

Telecom2 Ltd response to the PSA 2022/23 Business Plan and Budget consultation



About Telecom2

Telecom2 are a voice network carrier with offices in London and Spain. Through the group of companies our focus is to be at the forefront of technology, specialising in VoIP B2B and call centre solutions. T2 also specialise in micro payments across mobile, card services and age verification.

Telecom2 has a broad spectrum of clients including a number of Contact Centres, Print media companies, Charities, TV companies and a Premiership Football club.

We also still have some of the traditional clients on 09 PRS running Adult, Psychic and Competition services.

We have achieved PCIDSS, Cyber Security and ISO27001 certification and are working towards ISO9001 certification with the expectation this will be achieved this year.

We welcome this opportunity to contribute to the formal consultation exercise. Our comments are based on internal knowledge and discussions with clients

Q1 – Do our plans for 2022/23 sufficiently deliver our role as a regulator? What else do you think we should be doing or not doing?

The plans for 2022/23 provide a good basis for regulation but we feel there are areas that could do with some development:

1. BUILDING CONSUMER TRUST

In the executive summary it says that PSA builds consumer trust in Phone Paid Services and lists the various ways it does this. The two most effective ways of doing this aren't carried out or mentioned.

There are a number of false claims about services and charging on forums and social media. These go unchallenged. Communications and Service Providers could challenge these claims but would be seen as biased. We feel it would be beneficial if PSA were to actively challenge these false claims, as the regulator PSA would be seen as impartial.

We would also like to see PSA carrying out more effective consumer education, as is done by many other regulators. This would do far more to improve trust in Phone Paid Services than publicising wrongdoers that have been investigated and sanctioned. Highlighting issues with services and providers scares people and damages the reputation of Phone Paid Services when what is needed is reassurance.

We also feel that consumer education should be a collaborative piece of work with PSA and industry at all levels working together to help consumers understand more.

2. TIMESCALES

The 15th Code indicates that there will be an improvement in timescales for investigations. This is welcomed and badly needed, as are KPIs to give PSA targets for completion of investigations. PSA investigations are currently protracted and there is no obvious reason why this should be. Providers are usually given only days to provide information to PSA. These are not complicated fraud cases or very involved scams, they are simple yes or no issues, was a service compliant or not, and it shouldn't take years and mountains of information to come to a conclusion about a service. If there are issues then except in the rare cases where interim measures are imposed these delays increase the amount of consumer harm if a service is not found to be compliant.

Where PSA have concerns over compliance these tend to be subjective, areas that are not tightly defined and are open to interpretation, and we don't see this changing in the 15th code.

We have noted that some of the complaints forwarded by PSA are not technically possible, such things as "I didn't make the call", and we are surprised that PSA give them any credence.

3. PROPORTIONALITY

While there are a few exceptions, the number of complaints about services is small in absolute terms and relative to the number of calls made to a service is negligible but still generates an investigation.

It would be better use of PSA resources if these cases were dealt with by advising the provider to take corrective action rather than entering into a full investigation and tribunal. We note that this is allowed for in the 14th and 15th codes but it should be done more often, be the default position.

Some of the complaints referred to by PSA as justification for an investigation actually support the service, such as:

"I then decided to call DVLA to see if I could pay by bank transfer but could not find any phone details on that website. I then googled 'phone DVLA' and used the first available link which, although it stated £3.60 per minute, seemed to be the only available option."

"My son says that the site is legal, has all the right "bits" on it - warning of a £3.60 charge per min and it also had a link to the gov.uk site to find the 'real' number."

These and other similar complaints aren't about the service itself but are about the costs, particularly for ICSS where the cost is generated by the excessively long holding times caused by the utilities/departments service management procedures and outside the control of service providers. Our own traffic data shows that high holding times are consistently experienced by callers to the same few organisations, most others have well staffed call centres with much reduced call holding times. Claimed average holding times do not match our data. The longest time on hold I personally have experienced is 58 minutes when the claimed average for that department was seven minutes.

It isn't clear why PSA take notice of these complaints when assessing services.

There does seem to be a focus on ICSS, to the point where there is a view that PSA are trying to regulate it out of existence by investigating and sanctioning providers based on minimal and often

unreliable evidence, evidence that, as noted above, sometimes actually supports the services as being compliant. Such breaches as are found tend to be those where the code is not specific in its requirements and is open to interpretation. If the service was so bad it would be prohibited. It should also be noted that ICSS came into play as a result of an EU Directive on Customer services that prohibited the use of PRS for customer services. At this point a number of businesses, utilities and government departments either removed their contact numbers from their web sites or buried them in the web sites, making it almost impossible to find them. ICSS providers do the research to find the numbers and this research has to be constantly updated. This is a manual process and so very expensive, the cost can only be recovered through service charges. As a result of bad publicity some organisations have made their contact numbers more visible, which can only be a good thing.

4. REGISTRATION

It isn't currently clear what value registration provides. We would like to see PSA undertake verification of registrants. At present, anyone can register, no checks are carried out and this registration then gives false comfort to consumers who believe the registrant is trustworthy because they have achieved registration. Registration is seen as a first step in performing DDRAC, but has no value if all the information can be fictional. There would be a cost to PSA carrying out checks but this could be more than covered by PSA moving to more economic accommodation when the current lease expires.

We understand that there will be more development of the registration system. We would like to see Providers involved in the testing of the new system in order to prevent some of the issues that occurred when the current registration system was introduced.

5. CONSUMER PANEL

We would like to see a truly representative impartial consumer panel. The current panel cannot be described as impartial, being made up of senior consumer advocates who would have little or no experience of using Phonepaid services but whose business is derived from complaints. As such they are atypical of genuine consumers. We would like to see a panel that had significant membership of people who use or would be likely to use Phonepaid services, their opinions will be much more informed.

6. CONSUMER CONTACTS

If a consumer contacts PSA directly with a complaint, PSA will forward details of the complaint to the L1/L2 provider but won't provide contact details to enable a refund to be offered or give permission for the L1/L2 to use the phone number the call was made from to contact the consumer. We can see no good reason for this, it creates consumer harm by not enabling a refund to be provided and creates dissatisfaction with the market. GDPR is not a basis for refusal, it's in the consumer's legitimate interests.

7. 15th Code

We look forward to the implementation of the 15th Code. While there are some "grey" areas remaining and it will require much additional work in some areas we hope that the additional clarity given by standards will make compliance with the code easier.

Q2 – Do you have any comments on the proposed budget for 2022/23? If you recommend any changes, please clearly identify which areas of activity you expect this to impact upon.

The Business Plan and Budget don't provide adequate detailed information to fully answer this question but we can make the following general comments.

The reduction in budget is welcomed, although we would have hoped for a larger reduction with IT work being brought in house. We believe that there could be a significant reduction in the budget for Q4 2022/23 onwards if the new premises for PSA were located outside areas of London that attract premium rents. PSA as a regulator has no need to be in central London or Docklands.

We feel there is a lack of transparency around staffing costs. These form a significant proportion of the budget but there is no clarity over the use these staff are put to, how many are allocated to each work area. Timescales for completion of investigations indicate that more priority could be given to staffing in that area. As there has been a reduction in the number of complaints and no apparent fine collection taking place we would like to see staff redeployed in the investigations area.

An organisation chart that included numbers and costs of staff would be useful to show Industry how its money is being spent.

Q3 – Do you have any comments on the proposed levy for 2022/23?

We are disappointed that the levy has been increased yet again. The estimated voice market has reduced and the Budget has reduced but the increase in the levy is greater in % terms than the reduction in the market and that's before allowing for the reduced budget. We feel that greater efforts to collect fines should be made and PSA should consider setting them at more realistic levels that don't force providers to cease operating and so making them unenforceable. As it is, the fines are not a deterrent to bad actors who take the money and run but do deter innovation and entry into the market.

L1 margins are under significant pressure from the costs of providing networks and platforms, so margins have to be increased. Any further increases in the levy will act as a deterrent to joining the market. Providing services at the lower rates will become unsustainable.

PSA should seriously consider applying a levy to the access charges, they're paid by consumers and at up to 65ppm often exceed the service charges.

Q4 – What is your view on the estimated size of the market for 2022/23?

The growth in many areas of the market is fragile and not to be relied on. The market is very sensitive to changes in technology. DCB and other similar payment products could be wiped out almost overnight by a change in technology that makes it easier and faster to pay and so receive goods and services. Use of Apple Pay and Google Pay is growing slowly but again they could replace DCB etc... This would leave just voice as a phone paid service but that is coming under regulatory pressure that is known to be deterring businesses with good potential products from entering the market. The 15th code will address some of these issues but there will still be potential for inadvertent breaches where PSA's interpretation differs from the genuine interpretation by providers.

We would like the PSA to work with providers in stimulating the market, both in terms of use of existing products and encouraging innovative new products.

Q5 – Do you have any other comments on the Business Plan and Budget for 2022/23?

Keeping the registration fee at it's current level is good, but due to the previously mentioned concerns around the credibility of the data we aren't sure that it offers value for money.

We would like more clarity around "experiencing issues". This is not the same as genuine complaints and doesn't reflect the level of compliance. Issues are often such things as people not remembering they made calls or even denying outright that they had made them. Actual complaints form a very low proportion of calls, much lower than the threshold used in the card industry to take action.