Phone-paid Services Authority Consultation on Business Plan and Budget 2020/21

Vodafone Ltd Response
24th February 2020

We support the need for the United Kingdom to have proportionate and balanced regulation in the Charge to Mobile market and has worked alongside industry and the regulator to deliver a largely compliant market. Vodafone welcomes the opportunity to respond to the Business Plan and Budget proposed by the Phone-paid Services Authority (PSA) for the Financial Year of 2020/2021.

This response must include the acknowledgement that the PSA has flagged that work has started to construct the 15th Code of Practice and although the scope document is not as yet published, the expectation of industry is that a significant opportunity available for major changes to the regulation of the premium rate service industry.

Further to this PSA has already started conversations around how the next (2021/2022) budget will be funded due to the absence of any significant value of collected fines.

This next financial year should be one of significant preparation for a new style of Phone-paid Services regulation in the UK.

Vodafone has absorbed the accompanying business plan and budget document and acknowledges the care and thought laid out in the pages and feels it right to challenge the assumptions asserted in the explanation of the budget.

Over the previous 4 years the UK premium rate market has changed in many areas, not least because of the introduction of special condition on Online Competitions and Adult Entertainment Services and the redrafting of special conditions regarding Subscriptions that was enacted on the 1st November 2019. It’s accepted generally by industry that the new special conditions are yet to show through in complaint figures.

Alongside the changes in regulation, the industry has conducted detailed research into security standards, formulated and delivered the Security Framework Declaration to drive standards of cyber security and in March 2020 all industry actors in the Charge to Bill market will need to represent their ongoing certification credentials.

Vodafone submits that the PSA’s own complaint figures have shown a massive drop in complaints over the previous 16 months and the graph below demonstrates that drop. Who so ever claims credit for the drop in complaints, it is clear that complaints have consistently declined and with a few easy fixes could decline yet further.
Vodafone understands that any complaint in this market may be considered to be one too many and Vodafone will continue to drive compliance to regulation and close off opportunities for cyber fraud on a continual basis.

That said, Vodafone does not accept that the PSA needs to build a regulatory infrastructure based on future and as yet undefined threats. The PSA should take the opportunity in the construction of the 15th Code of Practice and formulation of the next Budget to streamline investigation procedures to reflect the speed of change in the market and the success of collecting fines.

We understand that PSA will use the Levy return figures of the market to demonstrate that the Premium Rate Service industry continues to grow where the expectation was for the market to shrink. This balancing act of increasing growth covering the decline of other sectors masks the major shift in the market of digital payments; there are fewer small merchants in the UK market using the Aggregator partners and those large corporates in the market are generally focused on App Store based services.
8.1. Please structure your consultation response as answers to the following questions:

Q1 – Do our plans for 2020/21 sufficiently deliver our role as a regulator? What else do you think we should be doing or not doing?

Vodafone is totally supportive of carefully laid regulation however Vodafone is of the view that the PSA has implemented sufficient regulation and needs to ensure actors in the market deliver on the requirements to prevent consumer harm as opposed to investing large amount of resource investigating harm. Vodafone’s analysis demonstrates there are two areas of uncheck consumer harm;

1. To allow subscription acquisition via Premium SMS without specific acquisition audit requirements on the L1 and
2. No requirement to analyse source traffic of digital purchases before a subscription is accepted. This must be MNO controlled.

Also this year the PSA must divert sufficient resources to ensure that the Registration scheme works effectively and that both industry and consumer can have confidence in the data held by the PSA on the industry sector that they regulate.

Q2 – Do you have any comments on the proposed budget for 2020/21? If you recommend any changes, please clearly identify which areas of activity you expect this to impact upon.

The PSA should focus investigation spend on services that have clear breaches of consent. The PSA should use the concept of fixed penalty fines, limited instances of non-compliance result in immediate fines which means that revenues remain in the value chain to be collected rather than police grade investigations which take so long that the offending merchant is no longer available to pay the fines.

Q3 – Do you have any comments on the proposed levy for 2020/21?

Vodafone alongside the industry accepted the mechanic laid out by the PSA several years ago and therefore accepts the levy delivering to that plan however the requirement to evaluate the levy delivery mechanism is linked to the re-structure of the investigatory requirements of the code of practice and the supporting structural edifice required to support this.

Q4 – What is your view on the estimated size of the market for 2020/21?

Q5 – Do you have any other comments on the Business Plan and Budget 2020/21?

As commented above, the headline figures of the market review may be delivered and Vodafone expects the growth in Premium SMS competitions to continue to grow, as well App Store purchases however the independent Blue Chip organisations will still find the “high risk” market requiring copious amounts of “Special Conditions” to operate to be unattractive.