



26th January 2017

Jo Prowse
Chief Executive
Phone-paid Services Authority
40 Bank St,
Canary Wharf,
London E14 5NR

Dear Jo,

Phone-paid Services Authority (PSA) draft Plan and Budget 2017/2018

Mobile UK welcomes the opportunity once again to comment on PSA's business plan and budget for the forthcoming financial year.

First of all, it is welcome that PSA has found efficiency savings for 2017/18 and that it is presenting a budget that is lower in real terms than the current year. A regulator is not subject to the same market pressures as those that it regulates and so it is hard to overstate the importance to PSA's credibility of continuing to look for, and find, productivity gains, while at the same time carrying out the important role of protecting consumers in this very dynamic market.

As we pointed out in last year's response, the budget is still c20% higher (in real terms) than 2003, when the industry was generating estimated revenue of over £1billion a year', with a commensurately lower levy burden on industry. We urge PSA to continue to find efficiency gains, in particular we would like to see further progress in the following areas:

1. Monitoring

In the current year, the Mobile UK and its members have had several discussions with the executive about the topic of 24/7 service monitoring. It is very welcome that PSA now has such a capability in place, as we know that a very small minority of providers have been known to run non-complaint services for time limited periods (say over a weekend) and it must the task of collecting adequate evidence of wrongdoing becomes easier, when it can be captured in real time.

We would welcome further collaboration in the coming year to ensure that the respective capabilities of PSA and the operators' own monitoring processes work effectively together, so that the environment is properly policed. For example, we must develop a protocol for better intelligence sharing, particularly of the most egregious forms of fraudulent activity. During the year PSA's monitoring identified a Cross-Site Request Forgery (CSRF), a malicious exploit where unauthorized commands are transmitted by a compromised app used by a consumer, with the requests viewed as trusted by the service receiving them. This was very much welcomed by the industry and a victory for the monitoring service. However, PSA detected this vulnerability in an APIs system on 29/11/16 and notified the API on 06/01/17. Admittedly this was over Christmas, which may have been a factor, but early intelligence sharing would be more much effective.

Prevention is so much more cost effective than enforcement after the fact.

2. Investigations

Mobile UK remains concerned that the investigations team manages to absorb a high proportion of operational costs, particularly when the level of full Track 2 procedures is a relatively small proportion of the total enforcement actions. We would like to see costs driven down by robust cases being complied more quickly and efficiently.

Mobile UK notes that there is a distinct lack of KPIs in the current year plan. We believe that the time and cost of a KPI would be a good one to measure and would very much welcome visibility of the average cost of a Track 2.

We acknowledge that cases can vary in complexity but, nevertheless, the ability to bring cases to successful prosecution is a key part of the regulator's role, and a longitudinal view of this would be very instructive and a driver of efficiency.

3. Registration

Mobile UK notes that there are a number of references in the budget and business plan to making enhancements to the registration requirements and to the overall management of the scheme.

We welcome this aspect of the plan and encourage PSA to require the L2s who provide internet based services to make more information available about their service name and domain name.

4. Fine collection rate

The MBG continues to be very concerned about the high level of non-collection of levied fines.

We will welcome further discussions on this subject in the coming year but feel that one of the keys to this will be to collect evidence more effectively and bring cases more quickly (see comments above on Monitoring), so that breach notices and withhold notices can be issued before money is paid out.

5. Data Collection

Mobile UK welcomes the provision of complaints data back to MNOs being restored. This information assists MNOs to identify areas of concern. We would welcome further discussion as to

how data capture could be improved, so that we can understand better what has led a consumer to make contact (often about compliant services). We would also like to explore further how information collected by MNOs can be made useful to PSA.

6. Project 30 and Project Slim-line

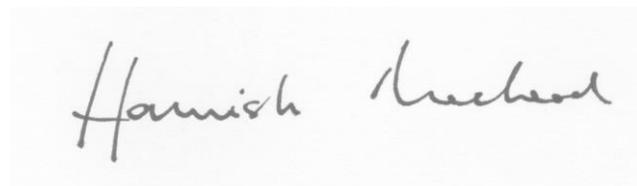
Mobile UK and its members have welcomed the progress that has been made on Project 30 in the current year and believe the introduction of special conditions etc. has formed an important cornerstone for our own work on Project slim-line. Project 30, though, was not just about special conditions and the other aspects of the project must continue to be developed.

7. Accountability

Mobile UK notes that the current business plan and budget lacks some of the breakdown that has been provided in the past (for example the activity breakdown). We understand that PSA felt that this particular breakdown did not give a fair reflection. Nevertheless, Mobile UK suggests that PSA continue to seek meaningful measures of effectiveness and efficiency; it should not resolve criticism of performance by simply removing the measurement. That is not a good way of demonstrating accountability. From an industry perspective, the level of the levy will remain a key metric; with falling/static industry revenues, it is a factor in the competitiveness of PRS as a micro-payment mechanism.

In summary, Mobile UK acknowledges that we have enjoyed a constructive working relationship with PSA in the current year. There is be much to be done in the current year to ensure a proportionate implementation of PSD2. We concur on the overall strategic objective of working towards a thriving industry in which consumers are properly protected. We look forward to continued cooperation.

Yours sincerely,

A handwritten signature in black ink that reads "Hamish MacLeod". The signature is written in a cursive style and is centered within a light gray rectangular box.

Hamish MacLeod, Director