



**BT response to the ICSTIS consultation on “Statement on the provision of refunds to consumers and the development of industry best practice for customer service: a consultation paper”**

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## Introduction

BT welcomes the opportunity to comment on this consultation.

BT suggests that a much more radical approach is needed as we are concerned about Service Provider (SP) compliance with refund directions under the current proposals. For example, a fund where SPs pay a set sum prior to commencing their service, which can be used for refunds as and when needed and administered centrally ensuring monies are readily available for customer refunds. BT believes that this type of scheme is possible as it is similar to the live services compensation scheme; it would ensure consumers are protected, refunded quickly and would improve confidence in the Premium Rate Services (PRS) industry.

Underpinning any approach is the need to ensure that non-compliance leads to enforcement action.

BT agrees with ICSTIS' comment in the consultation concerning the complexity of the value chain involved in the PRS industry. There can be a number of different companies involved in PRS calls e.g. the Originating Communications Provider (OCP), the Terminating Communications Provider (TCP), a Service Provider (SP) and even an Information Provider (IP), all of whom participate in revenue share.

An OCP retains only a very small portion of revenue. For example on a £1.50 call an OCP could retain as little as 3p. The remainder of the revenue is passed down the value chain.

Furthermore the money passes quickly from the OCP through to the TCP and onward to the SP. This can all happen well in advance of the actual customer being billed. This means that by the time a customer complains to their telephone company about the charge, the company no longer holds the full value chain revenue with which to refund the full cost of the service. The recent 30 day rule, where TCPs must not pass on revenue to SPs for 30 days, goes some way to slowing down the flow of money through the chain. However this does not remove the problem entirely.

Whilst BT strongly believes that the obligation should fall on the SP to either provide the refund or fund it, as it is the SP who has provided the service and received the majority of the value chain money, in practice this will not always be possible. In fact, there could be at least three potential scenarios for refunds dependant on where the money stands in the value chain:

1. The SP, where the money has passed down the value chain and ICSTIS have made a formal direction.
2. Where the TCP is holding funds under the 30 day rule or where instructed to do so by ICSTIS.
3. Where the Artificial Inflation of Traffic (AIT) process means the OCP is withholding funds from the TCP (see question 3 for further detail).

BT thinks that the proposals outlined by ICSTIS are only suitable for the short-term. BT reiterates the need for a more radical approach and suggests that industry and ICSTIS should work together to implement a central fund. BT's specific comments are detailed in the relevant sections of this document.

## Response to specific questions

### Section 2 – Dealing with refunds

**Question 1** Do you agree that a refund should equate to the full cost of the service that the consumer actually paid for the service? If not, why not and what alternative would you suggest?

BT agrees with the proposal to give customers a full refund as any other option would be unacceptable.

**Question 2** Do you agree that a refunds arrangement should have no formal lower cost threshold and that ICSTIS may vary from this in case specific situations where to not do so would be disproportionate?

BT agrees with the proposal of no formal lower cost threshold for refunds. BT also agrees that ICSTIS should be able to vary it from case to case and appreciates in some instances that the cost of giving the refund may be more than the actual amount itself.

BT does suggest there may be additional factors to consider, for example we fear that if the same refund threshold is used repeatedly unscrupulous organisations may try to use this to their advantage by ensuring calls fall below that threshold.

**Question 3** We would welcome feedback and examples of how customer service refunds can be made in ways that meet the needs of both the consumer and the service provider who has to facilitate and administer the refund.

BT believes that a centrally administered fund provided by SPs as outlined in the Introduction would afford the best consumer protection by ensuring refunds are actually provided and that they are given in a timely manner. Additional benefits of this solution include improved and greater confidence in the PRS industry and improved consumer satisfaction levels. We recognise that this would place an additional administration burden on ICSTIS but we believe it is the optimum solution.

Any radical change would obviously take time to implement and in the interim BT would expect the obligation to lie with the SP. SPs would need to contact the customer clearly explaining the amount of the refund, details of the service called and that a refund has been given as directed by ICSTIS.

It is important to understand where the money sits in the value chain at any given time. BT's AIT process occurs when a SP does something, or fails to do something, that subjects the level of traffic to an abnormal increase. This can range from deliberate action to simple locked up or unduly prolonged calls and it also includes breaches of the ICSTIS guidelines and the OFCOM numbering plan. Where AIT is suspected within a certain window from the date of the call, BT withholds money from the TCP who can, in turn, withhold money from the SP. The arrangement is that if the TCP agrees that AIT has taken place, a "credit note" to BT is issued. An OCP can, in these limited circumstances, refund a customer direct – simply because the money has not yet moved down the chain. Industry needs to consider its position on this scenario.

There is also the likelihood that a TCP may be holding on to monies either under the 30-day rule or when ICSTIS requires them to retain funds for a longer period as part of their investigatory process (ICSTIS draft 11<sup>th</sup> code of practice 8.7.6b). In these circumstances it could be the TCP that is in a better position to refund. However this would put the responsibility of authentication of refund claims on TCPs unfairly as they would simply have been holding the money when ICSTIS investigated. In these circumstances, BT suggests that a simpler process would be for ICSTIS to gather relevant information from complainants and pass this to the TCP so that a refund can be carried out swiftly. In the short term, it is only feasible for complainants to ICSTIS to receive refunds in this way. Any other customers requiring refund could do so by contacting the SP and claiming it direct.

BT also has concerns about how sanctions are enforced and would welcome confirmation that ICSTIS will pursue non-compliance with refund directions. This issue requires further discussion as this will be the test to ascertain if the process works. This complexity leads BT to believe that the more radical approach of a central fund for refunds would be the simplest way of managing the situation.

**Question 4** Do you agree that refunds may be made in a number of ways as long as the customers are in general agreement to accept an alternative to a monetary refund being offered by the service provider or other party involved in the provision of the service?

BT believes that customers, who are due a refund over a certain amount, should always be given a full monetary refund. Lower value refunds could, with the agreement of the customer, be given by an alternative method. However if the customer is insistent on a monetary refund the SP should oblige.

**Question 5** We would welcome information about how service providers manage these issues today in order to benchmark various practices.

BT does not have any specific comments concerning this question.

**Question 6** We would welcome views on what is a reasonable degree of evidence in such situations for a service provider to demand given the risks of fraud.

BT believes that the risk of fraud from false refund claims is minimal as BT's SPs can authenticate refund claims by checking their CLI and call records and matching them with the customer complaint and telephone number. BT believes this could be replicated by industry if it's not already. SPs can also discuss the matter with ICSTIS in relation to a particular sanction.

**Question 7** What suggestions do you have for how best to manage the authentication of consumer requests whilst minimising the barriers to consumers when seeking refunds? How can this be kept under review?

Please see BT's response to question 6. BT believes the biggest barrier is the complexity of the value chain and the potential for three different refund mechanisms.

BT suggests that this could be kept under review by the Industry Liaison Panel or via other industry and consumer groups.

**Question 8** What evidence is it reasonable to ask of a consumer to evidence their disputed PRS transaction where their network provider does not provide bills or where they are not itemised?

BT believes that SPs have sufficient data to hand in the form of CLI and call records to authenticate any claim.

**Question 9** We would welcome views about how matters of refund authentication can best operate in an environment where consumers do not ordinarily receive a telephone bill such as the majority of mobile phone users who have pre-pay arrangements.

BT believes that call records are available or could be made available, and these should enable credits to be made to pre-pay mobiles.

**Question 10** We would welcome any other views on customer authentication and fraud management which might aid the development of an appropriate refunds framework.

BT believes that there are (or could be easily made available) sufficient authentication methods. BT is more concerned with unscrupulous organisations compliance than with authentication.

**Question 11** Do you think that industry or ICSTIS has a responsibility to notify all affected consumers of their rights to claim a refund when this has been made the subject of a sanction by ICSTIS? If you do, where does responsibility lie and why?

We do not think it is possible to identify and contact every customer affected by a formal investigation by ICSTIS. BT suggests that ICSTIS could include the specific details on its website in an area that is easily accessible to the casual viewer. It would also be important for SPs to take steps to highlight any issues through their own media. ICSTIS should also advise OCPs of refund decisions so that they could give the best information to their customers.

**Question 12** What views do you have on how affected consumers, whether they complained or not, can be advised of their rights to a refund where that has been demanded by ICSTIS as a sanction?

Please see BT's response to Question 11.

**Question 13** What further potential is there in the ICSTIS adjudication information being shared with the customer contact staff of the OCPs who may be able to alert future complainants about services to their right to a refund (where sanctioned by ICSTIS)?

BT thinks this would be beneficial. As stated in our response to Question 11 we believe that ICSTIS, the OCPs and SPS all have a role to alert future complainants about their rights to a refund.

**Section 3 – ICSTIS’ proposals on the use of its sanctions powers to order a refund by the service provider**

**Question 14** Do you have any views on this approach to considering how refund sanctions will be determined by ICSTIS?

BT has not seen the policy statement mentioned in the consultation and is keen to comment on this in due course.

BT strongly believes that every element of a formal direction be it a fine or an order to refund customers should be enforced robustly and that this is key to the success of any refund process. BT does not see any reference to how refunds be enforced within this consultation. BT looks forward to seeing ICSTIS’ proposals.

#### **Section 4 – The Live Entertainment Services compensation arrangements**

**Question 15** Do you agree that the arrangements for the ICSTIS Compensation Schemes for Live Services and multi-party chatlines should remain as they are and should not be affected by proposals in this consultation paper? If not, why not?

BT agrees that as the scheme appears to be working well it should not be changed. BT does however suggest that there might be some lessons that have been learnt that could be applicable to a more radical approach to customer refunds as BT has outlined in the Introduction.

In fact, as stated earlier, we believe that this approach should be extended to all refunds.



## **Section 5 – developing industry best practice for customer service**

**Question 16** Do you agree that ICSTIS should take forward the development of best practice guidance for customer service in the way outlined above? Can you identify any organisations from which a representative should join this working group?

We support the proposal and suggest representatives from each part of the value chain should be part of the working group.

**Question 17** Are there other aspects of customer satisfaction that you believe a Working Group ought to consider when developing best practice guidance for customer service?

BT is happy with the proposals outlined in ICSTIS' draft 11<sup>th</sup> Code of practice and is pleased to see a working group is being set up to further develop industry's thinking on this.

**Question 18** Do you have any views about the make-up and structure of a Working Group, including who should chair it?

BT suggests that the working group is made up of representatives from all areas of the PRS industry not just SPs. BT is keen to be involved in the working group. We also suggest that ICSTIS should Chair the working group.

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