

Consultation response form

Consultation on the regulatory framework for phone-paid subscriptions

Please complete this form in full and return by email to consultations@psauthority.org.uk or by post to Emma Bailey, Phone-paid Services Authority, 40 Bank Street, London, E14 5NR.

Full name	[REDACTED]
Contact phone number	[REDACTED]
Representing	Organisation
Organisation name	aimm – Association of Interactive Media and Micropayments
Email address	[REDACTED]

If you wish to send your response with your company logo, please paste it here:



We plan to publish the outcome of this consultation and to make available all responses received. If you want all or part of your submission to remain confidential, please clearly identify where this applies along with your reasons for doing so.

Personal data, such as your name and contact details, that you give/have given to the PSA is used, stored and otherwise processed, so that the PSA can obtain opinions of members of the public and representatives of organisations or companies about the PSA's subscriptions review and publish the findings.

Further information about the personal data you give to the PSA, including who to complain to, can be found at psauthority.org.uk/privacy-policy.

Confidentiality

We ask for your contact details along with your response so that we can engage with you on

this consultation. For further information about how the PSA handles your personal information and your corresponding rights, please see our [privacy policy](#).

<p>Your details: We will keep your contact number and email address confidential. Is there anything else you want to keep confidential?</p>	<p>Delete as appropriate: Nothing</p>
<p>Your response: Please indicate how much of your response you want to keep confidential.</p>	<p>Delete as appropriate: None</p>
<p>For confidential responses, can the PSA refer to the contents of your response in any statement or other publication? Your identity will remain confidential.</p>	<p>N/A</p>

Your response

Please enter your response to each of the consultation questions in the appropriate box below.

aimm welcomes the opportunity to respond to the Phone-paid Services Authority (PSA) consultation on Subscriptions. To assist aimm in providing a comprehensive input to the Phone-paid Services Authority, aimm communicated with its Members in the following manner;

- Full day workshop for Members
- Working group meeting
- Written input from Members
- One-to-one discussions

Information gathered from all those who attended/submitted feedback in all these ways is presented below.

aimm Members who operate in the Phone Paid Services markets are broadly split into seven categories although there is some overlap inside individual Member businesses.

Fixed Line Networks who are often Fixed line L1

Mobile Networks

Mobile L1 aggregators

L2 providers of traditional PRS services (fixed line, PSMS, and DCB)

Broadcasters (who are often L2 providers)

Charities and Charity enablers (who are often L2 providers)

Industry Support companies

aimm sought responses from Members across all of the represented industries and in this paper varying views are represented.

One of our Members (Alchimie) has carried out significant work in operating comprehensive trials of the PSA proposals, and has submitted the results in slides to the PSA. The trials will be referenced in our response but the slides themselves are confidential and as such have been submitted under separate cover, by Alchimie to the PSA.

Some of aimm's Members may input their response directly to the PSA through their regulatory staff or regulatory representatives. Wherever possible, we ensure that views of members made through independent responses are in synergy with aimm's collective views.

As our response is guided and supported by Members input, some views may be expressed that are not necessarily those of the aimm Executive or aimm's Board of Directors

Consultation questions	Your response
<p>Q1. Do you agree with the PSA's assessment that the evidence gathered from the research and other information, data and inputs considered support implementation of Special conditions for all subscriptions as an appropriate and proportionate response? If not, please set out your alternative approach and the supporting evidence.</p>	<p>Not confidential</p> <p>aimm Members recognise that there is clearly an issue with the volume of complaints being received in this area, and are in favour of the implementation of appropriate and proportionate measures that build consumer trust.</p> <p>aimm Members noted the complaint data considered within the consultation document, however some did not feel that the breakdown was comprehensive enough to be able to assess whether such a fundamental change in regulation is appropriate and proportionate or is a potentially significant risk to those operating subscription services. A considerably fuller breakdown of the source of complaints in terms of type (PayForIt vs. PSMS), method of subscribing, age of complaint, whether it was a weekly or monthly subscription, age of consumer (child/adult), amount charged, the reason for the complaint (I didn't sign up/I no longer want this/there has been fraud on my account etc), content sector and source (business responsible) was requested to serve to identify the problem services/businesses. Members are concerned that if this data is not properly analysed before this</p>

consultation concludes then the PSA run the risk of applying blanket regulation blind. Some Members also questioned what constitutes a complaint and asked if a consumer who has not been in touch with a merchant can be fairly classed as a complaint if they are not in possession of all the facts? These Members suggest that the most common approach across all industries is for the consumer to contact the provider in the first instance before going to the regulator/ombudsman and would like clarity on this point.

Some of the requested data has now been provided (25.04.19), though it has not been possible for the PSA to provide data on age of service/complaint, method of subscription or more detailed service type. In the graph in Figure 3 'Total Assessed Complaints by Service Type' Members requested that the PSA add revenue figures to this graph so the comparison can be properly measured and discussed. Unfortunately it was not possible for the PSA to provide this breakdown. Some Members suspect that the revenue brought in across the two compared services – Non-Broadcast Competitions or Quizzes' and 'Other (including Adult)' would be minimal, demonstrating that there is little traffic in these areas, and hence few complaints.

Having reviewed the complaint data received from the PSA, some other Members agreed that whilst the data was incomplete, they nonetheless supported the principle of what the PSA are looking to achieve. These Members are supportive of not only the spirit of the proposals but of the implementation of Special Conditions for subscription services and feel that consumer trust and hence the longer term viability of the industry will flourish under these Conditions.

Some Members felt that education and awareness of charge to mobile would solve these identified issues if the mechanic was marketed properly and explained clearly enough.

Some Members have seriously questioned whether the solutions being proposed are appropriate and also queried what evidence there is to show that the solutions proposed will solve the issue at hand. They cite the last six months complaint data showing a decrease in PFI complaints (2 click flow which will not be permitted under new Special Conditions) which are on a downward trend whilst PSMS subscription

services – conversely in the main sitting behind a PIN - make up not only a large chunk of the complaints, but have also seen a very significant recent rise.

Some Members had a further query around the collection of data from satisfied subscription users, that could be considered in balance with the complaint data, to ensure that applying Special Conditions would not be ‘using a sledgehammer to crack a nut’.

By nature, the implementation of Special Conditions is akin to designating a service as "high risk", Special Conditions could have a dramatic negative impact beyond the wording of the conditions themselves, so Members feel it is critical to ensure they are applied appropriately, not in a wholesale fashion.

The PSA made mention, for example, that the charity sector receives very few complaints, however under the consultation proposals some donation mechanics could be dramatically affected. Charity Members state firmly that the implementation of Special Conditions in their sector is neither appropriate nor proportionate. These Members (from small to very large) ask that Charity services be removed from this consultation. Where long-standing Charity Members have spent years optimising their donation services to maximise conversion (whilst receiving very few complaints), these donation models have to work financially to cover their costs whilst maximising the opportunities for the charity to do good. As such, in regular giving, the sort of drop in conversion (40% drop off) that has been seen in other double opt in processes where they are used in other countries or in online/telemarketing within this sector will put this model at significant risk and does not seem appropriate or proportionate. Evidence shows that this extra step confuses those wishing to donate and that they do not realise that the additional step is required to complete the process. The flow needed to make a double opt in work, simply may not make sense to the consumer and the PSA are asked to reconsider carefully how they clarify the two step Charity flow in light of this.

Additionally, some Members feel that these conditions may not address the problem in its entirety – as in fact fraud may play a part in the complaints received. This is not considered in the consultation. Significant work in Security is being undertaken and some Members feel that this should be allowed to reach its conclusion before any further proposed changes are considered, to enable proper analysis of the results of this work.

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Alongside the work on fraud that is underway, there have been changes in the Consent to Charge area by the majority of the Mobile Network Operators.

One Network implemented an on page PIN loop system in early 2018 and ruled in 2019 that new PSMS content services must use a dedicated short code per Content Service. This measure, if implemented cross network could make it easier for consumers to identify the provider supplying the content and so encourage direct contact with the merchant and reduce contacts to the PSA and MNOs.

One Network – in May 2019 - updated their PFI mandate by requiring any service and/or content found and consumed through their network or wifi connected device to include an additional offline consent to charge step. Examples were given as PIN or MO.

Effective from the end of June 2019, a further Network will require the consumers to go through an additional PIN loop to confirm a purchase.

This shows that the consent to charge proposals outlined in SS5 and SS6 are already, effectively, in operation (or about to be) through MNO PFI rules across three of the four MNOs. This MNO activity, alongside the information submitted by an aim member on their trials of various Consent to Charge methods (see below) and the anti-fraud solutions being implemented by another Network to increase security are an opportunity for the PSA to consider the results of these measures and effectively determine what is a proportionate response going forwards.

One Member has gone so far as to trial some of the proposals over a period of months, to establish what the flows will look like in practice, how they will perform in terms of conversion rate, and what the customer satisfaction rate (complaint rate) is likely to be. This has been a costly and comprehensive exercise and has yielded evidence for this response which is detailed below, and slides which have been submitted under separate cover due to confidentiality of commercially sensitive information.

The first two trials that were carried out ran over a period of six months and piloted the PIN flow mechanic proposed in the consultation. There was a differentiation between the two however, in that one PIN arrived by SMS and the other appeared in a

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Captcha type format within the environment that the consumer was purchasing from. In the trial where the PIN was delivered to the user by SMS (meaning they had to leave the environment in which they are interacting), conversion rates were extremely low – and as a commercial model simply would not be sustainable in the long term and represents a significant risk to ongoing business. There was a low complaint rate, due to the lack of sign ups. In the second trial where the PIN code was presented within the environment in which the consumer was interacting, results were more promising but still considerably lower than current conversion rates, with a similar complaint rate.

A further trial was carried out, piloting a monthly offer, with the objective of moving DCB users from a weekly charging cycle to a monthly charging cycle – as seen in popular TV/movie/music subscription services that currently exist. This was done in order to normalise the DCB experience for the consumer, make it more familiar to them and educate them that DCB is another way to pay for a monthly subscription. Whilst this had a lower conversion rate than the average currently achieved the complaint rate was very low – in fact no complaints at all have been received regarding this mechanic. In this flow, there is no PIN entry. Screen 1 explains clearly the cost per month, the trial period and that the cost will be charged to the mobile phone bill. Screen 2 shows the cost and trial period again, but also presents the user with their mobile number (starred out aside from the last digits) and their mobile network operator, reminding them again that the charge will be applied to their bill. This fulfils the objective of familiarising consumers with the concept of using DCB to purchase monthly subscriptions, and making it clear the charge will be added to their phone bill. Trials of different cost models/free trial periods are ongoing with this model and results will be shared when they are available.

The final trial carried out focussed on the differentiation of the payment page from the previous page/s enabling the consumer to clearly appreciate that they are in a payment environment and are about to make a purchase. The page/s leading up to payment are displayed using the usual brand images, colours and wording, with a CONTINUE button at the bottom of the page to move the user to the payment page. The payment page however is entirely different. The objective was to create a payment page that was

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familiar to consumers and very simple in design, mainly black writing on a white background with a recognisable format that resonates with users as being a purchasing environment. The page displays the Mobile Network Operator logo and the fact that the charge is placed on the mobile bill in red font at the top of the screen. Underneath this is the price, the trial period details, and the PAY NOW button, which is green. Underneath the PAY NOW button is the MSISDN (starred out but for the last digits) and the Mobile Network Operator once again. The PAY NOW button is located in the middle of the screen. This has been deliberately done so that the consumer cannot accidentally click the CONTINUE button (from the previous page) and the PAY NOW button in succession due to the varying locations of two buttons. The conversion rate for this trial was good, and attracted a low complaint rate, of around 2%.

The trials that this Member has carried out demonstrate that there are alternate ways, other than those prescribed in SS5 and 6, which would be appropriate and proportionate responses to the evidence gathered prior to this consultation.

In taking this further, and formulating a method that satisfies a code entry mechanic, this Member suggest a flow which - when the user reaches the payment page - asks them to enter the last four digits of their mobile number as a code, reinforcing the notion that the MSISDN is known to the merchant and that the charge will appear on their phone bill. This method is currently in use in the UAE. Additionally, this Member has suggested an alternative which has a double click on a final payment page, asking the user to click a terms and conditions box to show that they are aware that the charge will appear on their phone bill and that they understand the terms of the service (wording to be agreed with the PSA/MNOs) before then clicking the PAY NOW button. This flow is currently in use in Australia. Finally, this Member suggests that wherever possible, showing multiple payment options alongside a carrier billing option will assist in normalising it as a payment method and increase its familiarity for consumers.

In order to drive usage of their service, and ultimately customer satisfaction this Member has also amended their welcome message to include the URL to install their app (which has excellent take up), and prompts users three weeks into the four week billing cycle to

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interact with the service, helping to increase awareness and usage. The results of all of these actions create a compelling case for the PSA to consider options other than those proposed in SS5 and 6 to ensure that consumers remain informed, satisfied and engaged with services that they subscribe to, whilst allowing the market to thrive commercially.

This Member, and other Members feel that exemptions from Special Conditions should be considered for those providers to apply for, if they demonstrate a premium offering and excellent customer service. These KPIS are suggested as being based on customer care (number of contacts, entry points to customer care, communication with customers, opt out methods and rates, engagement and usage stats and reputation), product and content development (service application, various payment methods, regular product updates and content additions) and prevention actions (blacklisting childrens placements, using trustworthy ad networks, partnering with a capable monitoring platform and clarity of marketing).

Members note that the PSA state that *“The main problem is that the use of KPI’s implies that there is an acceptable level of non-compliance with the PSA Code of Practice”* but as stated again below, these Members disagree with this conclusion, and reiterated that there is no market sector in existence that received no complaints whatsoever. KPIs would set a benchmark that measured the query/complaint level to assess whether it was reasonable as a complaint does not automatically equal non-compliance with the Code.

In terms of the Jigsaw Research, Members looked primarily at the subscription flow image presented within the report. Members noted that whilst this was the ideal flow that the consumers involved would want to see when entering a subscription environment, this flow was informed by them viewing services which those consumers had already been exposed to, and that they were not shown suggested flows put forward from industry that could optimise the payment experience whilst reducing consumer harm.

There was some confusion caused by the pictorial representation of the flow - which came to light when Members attempted to link the Special Conditions to the related flow screen. Members also felt that the flow was contrary to the research findings that consumers want to know they are in a payment

	<p>environment, by not suggesting the words “Buy Now” or “Pay Now” on the final payment screens. Members also felt that the proposed receipting requirements were in direct contradiction to the Jigsaw findings around service messages being viewed as spam if received too frequently. (See Question 3 for our full response on this point).</p> <p>Members had little feedback on the research from the Consumer Panel. Some Members did however question the assertion from the Panel that service messages should follow the billing frequency. The concern here was that sending a receipt to the consumer each time they incur a charge for their subscription (in SS8) may well be overkill. (See Question 3 for our full response on this point).</p> <p>Members noted and generally accepted the research presented from Craft, Futuresight and the AMR.</p> <p>In the Call for Inputs the varying views represented were noted, however Members did question the sentence on suggested KPI’s which states <i>“The main problem is that the use of KPI’s implies that there is an acceptable level of non-compliance with the PSA Code of Practice”</i>. Some Members disagree with this conclusion, and reiterated that there is no market sector in existence that received no complaints whatsoever. KPIs would set a benchmark that measured the query/complaint level to assess whether it was reasonable as a complaint does not automatically equal non-compliance with the Code.</p> <p>*AMR 2017/18</p>
<p>Q2. Do you agree with our proposed approach that the proposed Special conditions be applied to all phone-paid subscription services to create clarity and certainty for providers of subscription services, with any additional requirements under other Special conditions not being replicated in the proposed conditions?</p>	<p>Not confidential</p> <p>Some Members are very concerned that there is not enough data to support the implementation of Special Conditions on all services (see above Q1.) and in fact applying Special Conditions to services where consumers are enjoying satisfactory experiences at the current time will provide confusion rather than clarity in these areas.</p> <p>Some Members feel that only elements of the Special Conditions should be implemented (namely SS5 and SS6) as the other elements are generally not required</p>

	<p>or already in place in the PayForIt scheme rules.</p> <p>Generally Members agreed that where there are requirements under other Special Conditions – these do not need to be replicated.</p>
<p>Q3. Do you agree that the research and other information, data and inputs we considered support action on each of the identified issues outlined in this document? If not, please provide supporting evidence?</p>	<p>Not confidential</p> <p>Members are divided on this Question. They have given careful thought to each of the identified issues and provided their feedback. In each instance the balance of the ‘action’ (or Special Condition) related to the appropriate issue has been considered. Some Members agree that action is required to tackle all of the issues that have been identified. Some Members agree that some of the identified issues require action. Some Members do not agree that action is required in the form of Special Conditions. It is important to note here that some Members who do not feel that the information, data and inputs support the action of Special Conditions have still given feedback on the wording of SS1-9, in order that the nuance of each action (Condition) has been properly considered, should they be implemented either wholly or in part.</p> <p>Clarity of information provided to consumers in discovery and sign up</p> <p>Members generally agreed that it is important for the entire customer journey to contain an identifier that can be recognised and traced from the start of the process through to post sales support. However, it was noted that the PSA Code of Practice 2.2.2 states <i>‘Promotional material must contain the name (or brand if part of the name) and the contact details of the Level 2 provider of the relevant PRS except where otherwise obvious. If the contact details include a telephone number, it must be a UK number and not at premium rate’</i>. As such, SS1 could be seen to be duplicated here. Members also generally wondered if the word ‘brand’ – in SS1 and above in 2.2.2 – is appropriate. An example of this might be a named game (Candy Crush), purchased from a brand (King) , from a website (Amazon). The consumer would most likely recognise the game name, and the website, but is unlikely to retain any memory of the brand name. In this case, some Members felt that the condition would be better written as: <i>PRS providers must make clear the common identifier</i></p>

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of the current service being offered to and used by the consumer – this may be achieved by prominent brand management and display.

This might then require a change to 2.2.2 to avoid confusion.

As an aside, but in relation to the proposed action taken in each Special Condition, Members requested further clarity around the specifications noted in SS1 and SS2 and whether they are required on the landing page (and not the banner). Following further discussions between aimm and the PSA, it is now understood that this has been left deliberately flexible but must appear on one of those screens. The PSA also clarified that the Jigsaw research flow – whilst conceptual and not a standard - intends Screen 1 to be a promotional screen and therefore represents SS1 and SS2.

Friction and consumer consent to charge

Some Members suggested that in an Outcomes based Code, SS5 and 6 are too prescriptive and ask what evidence has been collected to suggest that these are the only appropriate solutions to fix the problems identified.

The PSA have put out an addendum adding MO SMS to the list of acceptable Consent to Charge confirmation mechanics but some Members are concerned that limiting the list to three solutions could (exclude current models which can operate with low levels of complaint (see tests above) and/or stifle innovation in this area. Members instead suggest that a more principles-based and appropriate set of words in this instance could be:

Prior to delivering the initial charge of a subscription service, providers are required to obtain 'double opt-in' consent to charge from the consumer in the form of a positive, recorded and auditable response where the costs and name of the premium rate subscription have been presented clearly to the consumer.

PRS providers must establish such consent via one of the following means of consumer interaction:

(a) Use of a password system, the password being selected and controlled by the consumer

(b) Use of a secure PIN loop system, which must be

initiated and confirmed by the Level 1 provider (2) through interaction with the consumer. The secure PIN must:

- comprise no less than four truly random digits*
- expire if after three attempts the consumer has not entered the PIN correctly*
- expire within one minute of the PIN being received to the consumer's handset.*

(c) use of a secure, consumer-controlled, mobile originating short message service (MO SMS) system for consumers to notify the Mobile Network operator and Level 1 provider(s).

(d) a secure method of obtaining consent to charge confirmation from the consumer, evidence based to show that the consumer themselves has positively interacted with the service, fully auditable to demonstrate what the consumer has seen and inputted.

Examples of this have been considered in our response to Question 1, and could include consumers inputting the last 4 digits of their mobile phone number, filling in a Captcha –like interaction, tokenisation, voice confirmation, receiving a PIN or secure embedded link within the purchasing environment (as opposed to an SMS), a double click containing a Terms and Conditions box and a distinct purchasing page with confirmation buttons placed sufficiently apart to remove the risk of click training. This is not an exhaustive list and flexibility needs to be allowed here so as to encourage innovation in this area.

Some Members had a concern that - when considering app store purchases – a username and password would be required on every occasion when subscribing to, upgrading or adding onto a service, meaning app stores wouldn't satisfy the proposed Conditions currently but have sought reassurance from the PSA that this is not the case. The PSA have confirmed that where a consumer has created an account and password (which would include an app store account), and is then able to use a confirmation button or biometrics to confirm a subscription purchase, this would satisfy both SS5 and SS6 of the proposed Special conditions for subscription services.

Members would like this clarification to be explicit in the consultation outputs.

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Some Members have concerns that the implementation of PIN as one of the options listed will remove the impulse element of purchasing, which is precisely what this mechanic is best suited to. If this occurs, then the cost of acquisition per user will increase leaving less revenue to reinvest in content, and ultimately meaning the quality of services may be at risk of reducing.

Additionally it was generally agreed across participating Members that the PIN expiration limit of one minute is unworkable and does not allow for network traffic. Members suggested that a much longer time be allowed which is a more practical and realistic expiry time, or that the 'three attempt' rule is satisfactory, without imposing a time limit on the PIN entry at all.

Some Members were initially concerned with the Special Condition relating to the PIN loop being initiated and confirmed by the L1, as they felt this 1) put too much onus on the L1 and 2) limited the opportunities for companies offering PIN provision services in the market. The addendum states that: *This function may be undertaken by an independent capable third party on behalf of the Level 1 provider. Where a Network operator contracts directly with a Level 2 provider (i.e. there is no Level 1 provider involved in the provision of the service), the function may be undertaken by the Network operator.*

Members were reassured that the option to obtain PIN provision services from specialist providers is available to them, though note that the responsibility to ensure the credibility of the PIN provision (and thus the business providing the service) lies with the L1.

It is important that the regulation remains tech neutral and encourages competition. Members therefore welcome and support the PSA amendment that enables robust verification to be carried out by an independent and capable third party approved by the L1 provider.

Use of the word 'capable' is noted. There is currently no standard set for 'capable' PIN providers which some Members feel is a risk and suggest an 'approved supplier list' would be useful.

Considering the level of harm presented by PSA (both for Payfort, Principle flow and PSMS), some Members

are concerned that the Special Conditions fall short by not requiring the consent to charge verification mechanic to include an anti-fraud element. The complaint data analysed by PSA shows the main cause of complaint is 'product not requested' and there are increasing complaints about PSMS (using PIN mechanic for verification). The PSA has acknowledged that while the scale of mobile PRS fraud is unknown, more investigatory work should be carried out and some of the work is covered by the joint PSA / MNO security framework project. Some Members feel strongly that this should have been carried out prior to the recommendation of SS5 Special Conditions, which will restrict certain subs flows and Industry investment, without determining that fraud may have been a contributing factor to the complaints. It is not known what percentage of the subscription complaints are due to fraud.

Consent to charge systems using 2 click, PIN loop and MO SMS remain susceptible to fraud. Members are keen to stress that restricting subscriptions to the consent elements of SS5 does not deal with the threat of fraud and nor will it address the wider exposure for single purchase transactions, should these restrictions squeeze fraudulent elements towards this purchase flow. It would therefore make sense that PSA strengthen what is considered 'robust verification' by including a requirement for the verification platform to include an anti-fraud mechanic that can detect and eliminate mobile fraud.

Use of free trial periods

As Question 6; Members who provided input considered that would have been more useful to consider free trial periods within this consultation process. As this has not been the case, Members ask that a Call for Inputs is distributed on this subject.

Members did comment that – should Special Conditions SS5 and 6 go ahead – they will have gone through a stringent consent to charge process for each customer who has signed up for a free trial, and would not expect to have to acquire the consumer again in this way once the free trial period came to an end.

Service messages: reminder messages and billing frequencies across different subscription models

Members noted that the PSA is concerned that some of the current approaches to providing service messages

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are ineffective because consumers do not engage with the messages. The Jigsaw research appears to back this up. As such, whilst in favour of receipting for clarity, some Members have a concern that the requirement that a receipt must be sent to the consumer each time they incur a charge for their subscription (in SS8) may well be overkill. This will particularly be the case in some services where interaction can be once a week or more. Research was shown to demonstrate that messages of this type can be intrusive or seen as spam and can deter users from reading and interacting with them. As such, a service where multiple receipts could get sent in a short time frame (an example being goal alerts) would necessitate the sending of multiple messages. Some Members do not feel this would be to the benefit of the consumer.

Members recognise that the FREEMSG requirement, mandated initially by the PSA has been shown to be off-putting to consumers and does not encourage interaction. Some Members are concerned that this new receipting requirement is narrow and that industry should have the freedom to work out the best way to notify consumers of the charges. Members question how consumer behaviour will change in reaction to the receipting and wish for the flexibility to be able to innovate and tweak best practice if need be - potentially even before a charge has been made.

Members were broadly satisfied with SS7 and understand the importance of furnishing the customer with all the information that they need to interact with, and exit from, the subscription service. Members state that this is in general use already.

Method of exit

Members were satisfied that there should be effective opt-out processes for subscription services and feel that the STOP command fits the bill. Members' sought clarity that not all processes would have to be advertised in the promotional material.

Post-purchase experience and complaint handling

Members are always keen to deal with any consumers who have a query or complaint with their service in the first instance. As previously mentioned, the PSA Code of Practice 2.2.2 states *'Promotional material must contain the name (or brand if part of the name) and the contact details of the Level 2 provider of the relevant PRS except where otherwise obvious. If the contact details include a telephone number, it must be a UK*

	<p><i>number and not at premium rate’</i>. As such, Members are satisfied that this guidance note sufficiently manages this issue.</p> <p>Should Special Conditions be implemented, Members also note that SS1 also provides guidance in this area, but should be reworded, as the aforementioned example, to;</p> <p><i>PRS providers must make clear the common identifier of the current service being offered to and used by the consumer – this may be achieved by prominent brand management and display.</i></p>
<p>Q4. Do you agree with our analysis using the risk taxonomy (outlined from paragraph 249 of this document) that Special conditions represent a proportionate regulatory response to the risk of harm posed by phone-paid subscription services? If not, please provide supporting evidence.</p>	<p>Not confidential</p> <p>Financial Harm – a group of Members feel that there is risk of financial harm from subscription services, even at the price point being below £4.50 per week. They feel that – with consumers not paying close attention to their monthly bills – charges can mount up by the time the consumer has an awareness of how much they have spent.</p> <p>Another group of Members felt that not enough information is provided within the risk taxonomy in this area to be able to analyse whether there is a risk of financial harm. Point 252 states that ‘costs varied significantly across service type, with consumers reporting cumulative charges ranging from below £10.00 and up to hundreds of pounds’. These Members would like to see complaint data containing charge amounts by band to understand the extent of financial harm suffered. If this data shows the majority of consumers receiving charges of less than £10.00 for example, then the financial harm risk is significantly less than if the majority of consumers are receiving charges of hundreds of pounds.</p> <p>Uninformed Consent – across the Membership it was generally held that uninformed consent is the core risk that the PSA are seeking to address through the proposed Special Conditions.</p> <p>One group of Members noted that the PSA data in point 33 states that the majority of complaining consumers <i>‘reported that they did not request the phone-paid subscription service about which they were complaining’</i>. Whilst as a headline this is compelling, these Members are again keen to learn more detail about the type of services to which this refers (see Question 1) and suggest that without detailed data, - and evidence to show that these proposals will solve</p>

	<p>the issue of uninformed consent - Special Conditions are too strong a response (potentially affecting areas not producing complaints) to a risk that has not been properly explained.</p> <p>One group of Members felt that uninformed consent was the overwhelming reason for complaints in phone-paid subscription services and stated that SS5 would go a long way to reducing the risk in this area and hence complaints. One Member who has implemented their version of SS5 reported a dramatic reduction in complaints caused by uninformed consent (revenue figures not available).</p> <p>Members generally felt that there was no compelling reason to prescribe the exact ways of tackling this risk, and were keen that innovation in this area not be hindered by the specific nature of SS5. More flexibility in SS5 would allow for the same outcome without limiting the way in which it was achieved.</p> <p>Unauthorised Consent – Members noted that the security project seeking to halt the operation of unauthorised consent is in the process of being implemented. As such, Members generally agreed that unauthorised consent due to platform weakness will cease to be a risk (assuming the capable provision of secure PIN flows). Unauthorised consent due to consumer expectations around how consent is gained falls under Uninformed Consent.</p> <p>Vulnerable Groups – a group of Members felt strongly that subscription services which use a password/PIN or other secure, auditable method of gaining consent to charge is important to prevent vulnerable users (and in particular children) from inadvertently signing up for a service without appreciating the financial ramifications of doing so.</p> <p>Another group of Members asked that more data is made available in order that the risk can be properly assessed. These Members ask that the complaint data be broken down to show the size of the issue of vulnerable groups signing up accidentally.</p>
<p>Q5. Are there any other issues not addressed through our proposed response that you consider warrant regulatory action in light of the research and other information, data and inputs considered? If yes, please</p>	<p>No other issues were raised by Members.</p>

provide supporting evidence.	
<p>Q6. Do you have any views or evidence on the use and effectiveness of free trial periods of varying durations to support the PSA in considering what might be appropriate in the context of phone-paid subscription services?</p>	<p>Members who provided input considered that would have been more useful to consider free trial periods within this consultation process. As this has not been the case, Members ask that a Call for Inputs is distributed on this subject.</p> <p>Members did comment that – should Special Conditions SS5 and 6 go ahead – they will have gone through a stringent consent to charge process for each customer who has signed up for a free trial, and would not expect to have to acquire the consumer again in this way once the free trial period came to an end.</p>
<p>Q7. Do you have any additional comments?</p>	<p>Members ask that – in the event that Special Conditions are implemented - there will be sufficient time for operational and technical challenges of this scale and nature to be carried out. This should be done following the conclusion of security project obligations for L1s.</p> <p>Members also ask that when final version of any imposed Conditions is reached, there is further consultation with those affected to consider the impacts on their businesses and that there is a period of reflection for providers to work with the PSA to amend or create flows if required. We would also suggest that, given the new rules already issued by the MNOs, a phased implementation of a set of measures is considered, so that the effectiveness of each measure can be reviewed and used to decide whether further regulations are needed.</p> <p>Some Members suggested a phased introduction to any suggested Conditions, with the ‘most complained about’ service types implementing initially, leaving those who may be adversely affected (and not creating complaints) more time to change their business models and processes.</p>
<p>Addendum questions</p>	<p>Your response</p>
<p>Q1. Do you agree with our proposal to include use of a secure, consumer controlled, mobile originating short message service (MO SMS) as a method that providers could utilise to fulfil the proposed first or second</p>	<p>Not confidential.</p> <p>As previously mentioned in our response to Q4 (main consultation), Members generally felt that - whilst MO SMS works here - there was no compelling reason to</p>

<p>phase consent to charge requirements (and as proposed at Annex A)?</p>	<p>prescribe the exact ways of tackling this risk, and were keen that innovation in this area not be hindered by the specific nature of SS5. More flexibility in SS5 would allow for the same outcome without limiting the way in which it was achieved.</p>
<p>Does the addendum provide clarity on the proposed consequential amendments to the service-type specific sets of Special conditions and Notice of Specified Charges and Duration of Calls, required as part of the subscriptions review? Do you agree with the consequential amendments proposed within Annexes B to F? If not, please explain.</p>	<p>Not confidential.</p> <p>Members generally acknowledged that it may be easier for providers to only refer to a single set of conditions, however some feel that the method under which these changes have been introduced is flawed. Some Members consider that amending the consultation document to this extent during the consultation period is poor process and that changes of this magnitude should have been introduced separately once this consultation has closed.</p> <p>Some Members are concerned about the lack of formal change process that has been employed in this consultation and are surprised that there has been no timeline of advance notice of changes along with proposed extension deadlines. Should Members be in receipt of further information, they would like to receive notice of the distribution of this information along with the extra time given to enable them to digest it and respond to it.</p> <p>There are concerns from some Members that the Charity sector will be damaged due to the Subscription changes being reflected in their sectors, specifically in Recurring Donation Special Conditions and the Society Lottery Special Conditions. As these are areas which do not attract a high number of consumer complaints – some Members feel strongly that the Subscription changes that affect these services should not be included in this consultation and that the damage caused by the required amendments to commercial models (and associated drop off rates) represents a real risk of long term harm here.</p> <p>Specifically, Member feedback has focused on some of the Recurring Donation Services Special Conditions. These are;</p> <p>As with subscription services, some Members wondered if the word ‘brand’ in RDS1 is appropriate, as the donation might be prompted both directly from the charity itself but also indirectly through other promotion. As such some Members felt that the condition would be better written as:</p> <p><i>PRS providers must make clear the common identifier</i></p>

of the current service being offered to and used by the consumer – this may be achieved by prominent brand management and display.

Some Charity Members (including those where the main thrust of donation generation is through DRTV campaigns) raised concerns about the consequential amendments to Recurring Donation Services as they felt that the wording of the Conditions could mean that a string of back and forth text messages would be required between themselves and the consumer to meet the requirements. Following the Round Table on the 18th April however, they were advised that a 'two-step' would be compliant here. (The two step process being an initial SMS from the consumer, followed up by the donation bounceback, and then an immediate SMS with details of how the consumer could enter a recurring donation service should they so wish, by replying with one further SMS confirmation message).

Where long standing charity Members have spent years optimising their donation services to maximise conversion (whilst receiving very few complaints), these donation models have to work financially to cover their costs whilst maximising the opportunities for the charity to do good. As such, the sort of drop in conversion (40% drop off) that has been seen in other double opt in processes where they are used in other countries or in online/telemarketing within this sector will put this model at significant risk. Evidence shows that this extra step confuses those wishing to donate and that they do not realise that the additional step is required to complete the process. The flow needed to make the proposed double opt in work, simply may not make sense to the consumer. For example, the proposed flow would be;

-User makes a donation and consents to marketing messages

-User receives (at a later date) an SMS message thanking them for their previous donation and asking them if they would like to make a regular donation (with the relevant information).

-User decides they would replies YES

At this point, the charity now has to send them another SMS thanking them for confirming by text that they want to make a regular donation but has to then ask them again if they definitely want to. For the charity and consumer this is unwanted overkill and causes

	unnecessary confusion.
<p>Q3. Do you agree with our approach as outlined at paragraphs 20 – 24 of the addendum? If not, please provide evidence that would support an alternative approach, and/or on any potential impacts of the approach currently being proposed.</p>	<p>Not confidential.</p> <p>Generally Members understood that the PSA is seeking to reduce the level of complexity across service types by mirroring the new proposed wording – meaning service providers need only refer to one set of Special Conditions.</p> <p>As referred to in Addendum Q1, There are concerns from some Members that the Charity sector will be affected and may need to make changes due to the changes in Recurring Donation Special Conditions and the Society Lottery Special Conditions. As these are areas which do not attract a high number of consumer complaints –some Members feel that the changes that affect these services should be consulted on separately with the Charity sector.</p> <p>Additionally, some Members felt that separate consultations should be held for the four different categories affected by the consequential amendments, and that by placing them within an addendum in an existing subscription consultation, some service providers in these areas may not be made sufficiently aware of the proposals being suggested.</p>
<p>Q4. The PSA welcomes feedback on the new receipting-based proposals set out in the proposed Special conditions.</p>	<p>Not confidential.</p> <p>As stated in our response to the main consultation Q3, Members noted that the PSA is concerned that some of the current approaches to providing service messages are ineffective because consumers do not engage with the messages. The Jigsaw research appears to back this up. As such, whilst in favour of receipting for clarity, some Members have a concern that the requirement that a receipt must be sent to the consumer each time they incur a charge for their subscription (in SS8) may well be overkill. This will particularly be the case in some services where interaction can be once a week or more. Research was shown to demonstrate that messages of this type can be intrusive or seen as spam and can deter users from reading and interacting with them. As such, a service where multiple receipts could get sent in a short time frame (an example being goal</p>

	<p>alerts) would necessitate the sending of multiple messages. Some Members do not feel this would be to the benefit of the consumer.</p> <p>Members recognise that the FREEMSG requirement, mandated initially by the PSA has been shown to be off-putting to consumers and does not encourage interaction. Some Members are concerned that this new receipting requirement is narrow and that industry should have the freedom to work out the best way to notify consumers of the charges. Members question how consumer behaviour will change in reaction to the receipting and wish for the flexibility to be able to innovate and tweak best practice if need be - potentially even before a charge has been made.</p>
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If you have any supporting imagery for your responses, you can paste them in your responses in the table above or here:

Submit your response

To send your responses to the PSA please email this completed form to consultations@psauthority.org.uk or by post to Emma Bailey, Phone-paid Services Authority, 40 Bank Street, London, E14 5NR.