



**PREMIUM RATE ASSOCIATION RESPONSE TO THE ICSTIS
DOCUMENT:**

**STATEMENT ON THE PROVISION OF REFUNDS TO
CONSUMERS AND THE DEVELOPMENT OF INDUSTRY BEST
PRACTICE FOR CUSTOMER SERVICES**

30 January 2006

Introduction and Summary

The Premium Rate Association (PRA) welcomes the opportunity to comment on the ICSTIS consultation regarding consumer refunds and industry best practice for customer service. The PRA is a trade association for all companies with involvement in the premium rate industry and this response takes account of input by our Service Provider and Network Operator members.

Consultation Overview

Regarding refunds, we agree with ICSTIS' general stance that it does not wish to become an ombudsman rather than a regulator and it is important that the sanction of redress is only used to get consumers their money back in cases that can be objectively measured to have been harmful in some way.

There seems to be some contradiction on page nine of the document which initially suggests that service providers should "act in good faith when handling such requests and in particular in requiring evidence that the payment....is requested", yet two paragraphs later suggest that "where a bill is not present then it is not unreasonable, where necessary to ask that the consumer obtain such a copy of a bill from their phone company.." ICSTIS needs to be clear on its expectations in this area. This section also refers to using CLI information for record checking, our understanding is that full CLI is not presented to service providers.

As stated in our response to the 11th Code Consultation we do not feel that ICSTIS has in its remit a role to advise service providers on best practice in customer service. However, we note the direction from Ofcom to venture into this field and also the fact that ICSTIS has put itself in an information gathering role for this part of the consultation, and for questions five to ten which relate to best practice, so that it is effectively acting as a facilitator for the industry to take this forward.

Answers to specific questions.

Q1. 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?

If the aim is for the consumer to have their faith in a system that has let them down restored, then, yes they should get back all the money that they have spent, including VAT. This is in line with the principal that has always been used in the live compensation fund scheme. Of course, if there was a RRP for telephony then the service provider would not be liable for the significant mark-ups imposed by some OCPs and Mobile operators.

The shop analogy does not work for the service provider as a shop retailer will always sell at profit on wholesale prices whereas, as noted by ICSTIS, there are mark-up prices by mobiles and OCPs that are outside the retail service provider's control. We do not fully understand the statement at

the top of page eight "This cost should feature in a provider's charging model". Does this mean ICSTIS expects service providers to inflate the cost of their product to cover potential loss-making refunds, or is this simply bad debt provisioning?

Q2. 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?

We feel that refunds should have a lower cost threshold of 50p. To deal with the mechanics of large numbers of refunds less than this amount would be hugely onerous on the service provider, which is investing staff time and overheads into the administration of such refunds, over and above any losses it may have to absorb on the calls. It seems unnecessarily pedantic for ICSTIS suggest no lower cost limit and then to try to allow for cases where it would wish to circumvent this policy, particularly in the light of the proposals at question four.

Q3. 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.

As ICSTIS has highlighted, the chances of the service provider being able to refund direct to the consumer's bill are slim. Therefore money in the form of a cheque or postal order, or a mutually agreeable close alternative would appear acceptable.

Q4. 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?

It may add another layer into the conclusion of a complaint, but provided the consumer is happy with an alternative that they have been offered, then the desired outcome or building consumer trust and confidence is achieved.

Q5. We would welcome information about how service providers manage these issues today in order to benchmark various practices.

See Q10 below

Q6. 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.

We think that the consumer must be able to produce evidence in the form of a bill, or information supplied by their OCP in the case of pre-pay, to show that the calls have been made. This is the only way to avoid malicious claims.

Q7. 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?

See Q10 below

Q8. 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?

If the caller cannot get proof from their OCP, then they can give permission for the OCP to disclose to the service provider that the call was originated to their service (thus complying with data protection requirements). Evidence of a call exists, even if the OCP does not have the systems in place to show it to consumers.

Q9. 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.

See Q10 below

Q10. We would welcome any other views on customer authentication and fraud management which might aid the development of an appropriate refunds framework.

Questions five through to ten are ones where ICSTIS is generally information gathering from respondents about current practice and has not put any proposals forward. We therefore feel that it is best that respondents who currently administer customer service schemes answer these in detail directly. However, we note on page eight the statement that consumers are entitled to refunds for services that are not fit for purpose and would warn again about straying into subjective areas – what about a tarot service that does not predict the future correctly, or a sex service that does not satisfy?

Q11. 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 think that ICSTIS only has a responsibility to those that contact it or complain to it. If the industry wished to take this further it would be akin to product recalls where they may have to take out newspaper ads to advise consumers of their rights.

If Ofcom's preferred option had been for OCPs to administer refunds, they would be able to return the monies direct to all customers who had called the number(s) in question, thus meeting all the concerns about micro-payments, lower levels for refunds and where the responsibility lies for notifying affected customers. However, this was not Ofcom's preferred option although it seems to have many merits.

Q12. 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?

This seems to be essentially the same question as number 11 and again we think the responsibility lies with ICSTIS to inform those who complain to it about their entitlement to refund for a service where such have been ordered as a sanction.

Q13. 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)?

This has happened in the past and we see no reason why OCPs should not be provided with relevant details to direct their customers to the correct place to obtain a refund.

Q14. Do you have any views on this approach to considering how refund sanctions will be determined by ICSTIS?

The criteria seem correct. Does “a combination” mean two or more have to be met, or is a specific combination envisaged?

Q15. 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?

The compensation scheme (which for the record is administered by the trustees to the scheme not “the service providers in question”) is an example of a scheme that works as can be seen from the extremely low number of claims that get passed to the adjudicator. This begs the question, is it an over draconian system for what are not necessarily the highest risk services, or, conversely should it be extended to all PRS (imagine the difference if dialler services had been subject to such a scheme)

Q16. 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?

It would be helpful to use experience from another industry that has previously been seen to “clean up its act” or have highly regarded levels of CRM – maybe the financial services industry?

Q17. Are there other aspects of customer satisfaction that you believe a Working Group ought to consider when developing best practice guidance for customer service?

Under the bullet “Quality (of) products or service including fulfillment” we believe it is important to take account of the subjectivity of the complaint and how such areas will be considered.

Q18. Do you have any views about the make-up and structure of a Working Group, including who should chair it?

It may be possible to use the ILP as a way of inviting a wide range of service providers to contribute to the group, either by sitting on it, or in a remote advisory capacity.