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Dear Mr Brady

Citizens Advice's response to Phonepayplus' consultation on its Business Plan and Budget 2010-11

Citizens Advice is pleased to have the opportunity to comment on Phonepayplus' Business Plan and Budget for 2010-11.

In 2008-9 the CAB service in England and Wales helped just under two million clients with about six million problems. Debt and welfare benefits were the two largest topics on which advice was given. The CAB service also dealt with over 98,000 utilities and communications problems in 2008-9, which represented a 3 per cent increase on 2007-8. Breaking this down further, bureaux dealt with:

- over 14,000 problems about fixed-line phones;
- just under 10,000 problems about mobile phones;
- more than 4,500 problems about cable or satellite TV; and
- 1,200 problems about internet service providers or broadband.

In addition, bureaux dealt with just under 60,000 problems relating to telecoms debts (which includes all landline and mobile debts) in 2008-9.

From Citizens Advice's perspective, it is essential that the phone-paid market works well and fairly for consumers. In this way we consider that consumer confidence and trust can be generated, providing greater scope for the premium rate services (PRS) market to grow in a sustainable way.

Citizens Advice welcomes the activity undertaken by Phonepayplus' in the preceding year, in particular the decisive action taken against various websites and helplines which purported to offer people help claiming benefits but charged sizeable fees for the service when this assistance was available for free elsewhere.

We are also pleased to note that there has been a 62% decrease in complaints made to Phonepayplus about mobile phone-paid services from July 2008 to October 2009. We would like to believe that this fall reflects improvements in services and earnestly hope that this downward trend continues. Yet Citizens Advice Bureaux continue to report cases where clients have received unwanted and unsolicited text messages which can leave them confused and bewildered and result in them running up extremely large bills:

A CAB in Hampshire reported that their client was billed for £500 by his mobile phone provider because she defaulted on her 18-month agreement. The client did not dispute that she had failed to pay the monthly contractual amounts owed. However, when the CAB adviser called the mobile phone company to discuss the client's options, a very helpful call centre adviser noticed that £166 of the bill was attributable to 23 premium-rate text messages sent to the client over a period of 2 days, mostly at £10 per message. Since the client is Portuguese and speaks very little English and knew nothing of these messages, it appeared that she had signed up to the messages unknowingly. The case had already been passed to a debt collector who was being very threatening.

A CAB in West Yorkshire reported that their client received a text message from an unknown source asking if he wanted downloads. The client merely accessed the text message in order to delete it. The client was charged for this and for 70 other texts sent to his phone. The client's mobile phone provider has refused to take any responsibility for this, and the client now has a debt of £1,800 plus VAT for the texts sent to his phone from a third party. In addition, the client's mobile phone contract has also been terminated so he has no telephone. The client did not know that he should have texted STOP to the messages sent, and was also unaware that he was being charged for receiving these text messages.

A CAB in Derbyshire reported that their client's son used his mobile phone to text a number which he saw advertised on the internet in order to win an iPod. Since then he has been receiving unsolicited texts costing £1.50 each, using up all his credit as soon as it is added to his account. The client found it impossible to stop the texts despite advice from the mobile phone provider. Eventually, the mobile phone provider acted in a very helpful manner by changing the client's son's mobile phone number and reimbursing him with £5 credit.

We urge Phonepayplus to make such scams a thing of the past through making any necessary changes to their Code of Practice, taking swift action against those who transgress such rules and also through raising general levels of consumer awareness (which we discuss in more detail below) and making it easier for consumers to gain redress from the perpetrators of such underhand practices.

Other welcome activity undertaken by Phonepayplus from the previous year includes:

- the significant increase in fines awarded (up by 80% in 2009-10 compared to the whole of the previous year) – this suggests the need for ongoing vigilance and nimble enforcement activities by Phonepayplus, and we are therefore pleased to note that plans for the forthcoming year reflect this need;
- reasonably high collection rate (87%) for fines levied, though clear that further work required in this area.
- successful consumer education campaigns (e.g. PhoneBrain & Campaign X);

- the range of engagement with other regulators and enforcement agencies. In a market where a large range of agencies have a role to play it is essential that gaps are eliminated, joint understanding developed and action is coordinated.

Going forward, we strongly support proposals for both:

- the introduction of a registration scheme since we understand it will facilitate enforcement action, helping to ensure that it extends down the value chain to the party that exercises control over the content and promotion of the premium rate service; and
- improvements to the Number Checker for PRS numbers

We also fully endorse Phonepayplus taking a more strategic and proactive approach to its work in relation to raising awareness amongst consumers about the safe use of phone-paid services. As we highlight above, Citizens Advice Bureaux continue to report cases where clients incur large costs and experience considerable harm which is exacerbated by their low level of knowledge about the PRS industry and the steps that they can take to protect themselves. In the same way that financial services companies have a strong interest in providing funding for financial capability initiatives, we consider that PRS providers have a compelling reason to help make consumers more 'PRS-literate'. By contributing in this way we consider that the PRS industry can help build knowledge and trust in the market, enhancing its reputation and ensuring that it continues to flourish.

In terms of the funding model employed to provide funds for the PRS literacy activity, we think that the 'polluter pays' model (Option B) is worthy of further detailed consideration. In our opinion this approach would not only serve to provide necessary funds for PRS literacy activity but would also give a strong and clear incentive for providers to comply with the Code. Clearly, it will be necessary to ensure that adequate funds are available should insufficient income be generated by the fines, but this is acknowledged in the Business Plan & Budget which suggests using funding from PPP's reserves for this contingency.

I hope that you find this brief submission helpful in your deliberations. Please do not hesitate to contact me if you wish to discuss any aspect of the response.

Yours sincerely,

Tony Herbert
Social Policy Officer