

**NOTES OF THE ILP MEETING NO. 56th HELD ON
TUESDAY 11th JULY 2017
10.00am-12.50pm**

The Phone-paid Services Authority Offices, 40 Bank Street, London, E14 5NR

ILP Members

Ann Cook – ITV (Chair)
Kevin Butcher – BBC
Eric Feltin – Safari Mobile
Phil Jones – Ofcom
Nitin Khattar – The Number UK
Justin Kempley – Three
Rory Maguire – AIME
Steve Ricketts – PSA Board
Jeremy Stafford Smith – Vodafone
Mike Steel – BT Agilemedia
David Stephens – Vodafone
Rob Weisz – Fonix

External Speakers

Cornelia Calugar-Pop – Deloitte
Nick Lane – Mobilesquared

Phone-paid Services Authority

David Edmonds (PSA Chairman)
Joanne Prowse (Chief Executive)
Peter Barker
Mark Collins
Jonathan Levack
David Levitt
Ayo Omideyi
Simon Towler
Stephanie Ratcliffe (minutes)
Sarah Menditta (observing capacity)
Cameron Westwood (observing capacity)

Apologies

Danny Barclay – Telefonica
Michael Barford – The Number UK
Holly Fairweather – Channel 4
Julia Freeman – AIME
Cathy Gerosa – FCS
Suzanne Gillies – Action4
Rickard Granberg – UKCTA
Kat Heath – Comic Relief
Ian Smith – TUFF
Mark Stannard – Boku

1.0 WELCOME, INTRODUCTIONS

Ann Cook welcomed attendees to the meeting. Apologies were noted.

2.0 REVIEW ACTIONS

a) Minutes and Matters arising from the minutes of the ILP meeting held on 23rd May 2017

Minutes and Matters Arising

The ILP approved the minutes from the ILP Meeting held on 23rd May, as an accurate record of the meeting.

Actions

The ILP noted outstanding actions, where not closed or addressed on the agenda, as follows:

- 55.3: TUFF Overview - members are invited to share information and encourage networks to report to TUFF on any non-compliant or unusual activity. For the purposes of the minutes, this action will now be closed.

(Action: ILP Members)

- 55.6: ILP Outcome measures - arrangements for a meeting are underway and an update on progress will be provided at the next meeting.

(Action: J Prowse/A Cook)

3.0 FOCUS ON TOPIC: Mobile Consumer Research Survey

Cornelia Calugar-Pop from Deloitte gave a presentation on research findings from their annual mobile consumer survey, which focused on the use of smart phone devices.

The ILP noted the smart phone usage and effects on different consumer age groups:

- Usage of smart phones has increased over the past 5 years, from 52% in 2012 to 85% in 2017.
- Benefits include technological enhancements to improve interactions, such as purchasing apps, fingerprint enabled payment/purchase authorisations and accessible enabled donation giving.
- The potential disadvantages identified with smart phone usage include addiction to social media sites, such as Facebook and Whats app. Communication becomes more enhanced and time consuming, with an increased need to 'use' and 'check'.
- Apple and Samsung market share in the UK has increased significantly in recent years; more than half of respondents aged between 16-34 years believe they use their smartphone too much, compared to only 12% of respondents aged between 65-75 years.
- Research findings show:
 - Features and services of smartphones are important to consumers. The operator plays an important part in managing consumer expectations; the requirement to provide good quality service, with no hidden nor surprise costs.
 - A lack of awareness exists around sharing data with third parties.
 - Respondents, particularly in younger age groups, often accept terms and conditions without reading the content.

These findings may give rise to data protection concerns. It is anticipated the General Data Protection Regulation (GDPR), coming into force in early 2018, will help mitigate concerns around data privacy.

Ann Cook thanked Cornelia Calugar-Pop for the presentation.

4.0 PRESENTATION: Annual Market Review 2016-17

Nick Lane from Mobilesquared gave a presentation on the Annual Market Review and confirmed that a report on findings will be published shortly.

The ILP noted the following points for 2016-17:

- The phone-paid services market is estimated to be worth £708.6m, up year on year by 4.5%.
- Revenue by payment type shows an increased growth in operator billing by 31%.
- Revenue by service type, inclusive of offline revenues, shows an increase by 4%, with a significant increase of non-broadcaster competition and quizzes.
- Consumer satisfaction has improved from 2015-16 to 2016-17, the most trusted services being charity and TV or radio voting and interaction.
- Reasons for consumers leaving PRS services are consistent with previous findings and are mainly price, content and/or spam related.

Projections for 2017-18 indicate market growth in charity and operator billing. Growth in revenue of key service types is slower than projected, which is likely to be due to the impact of general economic uncertainty and consumers spending differently. Until PSD2 plans are confirmed, industry remains in a 'holding pattern.'

The ILP recommended the Executive identify and compare data with other territories, to help gain a better understanding of implications and trends.

Ann Cook, on behalf of the ILP, thanked Nick Lane for the presentation.

5.0 PHONE-PAID SERVICES AUTHORITY UPDATE

5.1 Highlights since the ILP meeting held on 23rd May 2017

The ILP noted the update on recent developments as follows:

- a. *Complaint levels* - remain low for Q1 2017-18 compared to previous periods.
- b. *Market* - grew overall in 2016/17 - to £471.6m. Q1-3 out payments grew, but Q4 was significantly lower overall than Q3.
- c. *Project Horizons* - aims to identify key areas of digital innovation and growth, relevant to the phone paid sector, as well as the associated risks and opportunities. The Executive explained the methodology, risk criteria and scale of response and adoption to innovation. An assessment of Virtual Reality (VR) headsets was provided. The ILP recommended advertising in VR, including the use of Google as a means for advertising, is carefully monitored. Further findings will be presented to the ILP in Q3 of 2017-18.

(Action: M Collins)

The ILP was invited to feed back to Mark Collins on any emerging themes/trends. David Stephens was invited to make enquiries with Vodafone's innovation team.

(Action: ILP members)

- d. *Pilot of L1-managed registration exemption for L2s* - a 6 month pilot scheme, enabling L2s

exemption from registration requirements under specific conditions offered through L1s, is due to commence soon. L1s wishing to take advantage of this exemption will need to demonstrate how they meet these requirements.

- e. *Research and Publications* – several publications are due in July/August: Futuresight research into complaint handling and customer care, the Annual Report and the Annual Market Review 2016-17. Futuresight will be presenting at AIME's GM on 12th July and members are welcome to attend. Additional research underway includes the ICSS consumer experience.
- f. *PSD2* - an update will be provided under agenda item 6.0.
- g. *Enforcement* - consultation on the sanctions review closed on 18th May and PSA received two responses. A final statement with the Supporting Procedures will be published shortly, whereupon the new process and revised Supporting Procedures will come into effect. A training workshop for industry to better understand the new process will be arranged in due course.
- h. *Policy* - current projects include 'method of exit', 'consent to charge' and work with Ofcom on 118 and 070 services. Ann Cook requested Ofcom confirm the review publication date.

(Action: A Omidayi)

(Action: P Jones)

Other policy projects include consumer research, refund accessibility and PSA's website overhaul.

6.0 ILP UPDATE

6.1 PSD2 progress update

Rory Maguire gave a detailed overview of PSD2 implications. Key issues remain the transaction and monthly payment limits and the application of the Electronic Communications Network (ECN) exemption throughout the phone-paid services value chain.

Discussions remain ongoing with the FCA and HM Treasury to ensure issues and impacts on operators, are highlighted. HM Treasury's consultation closed on 8th June and a response will be published soon. An update on developments will be provided at the next ILP meeting.

(Action: R Maguire)

Ann Cook thanked Rory Maguire for the detailed update.

6.2 Launch of Society Lotteries (on PRS)

Due to time constraints, it was agreed that an update will be provided at the next meeting.

7.0 MARKET ISSUES

7.1 Complaints Data Analysis

The ILP noted the complaints data presented for the period April 2015 to June 2017 covering:

- an analysis of total complaints by payment type;
- an overview of 'total' and 'assessed' complaints, with further analysis of online competition and adult services;
- a breakdown of total assessed complaints by all AMR service types;
- 2016/17 assessed complaints per '100,000 users per quarter' and per estimated £m

revenue.

As requested, the ILP noted the inclusion of mapping out payments data to complaints.

7.2 Market Issues Report

A report on issues, dated July 2017, was tabled and the ILP noted the 'red' RAG status of a number of issues, which are being closely monitored and kept under review. The ILP was invited to review the report and to provide any additional intelligence on areas requiring more detailed scrutiny. An update on trends will continue to be provided at each meeting.

8.0 Action Summary & AoB

8.1 Topics for the next ILP meeting on 10th October July 2017: members were invited to come forward with suggested topics for the forthcoming meeting.

(Action: ILP Members)

8.2 The ILP recognize, that with member status, there is an underlying agreement to ensure confidentiality is maintained and information not passed onto third parties, unless prior approval has been sought.

End of Minutes

ILP meetings at Phone-paid Services Authority Offices, 25th Floor, 40 Bank Street, E14 5NR

- Tuesday 10th October: 10am to 12.30pm (followed by a networking lunch at 12.30-1.00pm)
- Tuesday 12th December Business Plan Meeting only: 10am to 11.30am
- Tuesday 27th February 2018: 10am to 12.30pm (followed by a networking lunch at 12.30-1.00pm)
- Tuesday 22nd May 2018: 10am to 12.30pm (followed by a networking lunch at 12.30-1.00pm)
- Tuesday 10th July 2018: 10am to 12.30pm (followed by a networking lunch at 12.30-1.00pm)
- Tuesday 9th October 2018: 10am to 12.30pm (followed by a networking lunch at 12.30-1.00pm)
- Tuesday 11th December 2018 Business Plan Meeting only: 10.00-11.30am