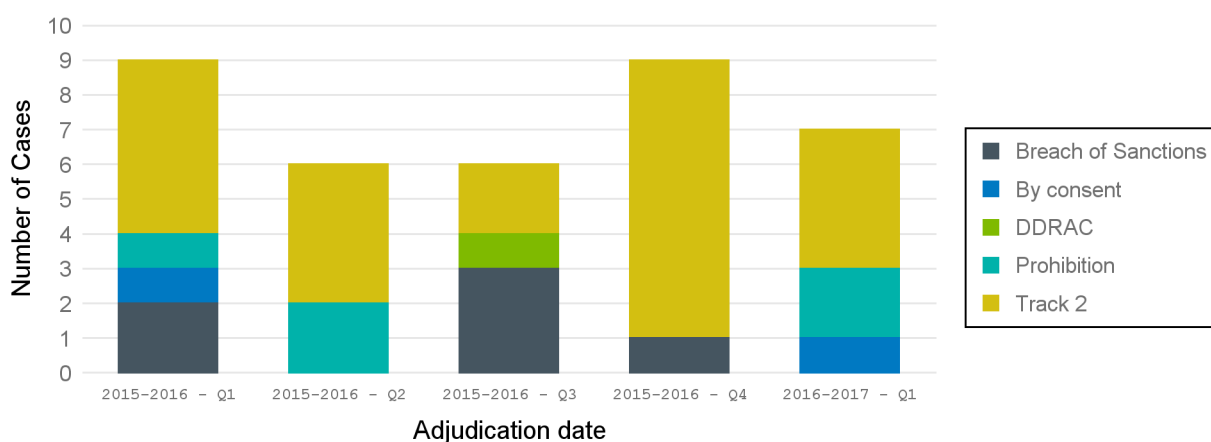
INVESTIGATIONS AND ENFORCEMENT 4.2 Tribunal information

Quarterly view

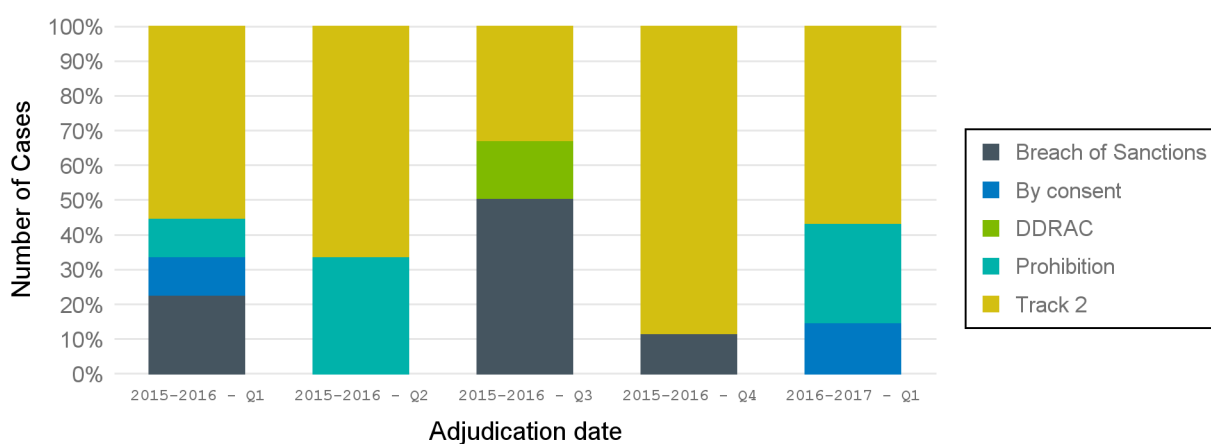
4.2.3 Number of cases heard at tribunal per quarter

	2015-2016 - Q1		2015-2016 - Q2		2015-2016 - Q3		2015-2016 - Q4		2016-2017 - Q1	
Breach of Sanctions	2	22.2%			3	50.0%	1	11.1%		
By consent	1	11.1%							1	14.3%
DDRAC					1	16.7%				
Prohibition	1	11.1%	2	33.3%					2	28.6%
Track 2	5	55.6%	4	66.7%	2	33.3%	8	88.9%	4	57.1%
Sum:	9		6		6		9		7	

4.2.4 Number of cases heard at tribunal per quarter (volume)



4.2.5 Number of cases heard at tribunal per quarter (proportion)



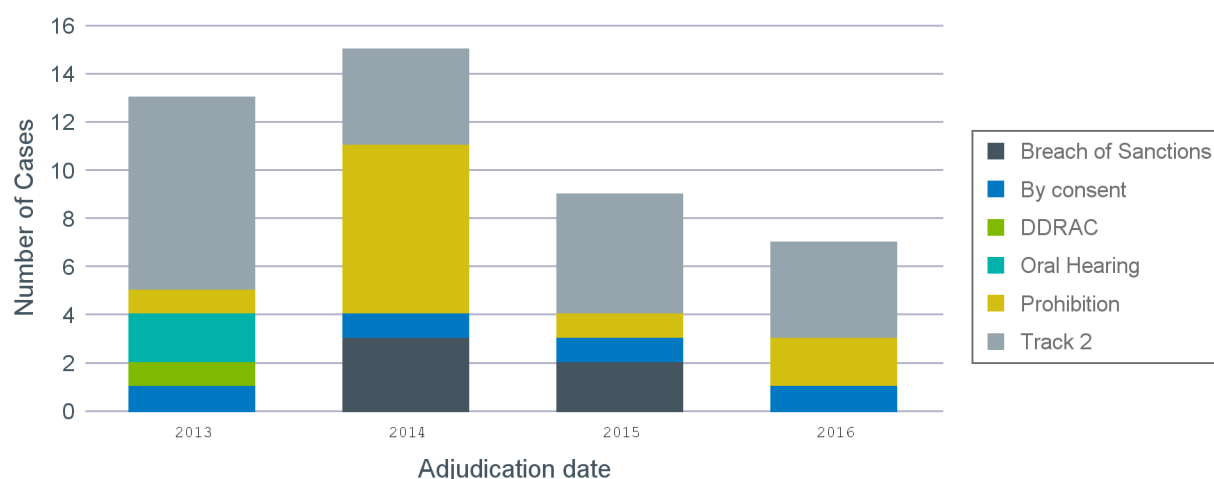
INVESTIGATIONS AND ENFORCEMENT 4.2 Tribunal information

Annual view

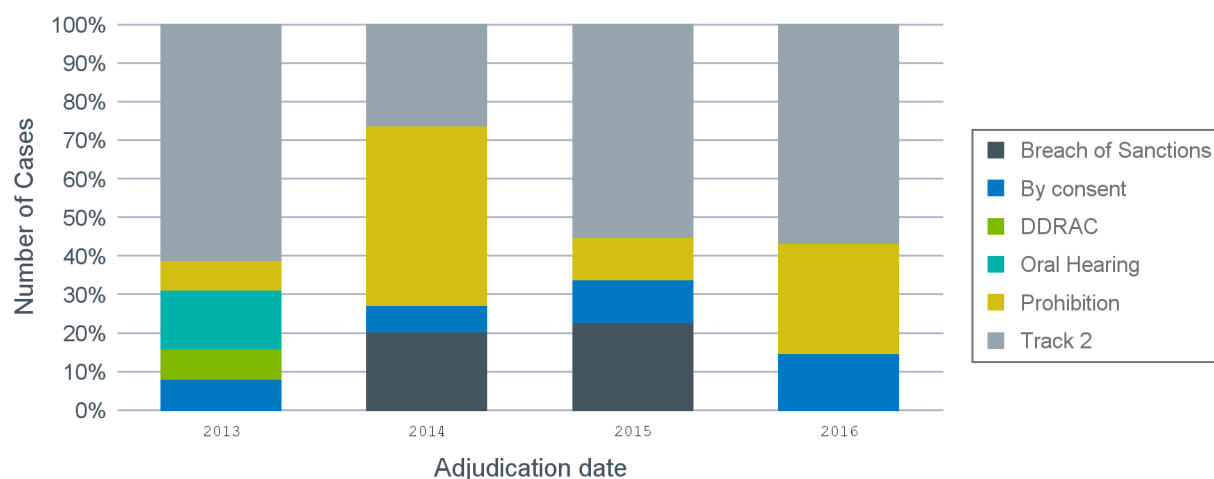
4.2.6 Number of cases heard at tribunal per Financial YTD (Q1 Comparable)

	2013		2014		2015		2016	
Breach of Sanctions			3	20.0%	2	22.2%		
By consent	1	7.7%	1	6.7%	1	11.1%	1	14.3%
DDRAC	1	7.7%						
Oral Hearing	2	15.4%						
Prohibition	1	7.7%	7	46.7%	1	11.1%	2	28.6%
Track 2	8	61.5%	4	26.7%	5	55.6%	4	57.1%
Sum:	13		15		9		7	

4.2.7 Number of cases heard at tribunal per Financial year to date (volume)



4.2.8 Number of cases heard at tribunal per Financial year to date (proportional)



4.3 TRACK 2 BREACH SEVERITY

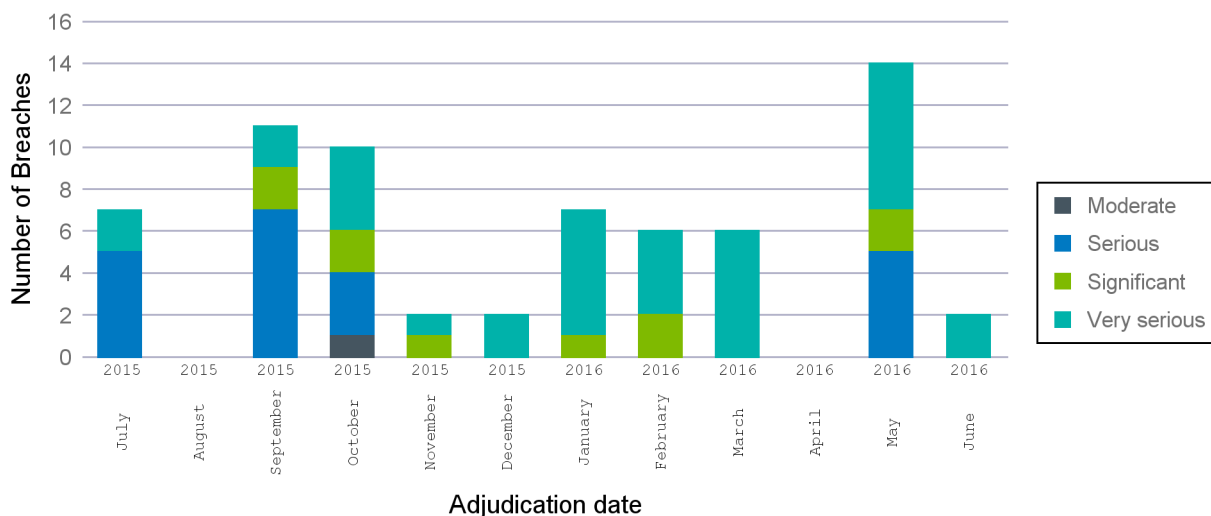
INVESTIGATIONS AND ENFORCEMENT 4.3 Track 2 breach severity

Overview

4.3.1 Upheld breaches by severity per month

	2015	2015	2015	2015	2015	2015	2016	2016	2016	2016	2016	2016
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Moderate				1								
Serious	5		7	3							5	
Significant			2	2	1		1	2			2	
Very serious	2		2	4	1	2	6	4	6		7	2
Total breaches:	7	0	11	10	2	2	7	6	6	0	14	2
Cases heard:	2	2	2	3	2	1	2	3	4	0	5	2

4.3.2 Upheld breaches by severity per month



Comments

Prohibition cases do not involve a new breach of the Code and so the number of cases heard may be greater than the number of breaches

Definitions

Minor: a rating applied to tribunal decisions, the lowest level of harm on a scale of 1-5

Moderate: a rating applied to tribunal decisions, the second lowest level of harm on a scale of 1-5

Significant: a rating applied to tribunal decisions, the third lowest level of harm on a scale of 1-5

Serious: a rating applied to tribunal decisions, the second highest level of harm on a scale of 1-5

Very serious: a rating applied to tribunal decisions, the highest level of harm on a scale of 1-5

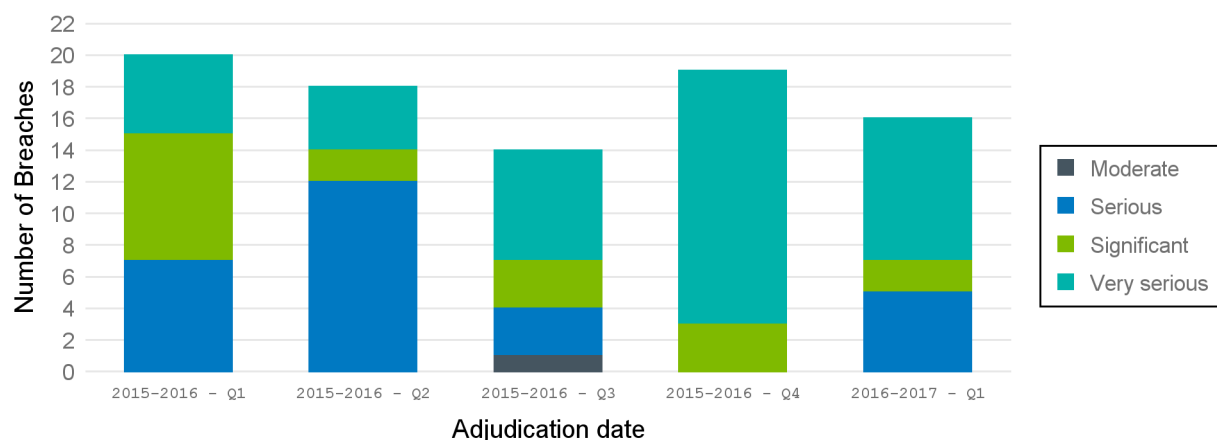
INVESTIGATIONS AND ENFORCEMENT 4.3 Track 2 breach severity

Quarterly view

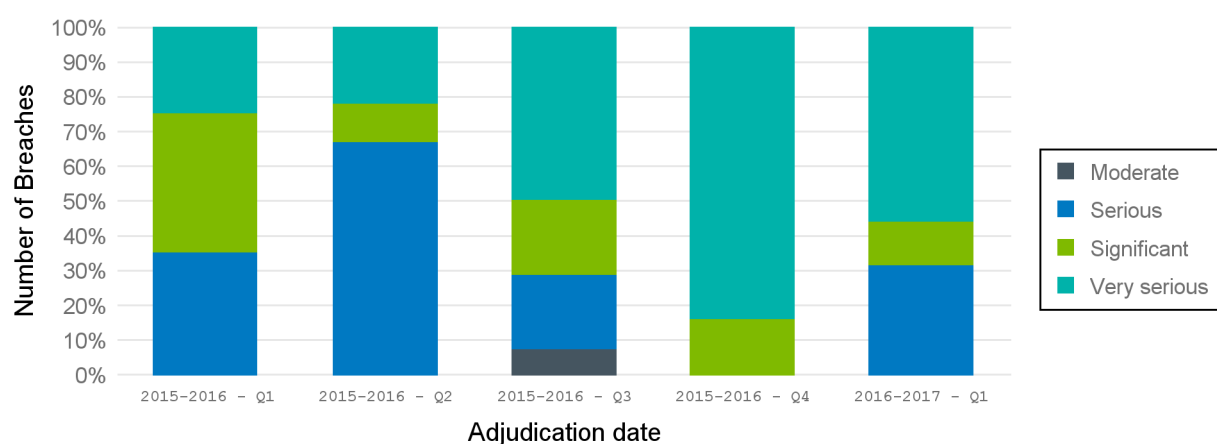
4.3.3 Upheld breaches by severity per quarter

	2015-2016 - Q1		2015-2016 - Q2		2015-2016 - Q3		2015-2016 - Q4		2016-2017 - Q1	
Moderate					1	7.1%				
Serious	7	35.0%	12	66.7%	3	21.4%			5	31.3%
Significant	8	40.0%	2	11.1%	3	21.4%	3	15.8%	2	12.5%
Very serious	5	25.0%	4	22.2%	7	50.0%	16	84.2%	9	56.3%
Sum:	20		18		14		19		16	

4.3.4 Upheld breaches by severity per quarter (volume)



4.3.5 Upheld breaches by severity per quarter (proportion)



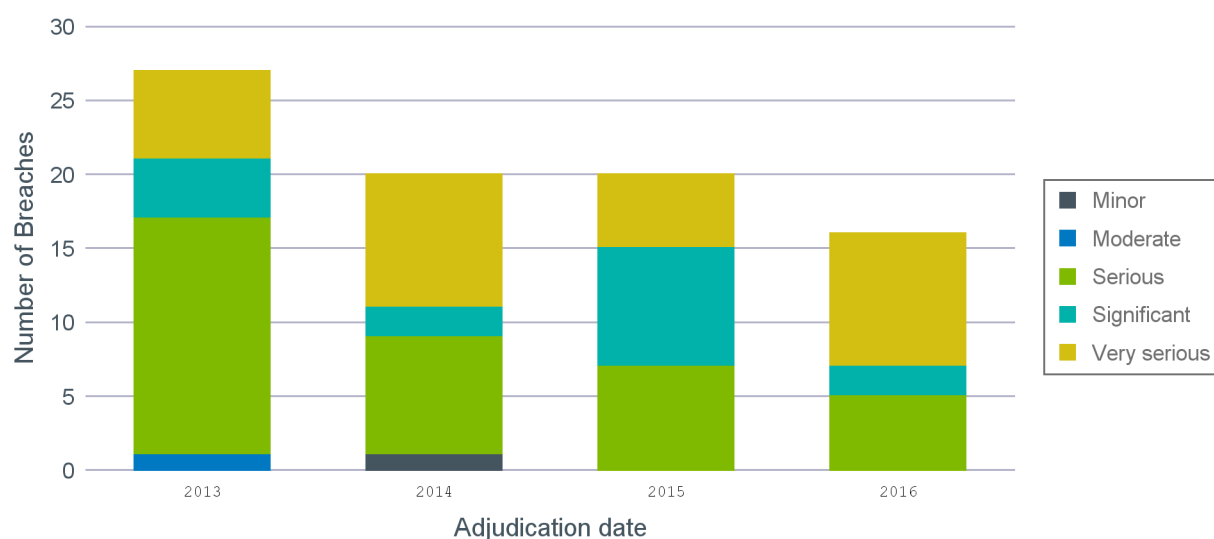
INVESTIGATIONS AND ENFORCEMENT 4.3 Track 2 breach severity

Annual view

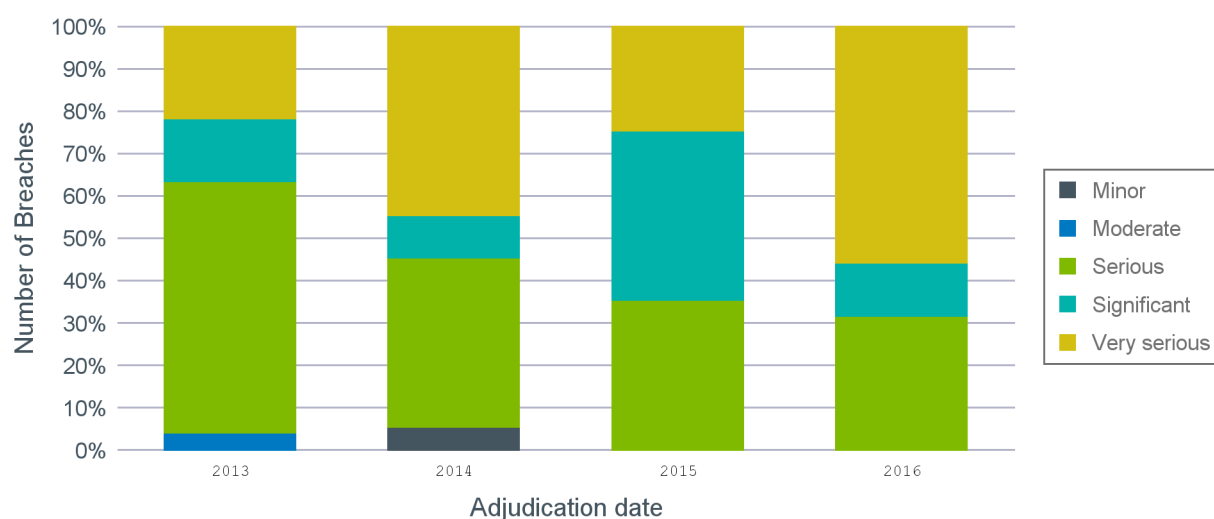
4.3.6 Upheld breaches by status per Financial year to date (Q1 comparable)

	2013		2014		2015		2016	
Minor			1	5.0%				
Moderate	1	3.7%						
Serious	16	59.3%	8	40.0%	7	35.0%	5	31.3%
Significant	4	14.8%	2	10.0%	8	40.0%	2	12.5%
Very serious	6	22.2%	9	45.0%	5	25.0%	9	56.3%
Sum:	27		20		20		16	

4.3.7 Upheld breaches by severity per Financial year to date (volume)



4.3.8 Upheld breaches by severity per Financial year to date (proportional)



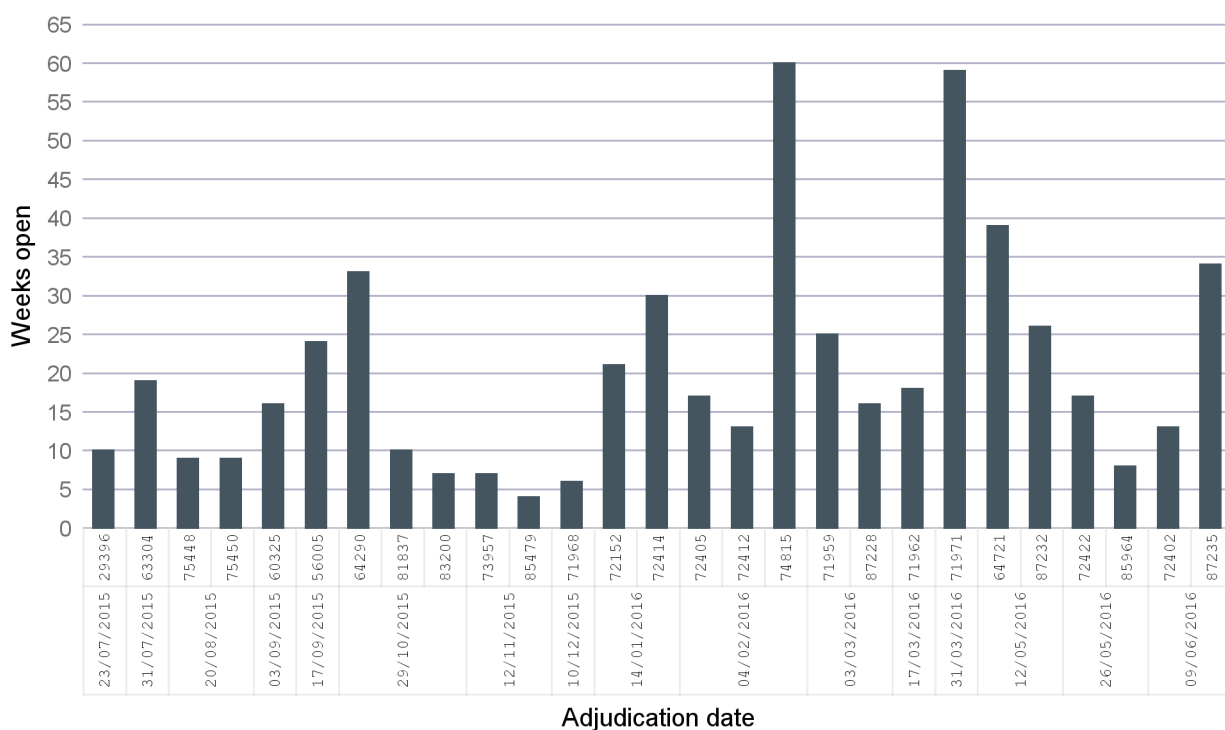
4.4 TRACK 2 DURATION

Overview

4.4.1 Average Track 2 duration per month (weeks)

2015	2015	2015	2015	2015	2015	2016	2016	2016	2016	2016	2016
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
14	9	20	17	5	6	26	30	29	NA	22	23

4.4.2 Duration for each Track 2 case for the past year



Definitions

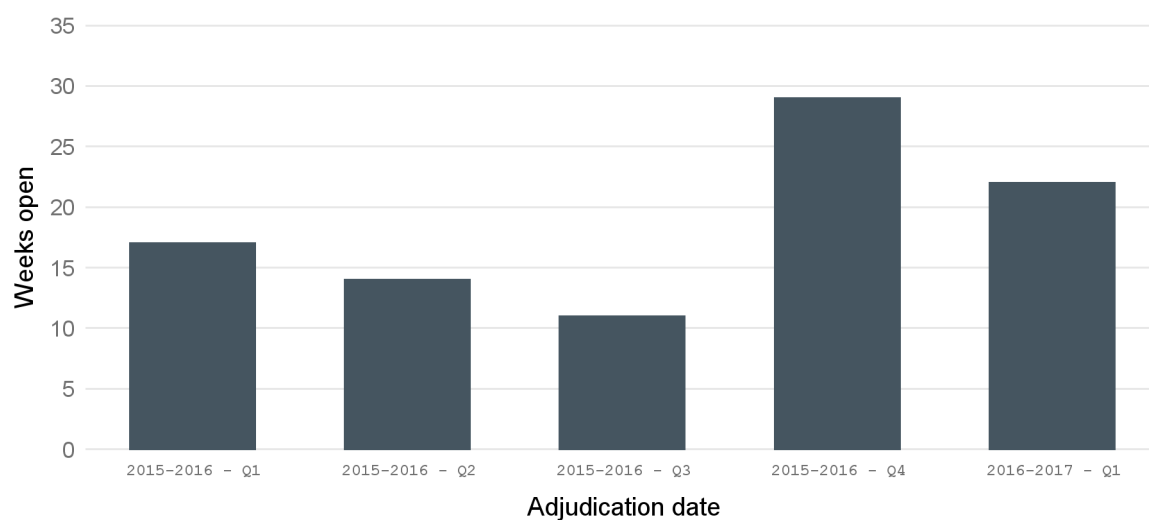
Adjudication date: The date of the decision made by the Code Adjudication Panel relating to potential breaches of the Code

Quarterly view

4.4.3 Average Track 2 duration per quarter (weeks)

2015-2016 - Q1	2015-2016 - Q2	2015-2016 - Q3	2015-2016 - Q4	2016-2017 - Q1
17	14	11	29	22

4.4.4 Average Track 2 duration per quarter (weeks)

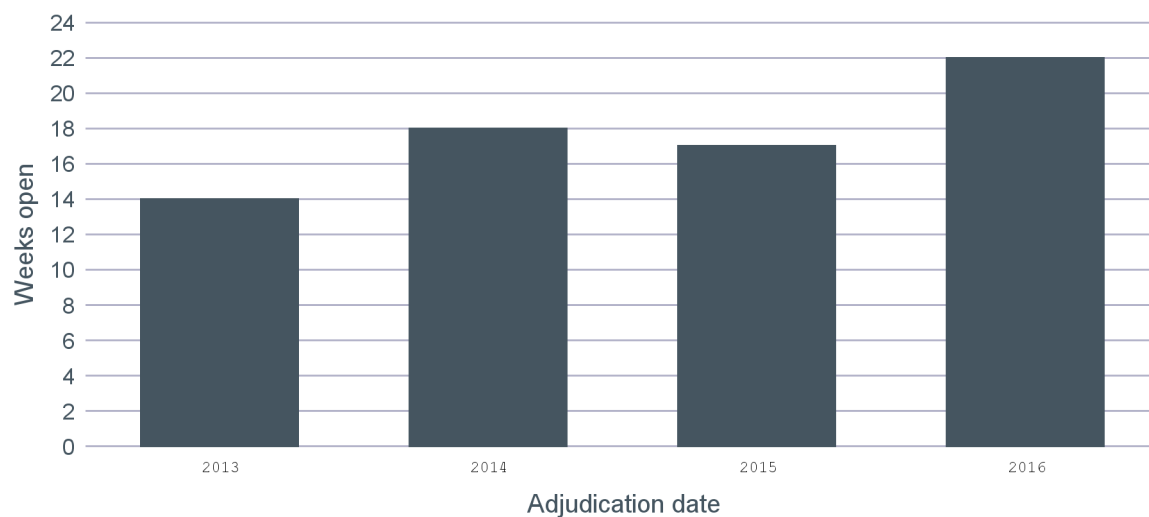


Annual view

4.4.5 Average Track 2 duration per Financial YTD (weeks) (Q1 comparable)

2013	2014	2015	2016
14	18	17	22

4.4.6 Average Track 2 duration per Financial YTD (weeks) (Q1 comparable)



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5.0 INDUSTRY SUPPORT

Overview

In addition to our investigatory and enforcement work, our regulatory toolkit also includes identifying and applying policy solutions to issues arising more generally in the market. The scope of the industry support we are able to provide includes:

- Holding our Code of Practice and supporting procedures to constant review, and updating guidance around these as necessary.
- Responding to requests for compliance advice.
- Providing the facility for industry Due Diligence to be undertaken.
- Commissioning industry-wide research initiatives.
- Finding ways in which barriers to high compliance can be broken down. These include working with an expanded and enhanced Industry Liaison Panel; making effective use of its Rapid Response Team mechanism where required; and our detailed programme of one-to-one meetings and engagement with industry representative bodies, network operators and service providers.

Comments

Demand for compliance advice peaks when we launch a new Code of Practice. This occurred in both July 2015 and June 2016.

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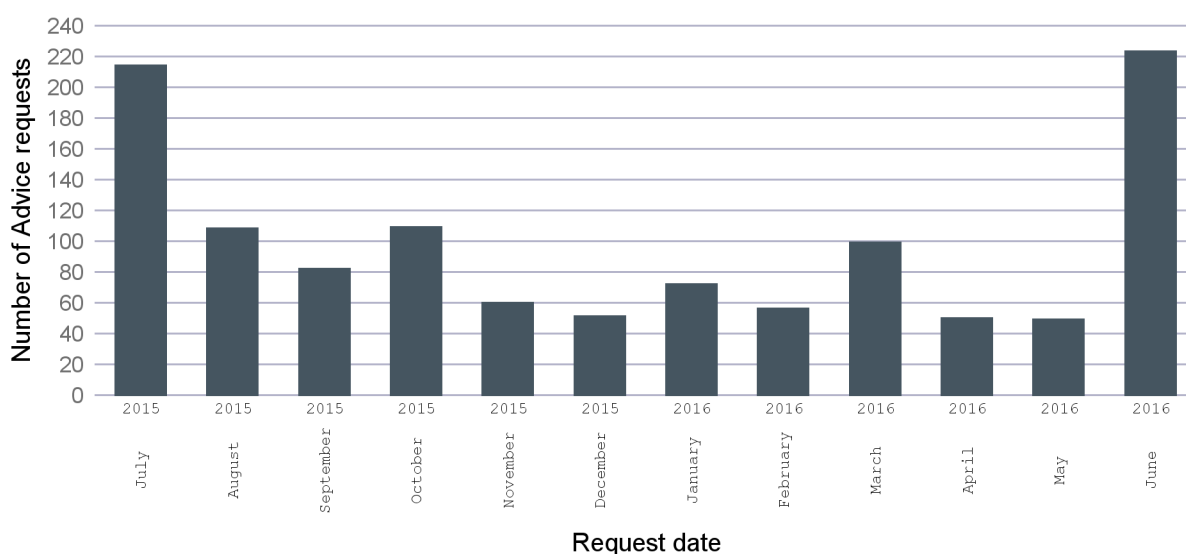
5.1 COMPLIANCE ADVICE

Overview

5.1.1 Compliance advice given

	2015	2015	2015	2015	2015	2015	2016	2016	2016	2016	2016	2016
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Requests	214	108	82	109	60	51	72	56	99	50	49	223

5.1.2 Compliance advice given



Definitions

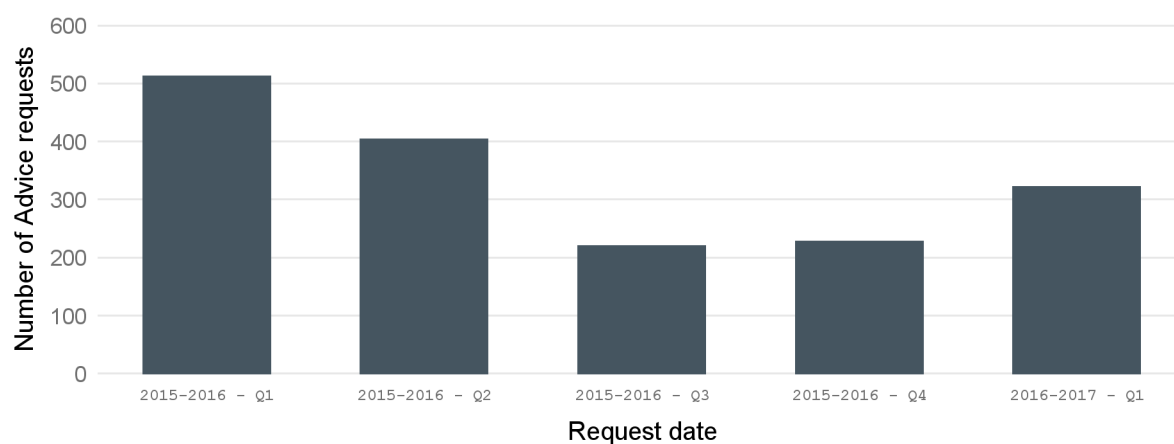
Compliance advice: a written piece of advice on how to operate PRS within the scope of the Code of Practice

Quarterly view

5.1.3 Compliance advice given

	2015-2016 - Q1	2015-2016 - Q2	2015-2016 - Q3	2015-2016 - Q4	2016-2017 - Q1
Requests	512	404	220	227	322

5.1.4 Compliance advice given

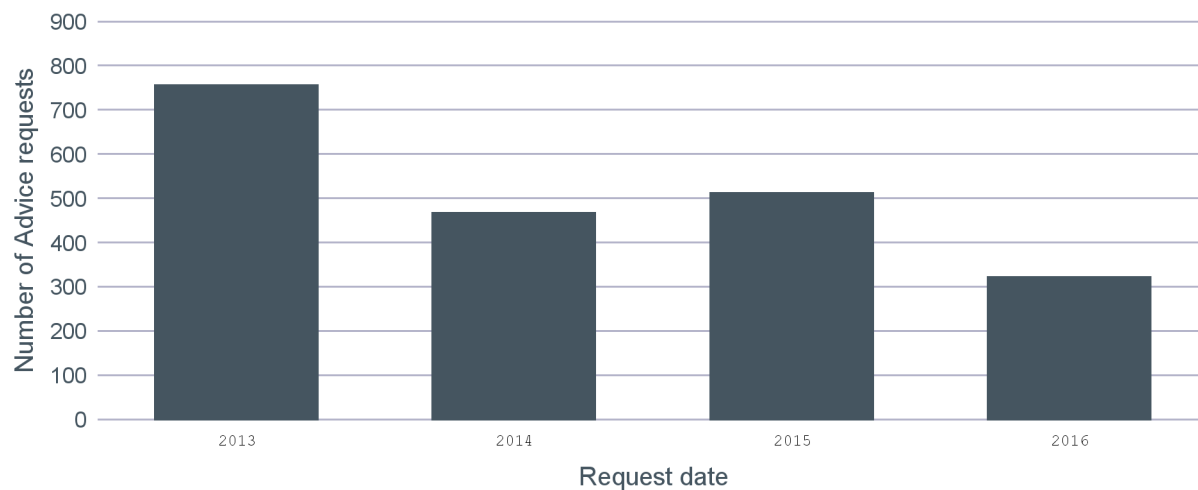


Annual view

5.1.5 Compliance advice given per Financial YTD (Q1 comparable)

	2013	2014	2015	2016
Requests	756	466	512	322

5.1.6 Compliance advice given per Financial YTD (Q1 comparable)



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5.2 DUE DILLIGENCE

Overview

5.2.1 Number of due diligence requests per month

	2015	2015	2015	2015	2015	2015	2016	2016	2016	2016	2016	2016
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Unique checks	311	294	267	191	204	155	213	212	205	195	229	333
Requesting orgs	46	34	39	36	40	30	40	29	38	39	43	43
Target orgs	245	240	228	168	178	136	154	187	172	161	192	276

5.2.1 Number of due diligence requests per month



Definitions

Due diligence request: Background checks that networks are required to carry out on potential providers

Unique checks: A unique incidence of a due diligence request between one target and one requesting organisation

Requesting organisations: The network or Level 1 provider carrying out the due diligence on a potential provider

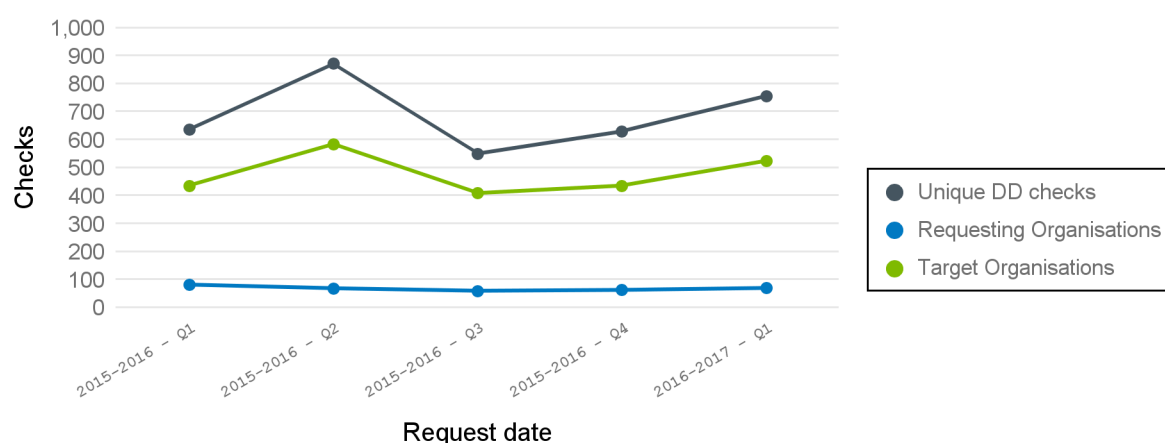
Target organisations: The potential provider being evaluated

Quarterly view

5.2.3 Number of due diligence requests per quarter

	2015-2016 - Q1	2015-2016 - Q2	2015-2016 - Q3	2015-2016 - Q4	2016-2017 - Q1
Unique checks	636	872	550	630	757
Requesting orgs	82	69	60	63	70
Target orgs	436	585	409	436	525

5.2.4 Number of due diligence requests per quarter (volume)

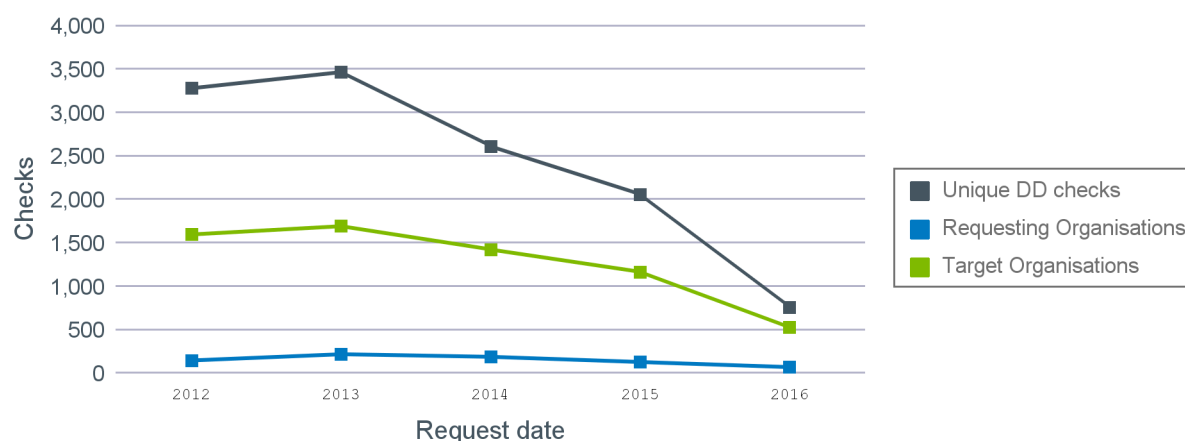


Annual view

5.2.5 Number of due diligence requests per Financial YTD (Q1 comparable)

	2013	2014	2015	2016
Unique checks	1,213	886	636	757
Requesting orgs	117	112	82	70
Target orgs	771	593	436	525

5.2.6 Number of due diligence requests per Financial YTD



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6.0 MARKET CONTEXT

Overview

Through the nature of our operations and the data we collect, we are able to provide an authoritative overview of the PRS market:

- The financial size of the PRS market is measured initially through the revenues collected by network operators, and then through the outpayments they make to aggregators after retaining their share of the value chain. It is to the outpayments figure that the industry levy is applied.
- Compliance with our Code of Practice includes automatic registration of services, although we provide financial exemptions for small businesses and charities. Through this we are able to demonstrate the number of organisations engaged in the provision of PRS services.

Comments

Outpayment figures for Quarter 1 2016/17 have been updated for this report.

Compared to the previous quarter:

- Fixed has increased by 2%
 - Comprised of: Landline up 5%, DQ down 1%, 087 up 2%
- Mobile has increased by 9%
 - Comprised of: PSMS up 13%, Voice Shortcode up 6%, Operator billing up 3%

Compared to the same quarter last year:

- Fixed has declined by 18%
 - Comprised of: Landline down 12%, DQ down 24%, 087 down 15%
- Mobile has increased by 28%
 - Comprised of: PSMS up 35%, Voice Shortcode down 6%, Operator billing up 24%

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6.1 OUTPAYMENTS

Annual view

6.1.1 Outpayments by payment mechanism (Financial year to date) *

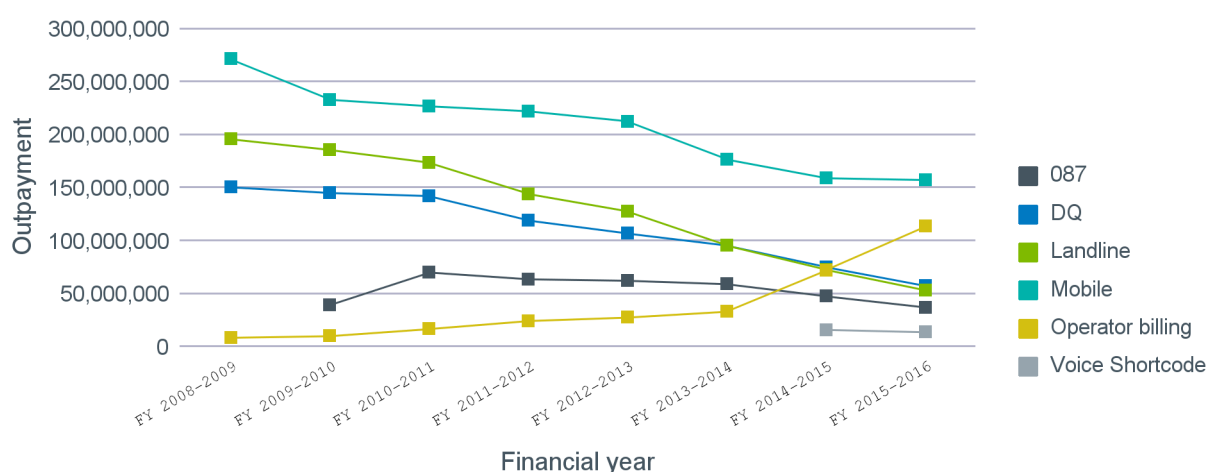
	PSMS	Operator billing	DQ	Landline	087	Voice Shortcode	Total
FY 2016-2017	47,499,581	31,976,066	11,919,527	12,837,015	8,851,660	3,493,464	116,577,313
FY 2015-2016	157,517,975	113,827,719	57,456,753	53,333,641	37,228,417	13,889,643	433,254,148
FY 2014-2015	159,208,322	72,407,015	75,311,151	72,807,041	47,773,800	16,082,943	443,590,272
FY 2013-2014	176,905,844	33,274,730	95,617,864	95,689,021	59,218,884		460,706,343
FY 2012-2013	212,884,919	27,704,566	107,022,378	127,863,110	62,439,519		537,914,492
FY 2011-2012	222,371,371	24,455,447	119,325,005	144,378,889	63,843,734		574,374,445
FY 2010-2011	227,115,647	16,864,696	142,379,680	173,877,266	70,262,751		630,500,040

* *up on previous financial year*
down on previous financial year

6.1.2 Outpayments by payment mechanism (current section of FY only - Q1)

	PSMS	Operator billing	DQ	Landline	087	Voice Shortcode	Total
FY 2016-2017	47,499,581	31,976,066	11,919,527	12,837,015	8,851,660	3,493,464	116,577,313
FY 2015-2016	35,216,442	25,798,209	15,758,779	14,591,245	10,459,049	3,698,358	105,522,080
FY 2014-2015	35,593,309	13,224,919	19,970,783	19,376,757	13,856,016	4,217,788	106,239,572
FY 2013-2014	43,111,214	7,767,383	24,119,064	26,580,682	15,320,771		116,899,114
FY 2012-2013	55,373,109	5,943,270	27,118,903	34,340,762	15,477,872		138,253,916
FY 2011-2012	50,623,678	4,501,230	31,113,889	40,551,649	16,296,526		143,086,972
FY 2010-2011	55,439,992	3,380,214	37,262,249	45,266,859	18,401,667		159,750,980

6.1.3 Outpayments by sector (complete years only)

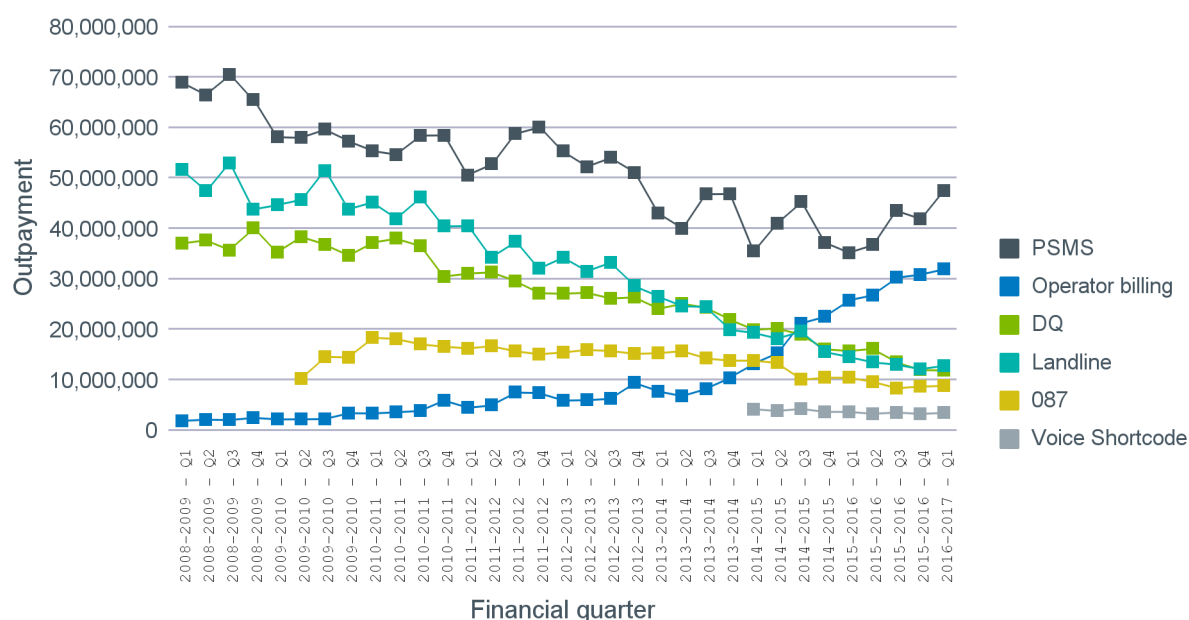


Quarterly view

6.1.4 Outpayments by sector by financial quarter

	PSMS	Operator billing	DQ	Landline	087	Voice Shortcode	Total
2016-2017 - Q1	47,499,581	31,976,066	11,919,527	12,837,015	8,851,660	3,493,464	116,577,313
2015-2016 - Q4	41,934,990	30,898,145	11,985,627	12,169,134	8,713,665	3,296,926	108,998,487
2015-2016 - Q3	43,588,431	30,297,876	13,508,146	13,065,253	8,383,861	3,573,445	112,417,013
2015-2016 - Q2	36,778,112	26,833,489	16,204,201	13,508,009	9,671,842	3,320,915	106,316,568
2015-2016 - Q1	35,216,442	25,798,209	15,758,779	14,591,245	10,459,049	3,698,358	105,522,080

6.1.5 Outpayments by sector by financial quarter



Definitions

PSMS: Premium short message services

Operator billing: A secure mobile payment service, includes payments via "Payfort"

DQ: Directory enquiry services

Landline: A sector of PRS services utilising Non-Geographic number ranges, including 087, 084, 118, 09

087: PRS services utilising the 087 number range. Prices range from approx. 5p per minute to 15p per minute. Typical services include Sales booking lines for Hotels and Cinemas.

Voice shortcode: PRS services utilising the mobile short numbering system which are designated to carrying voice traffic

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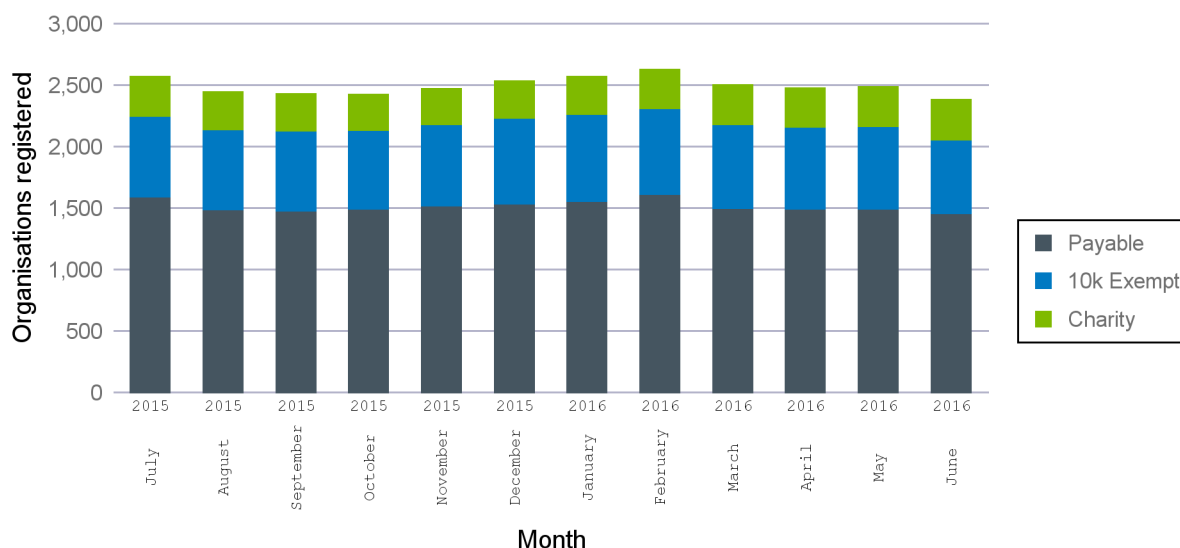
6.2 REGISTRATIONS BY TYPE

Overview

6.2.1 Total registrations by payment status per month

	2015	2015	2015	2015	2015	2015	2016	2016	2016	2016	2016	2016
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Payable	1,577	1,471	1,464	1,476	1,503	1,518	1,541	1,598	1,484	1,475	1,478	1,440
10K exempt	654	650	648	642	661	700	708	697	678	668	671	601
Charity	334	320	312	303	304	309	317	326	334	330	334	335
Total	2,565	2,441	2,424	2,421	2,468	2,527	2,566	2,621	2,496	2,473	2,483	2,376

6.2.2 Total registrations by payment status per month



Definitions

10k exempt: An organisation whose revenues are less than £10k is not expected to pay a fee in their first year of operation

Charity: An organisation which is a registered charity is not expected to pay a fee

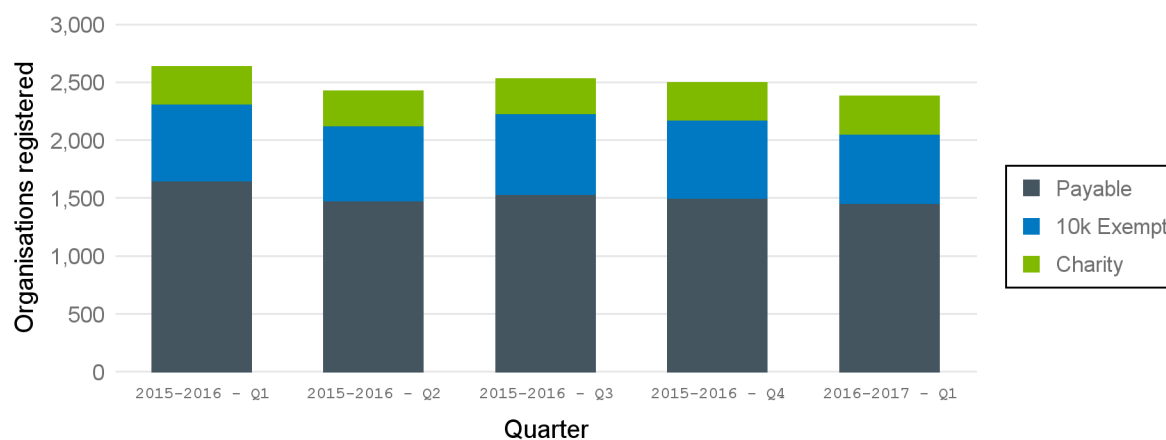
Payable: All other organisations are expected to pay a registration fee

Quarterly view

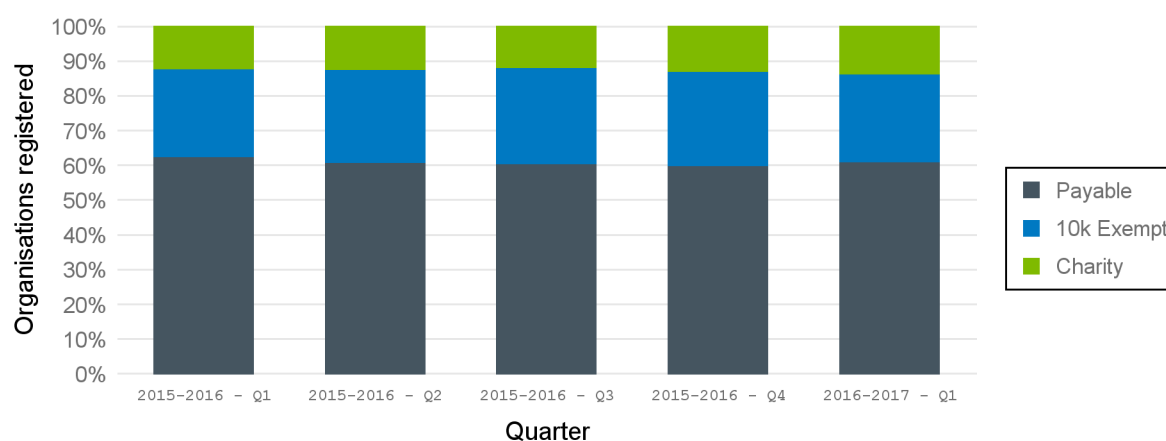
6.2.3 Total registrations by payment status per quarter

	2015-2016 - Q1		2015-2016 - Q2		2015-2016 - Q3		2015-2016 - Q4		2016-2017 - Q1	
Payable	1,634	62.1%	1,464	60.4%	1,518	60.1%	1,484	59.5%	1,440	60.6%
10K exempt	664	25.2%	648	26.7%	700	27.7%	678	27.2%	601	25.3%
Charity	334	12.7%	312	12.9%	309	12.2%	334	13.4%	335	14.1%
Total	2,632		2,424		2,527		2,496		2,376	

6.2.4 Total registrations by payment status per quarter (volume)



6.2.5 Total registrations by payment status per quarter (proportion)

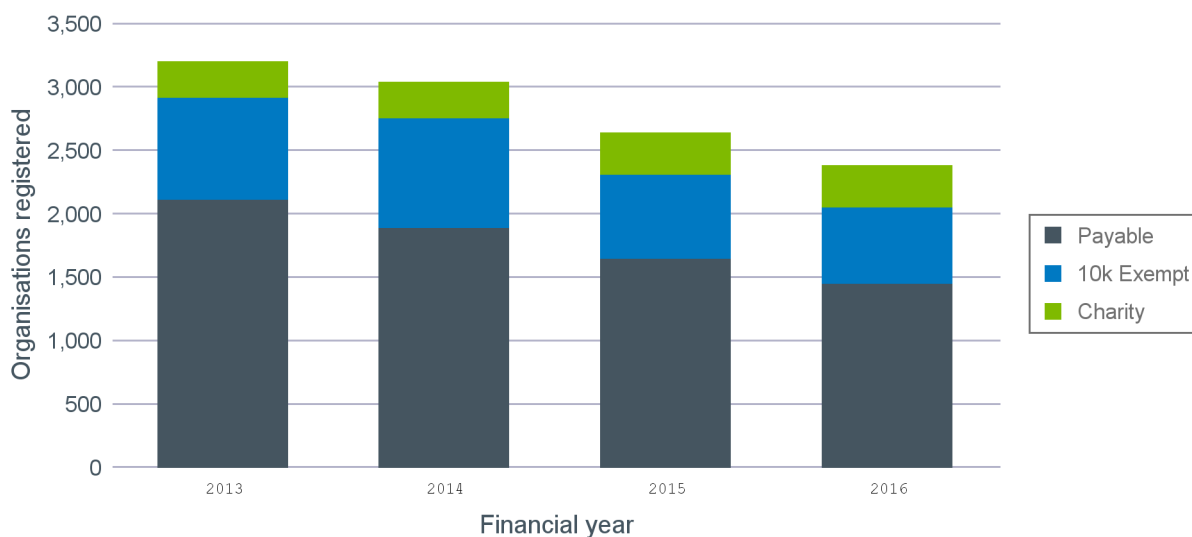


Annual view

6.2.6 Total registrations by payment status per Financial YTD (Q1 comparable)

	2013		2014		2015		2016	
Payable	2,103	65.8%	1,877	61.9%	1,634	62.1%	1,440	60.6%
10K exempt	805	25.2%	868	28.6%	664	25.2%	601	25.3%
Charity	288	9.0%	289	9.5%	334	12.7%	335	14.1%
Total	3,196		3,034		2,632		2,376	

6.2.7 Total registrations by payment status per Financial YTD (volume)



6.2.8 Total registrations by payment status per Financial YTD (proportional)

