

# Consultation response form

## Consultation on the regulatory framework for phone-paid subscriptions

Full name	[REDACTED]
Contact phone number	[REDACTED]
Representing	Organisation
Organisation name	Vodafone
Email address	[REDACTED]

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



<p>Your details: We will keep your contact number and email address confidential. Is there anything else you want to keep confidential?</p>	<p>Responses to question marked Confidential? Ye</p>
<p>Your response: Please indicate how much of your response you want to keep confidential</p>	<p>Responses to question marked Confidential? Yes.</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>Confidential: [REDACTED]</p>

## About Vodafone

Vodafone is one of the world's largest telecommunications companies and provides a range of services including voice, messaging, data and fixed communications. We fully support the Phone paid Service Authority (PSA) in the pursuit of consumer harm prevention. We have reduced the risks of consumer harm by developing:

- A Compliance Monitoring programme which actively monitors adverts and has become an industry standard.
- We require a two-step consent process to ensure consumer awareness of charging items to the mobile bill.
- We require third party providers to supply a telephone support line.
- We were the first to require the removal of subscriptions from Premium SMS.
- We influenced our Trusted Payment Intermediaries (L1) to take responsibility for the behaviour of their Merchants (L2).
- Vodafone delivered the first network "Tokenisation" product to combat auto-subscription.
- We are active participants in the PayForIt Scheme and share our monthly compliance data.
- We helped to formulate the MNO/PSA Security Framework as part of the Security Research Project.

## Tackling subscription issues requires enforcement against merchants who do not follow the rules

1. We welcome the PSA's determination to tackle the consumer harm caused by consumers inadvertently signing up to subscription services or the behaviour of a small minority of unscrupulous subscription services. We support the proposal to introduce a limited PIN flow mechanism at the point of charge.
2. However the proposed measures are imperfect. The Special Conditions are not a sufficiently targeted approach. By indiscriminately applying to all providers irrespective of the level of risk, PSA has potentially captured services unnecessarily (e.g. charities), whilst at the same time not guaranteeing consumers are protected. The Special Conditions also risk undermining the Charge to Bill market by association with terms such as "high risk" and by replacing industry self-regulation with PSA oversight for no apparent additional benefit.

3. We call upon the PSA to mandate the use of tokenisation to protect consumers from fraud that will not be prevented by the introduction of a PIN flow.
4. Special Conditions have failed to eliminate the consumer harm caused by ICCSS and without active enforcement will simply migrate harm to other areas, as has been seen with ICCSS moving from 09x to 087x to 084x.
5. PSA's use of the term "high risk" in relation to Special Conditions will effectively restrict the Charge to Bill market. We believe that the PSA, by introducing Special Conditions on the whole category of subscriptions, places a "red flag" on the whole Charge to Bill category by nominating subscriptions as "high risk". This will discourage non-participants from entering the market in a way similar to how risk adverse 0871x providers exited the market previously rather than adopt "Premium Rate" regulation.
6. The use of text messages to acknowledge payment acceptance (MO/MO) as a mechanic for Premium SMS subscriptions should be removed.
7. The Special Conditions effectively mirror industry's current PayForIt Scheme which already includes an effective PIN loop which some merchants choose to use. It is unclear why PSA could not achieve its goals by working with the self-regulatory PayForIt Scheme to mandate the use of the existing PIN loop in conjunction with effective enforcement. The Mobile Network Operators (MNOs) carry out their own monitoring and compliance, but it is the PSA's duty to intervene and remove individuals causing harm in the market if the PSA considers this ineffective.
8. Vodafone will withdraw from the PayForIt Scheme when it is rendered obsolete by the Special Conditions.

## Special Conditions Proposals:

1. The MO/MO mechanic for Premium SMS subscriptions should be removed. Premium SMS is not a suitable mechanic to acquire customers. The exceptions are charitable donations or single media competition entries. This is because for these merchants their respective charitable status and media licence are more valuable than the associated Premium SMS income, hence ensuring an incentive for high levels of compliant behaviour that does not exist with other merchants.
2. We believe introducing a biometric technology as a second form of obtaining consent to charge needs to be proven as a secure mechanism, as it relies on the handset manufacturer to provide finger print logs. It may prove difficult for the PSA to verify that the handset's native app initiated the face or finger print recognition.

3. We recommend that the proposal in SS3, to separate the point of purchase from service promotion and interaction, needs to be refined to either require pricing and frequency information to be included in the body of the advert or to introduce a single pre-lander page containing this information. The introduction of additional pages risks on the one hand exacerbating concerns about ‘click-training’, whilst on the other will needlessly deter consumers from valid services with excessive friction in the purchasing journey.
4. We strongly recommend that the proposals in SS7 are redrawn to require a monthly spend reminder (i.e. reinstate clause 7 of Appendix F at page 35) for all subscription services. The current proposal risks merchants starting to bill customers every other month in order to circumvent the Special Conditions requirements and effectively increases the level of consumer harm.
5. We also support an additional measure to provide greater consumer protection with regards to SS7. A 365 day limit should be introduced on subscriptions with an MO required from the customer explicitly accepting renewal of the service. This acceptance must be recorded on a mobile network operator’s system. It must also be explicit that a web service acceptance is not sufficient to meet this special condition. This would prevent harm, particularly to vulnerable customers that may not immediately identify unwanted charges to their bill.
6. Vodafone sees no requirement to maintain the PFI Scheme rules once the majority of the scheme has been subsumed into Special Conditions. Please see Vodafone Annex A; Proposed Special Conditions Analysis which sets out the clear overlap. Vodafone will need to work with other MNOs to monitor prevention of consumer harm and will leave the PSA to deliver on the adherence to the proposed Special Conditions.
7. The PSA must require all MNOs to have a system in place (within four months of the implementation date of the proposed special conditions) to control on the Charge to Bill platforms (Direct Carrier Billing) the development of the auto-subscription mechanics to break the imposition of the PIN Loop mechanic. (Confidential detail below)

Please see the Vodafone Responses to the questions posed by the PSA’s Consultation on the regulatory framework for phone-paid subscriptions

Consultation questions	Your response
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	Partially  The Jigsaw research highlighted interesting feedback from consumers and the bulk of requests were already present in the PayForIt Scheme Rules. This suggests that the group never saw examples of best practice.

<p>conditions for all subscriptions as an appropriate and proportionate response? If not, please set out your alternative approach and the supporting evidence.</p>	<p>Industry was not asked to input into the screens shown to the participants or brief the research team in any way. The research could only react to the PSA briefing delivered</p> <p>As there is no evidence that best practice screens were used as examples then the assumption must be that this has skewed the research results.</p> <p>Assertion: Special conditions do not prevent consumer harm they either move harm to a new area or they distil merchants promotional material to minimise the impact of the special conditions.</p> <p>Evidence 1: The PSA evidence of rising complaints as delivered in the consultation paper takes a narrow focus on the complaints curve and does not acknowledge that the Merchants seen to be involved in the Online Competitions have simply moved to new service types that are now seeing a rise in complaints. The Special Condition cycle can therefore be defined as two years. This is the time it takes the merchants creating complaints to develop and scale new complaint generating services.</p> <p>2. ICCS Services have been under special conditions for some years and as control has been applied to number ranges so providers have moved to new number ranges. 09x move to 087x and then to 084x. Further merchants have looked to establish new misleading practices outside of the NGN number ranges.</p> <p>A large number of ICCSS are still in service, all misleading and only some with sufficient compliance failings to warrant effort to raise a Track 2 case.</p> <p>The PSA has adjudicated against two ICCSS services who sought to circumvent regulation. It has not stopped ICCSS services being present in the market place.</p> <table border="1" data-bbox="584 1370 1385 1489"> <thead> <tr> <th>Name</th> <th>Publication Date</th> <th>Fine</th> <th>Case Reference</th> </tr> </thead> <tbody> <tr> <td>Tobaji Limited</td> <td>28-Sep-18</td> <td>£700,000</td> <td>130464</td> </tr> <tr> <td>Halak Online Ltd</td> <td>21-Jun-18</td> <td>£250,000</td> <td>137924</td> </tr> </tbody> </table>	Name	Publication Date	Fine	Case Reference	Tobaji Limited	28-Sep-18	£700,000	130464	Halak Online Ltd	21-Jun-18	£250,000	137924
Name	Publication Date	Fine	Case Reference										
Tobaji Limited	28-Sep-18	£700,000	130464										
Halak Online Ltd	21-Jun-18	£250,000	137924										
<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</p>	<p>We partially agree.</p> <p>There is no evidence that Charitable donation services either as one –off donations or recurring donations create consumer harm. The special conditions for recurring donation services should continue to be managed as is by the agreed three step flows already developed. (priced advert+2 step consent process)</p> <p>Evidence: There have been few complaints regarding Charities. Charities also have additional regulators to satisfy in terms of compliance namely: Charities Commission Fundraising Regulator</p>												





	<p>as having passed through the Network infrastructure to be sent to provide ongoing consent to the subscription.</p> <p>We require the use of 24hr free period, although we believe that this requirement goes away at the point of the instigation of SS4 and SS5.</p>
<p>Q7. Do you have any additional comments?</p>	<p>Vodafone notes that a PIN expiration of 60 seconds is very short from a customer experience perspective and suggest that a more consumer friendly 120 seconds or 180 seconds limit be adopted.</p> <p>Although we note that no evidence was submitted by the PSA that substantiated that a 15 minute PIN caused consumer harm, as contained in the PayForIt Scheme rules (clauses 8.4.4.1 or 8.4.4.2).</p>
<p><b>Addendum questions</b></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 phase consent to charge requirements (and as proposed at Annex A)?</p>	<p><b>Confidential? Yes</b></p> <p>[REDACTED]</p>
<p>Q2. 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</p>	<p>We partially agree.</p> <p>The logic of transcribing the proposed special conditions in to existing Special conditions is understood.</p> <p>We do not believe that recurring charitable donations require the application of further conditions as described in Q2 above.</p> <p>There is no evidence that charitable donation services either as one –off donations or recurring donations create consumer harm. The special conditions for recurring donation services should continue to be managed as is by the agreed three step flows already developed.</p>

<p>within Annexes B to F? If not, please explain.</p>	<p>Evidence: There have been few complaints regarding charities who also have to satisfy other regulatory bodies namely: Charities Commission Fundraising Regulator.</p> <p>There is no need for the additional measures to Annex B or C. Vodafone supports the additional measures to Annex D, E and F</p>
<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>We partially agree.</p> <p>Please see our response to both Q2s in first part and second of this document</p>
<p>Q4. The PSA welcomes feedback on the new receipting-based proposals set out in the proposed Special conditions.</p>	<p>We strongly recommend that the proposals in SS7 are redrawn to require a monthly spend reminder (i.e. reinstate clause 7 of Appendix F at page 35) for all subscription services. The current proposal risks merchants starting to bill customers every other month in order to circumvent the Special Conditions requirements and effectively increases the level of consumer harm.</p> <p>Vodafone strongly recommends that all subscriptions be limited to 365 days and that an MO is required from the customer explicitly accepting to renew the service. This must be recorded on a mobile network operator (it must be explicit that a web service acceptance is not sufficient)</p>

If you have any supporting imagery for your responses, you can paste them in your responses in the table above or here:

**Annex A “Proposed Special Condition Analysis”**

This table shows all the items in the PFI Scheme Rules that are specifically covered by the proposed Special Conditions.

Proposed Special Condition	Currently in PayForIt Scheme Rules
<p><b>Promotional material</b> SS1: PRS providers must clearly identify the brand of the current service being offered to and used by the consumer – this may be achieved by prominent brand management and display.</p>	<p>7.3.1 Present each Merchant or MNO-branded screen consistently. If the merchant logo or brand or MNO logo is on the previous screen, it must remain on the following screen throughout the Consumer Experience Flow.</p>

SS2: Payment options, where relevant, should clearly indicate that selecting payment through the phone account will place charges on the user's phone account (mobile or otherwise).

7.3.3 The name of the product / service being purchased must be consistent with the product / service selected by the consumer on the Merchant site

7.3.4 The web identity of the Merchant must be the same as that used in all text receipts and service messaging.

7.3 Charge Notification Field

7.3.3 A short, clear, unambiguous explanation of the service being offered for purchase and all relevant information must be displayed on every page of the flow used above the Purchase button.

7.3.4 The Charge Notification must also explicitly state "This will be charged to your mobile phone bill" on the first screen (see 9.6 for Rules governing non-phone devices eg dongle, tablet etc.)

7.3.5 CCR relevant information can also be provided in the Charge Notification Field

7.3.6 Charge notification must be white text on black background or black text on white background and must be the same font, style and size as the text on the Purchase button.

7.3.7 In competition subscriptions a Charge Notification field must appear directly below the Answer Box and comply with relevant subscription rules

7.5.15 When the MSISDN is confirmed the charging confirmation must appear on the Second Purchase Button: "Confirm this charge to your mobile"

8 One "Consent to Charge" interaction nominates the financial commitment and payment frequency separate "Consent to Charge" interaction nominates that the charge is being applied to the mobile subscriber's bill or taken from a prepaid balance.

9.2.2 All text receipts must indicate that the charge will be applied to the consumer's mobile phone bill or pre-paid account

	9.3.2 All verification texts must indicate that the charge will be applied to the consumer’s mobile phone bill or pre-paid account
<p><b>Point of purchase</b>  SS3: The point of purchase must be separated from service promotion and interaction, in a clear and effective way to allow the consumer to consider their purchase.</p> <p>SS4: At the point of purchase, PRS providers must:  (a) clearly signpost the point of purchase by making it distinctive from other aspects of the service (such as by design and colour scheme) and take all reasonable steps to make that distinction clear, avoiding any confusion between service promotion and the point of purchase;  (b) ensure that consumers, when committing to a purchase, explicitly acknowledge that the purchase implies an obligation to pay;  (c) ensure that the consumer is made aware, in a clear and prominent manner and directly before the consumer commits to a purchase, of the cost of the service, and the frequency of charges; and  (d) indicate that the PRS subscription will be added to the consumers phone account.</p>	<p>6.1 All banner ads must contain pricing that is prominent and proximate.  6.3 There must be a clear transition from the promotional pages to the PFI flow. The promotional pages must not seek to obscure the transition by replicating the style and layout of aspects of the PFI pages</p> <p>See above</p> <p>See above</p> <p>See above</p> <p>See above</p>
<p><b>Consent to charge</b>  SS5: 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 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.</p>	<p>7.3.7.1 Mandated Flows for Standard PayFort - Both Purchase Buttons must be clicked to provide the consumer’s consent to be charged, and the charge cannot be applied until the second button has been clicked. Only the TPI is allowed to control Purchase Buttons on a page and all parameters must be encrypted to ensure robust verification. All MT messages must be free to the receiver and be routed through the consumer’s mobile network. All MO messages must be standard network rate or less.</p> <p>7.3.7.2 STEP 1 Screen Options:  7.3.7.3 The consumer must explicitly acknowledge they understand the transaction and consent to charge by clicking the First Purchase Button OR  7.3.7.4 The consumer must explicitly acknowledge they understand the transaction and consent to charge by</p>

	<p>entering their MSISDN and clicking the First Purchase Button on the first screen.</p> <p>7.3.7.5 STEP 2:</p> <p>7.3.7.6 MSISDN Pass-through Flow – On the second screen the consumer must explicitly acknowledge they consent to the charge by clicking the Second Purchase Button to confirm that the amount will be charged to their mobile phone account or deducted from their pre-paid balance.</p> <p>7.3.7.7 MT and MT/MO Hybrid Flows (MSISDN entered manually by consumer) If the MSISDN is correctly formatted on the first payment screen, the TPI sends a free of charge text message to the MSISDN entered by the consumer. The text must indicate it is a free message (location is network dependent), it must make it clear the consumer is verifying their intent to purchase and it must contain the pricing information and:</p> <p>7.3.7.8 MT Flow – a URL OR a unique payment code (4 or more alphanumeric characters) which must be clicked OR entered into the second screen within 15 minutes of being sent and then expired and not used for the next 5000 transactions. (Restrictions apply for services in PSA Special Conditions – see 4.2.3) The purchase button must be clicked to explicitly acknowledge the consent to charge and complete the purchase. Once clicked, a URL must take the consumer to the Payment Received screen. URL must enforce no more than one charge per click and must use an alias to prevent the MSISDN being identified. If the consumer clicks the “Resend Code” link, the TPI should send a new unique code to the MSISDN, but no more than three times in case the MSISDN was incorrect.</p> <p>7.3.7.9 MT/MO Hybrid Flow – a clickable link OR a keyword (alphanumeric with more than one character) with a response request to link the PayForIt Session with the MO message. Links and keywords should be valid for 15 minutes and then</p>
--	--

	<p>expired. (Restrictions apply for services in PSA Special Conditions – see 4.2.3)</p> <p>7.3.7.10 If the MSISDN or codes are entered incorrectly and the Purchase buttons pressed, the TPI should present the red error messages “Enter valid mobile number” or “Enter valid code”. If the MSISDN and/or code is invalid three times, then the TPI should move to an MO Flow if supported or cancel the purchase.</p> <p>7.3.7.11 Ensure purchase verification codes cannot opt the consumer into a different active service (i.e., codes misspelled accidentally must not match the opt-in for another active service on the same short code).</p> <p>7.3.7.12 Charge only the MSISDN from which the purchase verification code originated and terminated</p> <p>7.3.7.13 Instructions below the MSISDN entry box should be appropriate to the flow being used.</p> <p>7.3.7.14 An optional “Don’t know your mobile number?” link will switch the Consumer Experience Flow from MT to MO flow.</p> <p>7.3.7.15 MO Flow takes the MSISDN from handset - On the second screen the consumer must explicitly acknowledge they consent to the charge by:</p> <p>7.3.7.16 MO Flow - clicking to send the verification keyword text or clicking to activate an IVR to link the PayForIt Session with the MO message. (Restrictions apply for services in PSA Special Conditions – see 4.2.3)</p> <p>7.3.7.17 The unique verification code must have at least 4 characters, not use generic (e.g. JOIN) or offensive words. Use standard rate short codes for all MO code screens, long numbers may not be used. TPI must host the short code used to send the MO message (subject to Network requirements). If there are any chargeable messages then the consumer must consent to the charge. If the short code is zero rated, then consumer permission is not required unless the text message also</p>
--	---

	<p>authorises the charge. The intent to send a text message must be detailed in the terms of the service.</p> <p>7.3.7.18 The consumer must be made aware of the IVR call duration and cost prior to calling. Only standard rate or less IVR numbers may be used. An IVR line must be randomly selected from a pool of at least 400 numbers. The consumer must call the IVR line within 15 minutes of it being presented otherwise the authentication should be rejected. An IVR message must contain pricing information and last at least 5 seconds. Once an IVR line has been presented it must not be reused for at least 30 minutes. The IVR numbers and termination point must be controlled by the TPI. Calling a number must only verify the MSISDN and a charging process may only be commenced once it is established the consumer has returned to the PayForIt session.</p>
<p>SS6: The second stage of the double opt-in must confirm consumer consent to the transaction through one or more of the following mechanisms:</p> <ul style="list-style-type: none"> <li>(a) Use of a confirmation button where prominent and proximate pricing and frequency of charge information is provided to the consumer</li> <li>(b) Use of biometric technology, such as fingerprint or facial recognition as the second form of activation.</li> </ul>	<p>See above</p>
<p><b>Receipts</b></p> <p>SS7: Each time the consumer incurs a charge for their subscription, a receipt must be sent to the consumer in either SMS or email format as soon as is reasonably practicable. This receipt must detail the full name of the subscription service, that the consumer is subscribed to it, the cost and frequency of charging, contact details of the provider of the service and instructions on how to exit the service.</p>	<p><b>9) Fully informed consumers post purchase</b></p> <p>After the purchase provide payment received screens (or error screens if relevant), electronic receipts, subscription notifications, marketing opt-in options and spend reminders that conform to Code and are deliverable regardless of the device used to make the purchase. Every service message must be sent from a 'repliable' short code i.e. with a reply path. The MT path must be free to the user and the MO is either free to the user or no more than Standard Network Rate. PayForIt best practice is to include the price in the verification text messages.</p>
<p>SS8: Following the PRS provider obtaining 'double opt-in' consent to charge from the consumer (SS5</p>	<p><b>Subscription Texts</b></p>

<p>and SS6) the PRS provider must send the consumer a confirmation message or receipt, at no cost to the consumer, which sets out:</p> <ul style="list-style-type: none"> <li>(a) The name of the service</li> <li>(b) Confirmation that the service is a subscription</li> <li>(c) The charge and frequency of charging (or how this can and will arise, if applicable)</li> <li>(d) What the billing period for the subscription is, or where there is no defined billing period, the basis on which the frequency of interaction and charging for the subscription is established</li> <li>(e) The contact details of the Level 2 provider</li> <li>(f) Instructions on how to pause or exit the subscription.</li> </ul>	<p>Subscription welcome and reminder messages should also include the frequency of payments and opt-out short code to cancel additional payments and be removed from the service. If there is an initial free period TPI must send a free-to-consumer charge initiation message (text or email) prior to the first billing event within an adequate time frame to permit cancellation.</p> <p>TPI must send a free-to-consumer subscription initiation receipt message (text or email only if text is not available) once the consumer has agreed to the subscription by pressing the “Subscribe Now” button.</p> <p>TPI must send free-to-consumer subscription reminder text (or email) messages every month or every £20 (including VAT), whichever happens first</p> <p>All subscription texts must indicate that the charge will be applied to the consumer’s mobile phone bill or pre-paid account</p>
<p><b>Method of exit</b> SS9: PRS providers must establish effective opt-out processes for subscription services.</p>	<p><b>STOP and Exit</b></p> <p>In subscriptions and competition subscriptions a simple method of termination (STOP unless otherwise agreed with MNO) of the service must be clearly informed before the order is made.</p> <p>TPI must support the termination method and the short code to which it is sent. Depending on the MNO, if TPI uses another short code to effect billing for subscription, then the TPI must also support the termination method to opt-out of subscription.</p>