



Peter Barker
Director of Corporate Services and Operations
Phone-paid Services Authority
40 Bank Street
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By email only to: consultations@psauthority.org.uk

Dear Peter,

Phone-paid Services Authority's (PSA) consultation on business plan and budget for 2022/23

Introduction

1. We welcome the opportunity to comment on the PSA's business plan and budget for 2022/23.
2. We are Virgin Media O2 (VMO2), a joint venture of Telefónica S.A. and Liberty Global. O2 is a leading provider of retail mobile services and one of four mobile network operators (MNO) in the UK. We offer communications solutions to over 33 million consumer and corporate customers through our O2 and giffgaff brands. We are also the MNO of choice for a number of mobile virtual network operators, including Sky and Tesco Mobile.
3. Additionally, we play an important role in the provision of phone-paid services. We are a provider of technical platform services that enable intermediary providers, and by extension merchant providers, providers to deliver phone-paid services to customers. We engage with both intermediary providers and customers, offering a billing facility by which our O2 customers can pay for digital content, donate to charities or cast television programme votes by charging the costs to their mobile bill. This additional revenue is passed on to intermediary providers (who in turn pass on the revenue to merchant providers).
4. We broadly agree with the PSA's observations set out in the consultation, we therefore do not comment in great detail on each of them. Instead, this response sets out our particular concerns



about the PSA's proposed budget, responses to the PSA's specific questions are set out in the Annex below.

More detail is required on the PSA's rationale for budget allocation in 2022/23

5. We welcome the PSA providing a high-level breakdown of its operating budget. However, we echo our previous year's response. Our view is that further clarity is required on how these costs are allocated, particularly the people costs, which account for 70% of the budget.
6. Although the PSA details 99% of customer contacts are now handled through either the service checker, the PSA website or information on the IVR, no mention has been made of the corresponding cost savings in relation to people costs.
7. Additionally, there is mention that due to resource capacity the PSA has been able to work on around 100 of the most serious enforcement cases, whether Track 1, Track 2 or post adjudicatory procedures. We would welcome clarity on what percentage of people costs was allocated to this work.
8. The PSA states that the DPO work has been outsourced at a cost of £76k however, the overall people cost has only reduced by £47k, taking into account inflation, to be budgeted in the people costs, the overall cost saving of outsourcing this role remains unclear.
9. We again, urge the PSA to provide a clearer rationale for its budget allocation in 22/23, in particular why considerably more resource continues to be dedicated to staff costs, as opposed to legal debt and recovery.

Availability of fund from enforcement action

10. The PSA forecasts that no further fines will be collected in the financial year. As a consequence, no adjustment will be made to the levy in 2022/23.
11. Despite our requests for more resource to be allocated to legal and debt recovery and the assertions in the consultation document that the PSA is implementing their commitment to a legally exhaustive debt recovery process of unpaid fines and admin charges, we are disappointed to note that the levy funds allocated remain unchanged from 21/22.



12. Whilst we understand that the PSA's historic savings have been exhausted in 2021/22, we are concerned and surprised by the lack of funds attributed to adjust the levy despite asserting in the annual report that fine income in 20/21 was £3.6m and a further £3m in fines have been issued so far in finance year 21/22. The PSA must provide clarity on whether any of these have been collected or are expected to be collected in this and the next financial year.

We would, of course, be happy to have a call to discuss the points made above and address any questions you may have.

Your sincerely,

Sophie Andreou
Regulatory Policy and Compliance Advisor
VM O2



Annex

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?

We welcome the commitment providing clarity to regulated parties through Code 15, improving the customer experience and reducing levels of harm, and being more proactive, less reactive. However, as set out in the response above, we require further breakdown and detail surrounding particular aspects of the budget consultation to understand whether the plans for 2022/23 sufficiently deliver the PSA's role as a regulator.

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

As set out above, the PSA should provide clarity on the breakdown of people costs, specifically when this accounts for 70% of the overall proposed budget. We would welcome the opportunity to input into the allocated of resources to ensure an effective and efficient approach to regulation while allowing and encouraging growth in the market.

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

We again recognise that the unadjusted levy has remained fairly constant since 2015/16. However, we are disappointed that the PSA continues to not expect to adjust the levy for 2022/23 due to funds from enforcement action being unavailable. In the annual market review the PSA confirms that £3.6million in fines have been issued and in our estimation a further £3m have been issued so far this financial year. Given the PSA commitment to a legally exhaustive debt recovery process for unpaid fines and admin charges, we find it strange that the PSA continues to not expect to collect these fines in the upcoming financial year.

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

We have no comments on this issue.

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

We have no further comments on the business plan and budget.