

Jo Prowse, CEO, PSA – industry forum speech

Wednesday 2 November 2016 – CCT Venues, 40 Bank Street Canary Wharf

Thanks David.

Good afternoon everyone. I'm really happy to welcome you all to the PSA industry forum. I'd like to echo David by saying it's great to be here as the Phone-paid Services Authority. One of the main objectives of our re-brand is to make clear to stakeholders who we are and what we regulate.

So consumers should no longer mistake us for a company we should be regulating. And you'll notice that we are avoiding using the term premium rate, which most of you see as backward looking. One thing you can do for us is to update information and links on your website if you haven't done so already. We'd welcome you spreading the word in other ways too, so please re-tweet, like us on Facebook or share on LinkedIn.

The theme for today's forum is 'towards a healthy and innovative market in which consumers can have confidence.' We believe it is our role as a regulator to further the interests of consumers by promoting competition.

This is because of the benefits competition and innovation bring in terms of availability of a wide range of services. Our goal is simple, to protect consumers from harm, to ensure consumers are willingly purchasing services and to encourage competition and growth in the market for their benefit. This is the PSA philosophy of regulation and something we feel very strongly about. This is not a new concept – it's been part of our vision since 2014. But in tandem with the rebrand we have updated our vision, mission, and strategic priorities. These now reflect our philosophy and the changes you have seen us make to our regulatory approach.

This is all set out in our new Strategic Priorities statement. There is a copy of this on your seat and it's also up on our website from today. This will guide everything we do so do get in touch if you'd like to go over this in more detail.

Since we last met in May we have been busy at work across the whole organisation. No doubt you will have noted that Code 14 has come into force. This has been a hugely collaborative process and everyone has worked really hard on it so thank you to all who contributed.

Everything is up and running and we are already seeing a number of benefits:

- increased transparency through the availability of our Supporting Procedures
- increased independence through the newly appointed Code Adjudicatory Panel, and

- built in fairness, proportionality and additional safeguards for providers under investigation.

Where there is evidence of deliberate non-compliance we can, and do, take robust action to protect consumers and the reputation of the market.

On the other hand, where providers are willing to work with us positively, there are now more opportunities to resolve issues quickly and amicably. Although early days we've already seen cases resolved in this way.

We are investing in our monitoring so that we are better placed to identify market issues and drive out non-compliance. Our approach under Code 14 is to act sooner on intelligence captured by our 24 hour monitoring function. Where we find issues of concern in the market, be that click training, i-framing, content locking, or out of hours changes to promotions – we are notifying providers immediately.

Misleading journeys are a real concern to us all and where we see this we are putting things right fast. We are also stepping up our interaction and expectation of Level 1s – making sure your due diligence, risk assessment and control is doing its job and there is proper control of payment pages. Alongside our enforcement, monitoring and ongoing engagement, we are continuing to explore policy-based solutions to market issues in collaboration with you. We believe this is balanced regulation in practice and I'll be coming back to this shortly.

Turning to market growth, I hope that you have seen the most recent Annual Market Review, published in July, which Nick Lane trailed at the Spring Forum. What was particularly encouraging was the market outperformed expectation. While a drop in total market revenues of 0.26% might not seem that impressive, it follows average declines of 4% per annum over the last five years. Much of this growth has been built on services consumed on a smartphone. Music and video content, games and gambling have all experienced double digit growth. Charity continues to perform strongly - and is now the largest market sector by some distance.

Underpinning much of this growth is operator billing. Transactions via operator billing and PayforIt grew by 55% year on year and are expected to grow by a further 51% this year. The market is predominately mobile and increasingly so and Q1 Network returns suggest these trends continue. As I've said before, if we can help grow the market in the interests' of consumers we are open to hearing from you and Kevin and the panel will be looking at this area a little bit later.

Our organisation started in 1986. We were known then as ICSTIS. 2016 is therefore our 30th year of regulating content, goods and services charged to a phone bill. In the spirit of not resting on our laurels, we have taken this opportunity to reflect on our approach to regulation and the market we regulate – something we are calling Project 30. This is an umbrella term for a set of initiatives, both internal and external-facing, to ensure that the PSA remains fit for purpose in our 30th year of regulation.

There are four main pillars to Project 30. First is our cultural shift programme that I spoke about back in May. This is about ensuring our values and behaviours are aligned and that we

have the capability to effectively deliver our role. Our core values of right touch regulation, collaboration and value for money now underpin everything that we do. The internal response to this initiative has been fantastic and I really hope that you can see us living our values day to day. Do hold us to account if you feel we aren't meeting these and your feedback is always welcome.

Next is our funding review. We've been looking at our funding model and considering whether there are alternatives which might provide further transparency and fairness as well as the appropriate levels of certainty for all concerned. Over the last few months Peter has been having lots of conversations with our key funders – thanks to all you who have helped us with this. The general consensus has been that the current model isn't broken and remains the preferred option. Given it also has the benefit of being relatively easy to administer we are minded to leave it as it is. We will set this out in the consultation on the Business Plan and Budget for 2017/18 which will be coming out to you in December.

Pillar three is our consumer strategy. We engage with consumers in lots of different ways: through handling of consumer contacts, through providing transparency, clarity and understanding, liaising and working in partnership with consumer bodies, considering the needs of the vulnerable, and research into consumer behaviour and perspectives. We want to be more effective in all of these areas to ensure consumer interests are met. A key aim is to ensure customer care and the consumer experience is effective throughout the value chain including us as the regulator. We are not here to offer dispute resolution or provide refunds, other than those imposed by our Tribunal.

So we are making it clearer to consumers what our role is as a regulator and how we can help. Your role is to ensure that enquiries and complaints are resolved, and any redress provided, quickly and easily.

This is an incredibly important area and is in everybody's interests – for customer satisfaction and redress and the reputation of the industry. We need the resolve of all of you to ensure effective customer care and redress mechanisms are in place.

The regulatory framework initiative under Project 30 has been a real focus for us over the last few months. We published a set of consultations in mid-August. Thanks to all of you who took the time to respond to these – we really value your input. The proposals cover a range of areas including working with other regulators on the handling of new digital services, joint monitoring to better join-up intelligence and further flexibility in the application of the Code. The proposals relating to the Code aim to do two things.

Firstly to reduce the regulatory burden on services that can control risk effectively by making exemptions from provisions of the Code of Practice easier. In our view, reducing regulatory burden will help promote growth both within the Phone-paid services sector and also allow it to compete with other payment options. That's competition in the interest of consumers and in the interest of industry.

On the other hand, it is still our priority to protect consumers from harm. We have therefore consulted on a framework to assess risk.

This looks at:

- what we consider to be the major consumer risks,
- the extent and evidence of these risks,
- the mitigations in place, and
- the appropriate response to the residual risk.

As part of our proposals we have consulted on introducing additional controls on online competition and online adult services. This is in the form of special conditions.

I hope you have seen our recent notice on complaint volumes where we highlighted the significant increase in the number of complaints we have received from consumers. In September this year, we received more than 3,800 complaints, the fourth month in succession that complaints have exceeded the 3,000 mark.

Online competitions and to a lesser degree online adult services are a disproportionate driver of these complaints. They make up roughly 10% of the market according to the Annual Market Review, yet have generated almost 3/4s of the complaints we have assessed. Of these, PSMS accounts for around 70% of assessed complaints. This obviously remains a real concern to us and something that needs addressing. For our part, in response to this issue, we are currently considering the consultation responses, and aim to publish a set of finalised proposals later this month.

Alongside our Project 30 work, our policy focus over the next six months will be on:

- reviewing consent to charge guidance,
- developing an approach to horizon scanning for new risks and opportunities, and
- engaging on legislative change including the transposition of PSD2 into UK law.

I know this is an important area for many of you. We are therefore working hard to engage with the FCA and the Treasury so that the regulations work in the best interests of the phone-paid services market.

We will also be keeping a close eye on the progress of the Digital Economy Bill which is currently going through Parliament, as well as the negotiations on revisions to the EU Regulatory Framework for Electronic Communications which are just starting.

On the consumer side, we will be looking at our expectations with regard to effective consumer refund mechanisms and are planning to carry out further research on the consumer journey.

On the operational side we continue to process high levels of contacts, complaints and cases. In addition we are:

- looking at development of the number checker,

- considering new models for market compliance monitoring with the MNOs, and
- providing more informative data and reporting.

Across all stakeholders we will be issuing a stakeholder survey to understand your views on the PSA in a range of areas.

This will be out in the early part of next year and we'd be very grateful for your feedback.

These are just some of the highlights of the work we will be undertaking in the 2nd half of this financial year – so a busy time ahead.

I hope it's clear that we have been and will continue to work hard to further the interests' of consumers.

A healthy, innovative market is central to that. Our vision and mission sets this out clearly. Our approach is designed to be fully supportive of compliant growth in the market. We have a great opportunity here. But we need to put consumer's interests in the forefront of our minds and at the heart of your businesses.

We need to deal with the small pockets of non-compliance that damages the reputation of the whole market and impacts on you who are providing great services that consumers enjoy. And we need to grasp the opportunities the market offers in terms of growth and innovative services for consumers.

As always we look forward to working with you to achieve these common goals.

Thank you.