

THE POSSIBLE INTRODUCTION OF PREMIUM RATE HIGHER
TARIFFS OF £2.50 AND £5.00 PER MINUTE

AN ICSTIS CONSULTATION

JUNE 2003

Introduction

ICSTIS, the Independent Committee for the Supervision of Standards of Telephone Information Services, was set up in 1986 to regulate the content and promotion of premium rate telephone services. It is a non-profit making regulatory body, funded by the industry.

ICSTIS sets and reviews standards relating to the content and promotion of premium rate services through its Code of Practice. It investigates public complaints, monitors services, recommends measures to achieve compliance with the Codes and publishes information relating to its work.

Purpose of this consultation

In response to a request from the industry, that new higher premium rate tariffs of £2.50 per minute and £5.00 per minute are opened up, ICSTIS has given consideration to the consumer protection issues raised and whether, and if so, how, these tariffs might be introduced without significant risk of consumer harm. This document seeks views on the proposed introduction of new higher premium rate tariffs of £2.50 and £5.00 per minute.

Higher premium rate services

Premium rate services offer information and entertainment by phone, fax, PC, mobile, or interactive digital TV. Services include weather, voting, advice, chat and information. The money paid for the call (between 10p per call to £1.50 per minute) is shared between the telephone company carrying the service and the organisation providing the content.

The highest “per minute” tariff currently available for use by premium rate services, £1.50 per minute, has been in place since 1994. As the proposed new higher tariffs of £2.50 per minute and £5.00 per minute are considerably more expensive than the current higher tariff, ICSTIS believes that this development in the premium rate industry must take place in a controlled way that addresses concerns about risks and gives consumers adequate protection from the increased potential for harm.

Higher “per minute” tariffs could lead to innovation in the services offered to consumers which are charged at premium rate. ICSTIS anticipates that the most likely use of these tariffs will be made by professionals giving advice, for example, legal or accountancy advice: the present time, some services of this nature are not economically viable at the £1.50 tariff. It should be acknowledged that we are unable to predict future innovation should these new tariffs be opened up.

As these tariffs will be new to consumers, cost considerably more than current premium rate tariffs and could lead to unexpectedly high bills, a cautious introduction to the market is proposed. There is a particular concern that services can be called without the authorisation of the bill payer, for example by minors, or that high bills can be run up by those unable to pay them. There is also a concern that services and promotional material which may mislead consumers, intentionally or otherwise, may lead to complaints of significance due to the high costs involved.

It is suggested that the risks are minimised by introducing the new tariffs in a controlled trial of services supervised by ICSTIS. Participating services would be required to obtain permission from ICSTIS prior to operation and in granting permission, the ICSTIS Committee would be able to attempt to assess and minimise the risks of consumer harm in each case.

What is the purpose of Prior Permission?

Those categories of service which appear to pose a greater risk of consumer harm are required to obtain a permission certificate from ICSTIS before operating. When processing applications for permission ICSTIS can assess proposed services before operation commences and grant permission with conditions attached. These conditions are designed to minimise the perceived consumer harm presented by each particular application and are additional to the requirements of the ICSTIS Code of Practice. ICSTIS reserves the right to refuse to grant permission if necessary.

It is proposed that any services which operate at £2.50 per minute or £5.00 per minute must obtain ICSTIS' permission before operating. Do you agree?

It is also proposed that the new tariffs should be introduced as part of a trial supervised by ICSTIS. Do you agree?

Which service types will be likely to be granted permission to operate?

In assessing which service types would be likely to be granted permission, the ICSTIS Committee was mindful of the potential for innovation which these tariffs may provoke and which we cannot predict. Therefore it is suggested that the parameters of the trial should be expressed broadly.

The Committee was also aware that the tariffs would be new to consumers, perhaps unexpectedly costly, and that there would be potential for high bills which consumers may not be able to pay (whether authorised by bill payers or not). Given these concerns the Committee looked at the likely risks posed by a variety of possible service types and decided that:

participation in the trial would be limited to professional services, provided they are not targeted at vulnerable users.

Examples of such services (though not an exhaustive list) would be: legal, veterinary, dentistry, medical, tax or accountancy advice. In considering whether to grant permission the Committee would be looking for the existence of an over-arching professional body to take responsibility for the quality of any advice given: for example, the Institute of Chartered Accountants in England and Wales.

Whilst it is anticipated that only professional services will be considered for permission to operate within the trial, the Committee is aware of the potential for innovation that the new tariffs could open. Views are therefore sought on :

1. Limiting the trial to professional services as outlined above results in the exclusion of any advice services which are promoted to individuals and not linked to an identifiable professional body, for example technical advice services. The Committee would welcome views on the consumer protection measures which could be applied to these services to help minimise consumer harm concerns.
2. The Committee recognises that there may be fewer risks posed by services provided to businesses rather than consumers and it may be possible to include a range of business to business services in the trial. The Committee would welcome evidence of such services where existing spend limits are a genuine constraint on the use of premium rate charging.

For the avoidance of doubt, due to the potential for repeat calls, high bills, unauthorised calling and the potential for callers to be vulnerable, the Committee has decided that the following service types should not be permitted at these tariffs: entertainment services (including all types of live chat and competitions), counselling services, consumer credit services and children's' services. In addition, services unable to comply with the proposed conditions for operation at these tariffs (listed below) such as services delivered via fax would not be granted permission.

Finally, at the present time, the industry group seeking the introduction of these tariffs has agreed that "Pay for Product" services (which allow for the purchase of goods, paid for via consumers' telephone bills) should be excluded from the trial due to concerns about the implications of the Distance Selling Directive.

Do you agree that participation in the trial should be limited to professional advice services only?

Do you believe that advice services not linked to a professional body or any other types of service should be included in the trial? If so, have you any suggestions as to how appropriate consumer protection measures may be applied to these service types?

Have you evidence to show that any business to business services could be viable if these tariff points were opened up?

What would be the likely consumer protection measures applied to services in the trial?

The Committee proposes that consideration will be given to granting permission to services subject to the following conditions designed to protect the consumer and applied through permission certificates:

1. *Calls will not exceed £75 in cost and must terminate by forced release;*

When granting permission to services at these tariffs, the Committee will consider the potential for consumer harm posed by each service and set a maximum spend limit according to the circumstances of each case. £75 will be the maximum that any participating service will be permitted to operate to and the Committee reserves the right to set lower maximum spend limits for reasons of consumer protection. This £75 maximum, representing 15 minutes at £5.00 per minute and 30 minutes at £2.50 per minute, has been set particularly with advice services in mind as it is acknowledged that a lesser maximum would restrict services to a call duration which could potentially prevent a service from being provided fully. Where particular service types are already subject to ICSTIS restrictions on total call cost, these and any other ICSTIS guideline recommendations will continue to be imposed. Services must be automatically disconnected (forced released) at the service provider's end once the maximum spend limit has been reached.

Do you agree with the proposed maximum spend limit for services at these tariffs?

If you are responding as an Originating Network Operator, do you envisage that services at these price points would be charged to your consumers at £2.50 and £5.00 per minute? .

2. *Services must include a free-to-user introductory message providing call cost information, and the name of the service provider, allowing the caller to disconnect without charge;*

In order to comply with the ICSTIS Code of Practice pricing information should be presented clearly and prominently in promotional material. However, the above requirement is proposed in view of the increased potential for harm where callers are not aware, for whatever reason, of the costs. It is proposed that the warning should be free to callers as, at tariffs of £2.50 and £5 per minute, the time taken to play an introductory message could lead to a significant charge.

Do you agree that cost and other necessary information should be given on connection and that this information should be free to consumers?

The level at which a free message might be provided - Originating Network Operator, Terminating Network Operator or Service Provider - is for the industry to decide. If you are responding as a Network Operator please could you confirm how you envisage that this requirement could be met.

Are you able to suggest any alternative measures for ensuring that all users of new higher rate services would be made aware of call costs in the absence of this requirement?

3. *Services must give cumulative call cost warnings;*

The Committee proposes to reserve the right to impose a requirement for cumulative call cost warnings as appropriate, taking into account factors such as the type and total possible length of a proposed service. Callers may need to be informed at appropriate points of the cumulative call costs, but this should not add disproportionately to the length and cost of a call.

Do you agree that service providers should be required to give cumulative cost warnings at intervals throughout the service?

In what circumstances do you think such a requirement should be imposed?

What would be the parameters of the ICSTIS trial?

It is proposed that the broad parameters of the ICSTIS trial should be as follows:

1. all services will be required to obtain prior permission from ICSTIS prior to operating;
2. the number of service providers participating in the trial would not be limited, nor would the number of services that each service provider could operate. However the number of premium rate numbers that each service can advertise will be limited to twenty in order to ensure that the trial can be monitored and evaluated effectively;
3. the trial will run for twelve months in total;
4. the factors used in measuring the outcome of the trial would include the nature and number of complaints reported to ICSTIS, network operators and service providers as well as incidences of billing dispute and bad debt. ICSTIS will therefore require written agreement from both service providers and their partner Network Operator(s) that information relating to trial services will be provided;
5. ICSTIS retains complete discretion to grant or refuse applications for permission or to halt the trial at any point.

NB: Whilst there are arguments to support a case for a separate, identifiable prefix to be set aside for these tariffs, at this point in time there is no guarantee of this.

Do you agree with the parameters of the trial?

If you are responding as an Originating Network Operator, to what extent would you be able to provide details of bad debt or developing high bills attributable directly to services at these new tariffs?

Responding to this consultation

Please submit your comments by post or e-mail by 1st September 2003 to:

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Please note that we will consider comments to be available to be made public unless otherwise indicated.

Subsequent Steps

The ICSTIS Committee will take all responses to this document into account when making its final decision about the introduction of these tariffs.

Should a trial of higher tariff services be agreed, invitations to join the trial will be made via the ICSTIS Monthly Report and terms and conditions and relevant application forms will be available on the ICSTIS website.