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**Annual Report**  
2016/17

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# PSA overview

## Who we are

The Phone-paid Services Authority (PSA) regulates content, goods and services charged to a phone bill. Phone-paid services include TV voting lines, charity text giving, competitions, directory enquiries and game downloads charged to a phone bill.

We are designated by Ofcom as the body responsible for regulating (Controlled) Premium Rate Services (PRS) in the UK. Ofcom is responsible for approving our Code of Practice.

We act independently of Government and commercial interests and operate as an arm's-length body of Department for Digital, Culture, Media and Sport (DCMS).

## Vision

Our vision is a healthy and innovative market in which consumers can charge for content, goods and services to their phone bill with confidence.

## Mission

Our mission is twofold:

- To protect consumers from harm in the market, including where necessary through robust enforcement of our Code of Practice.
- To further consumers' interests through encouraging competition, innovation and growth in the market.

We seek to do this by:

- Providing clarity about the market for content, goods and services charged to a phone bill.
- Applying an outcomes-based Code of Practice.
- Delivering a balanced approach to regulation.
- Working in partnership with Government and other regulators.

As a public body, we will underpin the delivery of our mission through:

- Delivering high standards of organisational support.

# Chairman's message



David Edmonds CBE  
Chairman, PSA

2016/17 was a significant year for the PSA. In our 30<sup>th</sup> year of regulating the phone-paid services market, we published our new vision, mission and strategic priorities.

And we changed our name to the Phone-paid Services Authority. This was designed to make clear to consumers who we are and what we regulate. Evidence suggests that consumers contacting us better understand our role and how we can help them.

**“We want to see a healthy and innovative market in which consumers can charge content, goods and services to a phone bill with confidence.”**

Strong consumer protection, where necessary through robust enforcement, is essential. And encouraging competition, growth and innovation leads to a market with wider consumer choice. These themes have underpinned our work in the year.

As new services are allowed under the Payment Services Directive 2, we will work with industry to ensure that they are delivered in a sensible, compliant manner so that consumers can have full confidence in them.

We are conscious that our industry stakeholders expect us to be efficient and economical. Our 2016/17 budget was 11% lower than 2015/16, yet we handled over 30% more contacts from consumers. We announced a further 5% reduction to our budget in real terms for 2017-18. We also intend to hold the amount of levy required from our funders at the current level for the next four years.

We have invested significant effort in ensuring our governance structures are fit for purpose. We were formally categorised as a Department for Digital, Culture, Media and Sport arm's-length body and have a framework agreement to reflect this. The new Code

Adjudication Panel, led by Mohammed Khamisa QC, was also established alongside the introduction of our new Code of Practice.

Peter Hinchliffe's term as deputy chair came to an end in December 2016 - I would like to thank him for all his contributions to the organisation over the last four years. Ruth Sawtell became Senior Independent Director and we welcomed Meg Munn to the Board in January 2017.

We have a committed and hardworking staff under the wise leadership of Jo Prowse and I would like to thank them, and the Board, for their support during the last year.

Finally, it is with sadness that I note the death in April this year of our previous chairman, Andrew Pinder. Andrew had a long and distinguished career in both the public and private sector, leading PhonepayPlus from 2012 to 2015. He will be missed.

# Chief Executive's report



*Jo Prowse*  
Chief Executive, PSA

It gives me real pleasure to report on a successful year. Over the 2016/17 financial year, we made good progress in furthering the interests of consumers of phone-paid services.

As David notes, we launched our new vision and mission in November. This is with a view to articulating clearly who we are and what we do.

Our new strategic priorities, guiding how we carry out our core purposes, have given us a renewed sense of drive. The report sets out in greater detail how we worked towards delivering on our objectives in 2016/17, but I wanted to use this opportunity to outline some of my personal highlights from the year.

We launched the 14<sup>th</sup> edition of our Code of Practice, which overhauled our investigations and adjudication processes. The changes are intended to improve the transparency, certainty and fairness of our decision making and they have bedded in well.

In our 30<sup>th</sup> year of regulation, we launched Project 30, a set of initiatives both internal and external facing, intended to ensure that the PSA remains fit for purpose. This included reviewing our funding model, overhauling our consumer strategy, delivering on an internal cultural shift programme and consulting on improvements to our regulatory framework. That is one that balances the need for consumer protection with the flexibility to support innovation and growth that meets consumer demand.

Our new risk assessment framework allows us to objectively assess where additional controls are necessary to protect consumers or where we can reduce regulatory burden, to support competition and growth, when consumer risk is managed.

New Special conditions for online competition and online adult services were introduced in January to address

consumer concerns about these services. Consumer complaints to us about these services have since declined substantially. From a growth perspective, we have made our exemptions process much clearer in order to open up opportunities for new entrants and services to the market. The PSA is 'open for business' and here to support innovation that consumers can benefit from.

Since taking on the role of Chief Executive, I have focused on ensuring the team in Canary Wharf is performing to the best of its abilities through our cultural shift programme. With new service values and key behaviours now embedded, I am proud that we were awarded Investors in People Silver status in May of this financial year, which represents a significant upgrade from Bronze and demonstrates the value we place on our team.

Feedback from our external stakeholders has also been positive. We commissioned a piece of stakeholder perceptions research in January, which gathered and analysed the views from a range of our stakeholders including consumer advocates, industry and fellow regulators. We scored particularly strongly in terms of our openness and collaborative approach to regulation.

Looking ahead, and as set out in detail in our Business Plan, our consumer focus will be on the post-purchase consumer experience and providing better self-help functionality and broadening our consumer information outreach. From a regulatory perspective, we are reviewing the implementation of our 14<sup>th</sup> Code, to confirm the objectives of the changes to the Code have been met. This is also with a view to ensuring our regulatory framework continues to provide the appropriate protections for consumers while providing the space and flexibility for providers to innovate in the consumer interest.

We will continue to maintain and develop strong working relationships with a range of key regulatory and governmental stakeholders. These include Ofcom, DCMS, CMA and the FCA on areas of regulatory and/or legislative mutual interest. We are also refreshing the use and content of our Memorandums of Understanding (MoU) with various bodies.

Of course, this is all in addition to our work, both in the handling of consumer enquiries, complaints, investigations and adjudications and across our team to ensure sound governance, financial management, systems development, and staff performance and engagement.

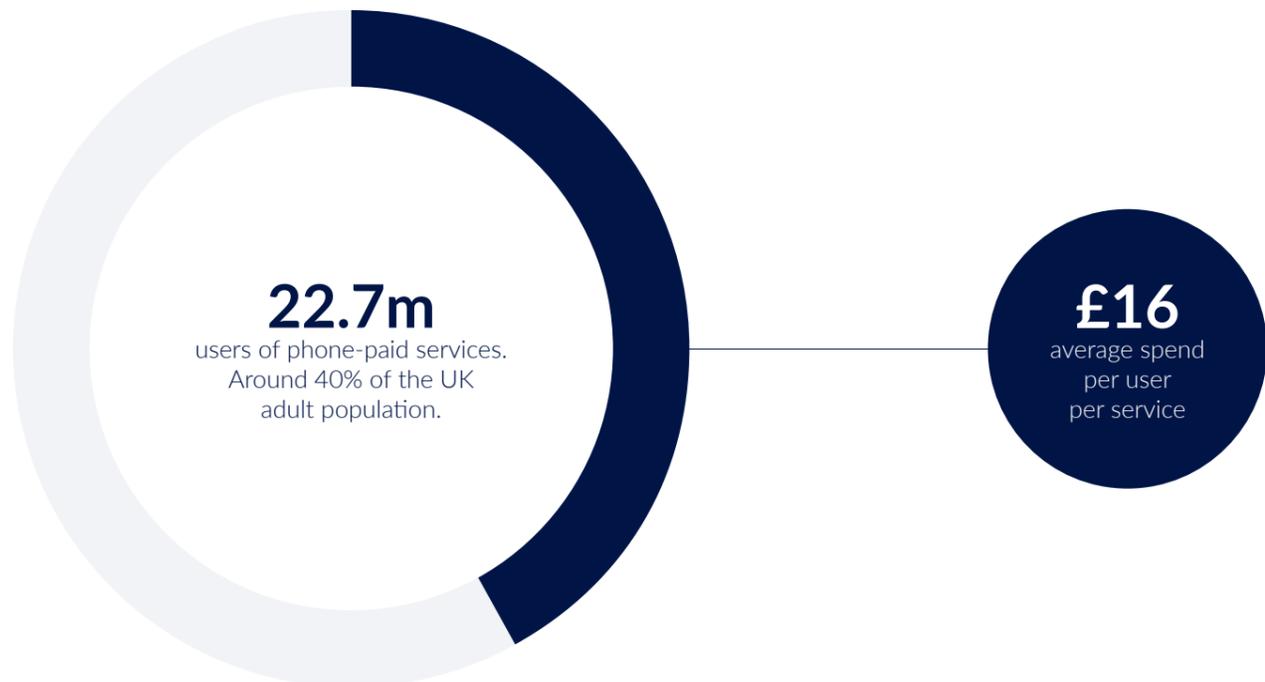
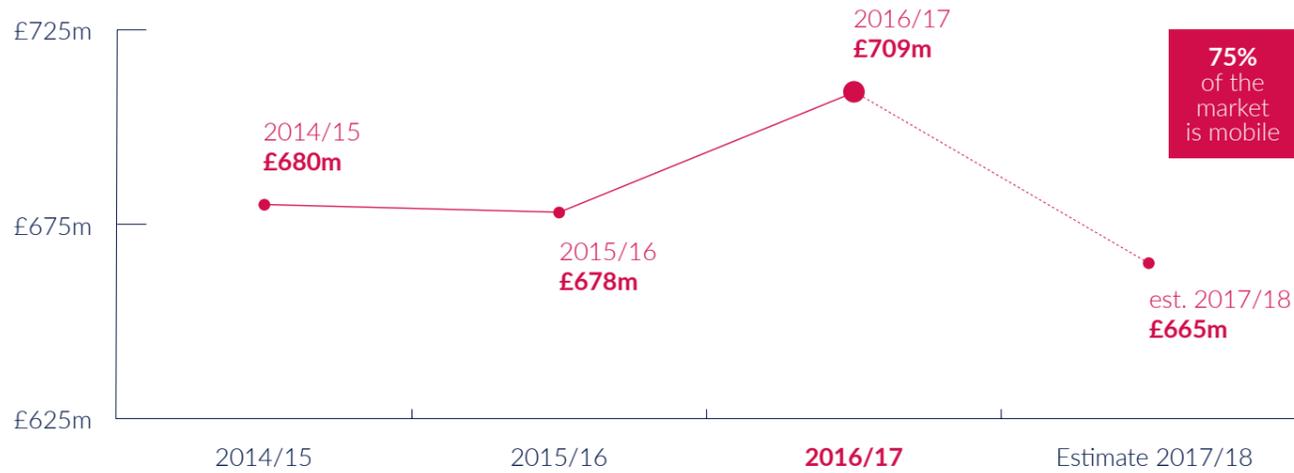
As always, we welcome your feedback and look forward to working with you to further the interests of consumers.

# Overview of the phone-paid services market

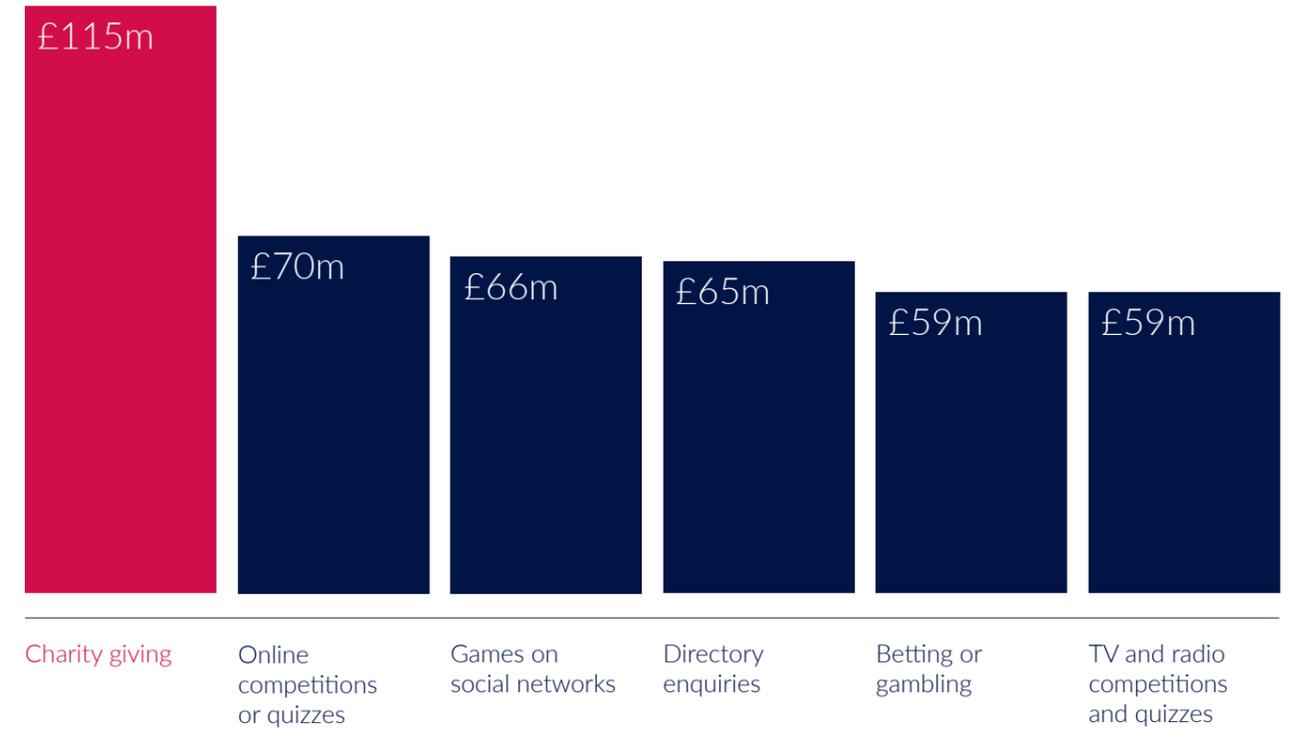
## Total market size

Each year we commission an Annual Market Review, which provides insight into the size of the market and its different component parts. In recent years there has been a steady decline in revenues until the last couple of years.

Revenues have begun to stabilise, in part through the growth in operator billing, the charging of content, goods and services via smartphone to a phone bill.



## Six largest sectors 2016/17

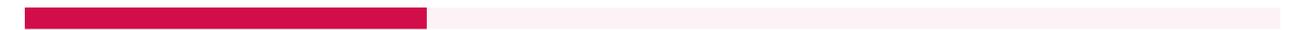


**55%**  
of users are either satisfied or very satisfied with their content or services



Up 6% from last year

**32%**  
of users of phone-paid services claim their trust has been compromised in last 12 months



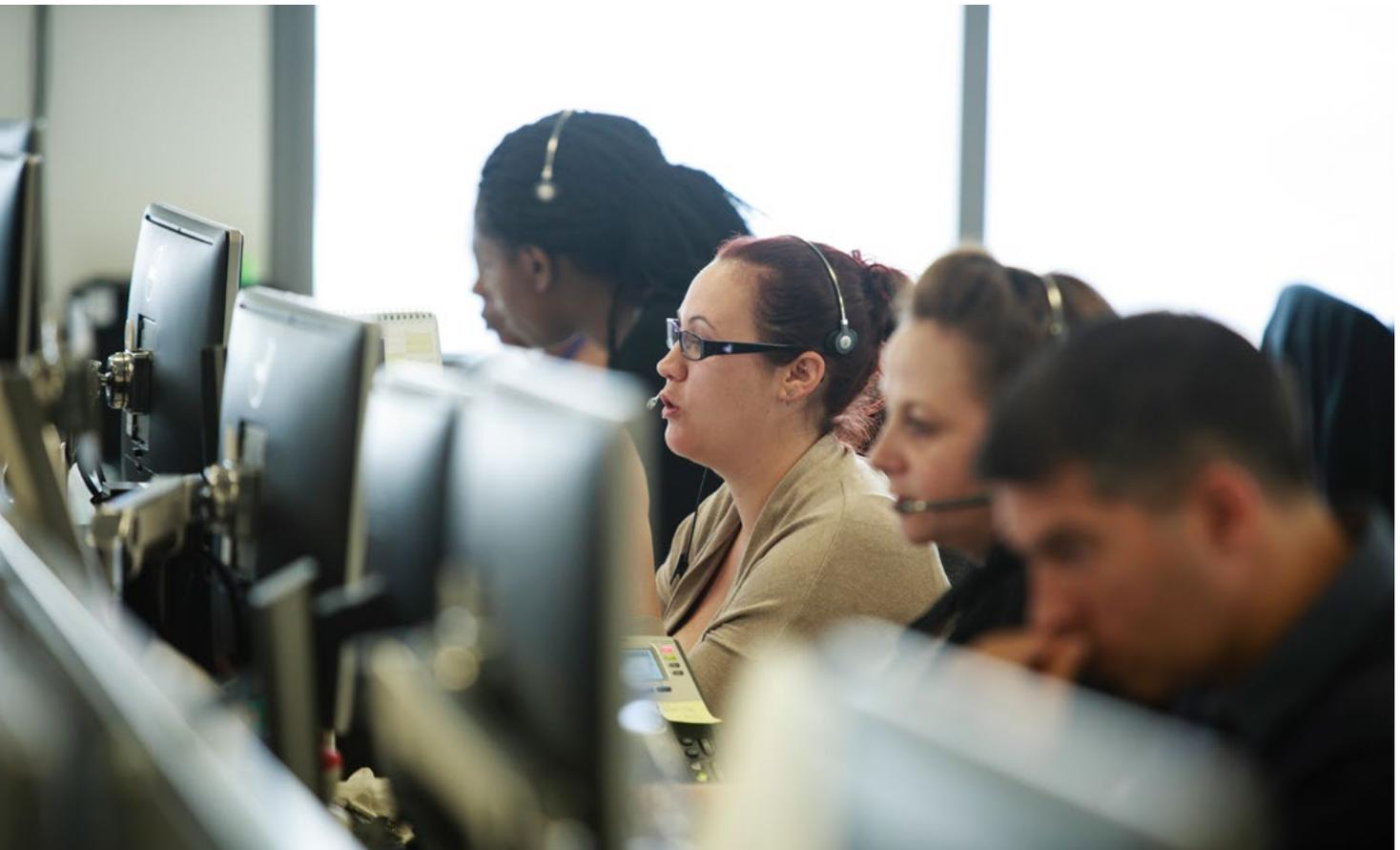
Up 3% from last year

# Delivering on our priorities

## Providing clarity about the market for content, goods and services charged to a phone bill

We want consumers to be able to use phone-paid services with confidence. In our view, that requires consumers to know that they are protected should things go wrong but also feel empowered to use services.

We aim to do the latter by providing consumers with accurate information about how and what they can charge to their phone bill and being clear about what we do and how we can help. This also includes sign-posting consumers in the appropriate direction so they can self-serve and working with all stakeholders to improve the consumer experience of services.



## What we have done

### 1. Handled 31% more contacts from consumers

We handled 471,000 contacts from consumers in 2016/17, up from 358,000 in the previous financial year. Nine in every ten contacts were dealt with by our automated systems, be that online or on the phone using our Interactive Voice Response. That suggests the vast majority of consumers were provided with the information they needed to self-serve, reducing the time and effort required to solve any potential issue.

### 2. Rebranded

In November we rebranded from PhonepayPlus to the Phone-paid Services Authority. Our new name and strapline is designed to make it clearer to consumers who we are, what we regulate and how we can help. The new name and strapline, 'The UK regulator for content, goods and services charged to a phone bill' now accurately reflects who we are and what we do. Evidence suggests that the new name gives consumers confidence, especially when they have cause to contact us.

At the same time, we've started to use the term *phone-paid services* more and more. While the services that we regulate are referred to as Premium Rate Services (PRS) in law, the nature of services has changed over time. PRS is an outdated and less consumer-friendly term, often associated with non-geographic call services, and tends to omit services such as app store purchases, music and video content and charity text donations.

### 3. Developed a new consumer strategy

In our 30<sup>th</sup> year of regulating phone-paid services, we introduced a new consumer strategy to be implemented over the next 18 – 24 months to ensure consumers are at the heart of everything we do. The consumer strategy focuses on three outcomes:

- **To prevent harm from occurring in the first place**  
This is done by ensuring consumers are well-informed, services are compliant and we fully understand the consumer experience of services.
- **To stop harm from continuing once detected**  
Some of the research we commission informs us of consumers' experiences and perceptions of services and allows us to reconsider regulatory requirements to ensure stronger consumer protection where necessary. This was the case with the Special conditions we issued for online competition and online adult services.
- **To work to repair harm when it has happened**  
Our Code of Practice requires customer complaints be resolved quickly and easily. We commissioned new research in 2016 into consumers' experience of complaint handling across the market. The research suggests that consumers' experiences vary significantly across the industry from the good, where complaints are handled quickly and effectively, to the bad, where the consumer experience can be long, frustrating and often without a satisfactory outcome. Our focus for the upcoming financial year is to work with all stakeholders to respond to the findings and ensure that we collectively meet consumers' expectations.

### 4. Issued the Annual Market Review

Every year we commission an Annual Market Review that looks at all component parts of the market and how they are performing, allowing us and the industry to see what can and should be done to allow it to thrive. With the findings from the Annual Market Review we are putting a greater focus in our regulation on the consumers' experience, trust and satisfaction.

## Outcomes

- Clearer for consumers to understand who we are, what we do and how we can help them.
- Consumers are better placed to self-serve through the use of our Number Checker, Interactive Voice Response and online complaint tool.
- Consumers and their interests are at the heart of everything we do.

# Applying an outcomes-based Code of Practice

Our regulation is outcomes-based. That means that the Code of Practice – our regulatory rulebook – focuses on the consumer experience of phone-paid services, rather than complex regulation. This approach gives industry the flexibility to develop services that consumers enjoy without being restricted by overly prescriptive rules. And it ensures that consumers are protected from harm. This year we focused on ensuring the Code of Practice remains fit for purpose and meets our value of fair and proportionate regulation.

## What we have done

### 1. Launched the 14<sup>th</sup> edition of the Code of Practice

We periodically review our Code of Practice to ensure our regulatory tool kit remains fit for purpose. The new Code overhauled our investigations and adjudications processes with the aim of ensuring they are independent, transparent, fair and proportionate.

The new Code established our new Code Adjudication Panel (CAP), led by Mohammed Khamisa QC, which is made up of ten legally qualified and lay independent adjudicators. We introduced an Investigations Oversight Panel (IOP) to ensure our investigations are robust and scrutinised appropriately. And we replaced the Independent Appeals Body with a clearer appeals process. Reviews, settlement and appeals are now easier, offering parties under investigation the flexibility and opportunity to work with us or challenge decisions. Stakeholders have told us that they are supportive of the changes, welcoming the collaborative approach to developing the new Code and the constructive approach to investigations.

Following its successful implementation, we commissioned internal and external reviews of our new edition of the Code, which we will deliver in the 2017/18 financial year. The internal review will assess whether the changes introduced through the 14<sup>th</sup> Code met our objectives. The external review, to be conducted by an independent law firm, will assess whether we are clearly applying our new rules and processes.

### 2. Making sanctioning more effective

The supporting procedures aim to explain informal and formal investigations and associated procedures, and give stakeholders clear guidance as to what is expected of them if they are investigated. And this is consistent with our aim of being both a fair and proportionate regulator but also one that is open and transparent. We published new supporting procedures alongside the new Code in July 2016.

Following the introduction of new supporting procedures, we launched a consultation in March 2017 on further changes to ensure that our approach to sanctioning continues to deter non-compliant behaviour, prevent consumer harm, protect the reputation of the market and ensure a level playing field for industry. Having consulted stakeholders, we will respond to the consultation in the coming financial year.

### 3. Enforced in the most serious cases

Enforcement is an important aspect of regulation. It protects consumers from harm, deters others from breaking the rules and ensures providers are not undercut by sharp practice. And when providers break the rules, we take action. In 2016/17 the Code Adjudication Panel heard 26 Tribunals. The independent Tribunal levied fines in excess of £5 million against those providers who were found to breach the Code of Practice. For the most serious breaches, the Tribunal also banned seven companies and individuals from the market.

#### 4. Ensured our Guidance is up to date

In 2016/17 we issued new Guidance on vulnerable consumers, advice services, enabling consumer spend control and digital marketing and promotion. These are intended to help industry comply with the Code and encourages best practice. As with all our work, we took a collaborative approach to developing the Guidance to ensure it is practical and impactful.

#### 5. Issued over 1,500 pieces of compliance advice

Our compliance advice function is a free-to-use service for providers of phone-paid services and is intended to help them meet their regulatory obligations. Over the year, the team provided more than 1,500 separate pieces of advice, responding to requests over the phone and via email.

## Outcomes

- Improved independence and transparency in our investigations and adjudications.
- A fair and proportionate regulatory framework, underpinned by more effective sanctioning powers.
- Clear guidance for providers of phone-paid services through new vulnerability, enabling consumer spend control, advice services and digital marketing Guidance.
- An open and collaborative relationship with the industry.

**26**  
Tribunals  
heard

**£5m**  
in fines  
issued

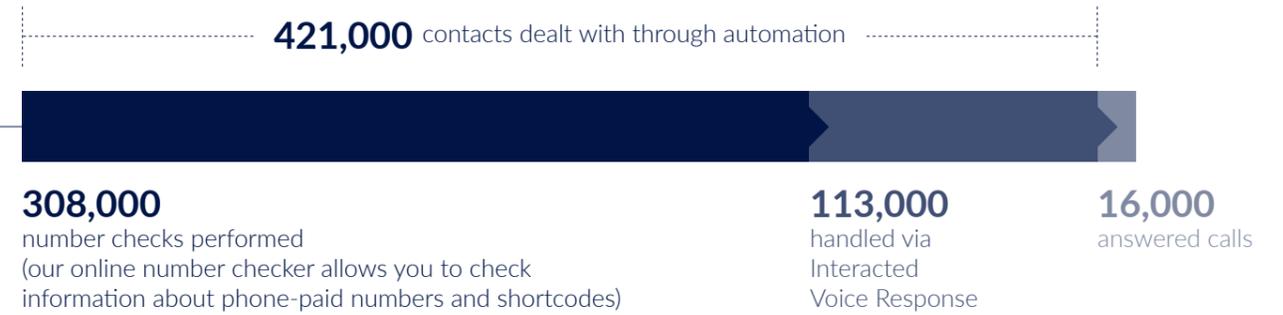
**7**  
companies  
and individuals  
prohibited from  
the market

**1,561**  
pieces of  
compliance  
advice  
provided

# Our activity in numbers



**437,000 Enquiries**



**34,000 Complaints**



# Delivering a balanced approach to regulation

We aim to strike a balance between consumer protection and promoting competition and innovation in the consumer interest. This year, we had a real focus on tightening our rules where it was needed and reducing regulatory burden where we could. We also balanced our approach to enforcement, taking robust action in the most serious cases but we maintained our commitment to working with industry in pursuit of the consumer interest.



## What we have done

### 1. Provided regulatory clarity

In our 30<sup>th</sup> year of regulating phone-paid services, we launched a review of our regulatory framework. The aim was to identify what we could improve to best support growth and stimulate competition, while ensuring and, if necessary, boosting consumer protection. We launched a consultation in August 2016 outlining our proposals. The proposals were refined following feedback received from stakeholders.

In November 2016 we:

- [Published a risk assessment framework](#)  
This allows us to assess objectively the risk to consumers presented by services. Where services present higher risk, we are now able to consider and introduce mitigations more quickly than previously. Alternatively, where services can demonstrate that they are able to control consumer risk we can look to reduce regulatory burden.
- [Clarified how exemptions to the Code may be applied for services that control risk effectively](#)  
Through this work, we have improved transparency around our risk assessment and decision making, ensured consumers can feel protected and given industry the flexibility to innovate in a sustainable manner.

### 2. Introduced additional rules for online competition and online adult services

In January 2017, we introduced additional rules for online competition and online adult services to address issues we identified with how these services were operating. These service types were a disproportionate cause of consumer complaints to us – we estimated that online competition and online adult services accounted for 74% of our complaints, yet they made up a small proportion of the market. Research suggested that consumers often claimed they had signed up to these services without realising. In our view, these services posed significant risk to consumers.

In response, we consulted on additional requirements, designed to protect consumers from outcomes such as inadvertently signing up to subscription services. The requirements included making it clearer to consumers that they were signing up, clearer identification of the service brand and consent to be charged to be obtained through one of three robust methods. Since the introduction of these measures total complaints to us have fallen significantly, from a peak of 3,800 in September 2016 to 1,200 in March 2017.

### 3. Responded to industry feedback

Consultations are one way we gather formal feedback on our activity and proposed changes to our work. Responding to feedback demonstrates our collaborative approach to regulation. In 2016/17 we consulted on, new Special conditions, our Business Plan and Budget for 2017/18, our regulatory framework, and in March 2017, proposals to enhance effectiveness of sanctions.

We have listened to and acted on feedback received to ensure the effective implementation of proposals. Following responses received to our consultation on Special conditions, we removed provisions on opt-out processes. As a result, we are supporting industry in exploring options to improve consumers' experiences when exiting services.

### 4. Increasing monitoring capabilities

The ability to identify and prevent harm occurring at the earliest stage is an important part of our work. We have invested in our capability to scan and evaluate marketing activity. We are now capable of scanning and recording over 100,000 ad impressions each week. This allows us greater insight into marketing activity and to identify potential harm as early as possible.



### 5. Carried out a comprehensive programme of industry engagement

We believe in a collaborative approach to regulation - one that is open to engaging with all parties but also takes tough decisions in a timely manner. In 2016/17 we carried out a comprehensive programme of formal and informal industry engagement. We meet regularly with trade bodies, service providers and representatives from across the phone-paid services industry. Our approach is to encourage two-way engagement to ensure high levels of compliance and to identify any emerging issues.

Our Industry Liaison Panel (ILP), which meets quarterly, provides a constructive link and helps us ensure regulation is well-informed. The Panel is chaired by Ann Cook, Director of Interactive and Managing Director of ITL at ITV and involves representatives from across the industry, including: trade bodies, broadcasters, mobile networks and fixed-line networks, directory enquiry providers and charities. We have also increased panel membership to better reflect the diversity of organisations in the industry.

Our twice-yearly forums attracted hundreds of representatives from across the phone-paid services market. November's forum focused on what makes a healthy and innovative market. Speakers on the day discussed the opportunities for operator billing in the UK and how our regulation can support innovation and growth.

We also ran a series of seminars and workshops focused on important issues such as digital marketing, methods of exit and the implementation of new Special conditions.

## 6. Commissioned a variety of research

We commission research to provide us with objective insight into phone-paid services and how consumers use them. In 2016/17, we placed a strong emphasis on how consumers engage with services and their experiences.

- **Published research into consumer journeys with online competition and online adult services**

We commissioned Craft Realities to carry out the research into the consumer experience of online competition and online adult services. The innovative observational research highlighted, through the eyes of the consumer, a number of concerns as to how these services operated. Consumers from the research claimed they signed up to services inadvertently, without knowing the costs involved. We responded to these findings by introducing additional requirements on these services to improve consumer journeys including reducing the risks of inadvertent sign-up.

- **Published our 2015/16 Annual Market Review (AMR)**

Our AMR provides an in-depth look at the phone-paid services market. The review delivered by mobilesquared, assesses how each part of the market is performing, from charity text donations, through to directory enquiry services. Findings showed that people's views of the market vary greatly, that people's trust in certain areas was low and that this was an area that needed improvement. The 2016/17 AMR has a strong focus on consumer perceptions and how trust can be improved.

- **Commissioned complaint handling research**

In December 2016, we commissioned research into customer care and complaint handling across the phone-paid services market. We designed the research alongside our delivery partner Futuresight to provide a better understanding of the consumer experience of post-purchase redress.

The findings will assist us by providing recommendations on how to improve the post-purchase experience for people. We will assess whether regulatory intervention may be required to increase confidence and trust in this area.

- **Commissioned a stakeholder perceptions survey**

We have also commissioned research into stakeholder perceptions of us. This was for an independent, objective view of stakeholders' perceptions of the PSA and to identify areas we can improve to meet stakeholder expectations.

Stakeholders generally have a positive perception of us - 60% of survey participants had a favourable view of the PSA compared to 10% who had an unfavourable view. 48% would speak highly or very highly of the PSA. Stakeholders perceive our performance to have significantly improved over the last 18-24 months, with 68% of stakeholders seeing us as an effective organisation. Stakeholders did however suggest areas that we could improve including our speed of response to market issues. We intend to act on these issues in the next financial year.

**"Stakeholders perceive our performance to have significantly improved over the last 18 to 24 months"**

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**68%**

of stakeholders see us as an effective organisation

### 7. Balancing informal and formal action

In the previous section, we detailed the formal enforcement action we took against providers. However, formal investigations are reserved for the most serious cases.

Our effective and targeted approach led to 605 cases considered in 2016/17, 99 of which were subject to enforcement actions. Of these, 48 of these were subject to an initial Track 2 procedure.

# 605

cases  
considered



# 99

enforcement  
actions



# 5 in 6

cases dealt  
with informally

### 8. Redevelopment of the Registration Scheme

We started the process of redeveloping our Registration Scheme. Our aim is to gather more detailed information about the companies operating in the market to provide more comprehensive market data. This work will support better industry due diligence and risk control and allow for more informed decision-making.

## Outcomes

- A 68% reduction in consumer complaints.
- Constructive engagement with industry, through workshops, forums and increased representation on the Industry Liaison Panel.
- Regulatory clarity with a new risk assessment framework and clearer exemptions processes.
- Improved understanding of market and consumer behaviour through our programme of research.
- A balanced and effective approach to enforcement that ensures the most serious cases are targeted and prioritised.

# Working in partnership with Government and other regulators

Our regulation does not exist in isolation. We work to identify and influence relevant regulatory and legislative changes that may affect the phone-paid services market. Collaborating with Government and other regulators, we aim to provide clarity where there may be overlap in terms of content, goods and services and payment mechanisms.

## What we have done

### 1. Collaborated on Payment Services Directive 2 (PSD2)

The Payment Services Directive governs the myriad of payments made throughout the EU every day. It sets common standards for payments in Europe. The directive is in the process of being revised. The new directive, PSD2, is due to come into UK law on 1 January 2018 and has the potential to affect the phone-paid services industry.

With this in mind, we have been working with industry, fellow regulators and Government departments to ensure the new directive is implemented in the UK effectively. We arranged meetings with the industry to help them understand changes presented by the revised PSD2. We also organised a joint workshop with the Financial Conduct Authority, the implementation authority for PSD2, to assist industry in coordinating their views. Areas of focus for the sessions included, understanding the role of intermediaries between telecom networks and merchants and the setting of cumulative monthly purchase caps.

### 2. Developed our relationship as an arm's-length body of Department for Digital, Culture, Media and Sport (DCMS)

Following our classification as a DCMS arms-length body, we have worked with the Department to develop a Framework Agreement. The Framework Agreement describes the relationship between DCMS and the PSA, including setting out our reporting responsibilities. Further work with DCMS has included understanding the EU Regulatory framework for electronic communications and the Digital Economy Bill and any implications these may have for the phone-paid services market.

### 3. Worked closely with Ofcom

We work very closely with Ofcom to ensure effective regulation of phone-paid services.

Work has included:

- **The CPRS condition**  
Our remit is set out in the definition of Controlled Premium Rate Services (CPRS). We have explored if any changes are required to provide greater clarity about our role and jurisdiction.
- **Contributed to their General Conditions**  
This work is ongoing. Any potential changes will be announced as part of Ofcom's wider review of its General Conditions.
- **Our 14<sup>th</sup> Code of Practice**  
Ofcom has a statutory responsibility to approve our Code of Practice. We worked with Ofcom to ensure the 14<sup>th</sup> Code met their statutory requirements.
- **Consumer Contract Regulations**  
We supported Ofcom's work with Trading Standards on the Primary Assured Advice they have provided industry about the Consumer Contracts Regulations.

#### 4. Collaborated with the ICO, ASA and Gambling Commission

Nuisance calls and texts continue to be a problem for many people. We have worked with the Information Commissioner's Office (ICO), to address issues with the unsolicited marketing of services that can lead to phone-paid charges. We also continue to contribute to Operation LINDEN, the ICO led initiative, which brings together regulators, consumer groups and trade associations to share information about the use of personal data in the context of lead generation.

We have a strong working relationship with the Advertising Standards Authority (ASA) and continue to collaborate on issues of mutual interest, including affiliate marketing, automated monitoring and operational issues. Likewise, we continue to liaise with the Gambling Commission through the Gambling Advertising Monitoring Unit.

#### 5. Engaged with our international counterparts

We work with a number of authorities outside of the UK to ensure we are able to investigate companies based in other EU member states but operating in the UK phone-paid services market. This year we have made 16 referrals and taken action against providers based outside of the UK.

We will continue to monitor the effectiveness of this work and any implications caused by the decision to leave the EU.

#### 6. Reviewing our Memorandum of Understandings

We are reviewing our existing Memorandums of Understanding with other regulators to ensure they remain fit for purpose. An MOU is a framework for co-operation between us and organisations such as the Gambling Commission. They allow us to share relevant information between the two organisations and ensures an agreed procedure for handling complaints. Close working with organisations such as Ofcom, ICO, ASA and the Gambling Commission is crucial in identifying regulatory matters of mutual interest and managing any potential impact on the phone-paid services market.

## Outcomes

- Increased industry understanding of the Payment Services Directive 2 and its implications, enabling coordinated input into HM Treasury's consultation.
- Established formal processes with Department for Digital, Culture, Media and Sport.
- Clear and effective regulation and minimised overlap through strong engagement with Ofcom on a variety of issues.
- Issues with unsolicited marketing of phone-paid services addressed jointly with the Information Commissioner's Office.

# Delivering high standards of organisational support

We strive to be an effective, productive and professional regulator that delivers good value for money for our stakeholders. Delivering high standards of organisational support requires a skilled and motivated workforce, appropriate resources and resilient and responsive business systems. We are committed to ensuring our business systems are fit for purpose and that our staff have the skills necessary to deliver our aims. We have introduced a Balanced Scorecard approach that evaluates our performance and ensures we allocate resources effectively.

## What we have done

### 1. Reduced our budget

As a not-for-profit company, funded by a levy imposed on network funders, we are mindful of the overall cost of regulation. In our Business Plan and Budget for 2016/17, we made a commitment to reduce our budget by 11%. We delivered savings of £500,000 in real terms by implementing improvements to business systems, and efficiencies in IT systems, whilst significantly increasing our day-to-day operations. Despite the fall in our budget, we handled over 470,000 consumer contacts during 2016/17, an increase of 31% on the previous year.

As we have announced, we continue to reduce the cost of regulation. Our budget for 2017/18 is a further 5% lower, meaning we have stripped nearly £750,000 out of our budget in the last two years.

In our Business Plan and Budget, we said we would review our funding model to see if the existing collection principal could be better applied through a different model. Following consultation with each of our major funders, we agreed to maintain the current model but are open to exploring alternatives in the future.

### 2. Customer Relationship Management system upgrade

In November 2016 we started work on upgrading our customer relationship management database or CRM system. Our CRM system is used to record contacts with consumers and industry, which we use to analyse the breadth of our work, the type of activity undertaken and any complaint trends. The upgrade will increase CRM functionality establishing clearer auditing and improving our reporting capability. The project is to be delivered in summer 2017 and feeds into our work improving our data capture and reporting as well as maintaining the robustness and security of industry and consumer data.

Reduced budget by

11%

delivering savings of

£500,000

13%

Increase in complaints

### 3. Improved our data capture and reporting

Transparency and accountability are key parts of our refreshed values. We already report in different ways to industry and partners such as Ofcom but have undertaken preliminary work to review and develop our operational reporting.

Improvements include:

- Aligning our corporate reports with our strategic priorities.
- Standardising data capture by aligning categories used with those outlined in the Annual Market Review.
- Providing more clarity on the effectiveness of our contact centre automation work.

This work is ongoing and will be reflected in our next quarterly report available on our website.

### 4. Invested in our people

We are committed to investing in the development of staff at all levels. This includes external training but also development from within the organisation. All staff this year received telecoms training, outlining our commitment to increase staff knowledge about the industry.

Our cultural shift programme underpins all of this work. The programme identified new values and realigns our behaviour, in line with our priorities. This investment has enabled us to achieve improved efficiency across the organisation and helped us receive the Investors in People Silver award. This represents a significant improvement on our bronze award and recognises the value we place on our staff. Only around 6% of organisations achieve silver level accreditation.

In turn, our staff are skilled and motivated. Our recent staff survey suggests that 87% of our staff can be described as engaged – an improvement of 11% on the last survey – and two-thirds could be described as highly engaged.

## Outcomes

- Delivered budget savings of £500,000.
- Improved staff engagement through a comprehensive cultural shift programme, recognised through Investors in People Silver accreditation.
- Improved technical understanding of telecoms across the organisation through a programme of training.



INVESTORS  
IN PEOPLE | Silver  
Until 2019



# Governance & accountability

## Our people

### Board

The Board is accountable for the performance of the PSA and oversees the strategic direction of the organisation.

The Board consists of the Chair and five remunerated non-executive members and the Chief Executive of the PSA. Four of the directors have no connection with the phone-paid services industry whilst two of the directors are appointed based on their knowledge and interests in the industry.

The Chairman is responsible for ensuring the Board holds the organisation to account including directing, supporting and managing the Chief Executive and the PSA Executive.

To assist the Board in carrying out its duties, it has established two sub-committees: the Resources Committee and the Audit, Risk and Corporate Governance Committee.

The full Board meets five times a year to discuss and determine Board strategy and policy.



David Edmonds CBE  
Chairman



Ruth Sawtell  
Senior Independent Director



Kevin Brown  
Board Member



Ann Cook  
Board Member



Meg Munn  
Board Member



Jo Prowse  
Chief Executive



Steve Ricketts  
Board Member

## Leadership Team

Responsible for the day-to-day executive function, the Leadership Team ensures that Board approved strategies, plans and policies are implemented efficiently.



*Jo Prowse*  
*Chief Executive*



*Peter Barker*  
*Director of Corporate  
Services & Operations*



*Ayo Omideyi*  
*General Counsel*



*Simon Towler*  
*Director of Policy  
& External Relations*



## Code Adjudication Panel

The Code Adjudication Panel (CAP) is responsible for the Phone-paid Services Authority's adjudicatory function.

The CAP came into force when we introduced our 14<sup>th</sup> Code of Practice in July 2016 and ensures that our adjudicatory process is transparent, fair and independent.

The CAP is made up of ten people. Four of the members are appointed for their legal qualifications and experience and six lay people with relevant experience as set out in the Code.

Three members are drawn from the CAP to form the Phone-paid Services Authority's Code Adjudication Tribunals (CAT). Each CAT consists of three people; a legally qualified chair and two lay members. CATs hear and reach decisions on cases against companies suspected of serious breaches of the Code of Practice.

The CAP's decision-making function and process is independent of the PSA.



*Mohammed Khamisa QC  
Chair*



*Linda Lee  
Legally Qualified Member*



*Professor Ian Walden  
Legally Qualified Member*



*Julian Weinberg  
Legally Qualified Member*



*Andrew Ellam  
Lay Member*



*Tony Moss  
Lay Member*



*Dame Elizabeth Neville  
DPE QPM DL, Lay Member*



*Elisabeth Ribbans  
Lay Member*

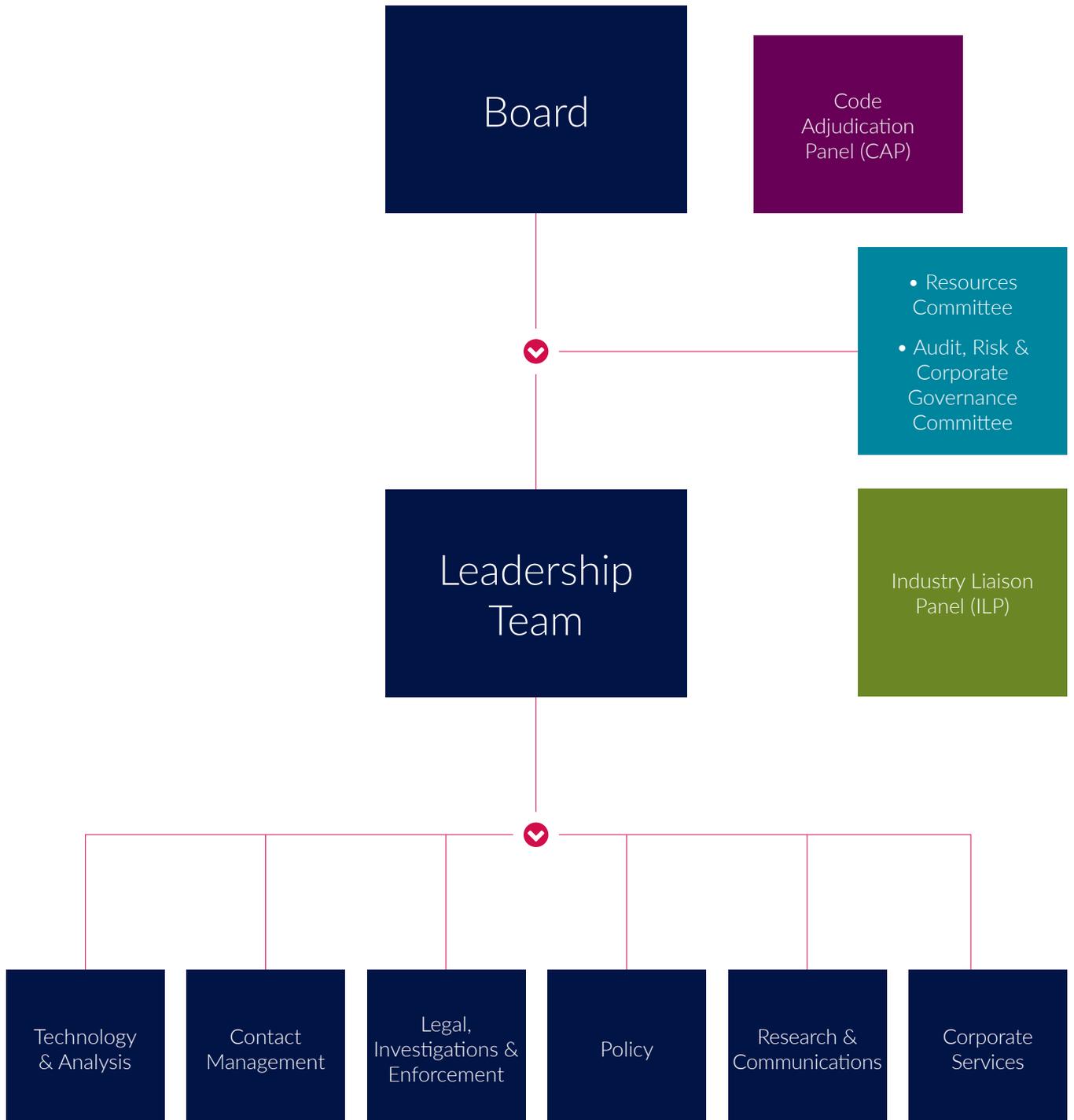


*Peter Wrench  
Lay Member*



*Martin Wrigley  
Lay Member*

# PSA organisational structure



# Accounts

## Income & expenditure



Income	Notes	2016/17 £	2015/16 £	Notes
Levy on premium rate telephone services	1	3,111,147	2,908,212	<p>1. The company is non-profit making, to be funded initially through a service provider levy (collected via the network operators based on their outpayments). Current policy is to use fines and administrative charges (from services that are in breach of its Code) to offset the amount of levy required.</p>
Adjustment for accumulated fines and administrative charges (retained funds)	1	(3,169,876)	22,470	
Administrative charges	1	290,602	188,064	
Fines	1	5,240,000	1,243,000	
Registration fees		241,073	240,699	
Other income		850	500	
<b>Total turnover</b>		<b>5,713,796</b>	<b>4,602,945</b>	
Interest receivable		29,751	41,063	
<b>Total income</b>		<b>5,743,547</b>	<b>4,644,008</b>	

<b>Expenditure</b>	Notes	2016/17 £	2015/16 £
Staff & related costs	2	2,637,061	2,634,539
Policy, external relations and communications	3	165,236	199,819
Legal fees		81,545	90,625
IT system costs		371,040	340,754
Telecoms charges		70,985	79,208
Premises costs	4	419,706	603,824
Finance and governance	5	44,181	27,151
Overheads	6	77,699	84,975
Depreciation		110,317	218,437
Bad debts		1,759,828	356,463
<b>Total expenditure</b>		<b>5,737,597</b>	<b>4,635,795</b>
Profit before taxation		5,950	8,213
Corporation tax on interest		(5,950)	(8,213)
Profit after taxation		0	0

<b>Balance sheet</b>	Notes	2016/17 £	2015/16 £
Fixed assets	7	418,615	409,480
<b>Current assets</b>			
Trade debtors	8	1,566,403	1,354,244
Other debtors		278,743	565,171
Cash at bank and in hand		6,439,300	4,377,391
<b>Total current assets</b>		<b>8,284,446</b>	<b>6,296,806</b>
Current liabilities	9	(6,143,380)	(2,937,095)
Provisions	10	(184,644)	(1,394,154)
Total assets less current liabilities		2,375,037	2,375,037
Creditors falling due after more than one year – retained surplus	11	(2,375,037)	(2,375,037)

2. Staff and related costs include staff remuneration, recruitment, training, and fees for the Board members, Code Application Panel and the Adjudicator.
3. Policy costs include events, research, policy consultancy, and publication of the Annual Report & Code of Practice.
4. Premises costs include rent, rates, service charge, repairs and maintenance, electricity and cleaning. For 2015/16 this included one-off costs relating to office relocation.
5. Finance costs include bank charges, payroll bureau, insurance premiums and external audit fees.
6. Overheads includes postage, stationery, travel and subsistence, entertainment, and general office expenses.
7. Tangible fixed assets include fixtures and fittings, office furniture and equipment, computer equipment and registration database.
8. Trade debtors include amounts due from the network operators for the levy, and from service providers for fines and administration charges.
9. Current liabilities includes income received in advance, which represents the difference between total income and expenditure incurred, which is used to reduce the levy in future years.
10. Provisions reflect the fines that are in dispute and may not be recovered, and for dilapidations on office premises.
11. Creditors falling due after more than one year include a contingency fund and will be retained at this level for the foreseeable future.

# Phone-paid Services Authority

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