

Jo Prowse, CEO, PSA – industry forum speech

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Delivering for all our stakeholders

Thanks David and welcome everyone. It's great to see you all here again.

We really do appreciate so many of you attending these events at Canary Wharf – another full house. I know many of you travel some distance to be here - so we work very hard to ensure they are of value to you.

Given that, our theme for today is delivering for **all** of our stakeholders.

At PSA we have three broad stakeholder groups.

Firstly there are individual consumers and consumer bodies – we are of course set up as a consumer protection agency in the first instance.

The phone-paid services industry – i.e. you – are, of course, a key stakeholder.

We believe we serve the interests of consumers by making it possible for legitimate businesses to operate. We want you to be able to innovate and grow.

Our third group of stakeholders is a bit more varied – including central government and fellow regulators. It's vital we work closely with our colleagues here to ensure sensible, consistent and pragmatic regulation.

Our agenda today covers the interests and activities of **all** of these groups.

We are going to be looking at recent developments with a panel of our colleagues from DCMS, Ofcom and the FCA.

We will be getting a first, high level look at the results of our most recent consumer research.

And as you would expect, we will be discussing some of the latest developments in the phone-paid services market.

As many of **you** know first-hand, we invest a lot of effort in speaking to you, and other stakeholders, – at events like this and on an individual basis.

If we are going to be able to deliver effectively for **all of our** stakeholders, then we need to understand **your** objectives, what you expect from us and how you think we are doing.

We wanted to get some deeper insight into your views on the PSA and so we commissioned a stakeholder survey.

We've just had the findings reported back – so I'd like to thank everybody who either filled in the online survey or agreed to be interviewed.

We're really grateful for your time and for the constructive feedback.

At the last forum in November we set out our new strategic vision, - a **healthy** and innovative market in which consumers can charge content, goods and services to their phone bill **with confidence**.

We were pleased to learn that, in broad terms, you endorsed our vision **and** the strategic priorities.

You recognised that:

- we are, primarily, a consumer protection agency
- but that we look to maintain an appropriate balance between this, and our wish to support growth and innovation
- even though you acknowledged that this is challenging.

I was particularly pleased that we are considered open and collaborative – it's something that we work really hard at - and that we are seen as improving in terms of the fairness and proportionality of our actions.

In addition to these strong positives, you also gave us important feedback on how we might continue to improve.

The issue of speed of response came up a number of times. We are not always seen as acting as quickly as we might and we do want to do better here.

We also had feedback, which seemed to come especially from smaller providers, that our rules can seem complicated and particularly difficult for new entrants to navigate.

One of the good things about the survey was, although there were some areas we will want to work on, none of it was a great surprise.

I've been speaking with many of you over the past few months and we have heard some of this feedback from you directly.

In our view, it's very positive to get a consistent message from you whether we speak to you in person or as part of a survey.

What this also means is that we have already set out in our Business Plan, **how** we intend to address some of the issues raised.

I said that when we launched the survey that we would share the findings and, more importantly, what we are looking to do in response to the feedback. We intend to do that in the coming months.

I want to turn now to what we have been doing to **deliver** for our stakeholders – in other words, how we have been putting the vision into action.

In the last financial year, we dealt with almost half a million consumer contacts, most of those through automated means, and 34,000 complaints.

As you can see, we only go on to enforce in the minority of cases – the vast majority are resolved informally – and that’s something we intend to maintain.

But one of the ways we ensure consumer confidence when using phone-paid services is by taking robust regulatory action - where this is necessary.

Over the last six months, we’ve taken firm action against a number of providers, including connection services and repeat offenders. And where the Tribunal has thought it necessary, we have issued some significant fines.

Enforcement is, and will remain, an important part of our regulatory toolkit.

Effective, targeted enforcement supports good regulation and a healthy market.

I hope you have noticed that we are consulting on changes to our approach to sanctioning.

Our view – and the view of our stakeholders – is that sanctions need to **deter** providers from non-compliance.

A number of you have told us that we need to be hard on those whose recklessness or deliberate non-compliance damages the reputation of the industry.

It remains true that most of the issues raised with us by consumers are resolved informally and without the need to go to a Tribunal.

But, in the worst cases, enforcement action that amounts to no more than a gentle slap on the wrist helps no one.

It doesn’t serve consumers who have lost out.

Nor does it serve compliant providers who are trying to build sustainable businesses.

Being undercut by sharp practice leads to poor outcomes for all.

I feel strongly about this and I know from talking to you that many of you do too.

So please do respond to the consultation – you can find this on the website – and as always we welcome your feedback.

You'll remember at the last Forum we spoke about rising complaints relating to online adult and online competition services.

We therefore tightened up our rules and introduced new special conditions for these services, which came into force in January.

Initial evidence suggests that these have had a positive effect for consumers with complaint volumes dropping sharply over consecutive months.

This suggests that the number of consumers unknowingly or unwittingly signing up to services is also falling.

Or put another way, it would seem that consumers are better placed to engage in these services in a fair and transparent manner.

This is one of the areas you told us in feedback where we could have acted more quickly.

This was primarily so that we could fully consult with you on approaches to the problem, but I do accept that, ideally, we could have got here sooner than we did.

That said, in getting to this point, we have defined a risk assessment framework that we believe will enable us to act more quickly in the future.

This applies both to services that might be identified as carrying a higher risk, as well as to services where the risk is more controlled.

For these types of services we would be able to consider whether all of the rules of the Code need to be applied in their entirety.

Please do come and speak to us to discuss if exemptions from the Code can assist in growing your business.

We will continue to monitor the effectiveness of the new special conditions and whether they have any unintended consequences on other parts of the market.

If similar concerns crop up elsewhere, we will take appropriate action – and will do this as quickly as possible.

A question I often get asked is: 'What is our view of the right level of complaints?'

As we've seen, complaints to us have fallen in recent months – I understand that this trend is also prevalent in the market – and that is a good thing.

I don't want to see complaints going back up.

The decrease in complaints indicates that consumer harm has reduced and compliance has improved.

But I am not hung up on a particular figure.

You often tell us that in any business, some complaints are almost inevitable.

Individual complaints, of course, may not show that services are non-compliant, but complaints, and complaint levels, give us an insight into the consumer **experience** of services.

On the other hand, our monitoring sometimes leads us to services where there are issues that need to be addressed even though we have had **no** complaints from consumers at that point.

To me, what's important is ensuring consumers have confidence in services.

In regulatory terms, that means compliance with the Code. More broadly, that means providers putting consumers at the heart of their businesses.

According to Nick Lane's Annual Market Review, consumers of phone-paid services don't always have a positive view of the services that they've consumed.

In fact, I'm sorry to say, telecoms generally, doesn't have a good reputation with consumers in this regard.

Which? has found that certain telecoms providers dominate the list of worst-rated companies for customer service - difficult as this is to hear.

Consumer confidence and trust is obviously an area we all need to work on.

Last year we focused on the sign up process or, more broadly, the consumer experience of purchasing services.

This year we are looking at the post-contract consumer journey, including method of exit, i.e. the STOP command, and refund mechanisms.

In support of this work, we commissioned research into consumers' experiences and expectations of the complaint process across the market.

We will be publishing the report in the coming weeks.

But before we do, Simon Ashworth from Futuresight is here today to take us through some of their initial findings from the research.

Once the final report is out, we look forward to working through the findings with you and identifying how we can respond collectively to what consumers are telling us.

In our view, this is all about building consumer confidence and trust. If a consumer has a bad experience, they are unlikely to return and are likely to complain further.

It all contributes to the narrative that phone-paid services can't be trusted. And that's **not a view we subscribe to.**

I know that a number of you are already working on improving the method of exit from subscription services.

We applaud this work.

In our experience, industry-led solutions to challenges can have more impact from a consumer-perspective than those imposed by the regulator.

The reports that I am receiving of this work are very positive.

So if we can avoid intervention, we'd rather let the market develop its own solutions to challenges, which can lead to better outcomes for consumers.

The importance of good communication was another theme of the stakeholder survey.

There was a lot of positive feedback about our communications – including how open we are to dialogue – but of course there are things that can be done better.

We are looking at the way we communicate to consumers, which can have an impact on their view of the market and the services they engage with.

In our industry we have a tendency to talk in our language - value chains, special conditions, L1s, etcetera, which, of course, means very little to the average consumer.

So we have set ourselves the goal of providing consumers clarity about the market and our role as a regulator as well as helping them understand how they can make purchases.

Anecdotal evidence suggests that our new name has already made a difference.

We are now looking at our website, the content and language and related consumer advice.

And while we are at it, we will also be taking the opportunity to look at the information we are providing for businesses and, in particular, the feedback that new businesses may need more help to understand how to ensure their services comply with the Code.

Having a focus on consumers does not mean we simply ignore the interests of the market. Our vision is a healthy and innovative market made up of services that consumers have confidence in.

We aim to achieve this through the right regulatory framework but also, where we can, by deregulating and promoting competition and innovation that meets your needs.

Turning to the market, we are expecting 16/17 outpayments to be £470m, which is up slightly on the previous year.

However, there has been a drop in Q4, particularly in some services delivered through PSMS.

We are therefore forecasting for total outpayments to be less in 17/18.

You'll get the full picture in the Annual Market Review which is due out in July. As well as a deep dive into market revenues, it will also include consumer confidence and satisfaction analysis.

But the opportunity remains for further significant growth in Operator Billing. Outpayments have been growing strongly and have increased by around 30% on the last financial year, and have more than doubled over the last two years.

We hope to be able to see financial growth through the introduction of new players and new services.

Many of you have talked about the opportunity e-ticketing presents.

We've been working with AIME, Mobile UK and others to support you in providing co-ordinated input into the Treasury's consultation on implementing PSD2 in the UK.

We hope this will open up opportunities for the market to deliver a range of new services that consumers benefit from.

And we are here to support you in delivering such services.

I've said before in Forums and elsewhere- the PSA is open for business.

The last thing we want to do is get in your way. We want you to be able to deliver good services that consumers enjoy.

As part of this, you have told us that it's important that we work with our counterparts in regulation and government to clarify overlaps and ensure the burden on you is limited.

Today, I am delighted that representatives from DCMS, the FCA and Ofcom have joined us to talk about some of the recent regulatory and policy developments that you need to know about as they affect the phone-paid services market.

I hope you find this useful and see it is an opportunity to engage with them directly.

So to sum up, our vision and mission are clear. Consumers are absolutely central to our regulation.

We want to provide strong consumer protection and support innovation and growth in their interests.

And I don't see this as distinct from a sustainable approach to business.

By putting consumers first, we can work together to achieve:

- Informed, empowered and confident consumers.
- A healthy, compliant and competitive market that embraces new growth and delivers services that consumers can trust.

- Supportive regulation that's robust where it needs to be but flexible and enabling where it can be.
- A competitive payment mechanic that is easy to use, trusted and attractive to new market entrants.
- And above all a market which thrives through putting consumers and their interests' at the heart of what you do.

This is in the interests of us all and I ask you to join us in bringing this vision into reality.

Thank you.