

ICSS Thematic Review

Key findings

2 February 2023

Overview

- The PSA launched a thematic review into ICSS services in late July 2022
 - It was launched because the PSA were concerned that the consumer experience of ICSS may be poor and that detriment is widespread. This was based on:
 - ICSS being the then most complained about phone-paid service
 - data previously provided to us suggested consumers did not fully understand ICSS and detriment was therefore prevalent
 - ICSS being a disproportionate cause of complaints relative to market share
 - ICSS featuring prominently in enforcement work.
 - The review sought to better understand the consumer experience and detriment in relation to ICSS and levels of non-compliance by providers in the market to assess whether further regulatory action is necessary.
 - In order to do this, the review intended to:
 - accurately size the ICSS market in terms of revenue and consumer engagement
 - understand the consumer experience of services, including (but not limited to) user numbers, what organisations consumers are being connected to (or seeking to be connected to), the cost of calls and call duration and the information that is provided to consumers when engaging with these services
 - assess complaints in the market.
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Methodology

- PSA wrote to all registered ICSS providers
 - Providers were required to provide transactional data, Interactive Voice Recording (IVR) messages, complaint data, promotional and marketing data, and revenue data
 - PSA sought a full year's data from all providers, covering Q2FY2021/22 to Q1FY2022/23
 - PSA then compiled the data and analysed
 - The following is a summary of these findings. All data refers to the period 1 July 2021 to 30 June 2022 only.
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Market size

2.2m calls were made to ICSS in a 12-month period

84.1% of calls were made from mobiles

Consumers spent a total of **£18.9m** on calls to ICSS^{1,2}

The average call cost was **£8.58**

¹ This figure represents service charge only and does not include access charge or any associated subsequent SMS. All subsequent analysis of calls costs relates to service charge only.

² This figure is approximately 30% higher than the Annual Market Review had estimated for the 2021/22 financial year.

Market participants

22 merchants were active during the review period

6 largest merchants accounted for **79%** of calls and **81%** of consumer spend

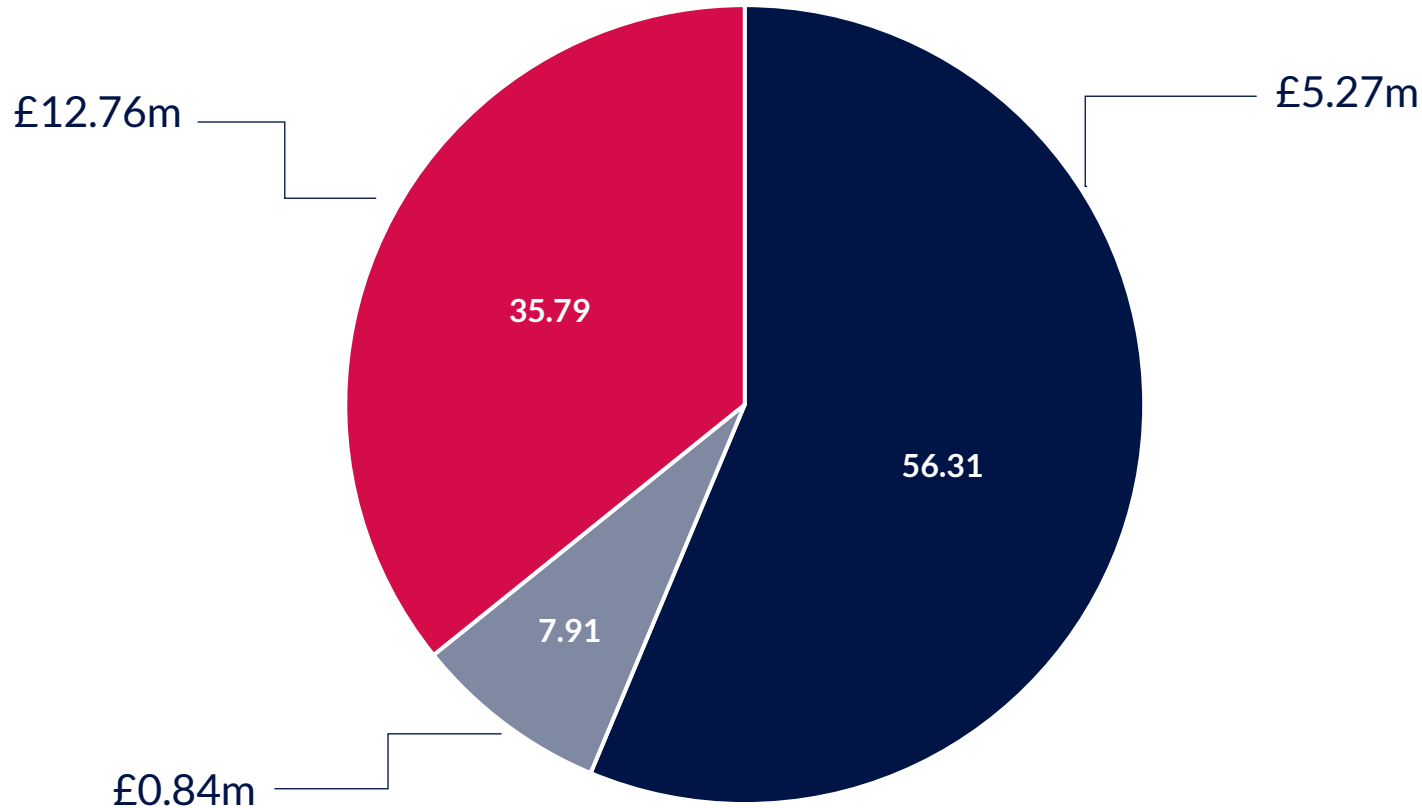
2 largest merchants accounted for **47%** of consumer spend

99% of calls were charged at the maximum price point available¹

¹ The maximum price points available are £3.60 per minute or a £6 drop charge, depending on whether a merchant charges on a per minute or one-off basis.

Consumer use of ICSS:

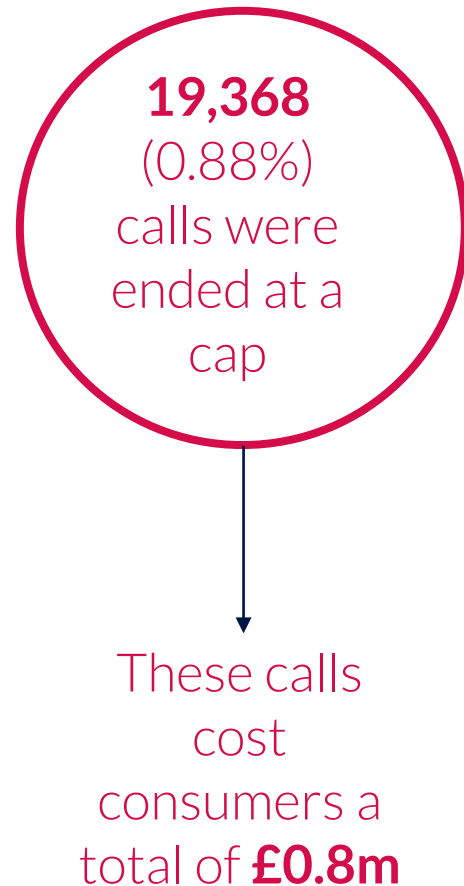
share of call volumes (%) by call duration and associated spend



■ hang up within 30 seconds ■ hang up between 30 and 60 seconds ■ continue with call

- The majority of calls to ICSS end within a minute
- 56% of total calls hung up within 30 seconds, with a further 8% hanging up before 60 seconds elapsed
- Consumers spent £5.3m on calls that ended within 30 seconds
- Consumers spent £6.1m on calls that lasted less than a minute.

Consumer use of ICSS: call caps



- 19,368 calls were cut off at a cap, whether imposed by regulation or self-imposed by the market¹
- Consumers spent a total of £0.8m on calls that were ended by a cap

¹ The Payment Systems Directive 2 telecoms exemption caps a single transaction at £40, beyond which a phone call would be subject to financial services regulation. During this review, we found that a significant proportion of merchants have chosen to be subjected to FCA regulation (either directly or indirectly) in order to enable calls to cost more than £40. We also found that a small number of merchants self-imposed a call cap at 1,500 seconds (equivalent to £90 at the £3.60/minute price point).

Consumer use of ICSS: call costs



Resulting in
£5.66m in
consumer
spend



Resulting in
£2.72m in
consumer
spend



End organisations and complaints

- Public sector organisations were the most sought after, particularly HMRC and DVLA
 - However, consumers connected to a large variety of private sector organisations as well
 - Merchants recorded 2,622 complaints over the 12-month period, equivalent to 0.12% of total calls
 - PSA received a total of 389 ICSS complaints over the same period, equivalent to 33.5% of complaints we received.
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Conclusions and next steps

- The data demonstrates that widespread market issues persist and there is significant consumer detriment that needs addressing. For example:
 - some consumers are incurring very high charges for single calls
 - many consumers are ending ICSS calls before they could have reached the organisation they were looking for or having calls ended before they may have reached their conclusion.
 - To address these market issues, we are:
 - considering a consultation on potential changes to the Code of Practice, which we would aim to publish as soon as is possible
 - considering whether ICSS providers will be required to continue to provide periodic data to the PSA for an appropriate period
 - engaging stakeholders to see what further action we can take to inform consumers about ICSS.
 - We take enforcement action against ICSS that show serious non-compliance with the Code of Practice.
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