

# PSA Forum

Towards Code 15

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# Agenda



1. Welcome from David Edmonds CBE
  2. Regulatory updates
  3. Code 15
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# Regulatory updates

Regulation, market, complaints

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# Regulatory updates



- **October 2019: Updated ICSS special conditions**
    - Strengthened requirements across all number ranges
  - **November 2019: Subscription special conditions**
    - Introduced MFA, clearer payment environment and receipting
  - **December 2019: New strategic purpose**
    - Further clarification of our role
    - Signalled the shift in our approach to regulation
  - **February 2020: Consent to charge guidance**
  - **February 2020: Code discussion document**
    - Code development has been our policy focus in the last 12 months
  - **March 2020: PSA response to the pandemic**
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# Office holder updates



## Board



Mark Thomson



Winnie Palmer

## CAP



Alison Sansome

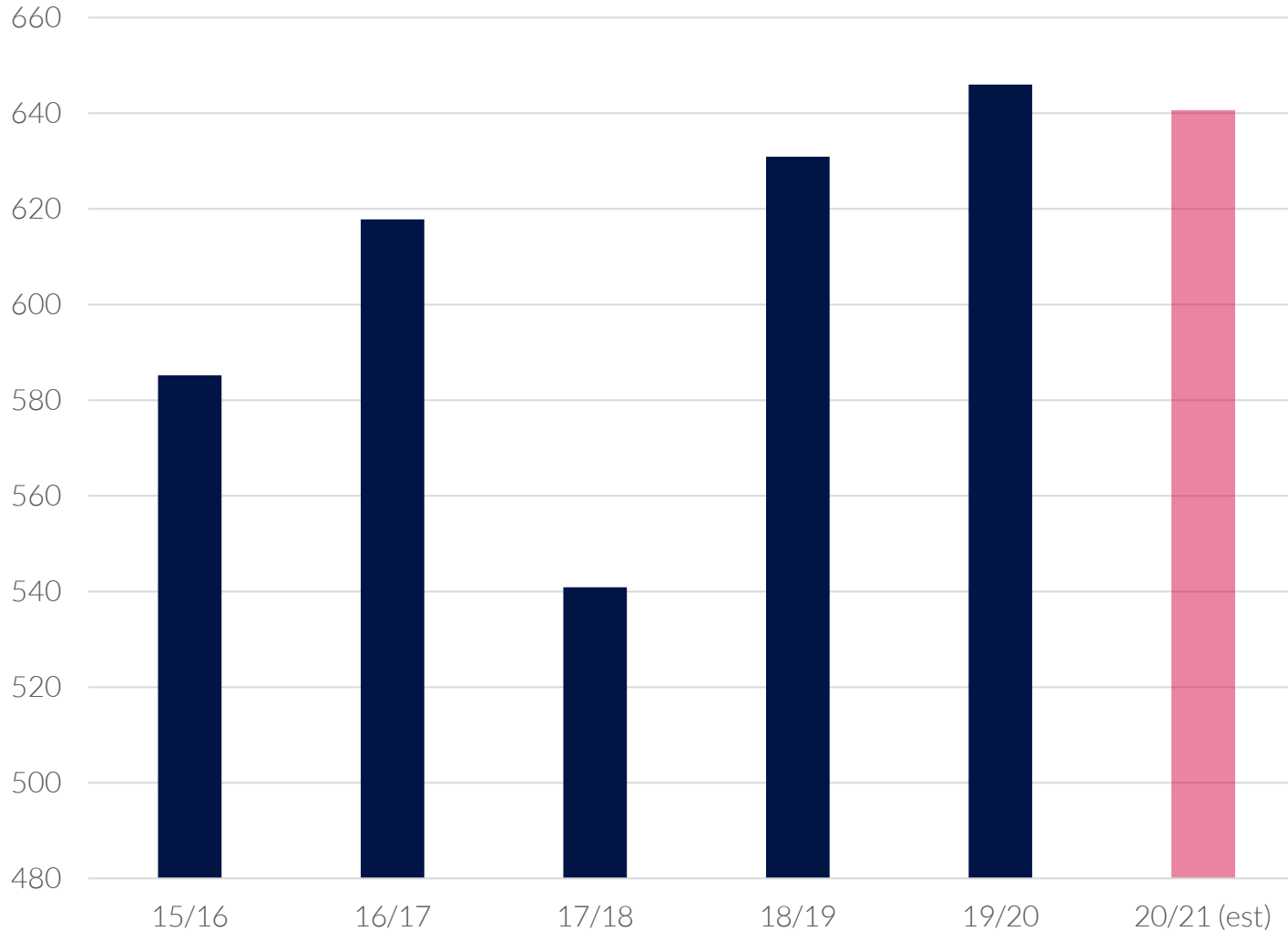


Desiree Artesi



# Market performing well in overall terms

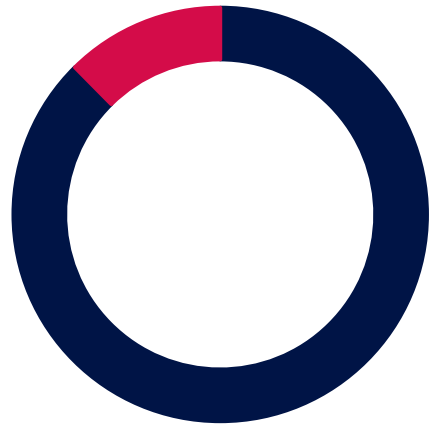
Revenues, £m by FY incl charity



- Market has performed solidly over the past 3 years
- FY20/21 still tbc, but we are expecting it to be close to FY19/20 despite the macroeconomic context
- Subs special conditions have had an impact on the market

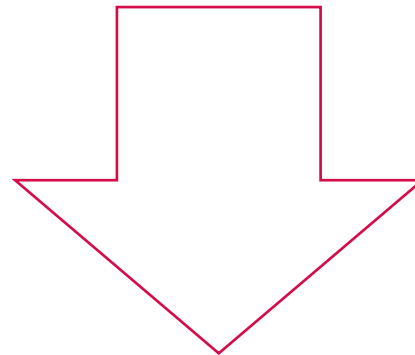
# Major market trends continue

88% of revenues are mobile

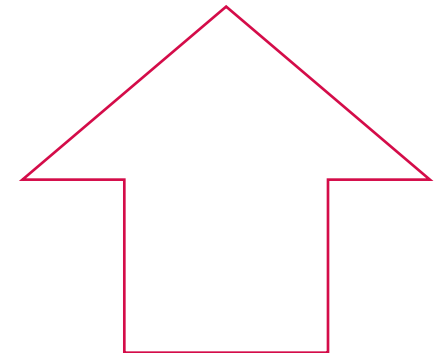


■ Mobile-based ■ Voice-based

Voice-based revenues expected to be below £80m this year



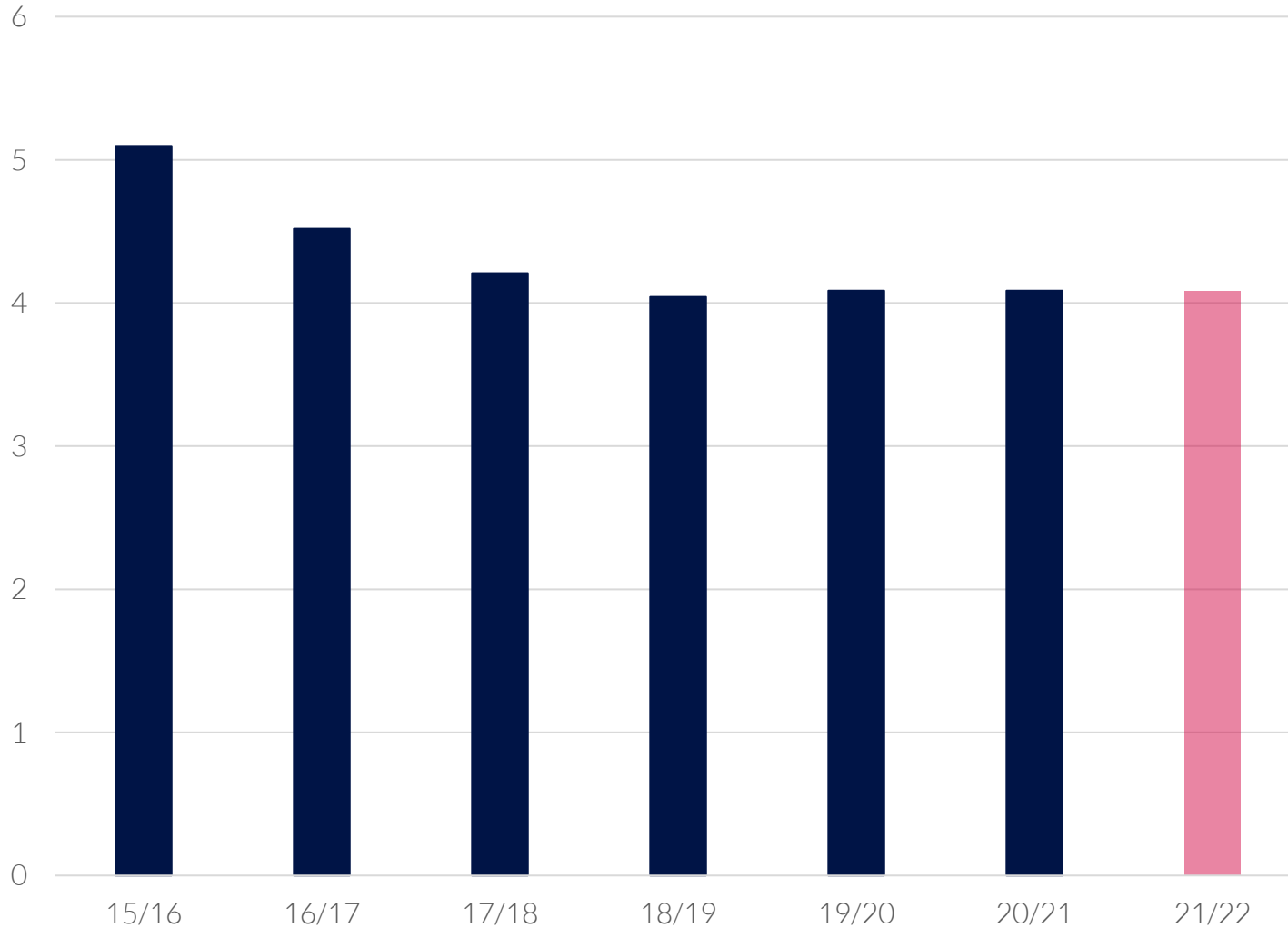
Mobile revenues are expected to be above £500m for the third year in a row



# Our budget has decreased by 20%



PSA budget, £m real terms



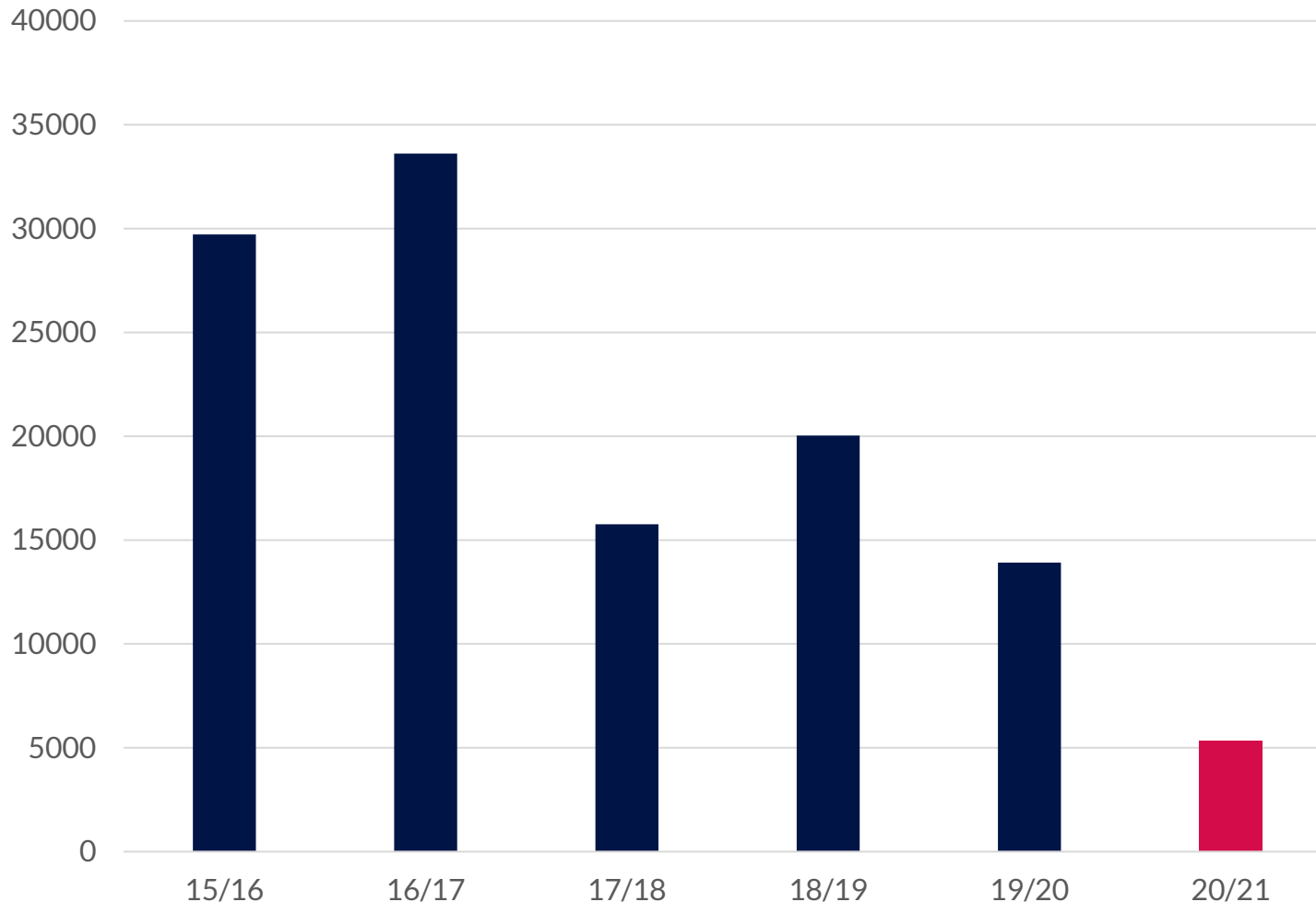
- Our budget has been a shade over £4m in real terms for the last few years
- During this period, the unadjusted levy has remained around the 0.8% mark



# Complaints to the PSA at their lowest level in 10 years



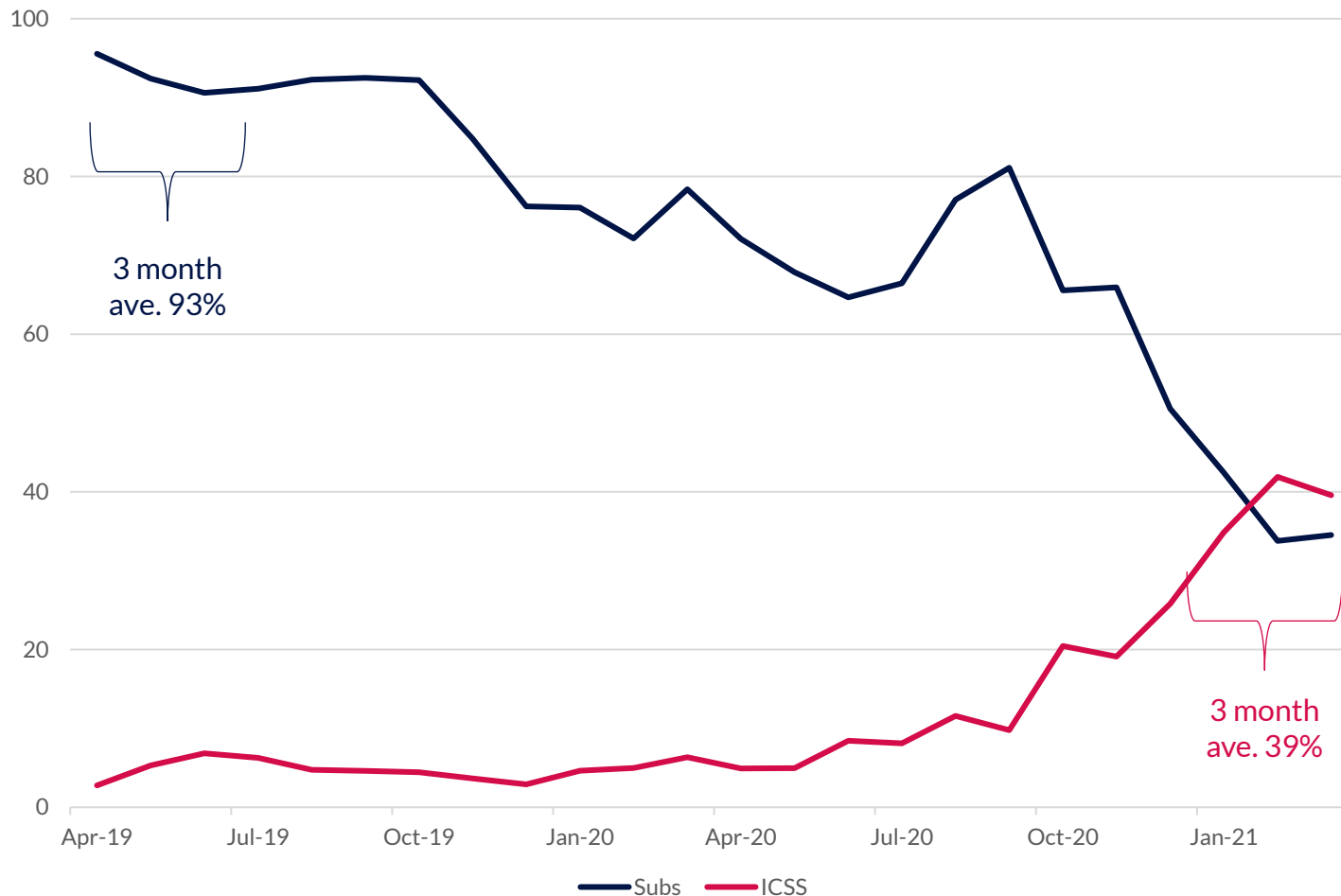
Total consumer complaints to PSA by FY



- Complaints this FY are below 2010/11 levels
- Total number/service checks also falling but not quite so significantly
- We continue to automate more than 98% of all contacts

# Spread of consumer complaints is also changing

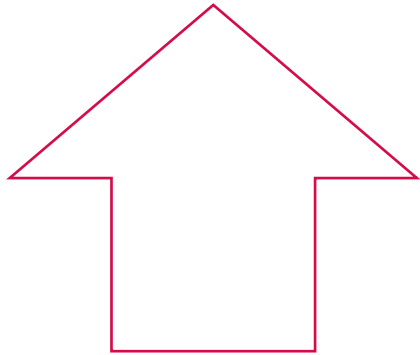
Proportion (%) of complaints about Subscriptions and ICSS



- ICSS is now the most complained about service type
- Subscription complaints have come down significantly in absolute and proportionate terms
- Complaints are also much more dispersed; we see fewer services generating very high levels of complaints

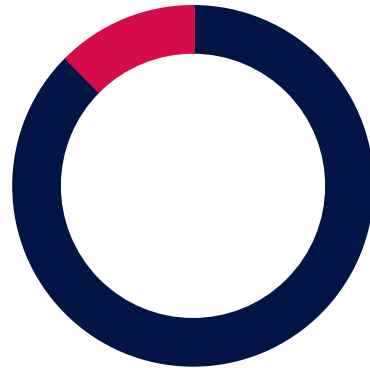
# In conclusion

Revenues

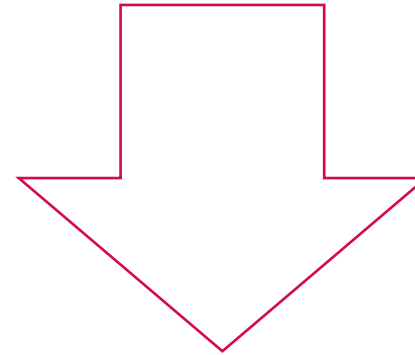


19% in three years

Predominately mobile market

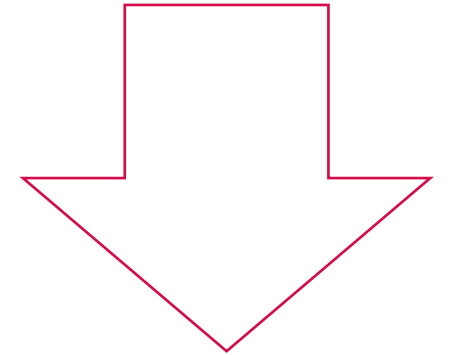


Costs



£1 million in real terms

Complaints



Lowest in a decade

# Regulatory updates

## Questions

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# Code 15

A new approach to regulation

## **CODE 15**

raising standards | preventing harm | simpler compliance | smarter enforcement

# The need for change

- **The market has changed significantly** in recent years and is fundamentally different to the market when Code 12 was introduced
  - **Outcomes-based regulation worked well during a period of market transition.** But regulation is now increasingly complex and employs several ex post fixes
  - **Consumer expectations have changed** in line with their experiences in other digital markets and changes in consumer legislation
  - **Enforcement can be slow and perceived as ineffective.** Code 14 enforcement tracks and powers are increasingly limiting our opportunities for timely intervention and optimal regulatory outcomes.
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# Our objectives

- We are proposing a new Code that is fit for a mature market that delivers what consumers want and allows us to implement our strategic purpose
  - We want our draft Code to:
    - introduce standards instead of outcomes
    - focus on the prevention of harm rather than cure
    - be simpler and easier to comply with
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# Raising standards

## **CODE 15**

raising standards | preventing harm | simpler compliance | smarter enforcement



# Standards create a higher level playing field, reduce ambiguity and leave ample space for innovation



- We are proposing to introduce 10 regulatory standards in place of 6 outcomes
  - They should result in a step change in market behaviour, ensuring high standards are followed by all
  - Standards should be clearer than outcomes and provide regulatory certainty
  - And they should not stifle innovation. Standards are not a return to prescriptive regulation
  - We also plan to retain the ability to be flexible to support good services
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The draft Code has 7 consumer and 3 organisational standards



### Draft Code 15 standards

1. Integrity
2. Transparency
3. Fairness
4. Customer care
5. Vulnerable consumers
6. Consumer privacy
7. Prevention of harm and offence
8. Organisation and service registration
9. DDRAC
10. Systems

# Integrity, transparency and fairness standards set the expected level of engagement with consumers

## Draft Code 15 standards

1. Integrity
2. Transparency
3. Fairness
4. Customer care
5. Vulnerable consumers
6. Consumer privacy
7. Prevention of harm and offence
8. Organisation and service registration
9. DDRAC
10. Systems

- New integrity standard sets out that providers must act responsibly and honestly
- Transparency standard ensures consumers can make fully informed decisions. It builds on the Code 14 outcome and incorporates relevant service specific Special conditions
- Fairness standard ensures consumers are not misled. It includes MFA for purchases made online (not all services as we had considered) and a subscription re-opt in.

# Customer care and vulnerable consumers standards combine existing Code requirements with current guidance

## Draft Code 15 standards

1. Integrity
2. Transparency
3. Fairness
4. Customer care
5. Vulnerable consumers
6. Consumer privacy
7. Prevention of harm and offence
8. Organisation and service registration
9. DDRAC
10. Systems

- New customer care and vulnerability standards bring in elements of current guidance into the Code to ensure consumers are treated well
- Customer care standard sets clear expectations about what a consumer should reasonably expect from a provider
- Vulnerable consumers standard brings together existing requirements from Code 14 and requires providers to have policies in place for vulnerable consumers

# 3 organisational standards set clear requirements for the technical aspects of the provision of services

## Draft Code 15 standards

1. Integrity
2. Transparency
3. Fairness
4. Customer care
5. Vulnerable consumers
6. Consumer privacy
7. Prevention of harm and offence
8. Organisation and service registration
9. DDRAC
10. Systems

- Org and service registration standard clearly articulates the information required to **operate** and gives fellow providers better information about who you contract with
- DDRAC combines current Code requirements, current guidance and additional updates that were delayed due to Covid
- Systems standard incorporates many of the requirements detailed in consent to charge guidance

# Preventing harm

## CODE 15

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## We want to work proactively with providers to stop harm without the need for costly and lengthy investigations

- A critical objective of Code 15 is to allow PSA to be a more proactive regulator that seeks to address potential harm before it emerges.
  - We propose to do this by moving to a model which has an **increased focus on verification and ongoing supervision.**
    - we want to ensure that all those operating in the market are acting with integrity by ensuring market entry is managed at an appropriate level.
    - we want to work with providers to build in best practice and compliance in the first place.
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# Verification

- We propose to introduce greater verification in the following ways:
    - Enhanced notification to PSA through the Registration Scheme
    - Strengthened DDRAC Requirements on networks & intermediaries to assess and control the potential risks of parties who they contract with
  - Both largely build on existing Code 14 requirements albeit with some new – mainly to ensure that PSA and industry have the right information readily available about third parties.
  - The principle of verification runs along the organisational standards proposed.
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# Supervision

- We want to work in an open and co-operative relationship with industry stakeholders through ongoing and proactive supervision
  - We propose to monitor compliance through various information-gathering activities, including consumer complaints, audits, data reporting and skilled persons reports
  - We will have regard to the following principles:
    - evidence-based judgement
    - forward-looking
    - focused on risk of consumer harm
    - co-operation
  - Supervision can be proactive, reactive or thematic.
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# Simpler compliance

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# Code 15 is intended to be simpler and easier to comply with



- Code 14 has become increasingly complex
  - The draft Code 15 is intentionally simpler and more accessible
  - Standards are intended to reduce some of the regulatory ambiguity associated with outcomes
  - We have removed much of the additional regulation associated with Code 14, streamlining where we can, including reducing need for additional guidance and incorporating elements of special conditions into the Code
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# A simpler Code structure

## Code 14 structure

### Code

- 6 consumer outcomes

### Special conditions

- 13 service specific sets of special conditions

### Guidance

- 14 pieces of general guidance
- 7 pieces of service-specific guidance

### Exemptions

## Draft Code 15 structure

### Code

- 7 consumer standards
- 3 organisational standards
- Service specific requirements

### Guidance (including best practice)

### Exemptions

# Smarter enforcement

## CODE 15

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Enforcement will remain part of our toolkit but we want to do so fairly, flexibly and efficiently



- Code 15 proposes a new approach to enforcement
  - This includes strengthened and expanded information gathering powers
  - We are proposing to introduce new engagement powers that will allow us to address less serious issues of non-compliance through agreed action plans
  - Where formal enforcement is necessary, we are proposing more secure interim measures, easier settlement processes and more efficient adjudications.
  - And where providers don't cooperate, Code 15 will enable us to move on with any investigation
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Engagement will be a key element of our toolkit and enable swift and informal resolution of less serious issues



# The benefits

## **CODE 15**

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# Code 15 will enable us to regulate differently in the interests of all



For consumers	For industry	For PSA
<ul style="list-style-type: none"><li>• <b>Clear and improved standards</b> in the market to meet consumer expectations and best practice</li><li>• <b>Raised expectations</b> for vulnerable consumers and post-purchase care</li><li>• A <b>focus on prevention of harm</b> before it happens rather than cure post event, building trust and confidence in phone-paid services</li></ul>	<ul style="list-style-type: none"><li>• A <b>clearer and simpler Code</b> to implement with fewer ex post regulatory fixes</li><li>• A <b>healthier market with confidence and certainty</b> that those operating in the market are legitimate through enhanced verification</li><li>• More <b>proactive engagement</b> from the regulator with networks and L1s to build in compliance and best practice, and therefore avoiding additional cost</li><li>• <b>Quicker resolution of issues</b> where possible, avoiding uncertainty and drawn out investigations</li></ul>	<ul style="list-style-type: none"><li>• A <b>healthier, more compliant market</b> with an improved consumer experience and confidence</li><li>• <b>More effective use of resource</b> to both prevent harm in the first place and target enforcement when and where required</li><li>• <b>Better information and co-operation</b> from regulated parties to enable the prevention of harm and streamline enforcement</li></ul>

# High-level impact analysis



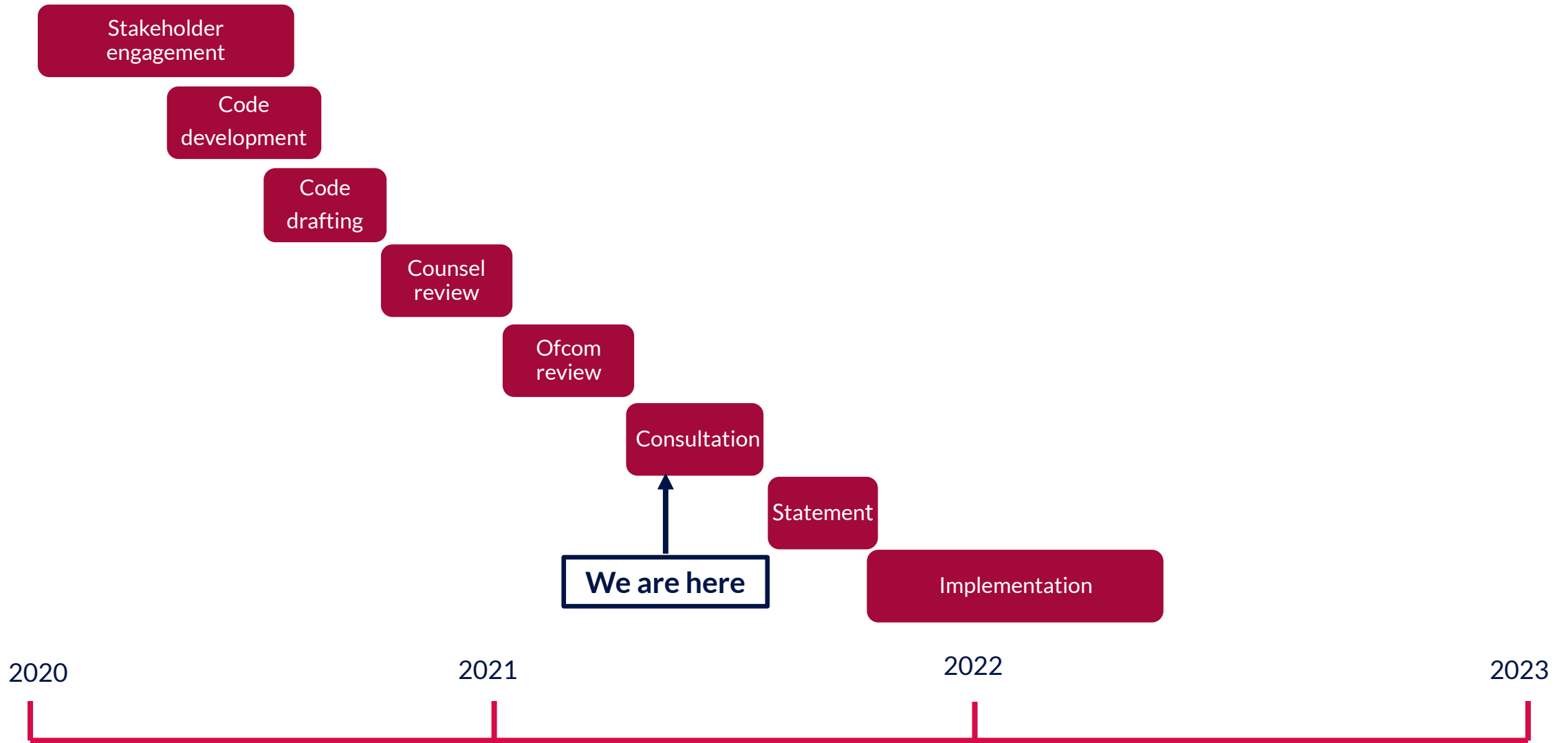
	Raising standards	Preventing harm	Simpler compliance	Smarter enforcement
<b>Benefits</b>	<ul style="list-style-type: none"> <li>Clarity and certainty for industry</li> <li>Improved standards for consumers</li> <li>Potential reputational benefits</li> </ul>	<ul style="list-style-type: none"> <li>Proactive engagement from the regulator</li> <li>Reduction in harm before it occurs</li> <li>Potential reputational benefits</li> </ul>	<ul style="list-style-type: none"> <li>Simplified regulatory system</li> <li>Certainty associated with standards</li> </ul>	<ul style="list-style-type: none"> <li>More opportunity for swift and/or informal resolution</li> <li>Enhanced settlement</li> <li>Opportunities for cost savings</li> </ul>
<b>Costs</b>	<ul style="list-style-type: none"> <li>Some related to individual standards</li> <li>Most standards should represent current good practice</li> </ul>	<ul style="list-style-type: none"> <li>Registration and DDRAC largely build on Code 14</li> <li>Supervision may carry additional cost, but these should be offset by less reliance on enforcement</li> </ul>	<ul style="list-style-type: none"> <li>We do not foresee any long term costs</li> </ul>	<ul style="list-style-type: none"> <li>Little cost impact for well-intentioned</li> </ul>
<b>Assessment</b>	<ul style="list-style-type: none"> <li>Standards should be clearer and easier for industry to implement and set minimum requirements that meet consumer expectations, while retaining the space for innovation</li> </ul>	<ul style="list-style-type: none"> <li>The focus on prevention of harm will enable us to work with providers to build in best practice and compliance, to avoid harm where possible, and deliver services that consumers trust and enjoy</li> </ul>	<ul style="list-style-type: none"> <li>A simpler Code is in everyone's interest</li> </ul>	<ul style="list-style-type: none"> <li>We believe a more effective and efficient enforcement will benefit all</li> </ul>

# The process

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# Progress to date



## Next steps

- We will run a series of webinars for more detailed discussion during the consultation period
    - Registration will open this week
  - We are open to having 1-2-1 meetings on request
  - Consultation will close on 5 July
  - Ofcom to publish their consultation very shortly
  - We aim to publish our statement in autumn
  - There will be an implementation period
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## In summary

- Code 15 is future-proof for a mature market
  - It aims to address some of the identified weaknesses with Code 14
  - It will:
    - Raise standards
    - Prevent harm
    - Be simpler to implement
    - Allow for more efficient and effective enforcement
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# Questions

## **CODE 15**

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