

Hi Peter

The following is Telecom2's response to this consultation. Please feel free to contact us if anything needs clarification:

## **About Telecom2**

Telecom2 are a voice network carrier with offices in London and Spain. Through the group of companies our focus is to at the forefront of technology, specialising in VoIP B2B and call centre solutions. T2 also specialise in micro payments across mobile, card services and age verification.

Telecom2 has a broad spectrum of clients including a number of Contact Centres, Print media companies, TV companies and a Premiership Football club.

We also still have some of the traditional clients on 09 PRS running Adult, Psychic and Competition services.

We welcome this opportunity to contribute prior to the formal consultation exercise on the PSA the business plan and budget 2020/21. This response was compiled using comments from clients and our own commercial and sales teams, who have regular contact with PSA, Consumers and Clients

Q1 – Do our plans for 2021/22 sufficiently deliver our role as a regulator? What else do you think we should be doing or not doing?

We were uncertain about responding to this question. Any plans made now could be significantly impacted by the final version of the 15<sup>th</sup> Code.

We do however feel that the higher charges will have a damaging effect on all providers, reducing the range of products available to consumers and pushing up prices of those products that continue to be available.

We are having some difficulty understanding why, if complaints are decreasing, the budget has had to be increased. We would have hoped that increases in efficiency requested last year combined with a reduced workload would bring about a reduction in the budget.

Fines are another issue. They seem to be increasing and have reached the point where they are no longer a deterrent, they are a barrier to entry to the market and discourage innovation. The fines are too high to be collected and, perversely, could be encouraging "bad actors" to quickly make as much money as possible from scams knowing they will be fined and go out of business. OFCOM recently said at 5% of revenue was an effective deterrent. Fines at this level would be collectable and unlikely to deter innovation as the consequences of inadvertently breaching the Code would be manageable.

We would also like to see PSA improve consumer protection by taking action against consumer's communications service providers, CSPs, who knowingly permit breaches of the code to continue in the knowledge that they will continue to receive revenue in the form of access charges and, if they invoke the AIT process, the service charges. It is extremely rare for them to refund their customers. There is potential here to reduce consumer harm by encouraging them to resolve issues as soon as they come to light, even if this is only contacting the L1 provider to warn them that a breach is suspected and why. Any withheld service charges withheld by Consumers CSPs could be claimed by PSA and used as contributions to the budget.

We are aware that there has been extensive research into how PRS is regulated in other countries and we would hope that this will be borne in mind when finalising the 15<sup>th</sup> Code, particularly staffing levels, industry involvement and a more representative and diverse in all respects Consumer Panel.

We would also like to see PSA more involved in consumer education. There is no obvious presence on Internet forums, where myth busting could usefully take place, or on the comparison web sites and consumer TV programmes. These could improve consumer knowledge and satisfaction and so reduce complaints. Industry can do some of this but it will be seen as biased, PSA would be seen as an independent consumer protection body and would carry more weight.

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Q2 – Do you have any comments on the proposed budget for 2021/22? If you recommend any changes, please clearly identify which areas of activity you expect this to impact upon.

We have concerns that the new budget and its associated levy are set so high as to damage industry. The budget is far higher than that of regulatory bodies in countries that are broadly similar to the UK with similar industries but with no more success.

The increase in budgets is not consistent with the reduction in complaint levels and there is no other clear justification for such an increase.

We note that while there have been welcome reductions in some areas there have been large unexplained increases in Overheads and People costs. While we wouldn't deny people pay increases the increase in People costs at 3% is in excess of inflation and most other organisations pay increases. In the light of claimed efficiencies and a head count reduction this doesn't look right.

It is claimed that overheads have reduced but they have been subject to a 20% increase, it is budgeted to be significantly higher than at any time in the previous six years.

The explanation for the increase in overheads, "in line with the expected necessary capital expenditure required to keep our technological capabilities up to date"

implies that additional equipment or systems are to be purchased. This doesn't however appear to be matched by an increase in IT systems or Telecoms, which have both decreased.

We have a concern about the cost of the accommodation currently occupied by PSA. It may be less costly than the previous offices but it is still a prime location with rents to match. There is no obvious operational or technical need to be located in Canary Wharf. We feel that PSA should be looking for accommodation elsewhere, still in London perhaps but at a lower rent

### Q3 – Do you have any comments on the proposed levy for 2021/22?

We are disappointed by the significant increase in the levy. As previously mentioned, given the lower apparent workload we would have expected the levy to reduce, an increase of the proposed magnitude could have a serious detrimental effect. It will certainly encourage major brands to look for alternatives to carrier billing,

Providers margins are constantly being squeezed. We anticipate an increase in bad debts and deferred payments. The proposed new levy is going to be a major additional burden on providers and could make lower priced services uneconomic to operate. This will either cause an increase in charges or cause some services to be no longer provided, either outcome is not ideal for the consumer. It is even possible that some providers will exit the market, Apple Pay and Google Pay must be seen as serious threats if they start competing on charges.

Fines are no longer set against costs but if fines were set at a more realistic level they would still be a deterrent but could be collected. Even if PSA were to obtain greater collecting powers as mentioned in the 15<sup>th</sup> code discussion document they are so high that individuals wouldn't have the funds to pay them.

### Q4 – What is your view on the estimated size of the market for 2021/22?

The size of the market looks to be dependent on an increase in Carrier Billing, premium brands with quality services. The rates for this are such that if a significantly cheaper method of almost frictionless payments enters the market there will be a significant migration away from Carrier Billing, causing a major drop in the size of the market.

While some providers have continued to do well throughout the pandemic, many have struggled. We also believe the size of the market, even though it is for 21/22, could be adversely affected by the Covid pandemic. Estimates based on previous data cannot be relied on.

Many companies have seen a loss of revenue and are having difficulty keeping going, many may well drop out of the market, this too will reduce its size.

Q5 – Do you have any other comments on the Business Plan and Budget 2021/22?

We would like to see more contemporaneous reports on complaint volumes and, if known, values. This can inform us as to where issues are arising and where they continue to be a problem. We understand that it was intended to produce such reports but none have been made readily available.

We would also like to see PSA widely promote good news, not just the complaints, in order to improve trust in phonepaid services and where false information is given in the media to actively correct it and press for publication of the correction

The full impact of the Covid Pandemic is not yet known but it is expected to be severe and could seriously damage the market. PSA are in a key position to help providers manage this impact, regulation could make or break it. We note the comments in the 15<sup>th</sup> code discussion document but would like to see lower, more realistic fines that are a deterrent rather than a barrier to entry and innovation and more able to be collected and clarity in guidance without the uncertainty caused by the current practice of caveating comments.

We feel there is a need for PSA to engage more with providers when complaints are raised by consumers so that we see feedback and outcomes, enabling us to take appropriate action. There is no reason why this cannot be done, Data Protection Legislation has been quoted as a reason why this is not possible but this is not the case, there are bases for sharing this data already in the DPA.

Regards



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