

MINUTES OF THE 425TH MEETING
PHONE-PAID SERVICES AUTHORITY LTD BOARD MEETING

Wednesday 20 October 2021

10.00-13.00

Phone-paid Services Authority, 40 Bank Street, London, E14 5NR

Attendees:

Chair: David Edmonds

Board members:

Ann Cook

Meg Munn

Winnie Palmer

Jo Prowse

Mark Thomson

PSA Executive:

Peter Barker

Jonathan Levack

Ayo Omideyi

Simon Towler

Minutes: Emma Hurt

Apologies:

Gaicho Rasmussen, Ofcom

1. Standing Items

1.1 Introduction and apologies

The Chair welcomed members and attendees to the Board meeting. Apologies were received from Gaicho Rasmussen and Jane Rumble will be the Ofcom representative going forward.

1.2 Previous minutes, matters arising and action log [ref 1.2]

The previous meeting minutes were accepted as an accurate record of the meeting.

1.3 Standing and other declarations of interest

There were no declarations of interest recorded.

1.4 Chief Executive Report

The Chief Executive presented her report on activity across the organisation, and the Board noted the following updates:

- Code 15 has been published on schedule (20 October) and will come into force on 5 April 2022. The Executive thanked the Board for overseeing the process and acknowledged the positive effect the Ofcom secondment had been on shaping and delivering the Code. The Board thanked the Executive on the extensive work undertaken.
- Whilst the majority of focus has been on delivering Code, attention has been given to ICSS, which continue to be the mainstay of complaints causing a level of concern. ICSS remains an enforcement priority with a number of cases in the pipeline. The Executive continues to work with Ofcom and other parties, as well as keeping DCMS informed. PSA has put in place measures to the limit of its regulatory powers, including in Code 15 and continues to apply these as appropriate. Options discussed with both Ofcom and DCMS range from price caps which could be applied by Ofcom to a ban on ICSS which would need legislation and the support of DCMS. Within Code 15, the Executive noted DDRAC provisions have been strengthened and it is hoped the emphasis on due diligence will encourage increased assessment and management of risk on providers entering and operating in this sector. There is evidence that recent enforcement action has had a positive impact on ICSS. There is some increased public awareness following the Watchdog! item which included our consumer education messaging.
- PSA have responded to the Reforming Competition and Consumer Policy consultation published by BEIS. The new Code has aligned subscription provisions with the proposals recommended by BEIS.
- Consumer engagement with the Consumer Panel has provided useful insight and the consumer voice is increasingly positioned in regulatory development through a number of constructive channels including Ofcom's Communications Consumer Panel, Phone-paid Services Consumer Group and others.
- As expected, industry engagement has been focused almost entirely on the Code. Engagement is broadly constructive, and conversations have progressed beyond development to working collaboratively on the implementation of the Code.
- The test and learn phase for employees returning to the office has been successfully underway since September. The Resources Committee has a watching brief on the roadmap.

- The budget remains on course. The £100K previously set aside for extraordinary legal and other costs related to the Code has not been required to date, and any fines collected during the year will be used to replenish PSA's retained surplus reserves (which were depleted in 2020/21 by £700k).
- Complaint levels remain at their lowest levels for several years. Consumer contacts are now largely automated with resources directed towards our strategic purposes of verification, market monitoring and intelligence gathering.

The Board had a discussion on fixed costs and are keen to understand any differences between those currently in place and those expected under Code 15 i.e., in the 2022/23 financial year.

ACTION: The Executive will provide an overview of fixed costs in a covering paper to the consideration of the draft Business Plan and Budget 2022/23.

2. Items for discussion

2.1 Annual Market Review

The Executive presented the key findings from the Annual Market Review. Similar presentations have also been made to both the Consumer Panel and ILP:

- Consumer spend across the market fell by 2.7%. Charity spend increased whilst all other spending channels revenue dropped.
- It was observed the £40 donation point has been introduced for some telethons.
- While the charity, TV & Radio, and Betting, gambling, lotteries segments grew in FY2021, the majority of market segments declined.
- Some legacy voice-based services are in permanent decline, and they are not expected to recover.
- It was noted that services that we often receive high levels complaints about are declining in revenue. Regulatory activity has also driven bad revenue out of the market.
- Subscription services represent about 25-30% of revenue in the market with TV, radio and gaming making up the majority.
- The fall in Net Promotor Score (NPS) – an indicator of consumer satisfaction - has caused some consternation with industry. It was noted the fall is uniform across all market sectors. Comparison with other industries suggests that this may be due to the timing of the survey, which was conducted during the second long lockdown, indicating a broader

negative mood among consumers rather than a worsening of perception of phone-paid services across the board. It was emphasised no regulatory decisions will be made based on NPS alone.

The Board ask whether statistics on the age distribution for transactional vs subscription spending were available.

ACTION: Executive to investigate whether age distribution for transactional vs subscription spending data can be provided.

ACTION: Revenue data for Q2 will be presented at the November Board meeting.

3. Any other business

No further business was discussed.

Date of the next meeting: Wednesday 24 November 2021

Action log

Actions carried forward from previous meetings	Status	Notes
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Actions from 20 October 2021 meeting

The Executive will provide an overview of fixed costs in a covering paper to the consideration of the draft Business Plan and Budget 2022/23

Executive to investigate whether age distribution for transactional vs subscription spending data can be provided.

Revenue data for Q2 will be presented at the November Board meeting.