



Via email: consultations@psauthority.org.uk

Attn: Ms Emma Bailey
Phone-paid Services Authority
25th Floor, 40 Bank Street Canary Wharf
London E14 5NR

15 October 2018

Dear Emma,

Re: Call for Inputs Review of Phone Paid Subscriptions

We are Boku, Inc., the world's leading direct carrier billing company. We appreciate it that you have sought our feedback on the review you are undertaking of phone-paid subscriptions.

We agree with you that there is potential for significant innovation and growth across phone-paid subscription services, and likewise, we want to see a space where consumers have confidence in the product, and where they are protected from harm.

In accordance with the Call for Inputs, we have provided our responses to the questions posed.

Q1: What are your views on the review objectives set out on page 4? Has the PSA got the right scope or are there areas the PSA should include or exclude?

We submit that the scope is accurate, and aligns with the ambitions of the review.

Q2: Some subscriptions generate high levels of complaints, whereas others with similar numbers of subscribers generate very few. Do you have any views on the regulatory measures that would better support growth and innovation across the subscriptions, whilst ensuring consumers are protected from harm?

The PSA should publish the contact ratio of complaints for subscriptions, relative to the total number of transactions taking place for a particular provider / merchant (the transaction data to be provided by the mobile network operators). Mobile network operators can be notified and urged to take responsive measures based on certain thresholds being reached.

Q3: Do you agree that different subscription services may require different regulatory responses? Do you have any thoughts on what this variation could look like?

Any regulatory responses should be risk based.

For example, phone-paid subscription services that require an account and login are more secure, and as such the PSA rules should be relaxed for these services.

Remedially, contact ratios can also lead to the identification of risky merchants / providers.

Additionally, we note your comment that “there are also risks associated with low levels of friction” (ie consumers not realising they had entered into a transaction).

In our experience, subscription services from AAA merchants with minimal friction generate negligible rates of consumer complaints, but constitute the bulk of revenue for the mobile network operators.

The fault therefore cannot be in the manner of the consent obtained or the lack of friction in the flow. Rather, it is our conclusion that more risky merchants / providers are intentionally obfuscating the transaction flow with a view to manufacturing false conversions.

Adding friction to a payment flow will harm the good actors and stifle innovation and development in the industry. Instead, the PSA and mobile network operators should look to limit bad actors that would abuse or misuse this flow based on objective risk determinants including contact ratios.

Q4: Is there any other information or evidence that you would like to provide to PSA to assist it to undertake more detailed analysis of the existing framework, including around where you see subscriptions heading?

We have seen very high growth in mobile payments in the United Kingdom over the past 12 months. A large proportion of this is from growth in phone-paid subscriptions for AAA merchants.

Vigilance is needed at the PSA and at mobile network operators to promote trust in direct carrier billing if growth is to continue, especially for AAA merchants.

Q5: Do you have any experience or evidence to share about effective regulatory approaches in the other jurisdictions or methods of digital payment in which you may be operating, that have successfully balanced adequately protecting consumers from harm, as well as supporting innovation and growth?

We note your comment that “the phone-paid services context is more complex than some other forms of payment, such as credit cards or PayPal”. This is a point we have been raising for many years with the PSA and mobile network operators.

Whilst other payment forms are becoming easier to use, merchants continue to face challenges with poor commercial terms and uncertainty in carrier billing. Simultaneously, consumers lack confidence in the payment method because of risky merchants / providers.

In our experience, markets where there is more trust in direct carrier billing services, both on the merchant and customer side, have higher volumes of transactions, and thus higher revenue figures for carriers. Because of the trust in the payment method, transaction price-points and spend limits tend to be higher in these jurisdictions.

Although much of the burden is on the mobile network operators to streamline operations, by providing certainty for merchants, and in weeding out services and providers that bring high risk levels, the PSA plays a crucial role in this as a centre point for regulation and risk determination.

Sincerely,

[Redacted Signature]

Boku, Inc.

