

Jo Prowse, CEO, PSA – industry forum speech

9 November 2017 – CCT Venues, 40 Bank Street Canary Wharf

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A healthy and innovative market

Thanks David and thanks to **all of you** for coming over to Canary Wharf for our second forum of the year.

I know that many of you really value the opportunity to engage with us informally; and we certainly enjoy the chance to speak with you.

Today's theme is a healthy and innovative market. We've got a great agenda this afternoon with speakers from Boku, O2 Telefonica, EE, Mobilesquared, Docomo and aimm.

We're also delighted to have Cornelia here from Deloitte who's going to take us through their most recent Mobile Consumer Survey.

A big thanks to all of the speakers.

I wanted to share with you why we picked today's theme. Many of you will recognise that it is a key component of our vision: a healthy and innovative market in which consumers can charge content, goods and services to their phone bill with confidence.

But we have heard your feedback telling us we could be clearer about what we mean by this. And particularly what we, as a regulator, are doing to facilitate a healthy and innovative market.

So to take the first element: What do we mean by a healthy market? I've said before, in our view, a healthy market is one that puts the consumer at its heart. Consumer confidence, satisfaction and trust are central to that.

Consumers should feel well-informed so they can make purchasing decisions with confidence and are fully aware of the consequences of their actions. And that's subjective as much as it is objective.

A service could be technically compliant with regulation, but if consumers don't fully understand it then we, as a regulator and an industry, are failing them.

Our analysis shows that some parts of the market fare better than others. Most of the market can be regarded as healthy but we know that trust and satisfaction vary significantly - and in some segments it's a real issue.

Although it's improving industry-wide, net promoter scores vary from plus 5 to minus 48 across the various service types that make up our market – and no doubt, Nick Lane will have more to say on this later.

The Industry Liaison Panel have agreed to use data on net promoter scores as a means to monitor and benchmark the performance of the market.

But one clear message from the consumer survey in our Annual Market Review is that consumers will often simply stop using a service, or indeed phone-paid services altogether, if they don't trust them.

So, where do complaints fit into a healthy market?

I said at the last Forum that we are not fixated on a particular level of complaints. We do not feel this is particularly helpful or beneficial from a regulatory point of view.

You could have one or even no complaints about a service that's a really significant issue for consumers. You could also have lots of complaints about a service – and although we'd look into it – it doesn't mean we would take regulatory action.

Complaint levels are probably just about average right now. At roughly 12 to 1400 per month, we are down from the exceptional levels we have been dealing with over the last year or so.

In our view, a healthy market is one in which complaints are low. It's inevitable where there are more than 20 million people using a couple of thousand services that we will get a number of complaints.

But it's essential that when they do arise, they are dealt with swiftly and fairly.

As Futuresight told us at the last forum, consumers often feel their complaint could be dealt with better throughout the whole value chain - including us.

That's why we have been working hard to offer consumers the right information as quickly as possible. It's all part of our aim to allow consumers to self-help in the first instance.

93% of our contacts from consumers are dealt with by our automated systems, either through number checker or our interactive voice response.

We are currently updating our website to provide consumers with a better experience, with more accessible information and clarity as to how we can help.

And we will also be consulting in the near future on the information that we ask from you when you register a service with us.

We want to give consumers better information via number checker **and** to improve your Due Diligence checks.

Good regulation is essential in a healthy market. That means light touch where we can be and tighter rules where required.

It means working with you to maintain compliance.

We provided 1600 pieces of bespoke compliance advice in the last financial year, equivalent to more than 6 times every working day.

We are also trialling workshops for new entrants to ensure regulation is clear and easy to comply with.

It means active monitoring of the market, whether there are complaints or not, to ensure that issues are identified as early as possible and consumer harm is limited.

I wanted to take the opportunity to talk about our investigations and enforcement processes. In our view, they play a critical role in ensuring a healthy market.

And positive engagement in the process is in your interest as much as it is in ours.

As you are no doubt aware, we are duty bound to consider consumer issues and complaints.

Equally, I want to stress that we will always tend towards engagement and dialogue wherever possible.

Our Request For Information and Initial Enquiry processes are designed to do just that; to work with you to get to the bottom of potential issues.

I know there is some confusion out there about this. To clarify: these are informal processes.

The more information we get at these early stages, the more likely we are able to understand the issue, address it in the most appropriate way and move on.

Around 80% of cases that we handle are dealt with in this way- quickly and informally .

Needless to say, the formal Track 2 investigation procedure will always play a part in a healthy market. It is designed to stop serious non-compliance and to deter similar behaviour in the future.

Consumers should have confidence that if someone sets out to mislead them, then there is a regulator there to take action.

Businesses should take confidence from this too. You don't want to compete against others attempting to gain an unfair advantage by ignoring the rules.

And to be clear: only the most serious cases end up being investigated under the Track 2 procedure – and even some of those won't end up at a Tribunal.

The changes introduced in Code 14 have built in ample opportunity to engage with us throughout an investigation.

Unfortunately, some providers prevaricate and some provide incomplete information. And this adds further challenge to cases that are by their nature complex.

We aim to move forward all of our work in a timely way but speed is not the key driver here – it's quality and thoroughness, and we make no apology for that.

Engagement during investigations and enforcement is a big theme of our work at the moment - and it's an area where you have told us that you want to understand more. So we are running an investigations and enforcement workshop later in the month (29 November).

This is as much about our initial enquiry and informal processes as formal Track 2s and so should be of interest to many.

Turning to the second part of our theme: an innovative market.

This is one that attracts new entrants and new services. Providers compete on the things that consumers want; great products at competitive prices backed up by good customer service.

Sometimes people think that a healthy market and an innovative market are somehow in conflict. The theory goes that an innovative market is inherently risky, and therefore consumer concerns are bound to arise.

I disagree. Innovation puts the consumer at its heart. Consumers love innovative services that they can trust.

And let's not forget that you are already innovative.

We perhaps have a tendency to focus on the bad and gloss over the great stories in this market. The UK mobile market in general has a history of being an early and enthusiastic adopter of service innovation.

- Blue chip brands like Spotify, Google, Microsoft, ITV, BBC, Global Radio, Cancer Research to name a few all use phone-payment in one form or another.
- Operator billing continues to grow as a payment mechanic.
- Charities now generate over £100 million pounds in donations each year via text.

Consumers have confidence in these services, customer satisfaction and trust are high.

I believe there is scope for more innovation to come.

We have been working with aimm and Mobile UK to ensure the effective transposition of the new Payment Services Directive into UK law.

PSD2 should give you the opportunity and certainty to introduce new services to UK consumers, like mobile ticketing.

We understand that making the most of the PSD2 opportunity is not without its challenges. As David mentioned, we are working with the mobile networks at senior level to flesh out how we can support this opportunity.

We have also been working with aimm and the Gambling Commission to launch society lotteries - and I'm sure Rory will talk more about those later.

By working with you, we aim to support new initiatives being brought to market in a compliant way.

Where we can remove barriers and regulatory burden to encourage innovation, we will look to do so. We've done it for charities, done it for app stores and done it for 087.

Those sectors combined generate a shade under £200 million in consumer spend – that's nearly 30% of the market.

But we haven't stopped there. We are piloting a registration exemption for Level 2s operating exclusively through approved Level 1s. This is intended to make it easier for Level 1s to bring on-board clients that may want to use operator billing as a payment option amongst others.

In other words, operator billing should be easier to implement, allowing the industry to attract merchants who may not be familiar with this payment method.

This is just the latest example of our flexible approach to regulation.

Quite simply, we do not want to get in the way of a healthy and innovative market.

We are also acutely aware that regulatory certainty is critical. To repeat David's commitment: we think that Code 14 is fit for purpose and offers the regulatory framework to support a healthy and innovative market.

Therefore, unless we absolutely have to, we do not intend to change the Code before 2020.

In summary, I hope it's clear that we are working hard to facilitate our vision of a healthy and innovative market. That's one that puts consumers at its heart and delivers services that are trusted and enjoyed. That's a market that is attractive, competitive and is underpinned by appropriate and flexible regulation that protects both consumers and the integrity of the market.

And I see this as a collaborative process. While we can create the right regulatory conditions it is after all the market - you – who will deliver this.

We are here to support the introduction of new service types, ensure regulation doesn't get in the way of innovation, maintain the integrity of the market and improve consumer confidence.

Our door is open to all of you to discuss how we can deliver on this vision.

Thank you.