

Consultation response form

Consultation on Code 15 guidance

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

Full name	
Contact phone number	
Representing	Organisation
Organisation name	
Email address	

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 <u>psauthority.org.uk/privacy-policy</u>.

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 <u>privacy policy</u>.

Your details: We will keep your contact number and email address confidential. Is there anything else you want to keep confidential?	Our name and organisation name
Your response: Please indicate how much of your response you want to keep confidential.	None
For confidential responses, can the PSA refer to the contents of your response in any statement or other publication? Your identity will remain confidential.	Yes

Your response

Overview/Summary

In the Executive Summary of the Code 15 Consultation, the Executive set out their reasoning for the introduction of a new code, stating that it "is simpler and easier to comply with". This follow up consultation on the Guidance the PSA intend to publish to support the new Code, goes some way to prove that the PSA have missed the mark on their aim with the 15th Code.

The PSA stated that they intended to move away from a more outcomes based regulatory approach because it "can lead to a lack of clarity in terms of our requirements and expectations of industry and it has resulted in a relatively complex regulatory system"¹. The introduction of standards and requirements was to provide a clearer code, which was easier to understand and comply with, yet the PSA have in their own admission, by publishing Guidance, failed to meet their own intentions and requirements of a 15th Code of Conduct.

The introduction of guidance alongside the code, albeit less than currently supports the 14th Code, does not make it any simpler to comply with as a regulated user. Regulated entities will not only be required to read and understand the code, but then also refer to the guidance provided as well to ensure that there is nothing additional that they are required to do. It is also noted under paragraph 14 of the Consultation that the PSA will be refreshing other help notes and information on other topic areas, creating further information for industry to find and refer to. During the 14th code and the start of his tenure, David Edmonds as Chairman of the PSA informed the industry at a PSA forum that the 14th Code was fit for purpose and no new code would take place, to aid the developing industry going forward. After the 13th edition being found unfit for purpose by judicial review the introduction of the 14th Code has been supplemented with endless Guidance, Compliance Updates, Supporting Procedures as well as Special Conditions for certain services. As an industry, why would it be believed that the 15th Code is fit for purpose and will not be subject to similar additions going forward in a short period of time when the 15th code becomes outdated within the first year? Will the PSA ensure that the review of help notes etc as stated by them will be done and completed ready for industry to review before the compliance with the new 15th Code is required?

Whilst the inclusion of the guidance in the online version of the code is welcomed in making it all easier and simpler to read, when it is all in one place, this does look very similar to that of an Outcomes based code with indicative behaviours alongside it, which would be much easier and simpler for people to understand and comply with. Why the PSA continue to publish codes that need additional information, rather than putting it all one place to start with is baffling to the industry.

The PSA clearly state in Consultation on Guidance to Support Code 15, at paragraph 16 that "the primary purpose of guidance is to support compliance with the Code and does not add anything more to the Code", yet the PSA make it very clear that they will consider "non-compliance" with the guidance an aggravating factor when they are investigating a firm. It is not clear how the PSA can state that something does not add anything further to the actual Code itself, which is what industry is required to comply with, but then state that if the guidance is not adhered to that it will go against them. If it does not add anything to the Code, then why would it go against a firm under investigation if it were not complied with. Firms should be trusted by the PSA to comply with the Code through their own policies and procedures, and without prescriptive requirements from the PSA, which often result in more time being spent on ensuring all the boxes are ticked, rather than providing an excellent

¹ Consultation on a New PSA Code of Practice (Code 15), page 8

Premium Rate Service from start to finish which promotes and encourages the use of the market. This is a point of great concern to us, as compliance with the code may well have been achieved, but the PSA will 'hold it against you' for not following their guidance and for doing something that may have suited your consumer base more, and protected them better based on the service, industry sector and user type.

Whilst on the whole we support the reduction in additional documents to support the Code, there is a lot of Guidance specifically in relation to ICSS services, which we feel may be better placed in a service specific guidance note, so that it does not dilute the general guidance for the industry whom don't run those services. The PSA state under paragraph 18 of this consultation in relation to service specific requirements, "we remain of the view that this is not necessary", to then however start with one piece of service specific requirements at the onset. It is not very clear to industry if the PSA have the view they are necessary or unnecessary.

Throughout the Guidance, the PSA do not appear to have given consideration to those companies who will comply with the Code and Guidance but do not have the staff or resource for such onerous and length policies and procedures. Whilst it is important that firms are aware of their regulatory obligations, and ensuring that policies and procedures are followed. For example in a firm of two staff it would not be appropriate to spend undue time and effort in formalising policies and procedures when these are already undertaken by the staff, but just not document in the format required by the PSA's code and guidance. In order to promote the market and make it a fair place for competition, smaller firms should not be penalised by the requirements of the code in relation to the size of the entity.

Both in this guidance and in the Code, the PSA put a responsibility on those it regulates in the market to co-operate and respond to the PSA in a timely manner. Whilst this is of the upmost importance in dealing with potential issues that could have arisen, to ensure that they are dealt with promptly and to ensure that no consumer harm is continued to be done, the PSA does have its own role to play in this, which is to also to deal with their end of the investigation or communication in a timely manner. This should not be a one sided requirement but the code and the guidance has made it just that.

Where this consultation on guidance requires that various items are logged in a risk register it has been assumed, that all of the separate issues you have identified to have a register can and should be held centrally on one register with appropriate input for the creation of this from the different aspects of the business. Again, separate registers would be an unfair requirement on the smaller firms, where as one register for the whole firm would be easier to maintain and manage and much more useable and useful to a firm to see all of the risks in one place for analysis. If this assumption is correct, then the PSA need to make this clear in the guidance that one risk register is required for each, product, service and company. How would the PSA envisage this be done?

Q1 Is the proposed Transparency Standard guidance helpful and effective in supporting you to comply with the Transparency Standard and Requirements? If not, please specify what additional information you would find helpful.

The Requirements which support the Transparency Standard in the 15th Code, are prescriptive and describe in reasonable detail what is required in order to comply with the Standard.

The draft Guidance on this standard adds to the already three pages of requirements, with a further five pages of guidance on this topic. This is a lot of guidance on one point, which although extremely important, does not make it easy for providers to follow. There are elements of this guidance, which could be condensed and included in the code. For example, there is half a page of guidance on 'What do we mean by prominent and proximate'. This could be a defined phrase or words and put into the definitions within the code in a much shorter and simpler way, just as the PSA have done with a number of other words and phrases, including promotion, which is relatable.

Whilst we appreciate the importance of ensuring that pricing information is clear and prominent when promoting Premium Rate Services, the guidance on the wording of pricing information is extremely limiting to the merchant. Whilst it is expected that not all pricing information is not provided through an SMS, a large amount of it is, and the restrictions suggested in the guidance could result in longer or a bigger volume of messages being sent to consumers. Whilst it would contain important information the consumer would not always be aware of this and an increase in the volume/length of message would not only be an irritating factor to the consumer but also dilutes the more important information. The last thing that providers wish to do is miss-lead consumers on the pricing of a service, but forcing longer more complicated messages, is not in the consumer's best interests. The use of p/w, p/m, p/min are all accepted abbreviations within society and should be allowed to be used, unless the service is specifically targeted at a vulnerable sector of society who would not be expected to understand these. We agree that it is harder to provide clear pricing information where Network Access Charges are in use, but as these service specific types are carried out by voice then recorded messages could be better served for the consumer.

The PSA should consider very carefully their recommendation with the guidance that the use of certain colours should not utilised. Some of the colours in question are colours renowned for being used by people who have dyslexia, and would therefore discriminate this particular section of society. Approximately 15% of people have dyslexia, which equates to around 6million people in the UK.² This is a major oversight by the PSA and needs to be addressed before any guidance is published.

The guidance around ICSS services, and the information that they must provide, in particular "for an ICSS, the promotion should clearly explain that the company in which the service connects to can be contacted directly for no or lower cost and provide a link to the homepage of the company it connects to, to assist consumers in contacting them directly" is extremely worrying. This piece of guidance, if implemented would mean that the ICSS providers are advertising their services, for a cost to them, but are required to provide the main element of their service for free i.e. providing the details of the contacts website. (Firstly, there is an untrue assumption that the company has a homepage or a website). This would lead to the services no longer being used, and a service specific proportion of the market going out of business. It is absolutely paramount that clear pricing information is provided for any type of service, but giving the consumer the information for free, prior to the service being used should not be acceptable and does not promote confidence in the market, but is in fact saying that

² <u>https://www.dyslexia-reading-well.com/dyslexia-statistics.html</u>

these services are pointless and that people shouldn't use them. This could then be extended to other sectors of the industry i.e. Directory Enquiries, we are all aware that you can find the phone number for free for example using Google, but it is the convenience people pay for and with this guidance the DQ sector would have to hand that information for free. As previously mentioned any service specific requirements should be held within a service specific guidance note like broadcasting.

Later on in the guidance the PSA state the importance of the consumer being offered choice in relation in refunds. Under the Transparency Standard guidance the PSA are stating that if you are running a competition where the prize is money, you must inform the consumer at the promotion point, how the prize will be paid. This goes against the PSA's own guidance later in the guidance around giving the consumer choice. Would it not be better to keep a consistent approach here and for the PSA to recommend that cash prizes, should be offered in a way that is convenient for the consumer where possible (subject to amount).

The inclusion of the paragraph around non-phone-paid electronic communications on page 14 of this consultation is nothing more than what the code already states. The addition of the one sentence should have been included in the code if it is a requirement and should not be in the guidance if it is not a requirement.

The guidance included for Receipting for mobile network customers contained within page 15 of this consultation, is a pointless piece of guidance, which offers no additional guidance and just simply refers you back to the 219 words contained in the code. It is an unnecessary addition and should be removed.

The industry uses the STOP command as a standard and have done for many years, with great results over the industry. Over 93% of consumers use this method successfully³. Whist the guidance that it should be used is agreeable, it is slightly pointless when the PSA do nothing to promote the use of it with consumers, and allow the publication of information, which contradicts it, for example the publication by the Police 'The Little Book of Scams⁴'. There is no point in asking an industry to abide by something if the regulator is not going to do anything to ensure that consumers are aware of this safe guard and work with different agencies to publish this very successful method.

Q2 Is the proposed Fairness Standard guidance helpful and effective in supporting you to comply with the Fairness Standard and Requirements? If not, please specify what additional information you would find helpful

The draft Guidance to support the Fairness Standard is seven pages long, a lot of which could be included in the code as definitions, rather than long, lengthy guidance, which does not make compliance with the code easier or simpler. For example, Undue Delay is detailed over half a page of guidance. However, the PSA could condense this to a brief one paragraph definition and include this in the Code, rather than add it to the guidance. This would be easier for industry if the PSA defined 'prompt(ly)' in the Code, as this is used by them 17 times, yet does not have a definition.

On page 19 of the consultation, there are four paragraphs on the use of third party marketing providers. The 'guidance' in these paragraphs, is not something that needs to be added in to the guidance, but instead covers requirements which are already in place in the Code, under the DDRAC

³ Aimm Consumer Journey working group

⁴ https://www.actionfraud.police.uk/news/new-book-of-scams-launched-by-the-metropolitan-police

requirements, which state that the work undertaken by a third party must be risk assessed, reviewed and ultimately contracts terminated if they fail to comply with the Code.

Under the heading of 'Excessive use' on page 20 of the consultation the PSA state that "100% higher than that average may be considered potentially excessive" in relation to excessive use of a service. The guidance then goes on to state "What may constitute excessive or problematic levels of service use can vary depending on the service type and context in which the service operates. " and "The level at which excessive use is determined will often be informed by what is appropriate to the service context and/or any incremental service charge or the average cost incurred by a consumer". This renders the 100% recommendation then unobtainable and a measure that cannot be used. Leading on the guidance states to use the "modal average to calculate average user spend" but then footnotes this may not be the best method to calculate the mode. The guidance seems to contradict itself here and is not clear to regulated users of the Code and Guidance to understand.

There are already spend limits written into EU law which prevents excessive usage of service which could lead to bill shock or consumer harm and all UK networks have spend limits in place to limit the spend on premium rate services. The PSA have also introduced the requirement for the receipting of transactions made to a service by a consumer, on the basis that this would enable the consumer to hold all information about their spend with a service. The additional requirements here in relation to not billing someone who has exceeded the average 100% usage of a service seems very excessive, when regulation is already in place to prevent these types of events occurring.

For example, a standard competition could see one entry as an average, so the person who enters twice would then be considered to have an excessive use of the service. This is just not sensible, particularly when many of the broadcast competitions carry incentives, like buy a 2^{nd} entry and get a 3^{rd} free.

The introduction of such a requirement would also result in more messages to the end user, which ultimately no consumer wants. Not only is this costly to the merchant providers to implement systems to conduct the monitoring, but also to then contact the consumer, but it is also more messaging to the consumer.

The data retention notice as mentioned under page 21 of this consultation refers to an unknown and unspecified date retention notice. This notice should have been included within, either the 15th code consultation or within the guidance consultation. To implement guidance on a notice without defined periods of time, (or industry consultation), so close to implementation of the new 15th Code is another failing of the PSA in correct process. The guidance on the same page then goes on to state "Evidence of the communication should be collected and stored for a reasonable period". The question again is raised how does industry know or understand the thinking or guidance when even on the same page the PSA contradicts itself.

The suggestion that the PSA should be given access to a merchant's platform, is not only ludicrous that this should be required, but also goes no way to show that the PSA have any form of trust or relationship with the providers that are registered with them and who they regulate. This clearly proves a GDPR element issue that could arise from this risk. Giving the PSA access to a "real time access to opt-in data" shows no regard to the GDPR of the provider. The provider could be releasing information and personal data to a third party that has not been agreed upon by the data subject. The PSA is given at least two to four logs from different sources, one from the merchant, one from the L1 and possibly one from the sub-L1, also included is logs from the consumer, also on rare occasions

direct from the network. These prove without doubt the evidence is reliable enough and no carta blanch approach is warranted in any regard.

Overall this section of guidance is lengthy and does not provide any guidance to what is already in the Code or in other law by which the industry is regulated.

Q3 Is the proposed Customer Care Standard guidance helpful and effective in supporting you to comply with the Customer Care Standard and Requirements? If not, please specify what additional information you would find helpful

The PSA have stated in a number of places throughout the guidance consultation that the consumer would be expected to not spend undue time in seeking assistance with a query or in making a complaint. The PSA also state that they would expect the consumers first port of call to be the merchant provider. Whilst this is completely agreeable guidance, it is strange to not see any requirement for Customer Care details to be updated with the PSA on a regular basis and for the PSA to ensure that they will maintain the information they hold on the Service-Checker is up to date and easily accessible for the consumer to access. A large proportion of the consumer journey is ensuring that consumers have access to the right people at the right time, and the PSA and MNO's have a large part to play in this by ensuring that helpline numbers/contact details are up to date on service checker sites and on bills for consumers ease of access.

In a number of places throughout the consultation, requirements are made that the merchant provider tells the consumers of the PSA, their role or how to complain to the PSA. This in itself is quite surprising to see, as the PSA make it extremely clear that they are not an ombudsman and as a result they cannot deal with or consider an individual consumer's complaint⁵. The PSA is a regulator and as such can only deal with breaches of the code. The suggestion that a firm's Complaints Handling Policy must include details of how the consumer can complain to the PSA is factually incorrect, and should be removed from the guidance.

Contained within the consultation is the line to be added to guidance, "The full response should be sent within five working days (Code Requirement 3.4.4)", this is incorrectly referenced as it actually states "must respond to consumers who contact them promptly and in any event within five working days". There is a big difference between a respond to, as indicated by the code 3.4.4 and the wording full response within the proposed guidance. To complete a full response can take longer than the five days especially if information is required from other sources. The guidance should not add limits that the code does not seek and should be removed.

The guidance stresses the importance of a consumer agreeing to a refund method. This is simply something that cannot always be done. Firstly, the merchant may not offer the refund method requested or the expectations of a consumer are out of the control of the merchant. It may never be possible to agree a method with them, if the consumer would like their refund in cash, delivered in 1ps to their doorstep by an Elf for example. This guidance should be amended to 'where reasonably and commercially possible' to take into account those consumers who have unreasonable expectations.

⁵ We aren't here to take up individual cases or pursue refunds - https://psauthority.org.uk/

Q4 Is the proposed Vulnerable Consumers Standard guidance helpful and effective in supporting you to comply with the Vulnerable Consumers Standard and Requirements? If no, please specify what additional information you would find helpful

During the entire consultation on guidance, the PSA have included definitions of terms, which should be included within the Code, including but not limited to, the characteristics and circumstances that would make someone vulnerable.

When detailing the characteristics of the phone paid services market that may put vulnerable consumers at greater risk, the PSA include "psychic services which may be attractive to recently bereaved people". This guidance could be a direct discrimination to people whom hold the belief of spiritualism and mediums⁶. Someone's belief in this does not make someone a vulnerable customer just because of their faith.

The requirement to monitor policies and procedures in relation to vulnerable customers, is once again an onerous requirement and does not take into account all service and entity types. If a provider runs one service only, which does not target or promote in any way to vulnerable consumers, they should not be required to review such polices, but must instead ensure it is considered when they undertake a general review of their services and the ongoing risks of the service which would consider far more than just vulnerable consumers.

Q5 Is the proposed DDRAC Standard guidance helpful and effective in supporting you to comply with the DDRAC Standard and Requirement? If not, please specify what additional information you would find helpful.

The PSA continue to exclude themselves from the value chain, in particular in relation to the due diligence, risk assessment and control policies, procedures and requirements. The PSA should play a vital role at the outset of the process, in 'vetting' providers before they are registered. The PSA currently fail to undertake any due diligence on firms before they can become registered with them, which lets down the whole value chain. If the PSA where to conduct more appropriate and diligent on boarding procedures, then they would have the opportunity to prevent a lot of the bad providers from even entering the market in the first place.

Why does the PSA not consider it appropriate to add in the information about registration in the code or the DDRAC guidance? The registration process forms an integral part of the DDRAC process that firms undertake, especially with the guidance requiring that checks be conducted to ensure that those being contracted with are in fact PSA registered. The market is fully aware, that at the moment there are no barriers of entry to the market, and that anyone can sign up to become registered. This element of due diligence is a part that completely lets down the whole process, and the industry knows it is pointless and a tick box exercise. However, if the PSA where to ensure that they carried out sufficient due diligence before allowing firms to be registered with them, it would not only have more meaning, but also be more helpful to those seeking to contract with industry with the added benefit of confidence in the consumer market. Knowing that the regulator had undertaken some due diligence and deemed them fit for the market, would go some way towards assessing the risk that this entity posse to the value chain. The PSA seem to consistently deny that they are part of the Premium Rate

⁶ <u>http://www.open.ac.uk/</u> accounts for a rise within UK census from 2001 to 2011 and to 2020. Over 400 registered churches and the only religion that shows an increase within the census.

Value chain, yet they are funded by compulsory registration fees and are directly funded by levy of use in the PRS market.

It is noted, (page 5 paragraph 14 consultation on guidance), that the PSA intend to update their 'Help Notes' on the registration process after the implementation of the new code. Compliance with the registration process is the first step on a new firm's compliance ladder, and it is unclear why these requirements do not form part of the Code itself. The registration process is governed by the PSA, which issues a Code of Conduct for people to comply with, so it would make more sense, and be easier for new entrants to the market to follow, if it was all in one place to find and comply with. A new code to be easier and simpler to comply with cannot be directly done when all the guidance, help notes, notices and information is not published before the implementation as this could lead to industry being in breach from day one and not be aware of it. To overcome this there should be a period of implementation of the 15th Code that is transition for industry to gain all the information and to make sure it is fully compliant with the PSA new code. This period is limited to the time the PSA issues all notices etc. and for a sensible period for industry to act upon and put in place any requirements.

The consultation states on page 34, "While merchant providers are not required by the Code to have due diligence polices and processes in place, they may nonetheless find it helpful to develop them, in addition to the risk assessment and control policies and processes they should have in order to meet their obligations under Code Requirement 3.9.2.". The PSA have yet again not only missed the mark with this guidance but also managed to contradict themselves. Why state in guidance that you are not required to do something, when you have put the caveat on the guidance that compliance with it will be a mitigating factor and non-compliance an aggravating factor. All the PSA are doing is making more and more guidance to confuse providers into not complying with the code.

This statement is also difficult to agree with, when there are requirements for other policies and procedures to be put in place, which pose a far less risk to the consumers and industry than ensure that DDRAC is done correctly by the entire value chain.

The policy requirements, include "how incident will be recorded", but nowhere does it define what sort of incident they are referring to. Is this a code breach, failure to provide evidence of identity if requested, suspicion of money laundering? The guidance is very vague on this extremely important point.

The conducting of an initial risk assessment of any new firm to the market is an important fact in deciding whether or not to contract with them. We would however, strongly disagree with the PSA's view that all new clients or services would need to be deemed a greater risk level. There are considerably more factors that should be taken into account when considering a risk level than just whether or not they are new to the market or a new service. The PSA have completely failed here to understand the basis and importance of conducting initial risk assessments and due diligence. A well-known provider placing a new service in the market poses very little threat compared to an entity who is owned or controlled by a PEP or someone who appears on a sanctions list. The PSA have completely failed to provide any credible guidance on the conducting of risk assessments at all.

Requiring someone to disclose information in relation to any breaches being investigated by the PSA could be harmful to both parties. The investigation has not concluded and it could be found that there are no breaches or wrong doing at all. If this wording was to say 'suspected breaches' should be added to make it clear that the investigation is ongoing and no wrong-doing had yet been established and may not be.

Including the retention periods for the DDRAC documents should be included in this guidance for easy of reference, and the current wording on referring to another document is neither helpful or going in any way to making compliance easier and simpler, especially as that document does not exist yet and there is no set time line for the PSA to produce that notice document.

Q6 Is the proposed Systems Standard guidance helpful and effective in supporting you to comply with the Systems Standards and Requirements? If not, please specify what additional information you would find helpful

The PSA is a regulator and is not best placed to recommend providers to the market or require that they use certain levels of providers for things. As an independent entity, the PSA should not specify that security testing should be done by a CREST certified body, and allow firms to make a choice of provider based on their individual business and needs.

OWASP and CVSS could become outdated very quickly or redundant, or could have downfalls, which result in a bad reputation, which would mean that the PSA would be advocating a bad practice within the whole value chain and industry resulting in the demise of consumer confidence.

Q7 Is the proposed guidance on service-specific Requirement 3.13.3 helpful in clarifying the PSA's expectation and effective in supporting you to comply with that Requirement, including in relation to what constitutes "reasonable time"? If not, please specify what additional information you would find helpful

This piece of guidance is not physically possible for people to adhere to. The systems in use across the industry have no way of identifying what time the message received in was sent from the originating handset. It is unclear how providers would be expected to know this information to enable a delayed receipt to be counted. Systems are designed so that entries received after the closing date and time are not charged, and this has worked well for years. The changing of this now would not be appropriate or at all possible to administer as the PSA are suggesting.

All entries in the past used to accept the post mark as the time of entry, but due to the significant abuse this attracted, and the resulting fraudulent entries, this was deemed inappropriate. This guidance seems to replicate this old, out dated approach to entries. Free route of entry, on some broadcast competitions, allow an additional time period for entry, to mitigate the potential time lapse in receiving it.

The PSA have stated, (as mentioned above) that "we remain of the view that this is not necessary" in relation to service specific notices. However there has been one produced in this consultation on page 50 and has also had a question related directly to it, (question 7). This service specific requirement should be removed in its entirety due to the nature of the service and the impossible nature of complying with the requirement. We believe there should be service specific requirement notices within the guidance and this would remove some of the proposed guidance to be better placed within the specific requirement notice. This leads to the guidance showing a better understanding to industry as a whole and then portions for certain parts of industry, i.e. charities, broadcast media, ICSS etc.