



PhonepayPlus  

2008/9

Annual Report



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PhonepayPlus is the organisation that regulates phone-paid services in the UK. These are the premium rate goods and services that you can buy by charging the cost to your phone bill and pre-pay account.

Phone-paid services operate on 09 numbers, five- and six-digit text shortcodes and 118 for directory enquiry services. From 1 August 2009, we will also regulate 0871/2/3 numbers.

We regulate services using our Code of Practice. Our rules centre on services providing clear and accurate pricing information; honest advertising and service content; and appropriate and targeted promotions.

We help consumers with enquiries and investigate their complaints about phone-paid services.

We help businesses comply with our Code of Practice and have wide-reaching powers to fine and enforce sanctions against companies who do not.

We aim to pre-empt and prevent problems before they happen. Where there is evidence of harm, we step in quickly and effectively to protect consumers.



Sir Alistair Graham, Chairman

PhoneyPayPlus' ongoing journey to build trust in phone-paid services.



In last year's report I talked about us embarking on a journey. To focus on pre-empting and preventing problems in the market as well as protecting consumers with robust enforcement

activity. To work with industry to build trust in phone-paid services and the regulatory mechanism that underpins them. To provide consumers with the knowledge and tools they need to engage in the market with confidence.

It's fair to say the journey got off to a bumpy start. In 2008, the UK entered a deep recession that has had a profound impact on all businesses. Complaints to PhoneyPayPlus more than doubled, indicating that some companies were ripping off consumers to boost flagging revenues. Closer to home, we bid a fond farewell to a long-standing Chief Executive and other members of the senior management team.

These presented significant challenges. However, our new approach has quickly borne fruit. Complaint volumes, which reached a high-water mark of 2,378 in April 2008, have been cut by more than a third.

One example of our commitment to a preventative agenda is the Mobile Review which we announced last Summer in response to concerns we raised in last year's report. In close collaboration with mobile phone-paid service providers, we developed a set of new rules designed to tackle the types of harm we had identified. Since the new regime came into effect, preliminary findings which also incorporate figures from May and June 2009, show that complaints around mobile subscription services, which represented 65% of all complaints in 2008, are steadily declining.

Last year I also signalled our commitment to working with industry to deal with potential problems. A dose of common sense was needed: for example, why go through a formal investigation process lasting 12 weeks or more when a simpler approach would better address any underlying harm and more quickly deliver refunds to complainants?

To that end, we began working with a number of mobile aggregators, talking to them about their compliance processes and where they might be improved. I was encouraged by their response – there is a genuine appetite among most providers to improve the consumer's experience and drive scam artists and rip-off merchants out of the industry.

I'm pleased to say this collaborative approach has had an immediate and positive effect. The top 15 service providers have all seen a net reduction in complaints since the beginning of the year. There was a dramatic decline from February when PhoneyPayPlus began to share complaint-led intelligence with SPs regarding services operating on their platform.

Neither have we forgotten how important the 'protect' part of the agenda is to addressing consumer harm. The Code Compliance Panel, led by David Cockburn, has at its disposal a wide-ranging arsenal of sanctions and I have been most impressed in the consistent and imaginative way it has used them over the course of the year.

36% Percentage drop in complaints about mobile services from April 2008 to March 2009

There is evidence that this punitive action, has had the right deterrent effect. For example, the two aggregators that have received the most severe sanctions are among the three aggregators that have seen the steepest decline in complaints.

I don't need reminding, however, of the dangers of complacency. There are still scams out there, the 070 missed call rip-off a particularly worrying example. We must continue monitoring services to make sure they are compliant and stay ahead of the game when it comes to potential areas of vulnerability for consumers.

Finally, a word of thanks to George Kidd, who left for pastures new in October 2008 after eight years as our Chief Executive. George oversaw many great changes to our organisation during his tenure and we remain grateful for his commitment to consumer protection that helped make us the organisation we are today.

Also a word of congratulations to Paul Whiteing, who officially became Chief Executive in March this year having joined us ten years ago, almost to the day.

There is much work to be done but I look ahead with confidence and no small degree of satisfaction. I am delighted to have been asked by the Board to continue at the helm for a further three years and look forward to working with Paul to deliver our strategic goals.



Sir Alistair Graham, Chairman

There is a genuine appetite among most providers to improve the consumer's experience and drive scam artists and rip-off merchants out of the industry.



Paul Whiteing, Chief Executive

A new pair of hands to take PhonepayPlus nearer to its goal of pre-emption and prevention for overall protection.



This year has been one of new challenges for both PhonepayPlus and the industry we regulate. Ofcom confirmed that PhonepayPlus is to take on regulation of the 087 number range from

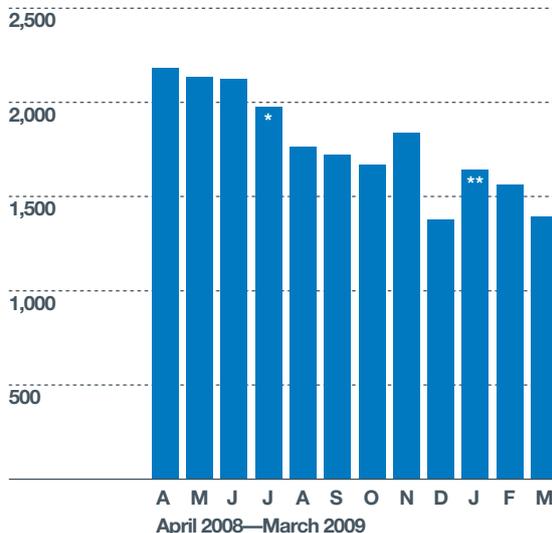
1st August, we started a review of our Code of Practice – the most significant that we have undertaken in our 23-year history, launched our new website and introduced new rules for mobile services, triggered by a worrying upturn in consumer complaints.

The phone-paid services industry has seen its own challenges made worse by the global economic recession, which placed understandable pressure on resources and revenues. Everyone is tightening their belts, including us - our budget this year saw no increase. We recognise that, in these economic conditions, a small number of providers may look for short-term opportunities to make money at the expense of consumers. We remain attentive to that risk and committed to being more proactive in early identification and prevention of these problems.

I took on the role of Chief Executive of PhonepayPlus in March 2009, having joined ten years previously. The organisation and industry is much changed over those years. We have a new name (ICSTIS became PhonepayPlus in October 2007), consumers are now engaging more than ever using their mobile phones rather than landlines, and we've learned important lessons from issues faced the previous year around participation TV, resulting in a newly defined – and excellent – relationship with Ofcom.

We began the year in good shape, but what of the year itself? 2008/9 year saw a sharp rise in complaints, which doubled from the previous year to 23,278. A staggering 92% of these complaints concerned mobile services, and we saw common themes concerning lack of clarity around the cost of a service, often made worse through the addition of costly, and sometimes hidden, subscription and joining fees.

Mobile complaints and PhonepayPlus' activity



* PhonepayPlus launches review into mobile phone-paid services and their marketing

** PhonepayPlus announces new measures for mobile phone-paid services

85%

Percentage decrease in complaints about unsolicited text messages from the first six months to the second six months of 2008/9

There is no doubt that the mobile services sector was a concern. However, where I think we (and by 'we' I mean regulator working alongside industry) can be proud is in having taken swift action to address these problems. In doing so we were efficient and effective in identifying the causes of the problems and acting decisively to remove them.

It would have been far more difficult for us to make an impact if we hadn't found a willing and responsible partner in industry, including many trade associations. Reputable companies responded quickly to changes in regulation, and some have been developing best practice approaches to due diligence, especially in regard to the content providers that they contract with.

I want to focus on this as it defines my approach as Chief Executive. As a regulator I do not believe we can stand in isolation from consumers or industry, the vast majority of which recognises the value of compliance. In my opinion the most effective regulators engage industry; working positively and proactively with reputable providers towards a shared goal, while coming down hard on would-be wrong-doers.

2008/9 also saw a great deal of work in preparation for PhonepayPlus starting regulation of the 087 number range in August 2009.

I'm particularly proud, again, of the amount of proactive, practical work that has gone in to helping providers get ready for the change and introducing new regulatory requirements designed to protect and empower consumers.

Finally, a word on the 12th version of our Code of Practice. We're going back to the beginning to look at how our Code might need changing in this technologically fast-paced era. These are exciting times and I look forward to consulting with everyone affected by our regulation on our findings; and working together towards a proportionate, effective Code that benefits consumers and industry alike.



Paul Whiteing, Chief Executive

I'm particularly proud of the amount of proactive, practical work that has gone in to helping providers get ready for the change and new regulatory requirements designed to protect and empower consumers.



Market research

PhonepayPlus' market research shows challenges ahead, but continued consumer enthusiasm for mobile content.

In December 2008, PhonepayPlus commissioned Analysys Mason to carry out a second annual research report into the phone-paid services market, looking at consumer use over the previous six-month period and looking forward to the coming year.

The report showed widespread use by consumers but warned that the economic downturn would impact an already declining market, predicting a contraction of 15% in 2008 to £920 million (from £1.08 billion the previous year). While it also demonstrated significant damage to consumer trust from issues in participation TV from the year before, it nonetheless found that a very healthy 48%, or close to one in two consumers, had used a phone-paid service in the past six months.

This continued high use points to the impulsive nature of phone-paid services, which are designed for people to enjoy in a format that is easy and quick to access, at a relatively small cost, and increasingly on the go via a mobile phone.

While, as the report suggests, economic hardship will no doubt have some impact, consumer activity speaks for itself and we remain hopeful that the industry will weather the storm thanks to its value to consumers as a low-cost, easily accessible source of entertainment.

PhonepayPlus' market research is intended to provide a realistic, measurable context for the development of our Code of Practice. In taking this approach, we hope to ensure that our policy is current, robust and fit for purpose so that, when consumers choose to use phone-paid services, they can do so with confidence.

Findings from the report include:

The Market

- Mobile messaging services, such as the sharing of video clips, remains relatively low in popularity, with just 5.5% of respondents having used the services. However, the research showed that such services are significantly more popular among younger users, with 10% in the under-35 age group having used them.
- It is in the mobile messaging services sector that the report identifies most opportunity for growth. As mobile handsets increase in sophistication it predicts an increase in applications available to them and therefore greater opportunity for monetisation by innovative operators.
- Adult content remains a significant part of the market in terms of revenue generation at £153m.
- 13% of consumers have entered competitions via premium rate phone call or text message.
- Directory enquiries remains the largest single segment of the market, with over 30% of respondents having used the service; representing a market value of over £198m in 2008. This figure would equate to a 4% year-on-year decline, with 2007's usage representing £207m.

Consumers

- 22% of consumers have either voted in a television show or entered a competition using the phone-paid medium.
- The 18-34 age group is the most likely to use phone-paid services, with 63% having done so in the last six months. This compares to 48% of 35-54 year olds, 47% of 11-17 year olds and 34% of those over 55.
- Although 48% of consumers have used a phone-paid service in the past six months, over half said they had 'little or no trust at all' in any given service and, in fact, 25% of non-users cite lack of trust as the key reason for staying away.
- Almost 40% of respondents said accurate pricing information is the key factor that would help rebuild trust.

48%

Percentage of consumers who had used a phone-paid service in the six months prior to December 2008

The Future

The report predicted that most premium rate services will experience declining revenues this year, mainly as a result of global recession; a perceived lack of innovation in the marketplace; competition from alternate delivery platforms; and consumers' mistrust of some services.

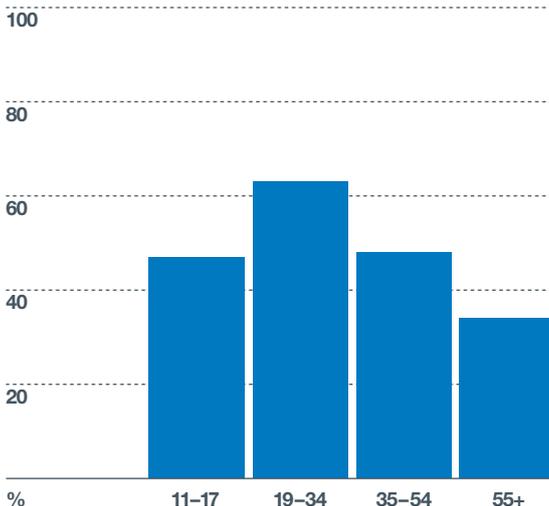
However, anecdotal information from industry shows optimism that opportunities remain to grow business and develop new revenue streams. This is especially true in the media arena, where the decline in more traditional forms of advertising is leading some companies to consider alternative business opportunities such as those afforded by our industry.

Added to this is consumers' readiness to engage with services using their mobile phone, and an ever-growing appetite for new, innovative and exciting content to make use of increasingly sophisticated mobile technology.

While we don't doubt the coming year will test the phone-paid services industry along with the rest of our economy, we believe there is also great opportunity for those with genuinely creative and interesting ideas that will inspire consumers in need of light entertainment.

The research polled 3,000 consumers and carried out in-depth interviews with 25 companies from across the industry. It can be found in full at www.phonepayplus.org.uk.

Percentage of respondents who had used a phone-paid service in June-December 2008 by age group



Proportion of respondents using each of the listed phone-paid services

Directory enquiries	31 %
Calls to competition voting	13 %
SMS to competition voting	10 %
09 numbers	10 %
Calls to TV quiz shows	9 %
TV red button	8 %
Mobile gaming	7 %
SMS to TV quiz shows	6 %
SMS - music downloads	6 %
Premium MMS	6 %
SMS news or text alert	5 %
Billing based mobile payment	3 %
Gambling	2 %
Tarot/horoscope	2 %
Adult voice	2 %
Adult video/photos	1 %
Other	<1 %

Market round-up

A closer look at what the phone-paid services market looked like in 2008/9.

Phone-paid services market split

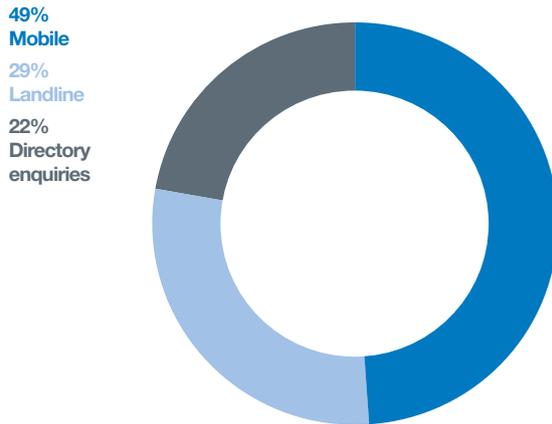


Chart based on data from 'UK Phone-paid services market: current conditions and future trends' – a 2008 report by Analysys Mason for PhonepayPlus.

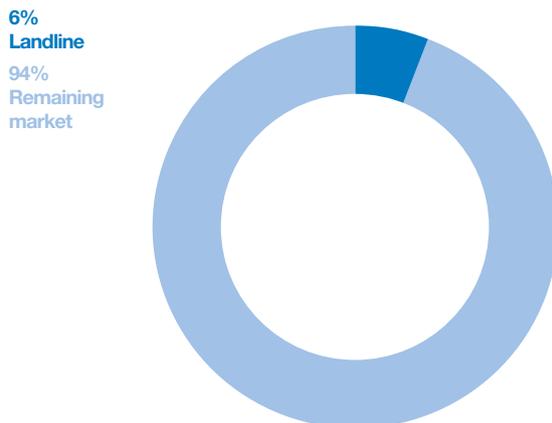
Landline

Although the rise in popularity and prominence of mobile phones in recent years has seen premium rate landline services, such as technical support helplines, competitions and live chat services, decline many consumers still find value in them, particularly when they are used to interact with TV programmes.

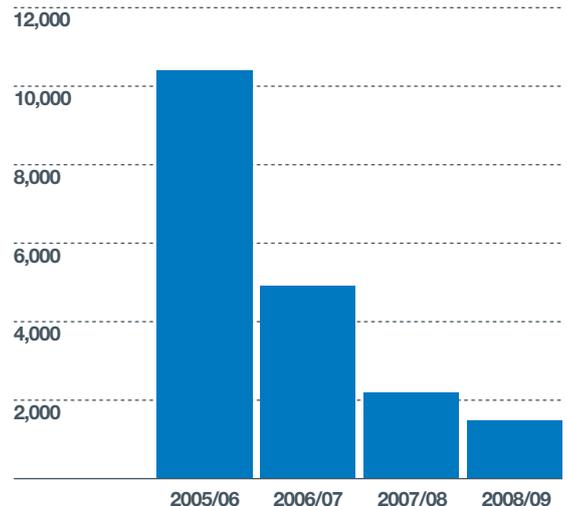
2008/9 saw this trend continue for landline services which operate on 09 numbers and cost between 10p and £1.50 per call or per minute from a BT landline. The current limit of £1.50 has been the subject of discussions over the past year as landline providers would like to see an increase in this upper limit to allow for the flexibility of tariffs which is already seen in the mobile sector.

In 2008/9, complaints about landline services also continued to decline, down to 1,478 from 2,208 in 2007/8.

Landline complaints vs. remaining market



Landline complaints



In February 2008 we revised our methodology for recording complaints to capture in a more complete way all concerns relating to phone-paid services; this resulted in an increase in the number of contacts to PhonepayPlus being recorded as complaints.

* Based on data from 'UK phone-paid services market: current conditions and future trends' – a 2008 report by Analysys Mason for PhonepayPlus.

£920m

The estimated value of the phone-paid services market in 2008*



Directory enquiries

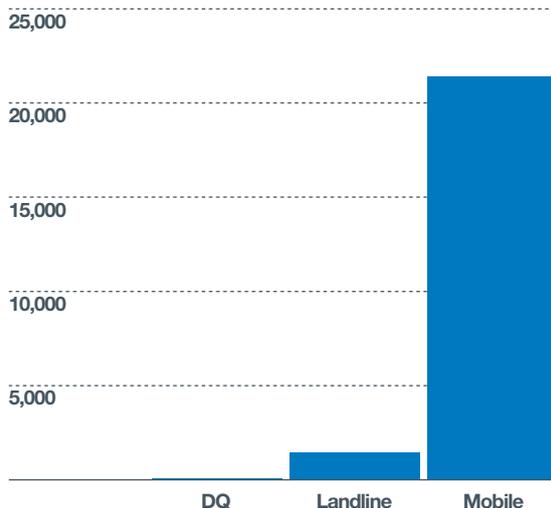
Worth an estimated £198million of the estimated value of the phone-paid services market in 2008*, directory enquiry (DQ) services continue to account for the smallest number of complaints to PhonepayPlus which, given the relative size of the sector, is good news.

These services – which begin with the numbers 118 – enable consumers to find the contact details of people or organisations. They vary in cost by company and the service the user requires. Increasingly, some DQ providers are offering new features, such as cinema listings and transport timetable information.

In 2008/9, PhonepayPlus received only 75 complaints about these services – less than 1% of PhonepayPlus' total complaints.

* From 'UK Phone-paid services market: current conditions and future trends' – a 2008 report by Analysys Mason for PhonepayPlus

2008/9 DQ, landline and mobile complaints



Participation TV

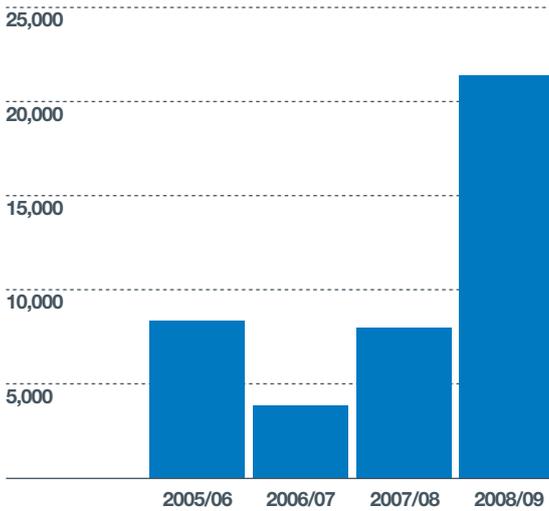
Following 2007's participation TV revelations, when many broadcasters were found to have misled customers of premium rate voting and competition lines, 2008/9 saw the industry implementing the strict new arrangements put in place by both PhonepayPlus and Ofcom.

Although broadcasters are now ultimately responsible for phone-paid services on their programmes under Ofcom's regulations, our prior permissions regime increases consumer protection with additional requirements that premium rate service providers need to adhere to when supplying services to broadcasters.

Since we announced our prior permissions regime – applicable to all providers that want to partner with broadcasters – in February 2008, we have issued 22 licences and are now working with providers to ensure 100% compliance with the new rules. In addition, PhonepayPlus did not adjudicate on any participation TV cases in 2008/9.

PhonepayPlus is working to encourage transparency, pre-empt further issues and rebuild trust in the regulation of participation TV – working alongside Ofcom as it continues to take the lead in ensuring that viewers are protected.

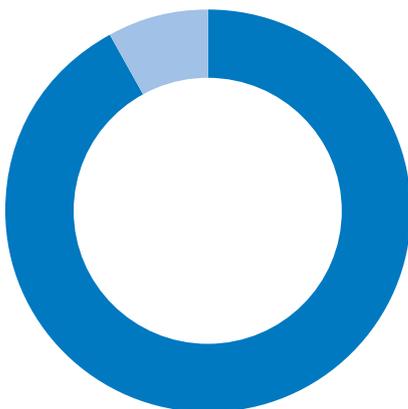
Mobile complaints



In February 2008 we revised our methodology for recording complaints to capture in a more complete way all concerns relating to phone-paid services; this resulted in an increase in the number of contacts to PhonepayPlus being recorded as complaints.

Mobile complaints vs. remaining market

92%
Mobile
8%
Remaining market



Mobile

The popularity and widespread use of mobile phones meant that 2008 saw mobile phone-paid services making up approximately 49% of the total market.* These services, such as ringtones, alerts, and competitions, operate on five- and six-digit shortcode numbers. The majority cost between 10p and £1.50 per message received, although this may vary depending on the service.

This year has also been one of innovation for mobile phone-paid services, with the charity sector exploring ways in which it can use mobile services for improved interaction and fundraising, as well as an increase in the use of shortcode payments for everyday products and services.

However, the mobile sector was not without its problems. With 21,401 mobile-related complaints in 2008/9 – 92% of total complaints – we felt that this was an issue which clearly needed strategic action. PhonepayPlus’ Mobile Review proposed new measures for subscription services, as well as for promotional text messages which consumers are charged to receive or which promote phone-paid services. The review also looked at clarity and transparency of pricing in mobile services, and made clear any subscription service that does not allow customers to stop it easily and quickly will be barred from operation.

Over the next two pages we look more closely at the two main drivers of complaints in the mobile sector, and discuss the specific action we have taken to quickly and effectively deal with harm.

* Percentage based on data from ‘UK Phone-paid services market: current conditions and future trends’ – a 2008 report by Analysys Mason for PhonepayPlus

Mobile: Subscription services

In 2008/9 subscription services accounted for 65% of all consumer complaints to PhonepayPlus.

While there are many thousands of useful and entertaining services available, this worrying rise in complaints - from 3,509 in 2007/8 to 15,030 in 2008/9* - meant we had to take swift action to protect consumers. PhonepayPlus published its Mobile Review designed to stamp out bad practice at its root, and leave consumers free to enjoy legitimate services with confidence.

Early analysis of the problem suggested some unscrupulous operators were advertising chargeable services as 'free' to sign-up unsuspecting consumers, many of them children and teens attracted by the offer of, for example, a new ringtone or wallpaper.

This led to many confused and distressed consumers calling our Contact Centre for help when they received a bill that was much higher than expected or found their, or in many cases their child's, pre-pay credit running out much sooner than expected.

The services that we identified as problematic would often be advertised on television or in consumer magazines where the 'small print', if it existed at all, would be hard to spot. The fact that many such services would be likely to be attractive to young people made them doubly concerning.

The new rules published in the Mobile Review stated that:

- Goods and services cannot be advertised as 'free' unless they are indeed free of any associated costs.
- Companies wishing to subscribe consumers to a service must operate 'double opt-in' checks; first informing the user that, in downloading content or signing up to a service, they were about to incur an ongoing subscription charge, and then requesting confirmation from the consumer that they were happy to do so. The subscription could not begin unless that confirmation text was received.
- All providers operating subscription charges that would cost consumers more than £4.50 in any given week (including joining fee) must apply for a prior permission licence to allow that company to operate such a service.

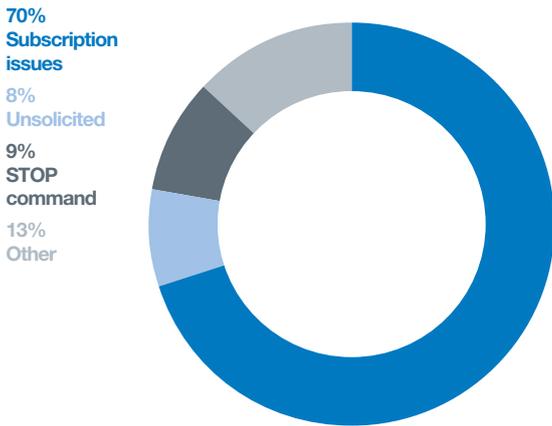
In addition, PhonepayPlus published guidance for consumers on its website, including an educational animation explaining how to avoid unwittingly joining subscription services.

Since PhonepayPlus' new rules for subscription services came into effect, preliminary findings which also incorporate figures from May and June 2009, show that complaints about subscriptions are steadily declining.

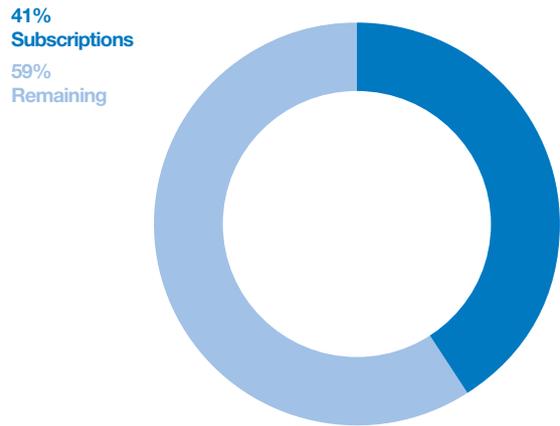
* In February 2008 we revised our methodology for recording complaints to capture in a more complete way all concerns relating to phone-paid services; this resulted in an increase in the number of contacts to PhonepayPlus being recorded as complaints.



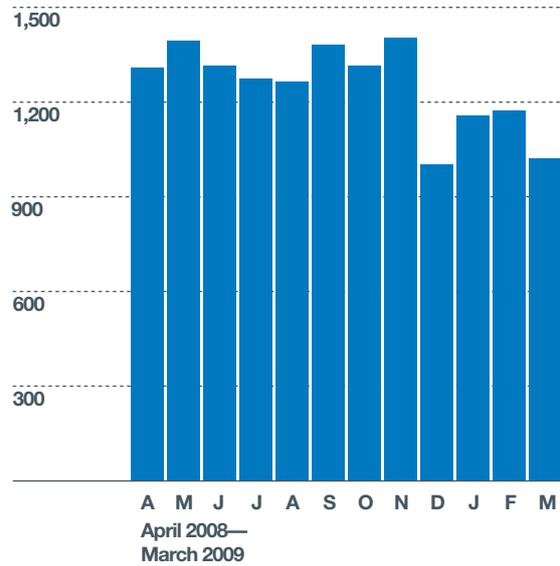
Mobile complaints breakdown



Percentage of adjudications where subscription breaches were upheld



Subscriptions complaints



Mobile: Unsolicited

In 2008/9 unsolicited text messages accounted for 8% of all consumer complaints to PhonepayPlus.

Unsolicited text messages, some of which cost money to receive, are an unacceptable invasion of consumers' privacy. Their use, by a minority of providers, causes significant damage to the reputation of the phone-paid services industry, and legitimate services suffer as a result.

PhonepayPlus stepped in quickly once a rise in complaints was evident.

Some complainants told us that they had received unwanted text messages and, upon checking their bill, they saw that each text had a fee attached to it; usually between 50p and £1.50 but sometimes more. Often there were several messages from the same provider and, in some cases, the messages did not cease with use of the 'STOP' command.

PhonepayPlus was able to resolve the issue in many cases by helping the consumer to understand how they may have signed up to receive such messages (for example, by purchasing something from the provider or not opting-out of inclusion on a marketing list). However, all too often the messages were entirely unasked for.

PhonepayPlus identified that much of the problem stemmed from lack of adherence to rules surrounding the sale of third party marketing lists, resulting in insufficient protection of consumers' private information by both sellers and buyers of these lists.

We want to ensure the text messages that consumers receive are fewer and more targeted, and to make much clearer to consumers when their details might be placed on a list so that they can control the information they receive.

To these ends, our Mobile Review set new rules for providers around the use of third party marketing lists as well as reinforcing the rules around adherence to the 'STOP' command. The rules stated that:

- Promotional texts, whether solicited or not, must be free; and this must be made clear to consumers.
- If a provider sends free promotional text messages to a user, they must make clear in the message that it is sent at no cost to the recipient. They must also make clear how to opt out of receiving similar messages in the future.
- Providers offering subscription services or sending promotional text messages must enable consumers to easily opt out of the service via the 'STOP' command. Any failure of this command results in the service being immediately shut down while PhonepayPlus investigates.
- Companies that sell or otherwise trade third party marketing lists must provide evidence upon request by PhonepayPlus that individual recipients have agreed to receive promotional text messages of that nature.

These steps will ensure consumers' private information is protected and that the messages they do receive are fewer, expected, and of interest.

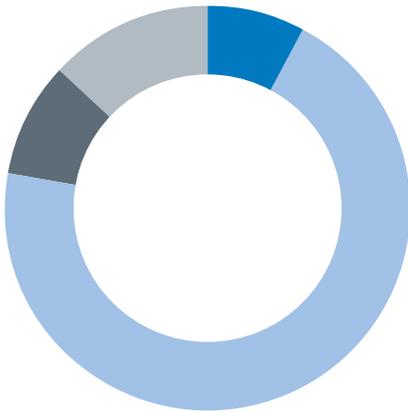
Mobile complaints breakdown

8%
Unsolicited

70%
Subscription
issues

9%
STOP
command

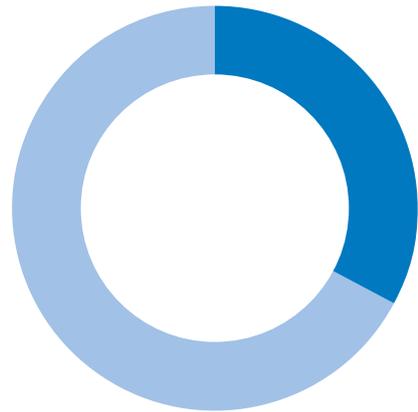
13%
Other



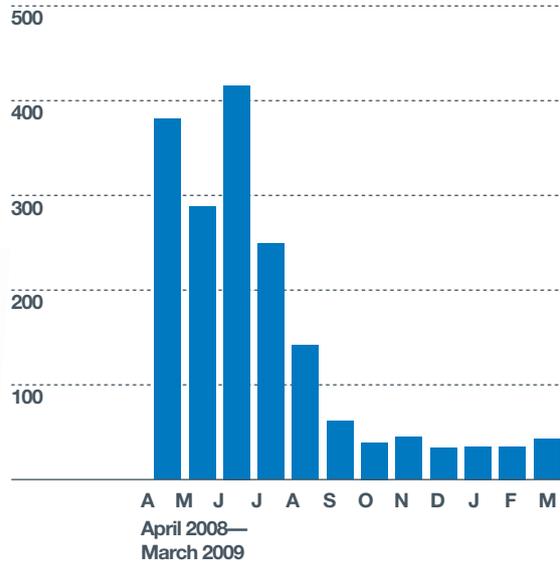
Percentage of adjudications where unsolicited texts breach was upheld

33%
Unsolicited
texts

67%
Remaining



Unsolicited complaints



070

With Ofcom's support, PhonpayPlus took a 'no tolerance' approach to the misuse of 070 numbers in 2008/9.

In May 2008, PhonpayPlus adjudicated on an 070 case for the first time, before taking a further ten cases involving misuse of 070 numbers to Tribunal.

Ofcom has designated 070 prefixed numbers for use only as personal 'follow me' numbers, which are charged at a higher rate. An 070 number allows an individual or business to be contacted through one number, regardless of their whereabouts or the phone that they're using. Consumers are charged up to 50p per minute from a standard BT line and considerably more from a mobile phone.

Because Ofcom does not allow end user revenue share on 070 numbers, they do not typically fall within PhonpayPlus' remit. However, where there is suspicion that end user revenue share is occurring, PhonpayPlus will investigate and, if necessary, adjudicate on these premium rate-style services.

Typical complaints indicate that consumers are receiving calls from 070 prefixed numbers which terminate after one ring. As the 070 'personal number' range is unfamiliar to the average consumer, it may be confused for a mobile number, prompting them to return the call and, in doing so, incur a charge.

Potential revenue generated through this practice is often maximised using a recorded ringing tone on the line once it connects, leaving consumers unaware that they are being charged at all. Evidence from our investigations suggests that hundreds of thousands of consumers have been harmed by the abuse of these numbers.

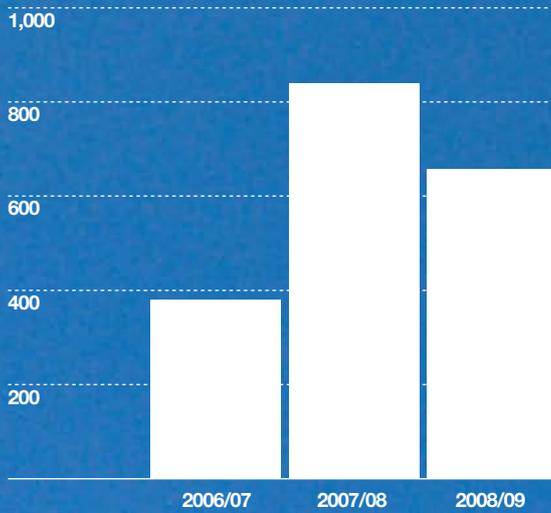
There is evidence that many problems arose as a result of a lack of due diligence on the network operator's part. In December 2008, we issued a Notice to Industry reminding all network operators involved in the provision of premium rate services that they must carry out due diligence in accordance with the PhonpayPlus Code of Practice.

We're confident that our continued balance of enforcement and strategic activity will cut down on misuse in the 070 space, paving the way for reputable and trustworthy users.

657

Number of complaints
about 070 numbers
in 2008/9

070 complaints



PhonepayPlus began investigating misuse on 070 numbers in 2006. In February 2008 we revised our methodology for recording complaints to capture in a more complete way all concerns relating to phone-paid services; this resulted in an increase in the number of contacts to PhonepayPlus being recorded as complaints.

087

This year saw PhonepayPlus begin preparations for the regulation of 087 numbers ahead of its takeover on 1 August.

PhonepayPlus takes on regulation of the 087 number range (0871, 2 and 3, but not 0870) from Ofcom on 1 August 2009. Preparation for this change, and communication of its impact to industry, is vital since many companies operating 087 numbers will not have experienced this type of regulation before.

087 numbers are used by thousands of consumers every day for a wide range of services, including ticket bookings, travel advice and technical helplines. They typically cost between five and 10p per minute from a landline, but can cost considerably more from mobile phones.

In February 2008, Ofcom announced the start of a six-month transition period. PhonepayPlus responded with publication of an implementation plan to ensure the smooth introduction of premium-rate regulation to the market. The plan includes:

- Communication with 087 network operators and service providers formally advising them of their responsibilities under the Code of Practice and actions they may need to take to become compliant.
- Industry workshops to introduce 087 network operators and service providers to the PhonepayPlus Code of Practice, its meaning and their responsibilities within it.
- Media and marketing campaigns to educate consumers and industry about what the new regulatory regime means for them.
- Online information and registration tools as a resource for industry and consumers to help them understand the changes and what they mean.
- Publication of supporting materials including Help Notes, FAQs, and a Statement of Expectation.
- Liaison with consumer protection groups to ensure they are fully briefed and able to direct concerned consumers as necessary.

Recognising that the potential for consumer harm from the 087 number ranges is lower than other premium rate number ranges, PhonepayPlus released a Statement of Application detailing how it would apply its Code of Practice to regulation of 087 numbers.

Research identified two points that are of most concern to consumers: price transparency and waiting times. For this reason, when the new rules are in effect, providers of services on 087 number must:

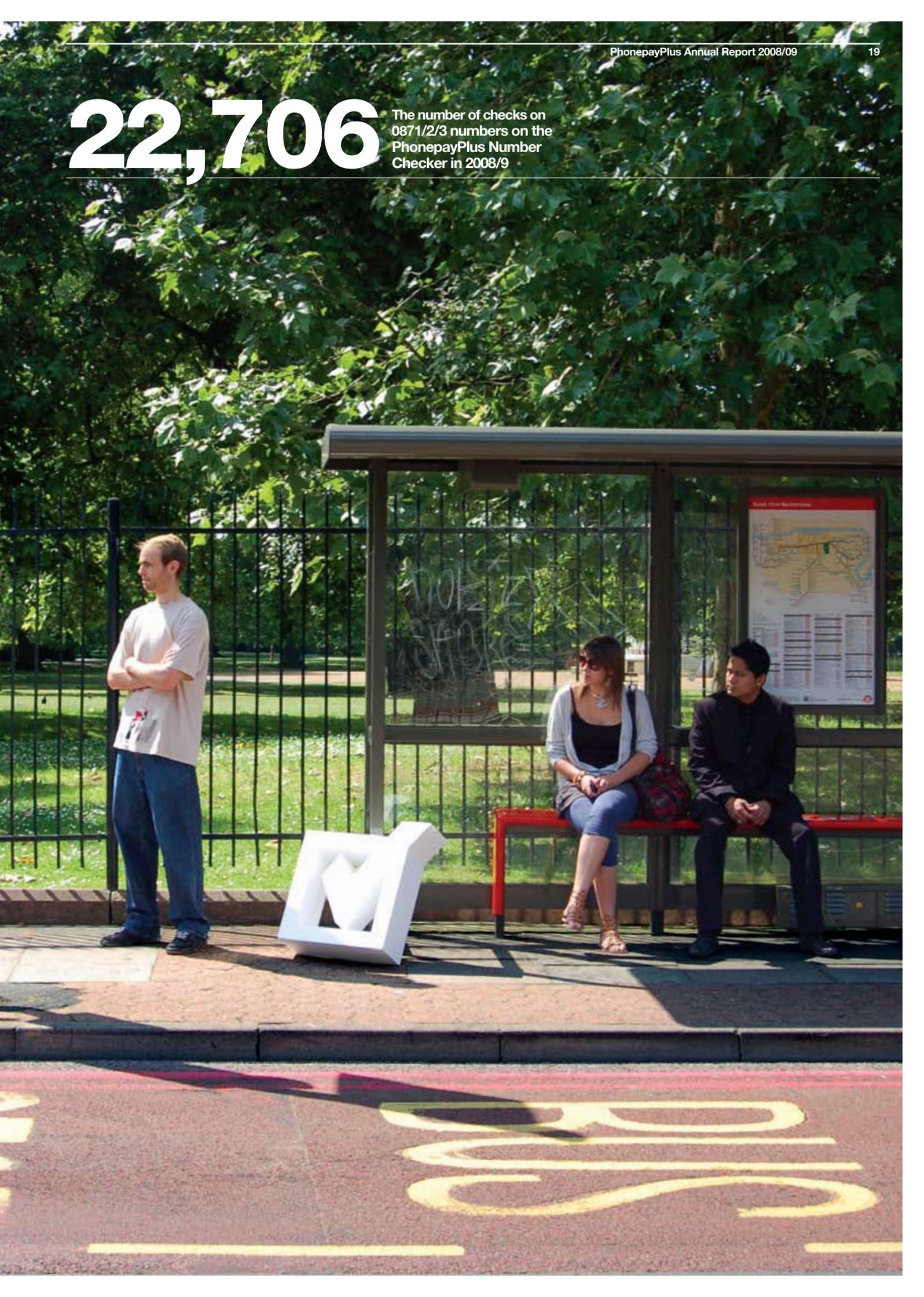
- Publish clear, accurate pricing information alongside the 087 number wherever it appears; be it on a cinema hoarding, van livery, website or printed marketing material.
- Have arrangements in place to manage any delays that may impact on the consumer.
- Provide a customer service number for consumers to call if they have a complaint about the service; and make clear to consumers what that number is.

To date, PhonepayPlus has held two very well attended industry workshops in London and Manchester. These included breakout sessions with small groups to enable attendees to ask detailed questions about PhonepayPlus' policy and the impact of regulation. Video highlights from these workshops are available on our website alongside an animated guide to regulation and a beginners' guide for those new to regulation.



22,706

The number of checks on 0871/2/3 numbers on the PhonepayPlus Number Checker in 2008/9



Supporting consumers

PhonepayPlus aims to reduce the risk of consumer harm through a proactive approach to consumer support and empowerment.

PhonepayPlus is constantly looking for new ways to support consumers. Although handling complaints remains a core part of our business, 2008/9 saw us investing in more proactive support to educate and empower all stakeholders to reduce the risk of consumer harm.

Our Contact Centre, which fielded 53,484 calls and processed 23,278 complaints in 2008/9, continues to be an important backbone of our organisation.

Our website continues to serve its purpose as a first point of contact for many consumers. Around 650,000 visits in 2008/9 prove that this is one of our most important resources.

A lot of work has gone into revising the site structure, updating web copy, and improving the adjudications, search and news tools. The fresh, new website means that industry and consumers will be able to find the tools and services they need, or answers to questions they may have, quickly and easily, reducing the cost of regulation, easing the process of compliance for industry and empowering consumers to engage with confidence in the phone-paid service market.

With almost 900,000 checks in 2008, our online number checker continues to be one of the most popular features of the website. This tool returns information on the provider and cost of the service associated with the number. Because of its success, we've integrated the number checker into our online complaint form so that consumers receive upfront information. This reduces the number of unnecessary complaints, allowing us to focus on legitimate ones. In the next year, PhonepayPlus will look to return even more useful information on as many premium rate numbers as possible.

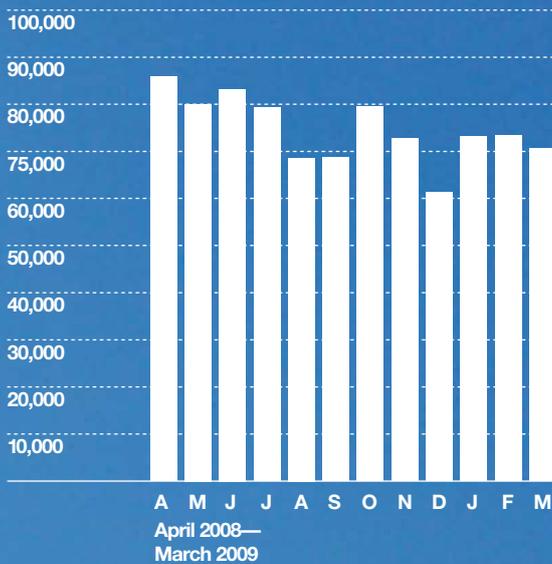
NewsPlus – our monthly e-newsletter which looks at current issues and developments in the regulation of phone-paid services – was launched in May 2008. With an average of 800 readers per month, the newsletter has proven to be an ideal way of sharing in-depth information on PhonepayPlus and its people, timely updates on our processes and policy and exclusive news on events, campaigns and initiatives.



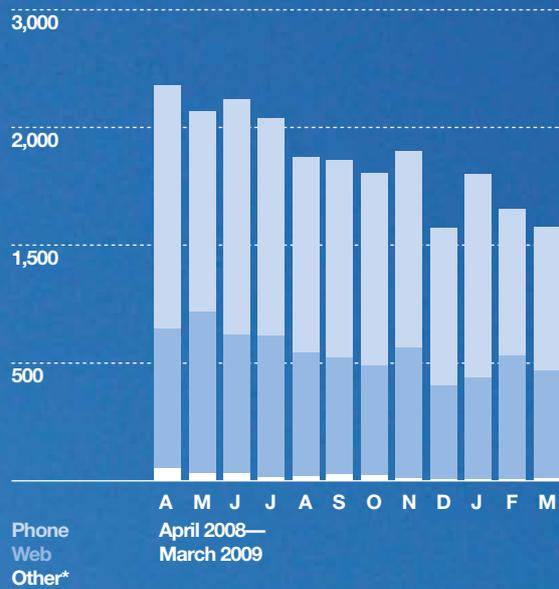
896,440

Online number checks made in 2008/9

Number Checker usage

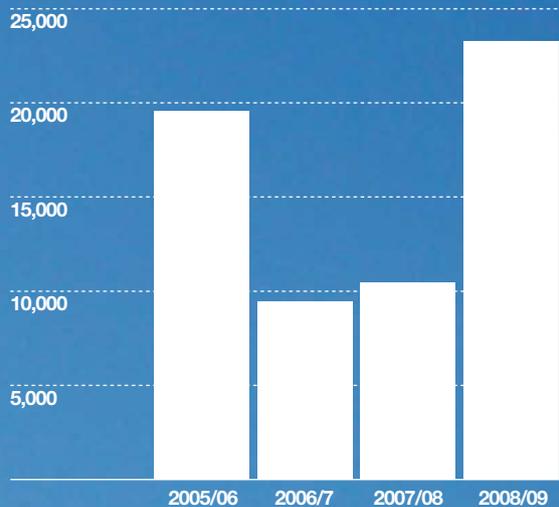


Complaint source: Web vs. phone



* 'Other' complaints include correspondence (like emails and faxes) and only make up 1% of all complaints

All complaints 2005/6 — 2008/9



In February 2008 we revised our methodology for recording complaints to capture in a more complete way all concerns relating to phone-paid services; this resulted in an increase in the number of contacts to PhonepayPlus being recorded as complaints.

Supporting industry

PhonepayPlus continued to support industry with a pre-emptive, collaborative approach throughout 2008/9.

Industry Support team

Launched alongside ICSTIS' rebrand to PhonepayPlus in October 2007, the Industry Support team's free compliance advice service has gone from strength to strength – with nearly 2,700 enquires and advice requests in 2008/9.

With the goal of pre-empting and preventing compliance issues before they become a problem for consumers, the team provides free, expert advice about new and existing phone-paid services.

The idea is that any company in the premium rate value chain – from a service provider to a mobile aggregator, and a third party content provider to a media owner – can contact the team in the first instance for advice on how to make services (even if they're still just ideas) compliant and workable.

In addition to handling compliance advice, the Industry Support team helps in planning workshops and events such as the PhonepayPlus Forums, which are held three times a year. In 2008/9, the Forums focused on PhonepayPlus' Mobile Review, the future of the phone-paid services market and the marketing of phone-paid services. In addition to nearly 85 attendees per event, expert speakers and panellists, such as Ofcom's then-Chairman Lord Currie also took part.

The Industry Support team is also responsible for day-to-day industry relations, deals with applications for prior permission and drafts Help Notes, Fact Sheets and other advisory material which accompanies the PhonepayPlus Code of Practice.

Industry Liaison Panel

The Industry Liaison Panel (ILP) is an important, collaborative link between PhonepayPlus and the industry it regulates. Formed in 2006, the ILP comprises representatives from all areas of the phone-paid services market from mobile and fixed-line trade associations, to broadcasters, regulators and network operators.

The ILP meets on a quarterly basis to advise PhonepayPlus on commercial and technical developments, as well as to offer ideas on how to improve consumer protection measures. The group also advises on changes to the PhonepayPlus Code of Practice and the development of other policy proposals.

In addition, the ILP is invited to review and comment on PhonepayPlus' proposed budget, and plays an important part in developing and encouraging best practice among the industry. In September 2008, the ILP published a Help Note, which is available on PhonepayPlus' website, advising network operators on their due diligence requirements under the Code of Practice.

In late 2008, Jacqui Brookes OBE took over as Chair of the ILP from BT's Nicola Robbins, who had come to the end of her tenure. Both Chairs offered measured and valuable direction to the ILP as it gave advice and support on a range of issues, including PhonepayPlus' proposals and implementation plan for 087 regulation, the review into mobile phone-paid services and their marketing and PhonepayPlus' customer care arrangements, in 2008/9.

2,700

Number of compliance advice queries the Industry Support team dealt with 2008/9

The ILP's current membership is*:

Jacqui Brookes OBE	(ILP Chair) Federation of Communication Services
David Ashman	Premium Rate Association
Paul Berney	Mobile Marketing Association
Suhail Bhat	Mobile Entertainment Forum
Ann Cook	ITV
Michael Eagle	Federation of Communication Services
Roy Ellyatt	Association for Interactive Media & Entertainment
Jeremy Flynn	Association for Interactive Media & Entertainment
Suzanne Gillies	Premium Rate Association
Stuart Godfree	Mobile Date Association
Mark Gracey	UK Competitive Telecommunications Association
Sir Alistair Graham	PhonepayPlus
Jeremy Hallsworth	PhonepayPlus Board and BT agilemedia
Mark Hawkins	Mobile Data Association
Nik Hole	The Number UK
Robert Keitch	Direct Marketing Association
Hannibal Latuff	BBC
Jeff Loan	Ofcom
Hamish MacLeod	Mobile Broadband Group
Iain McCallum	O2
Claire McLaughlin	BBC
Michael Taylor	Internet Telephony Service Providers' Association
Michael Traynor	BT
Paul Whiteing	PhonepayPlus

* Some organisations have more than one ILP member to ensure attendance at meetings



David Cockburn, Chair, Code Compliance Panel

An eventful first year for the new CCP.



In April 2008, I took up the post of Chair of PhonepayPlus' newly formed Code Compliance Panel (CCP). The Panel was assembled in order to achieve a greater level of separation between PhonepayPlus' Board and its adjudication panel.

The CCP is composed of lawyers and experienced lay members who have been recruited from outside the Board and the industry. Our role is to interpret and apply the Code objectively for the immediate benefit of consumers who have been wronged. This in turn safeguards reputable businesses, which will grow stronger with increased consumer confidence in the marketplace.

A year on, the Tribunal has adjudicated on 76 cases, including seven Emergency Procedures, and brought improved consistency to Tribunal findings.

I am very proud of the CCP's early work and hope the precedents that we have set help create a market that consumers can enjoy with confidence, and in which only compliant, responsible products and services are allowed to shine.

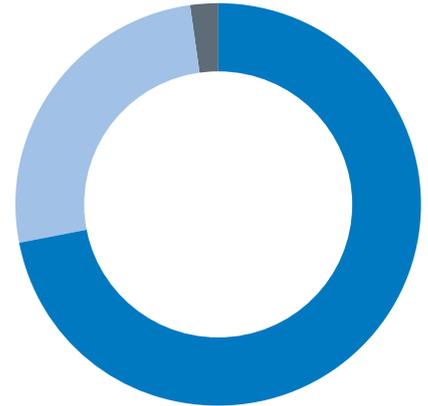
David Cockburn, Chair

Adjudication breakdown by provider type

72%
Service
Provider

26%
Information
Provider

2%
Network
Operator

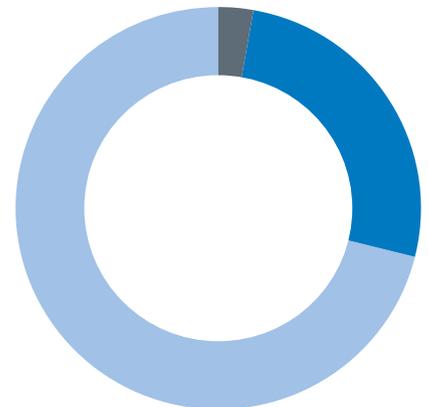


Investigations breakdown

3%
Emergency
procedure

26%
Standard
procedure

71%
Informal/other



£2.48m Amount of fines levied by the Code Compliance Panel in 2008/9

Investigations & adjudications

This year saw the Investigations team dealing with an increasingly complicated mobile value chain.

This year saw cases increase in both number and complexity as two themes became increasingly apparent:

- Growth in sharp practice by some providers in the mobile space and a significant rise in consumer complaints.
- Service providers are increasingly asking us to deal directly with information providers. As the number of companies we deal with increases, so does the time it takes to pursue investigations.

Out of the 23,278 consumer complaints PhonepayPlus received in 2008/9, 267 unique services were identified for further investigation and 10,449 complaints were associated with those services.

Of these cases, 69 proceeded to standard formal adjudication and went to Tribunal. A further seven were the subject of Emergency Procedure investigations, which meant they were fast-tracked to an early Tribunal based on the severity of the alleged breaches and potential for consumer harm.

In total, PhonepayPlus levied fines of £2,479,363, the largest in our history. While this is an unfortunate indicator of the rise in complaints and bad practice in the mobile sector, it is also in keeping with PhonepayPlus' 'polluter pays' policy. Financial gain is almost always the motivation behind sharp practice and we hope that, in restricting the opportunity for this through proper application of fines, we will discourage opportunistic operators from entering the market.

Many cases are resolved through informal action with industry, where potential issues are identified (either through consumers contacting us about them or our own monitoring) and resolved without the need to progress to Tribunal. In such cases, PhonepayPlus' Investigations team sets out requirements for compliance with our Code to providers, who then make all changes within a given timeframe.

Dealing with industry on an informal basis often means a quicker refund for consumers and a more effective resolution of the underlying issues behind complaints.

Top four upheld breaches in 2008/9

Misleading	56
Contact information	46
Pricing information	38
Legality	33

Top four sanctions in 2008/9

Fines (up to £250,000 per breach)	70
Refunds/redress	46
Compliance advice	43
Bar on services	22

PhoneBrain

This year saw PhonepayPlus extend its PhoneBrain education programme for young people with curriculum-friendly lesson plans.

In December 2006, PhonepayPlus launched PhoneBrain (www.phonebrain.org.uk) – a website aimed at 7-12 year olds to educate these young people about phone-paid services – how to recognise them, the costs involved and what to do if they encountered a problem.

Following the success of this website, PhonepayPlus began work in 2008 on an ambitious extension of the project aimed at teenagers. This was based on research that showed that in 2008 47% of 11-17 year olds used a phone-paid service. Of these users, only 15% read advertising about phone-paid services ‘most of the time’ or ‘always.’ Additionally, there was evidence that young people are habitually being ripped off – some to the tune of thousands of pounds.

Working with Ministry of Sound, the Peter Jones Foundation and the Government-sponsored enterprise body Make Your Mark, PhonepayPlus designed a unique curriculum-based Information and Communication Technologies (ICT) and Enterprise schools programme. Available to all secondary schools and youth education centres across the UK, PhoneBrain uses the skills and techniques GCSE students are required to learn as part of the ICT and Enterprise curricula to develop an animated mobile ringtone, create their own phone-paid service business plan, or both.

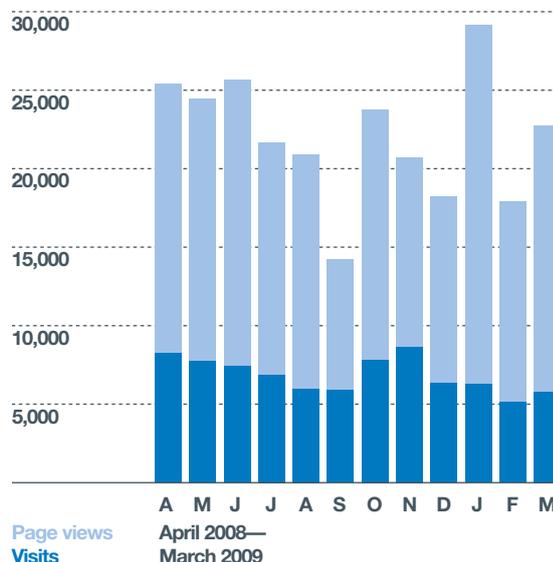
Launched with the help of an ICT class at The Business Academy Bexley in November 2008, TV and radio crews from ‘BBC Breakfast’ and Radio 1 ‘Newsbeat’ were there to see the campaign get off to a cracking start.

We estimate that we will have reached almost 60,000 students through these lesson plans by the end of the 2008/9 academic year.

The Enterprise competition – which sees individuals or groups of students coming up with new ideas for phone-paid services – has generated 24 entries from different schools in England and Wales, with nearly 100 students taking part. An event for the winning entrants is scheduled for Summer 2009, and planning for a new year of PhoneBrain is already underway.

Through this project, thousands of GCSE students have begun to understand the threats and opportunities afforded by the phone-paid services market and how they can protect themselves and their friends and family from falling foul of misleading promotions, or overcomplicated terms and conditions.

PhoneBrain.org.uk
Page views and visits



60,000

Estimated number of students reached through the PhoneBrain schools programme



**PHONE
BRAIN**



make **YOUR** mark

The PETER JONES
FOUNDATION®

Key Performance Indicators Measuring PhonepayPlus' performance in 2008/9.

Measuring Success

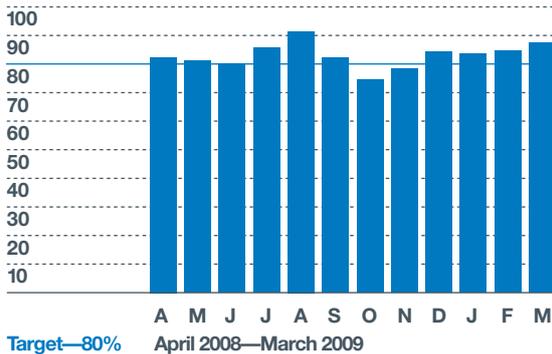
In 2005 PhonepayPlus agreed criteria with Ofcom to measure its success in delivering value to stakeholders. The KPIs were primarily designed to show the efficiency of consumer complaints processing and industry support.

As the market evolves, and we with it, we must adapt the way we define success. Measurement of investigations, for example, must take into account the more complicated and time-consuming nature of the mobile value chain, and the more sophisticated approach we intend to take to address the underlying harms associated with complaints.

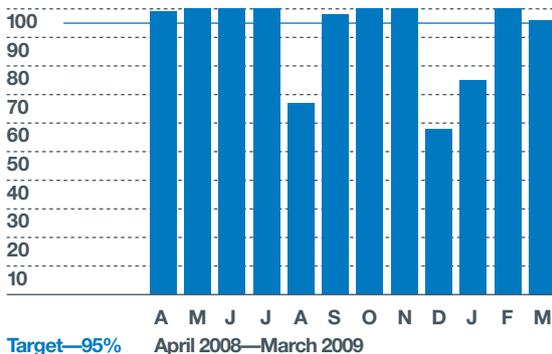
It is important that we are transparent about the efficiency of our transactional work. At the same time, we must ensure that the right measures are in place to drive the right behaviours among staff. As we put increasing weight behind our preventative agenda, we must be sure our KPIs remain fit for purpose. This is why we have begun a project to analyse our current KPIs and, where appropriate, suggest better success measures.

Additionally, we believe that the KPI which reported on 'Satisfied Permissions Applicant Responses' (which was included in last year's Annual Report) was no longer fit for purpose as the market has evolved. We will consider this as part of our wider review of our KPIs.

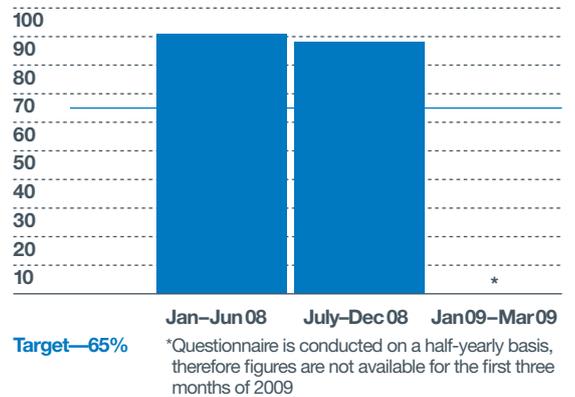
% Of calls answered <30 seconds



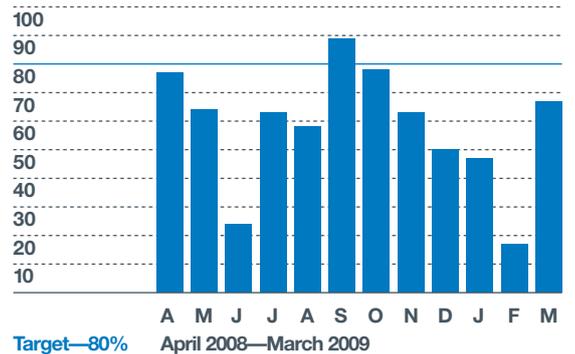
Out of remit correspondence handled <10 days



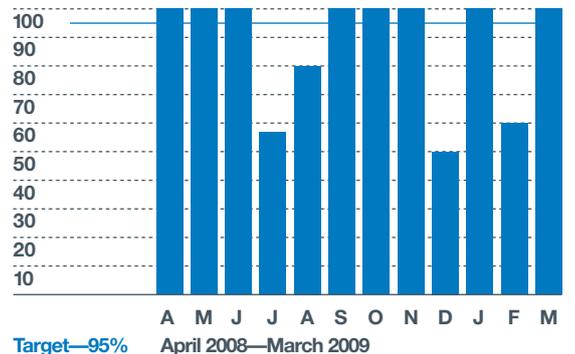
% Of satisfied consumer responses from complaint satisfaction questionnaire



% Lead investigations closed <12 weeks



% Of invoices sent <10 working days of panel date



IMCB

2008/9 saw IMCB reviewing its processes in light of a welcome report by Ofcom.

IMCB, the Independent Mobile Classification Body, is a legal entity and subsidiary of PhonepayPlus. The organisation shares staff and office space with PhonepayPlus for reasons of efficiency and effectiveness.

The Board of IMCB is chaired by Sir Alistair Graham and has four other Board members – Matti Alderson, David Clarke, Ruth Evans and Stephen Locke. Paul Whiteing, PhonepayPlus' Chief Executive, is its Director and the PhonepayPlus Industry Support team acts as the compliance advice service for IMCB content classification matters.

Between April 2008 and March 2009, there were no formal complaints submitted to IMCB about the misclassification of visual content. However, IMCB has continued to offer formal and informal advice, mainly to content providers who are trying to ensure that they correctly classify their content in line with the Classification Framework issued by IMCB.

In 2008/9, the Industry Support team dealt with nine such requests for advice. The majority of these requests related to content involving sexual imagery or nudity.

During 2008 Ofcom, in support of the Home Office and the Children's Charities' Coalition for Internet Safety (CHIS), undertook a review of the UK code of practice for the self-regulation of new forms of content on mobile devices – the code which covers the arrangements for IMCB. The report, which IMCB welcomed, was published by Ofcom in August 2008 and IMCB is currently working through the report's comments and recommendations.



independent mobile
classification body



Finance figures

Accounts & notes for the year ending 31 March 2009.

Income			
	Notes	2009 £	2008 £
Levy on premium rate telephone services		1,832,595	1,951,386
Administrative charges		267,011	106,457
Fines received		2,479,363	1,987,250
Other income		122,371	68,850
Funds received	1	4,701,340	4,113,943
Interest receivable		151,557	247,121
Total income		4,852,896	4,361,064
Expenditure			
Staff and related costs	2	2,815,824	2,570,559
Premises	3	338,534	333,446
Depreciation		171,022	194,565
Overheads	4	232,910	275,985
External professional services	5	236,587	391,807
Other	6	1,026,056	548,974
Total expenditure		4,820,933	4,315,336
Profit before taxation		31,963	45,728
Corporation tax		(31,963)	(45,728)
Profit after taxation		0	0

Notes

1. The company is non-profit making. A service provider levy is collected via the network operators based on their outpayments in order to cover the proposed expenditure in any year. Any difference between the amount collected and expenditure incurred is taken into account in setting the following years levy. The company also received fines and administration charges from services that are in breach of its code.
2. Staff and related costs include staff remuneration, recruitment, training, temporary staff and fees and expenses for the Board members, Code Compliance Panel, Independent Appeals Body members and the Adjudicator.
3. Premises costs include rent, rates, service charge and repairs.
4. Office overheads include postage, stationery, equipment maintenance, travel, subsistence, entertainment and general office expenses.
5. External professional services consists of legal fees, consultancy fees and accounting and audit fees.
6. Other costs include telephone, printing, website, events, research, bank charges and bad debts.

Balance Sheet			
	Notes	31 March 2009	31 March 2008
		£	£
Tangible fixed assets	7	325,786	278,225
Investments	8	1	1
Current assets			
Debtors:			
Trade debtors	9	879,829	578,832
Amounts due from group undertakings		15	10,926
Other debtors and prepayments		174,941	150,514
Other tax and social security costs		—	—
		1,054,785	740,271
Cash at bank and in hand		4,749,459	4,666,272
		5,804,244	5,406,543
Creditors — due within one year:			
Trade creditors		(292,114)	(148,573)
Other tax and social security costs		(87,384)	(125,150)
Income received in advance	10	(3,446,987)	(3,075,765)
Corporation tax payable		(31,963)	(45,729)
Other creditors		(18,096)	(17,430)
Accruals and deferred income		(35,375)	(54,011)
		(3,911,920)	(3,466,658)
Net current assets/liabilities		1,892,324	1,939,885
Total assets (less current liabilities)		2,218,111	2,218,111
Creditors — amounts falling due after more than one year			
Contingency fund	11	(1,995,000)	(1,995,000)
Emergency reserve fund	12	(223,111)	(223,111)
		(2,218,111)	(2,218,111)
Net assets		0	0

Notes

7. Tangible fixed assets include fixtures and fittings, office equipment, furniture and computer equipment.

8. The company owns 100% of the share capital of IMCB Limited, a company operating as mobile telephone services content regulator.

9. Trade debtors include amounts due from the network operators for the levy and from service providers for administration charges and fines.

10. Income received in advance represents the difference between total income and expenditure incurred, which is used to reduce the levy in future years.

11. Creditors falling due after more than one year include the contingency fund which will be retained at this level for the foreseeable future.

12. The emergency reserve fund is held to address unexpected changes in activity of the company.

Our people

All areas of PhonepayPlus' workforce make a vital contribution to our overall vision.



Sir Alistair Graham⁰¹

Chairman

Robert Chilton OBE⁰²

Deputy Chairman

Paul Whiteing⁰³

Chief Executive

Matti Alderson⁰⁴

David Clarke⁰⁵

Ruth Evans⁰⁶

Jeremy Hallsworth⁰⁷

Stephen Locke⁰⁸

The PhonepayPlus Board currently consists of seven remunerated part-time members, and the Chief Executive of PhonepayPlus. Since the creation of the Code Compliance Panel in April 2008, Board involvement in PhonepayPlus' adjudicatory function has been gradually reduced, allowing the focus of the Board's bi-monthly meetings to be on supervising the work of the PhonepayPlus Executive and establishing strategic direction for the organisation.

Six of the Board members have no current connection with the premium rate industry, and the one member – Jeremy Hallsworth – who is currently active in the industry takes no part in any of PhonepayPlus' adjudications responsibilities.



David Cockburn⁰¹

Chairman

Emma Boothroyd⁰²

David Jessel⁰³

Michelle Peters⁰⁴

Maggie Redfern⁰⁵

The Code Compliance Panel (CCP) came into effect in April 2008 after Ofcom approved amendments to the PhonepayPlus Code of Practice which transferred the majority of PhonepayPlus' adjudications work from the Board to an independent adjudicatory panel.

Currently made up of five men and women, each with specialist legal or adjudicatory experience, the CCP provides increased efficiency, consistency and impartiality in adjudications, while enabling the PhonepayPlus Board to focus on its strategic business.



Paul Whiteing⁰¹

Chief Executive

Simon Bates⁰²

**Director of Standards
& Communications**

Ted Lean⁰³

**Director of Legal &
Corporate Services**

The Leadership Team comprises the Chief Executive and three Executive Directors – Standards and Communications; Legal and Corporate Services; Strategy and Stakeholder Relations (currently vacant).

The Leadership Team is responsible for directing the Executive operationally so that it meets the targets agreed by the Board. It also ensures that Board-approved strategies, plans and policies for PhonepayPlus are correctly implemented in a timely manner.

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Compliance
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www.phonepayplus.org.uk

www.phonebrain.org.uk



INVESTOR IN PEOPLE

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*Calls provided by BT will be charged at up to 4 pence per minute at all times. A set-up fee of up to 6 pence per call applies to calls from residential lines. Mobile and other providers' charges may vary.

