



Quarterly Report

2009/2010 - Quarter 3

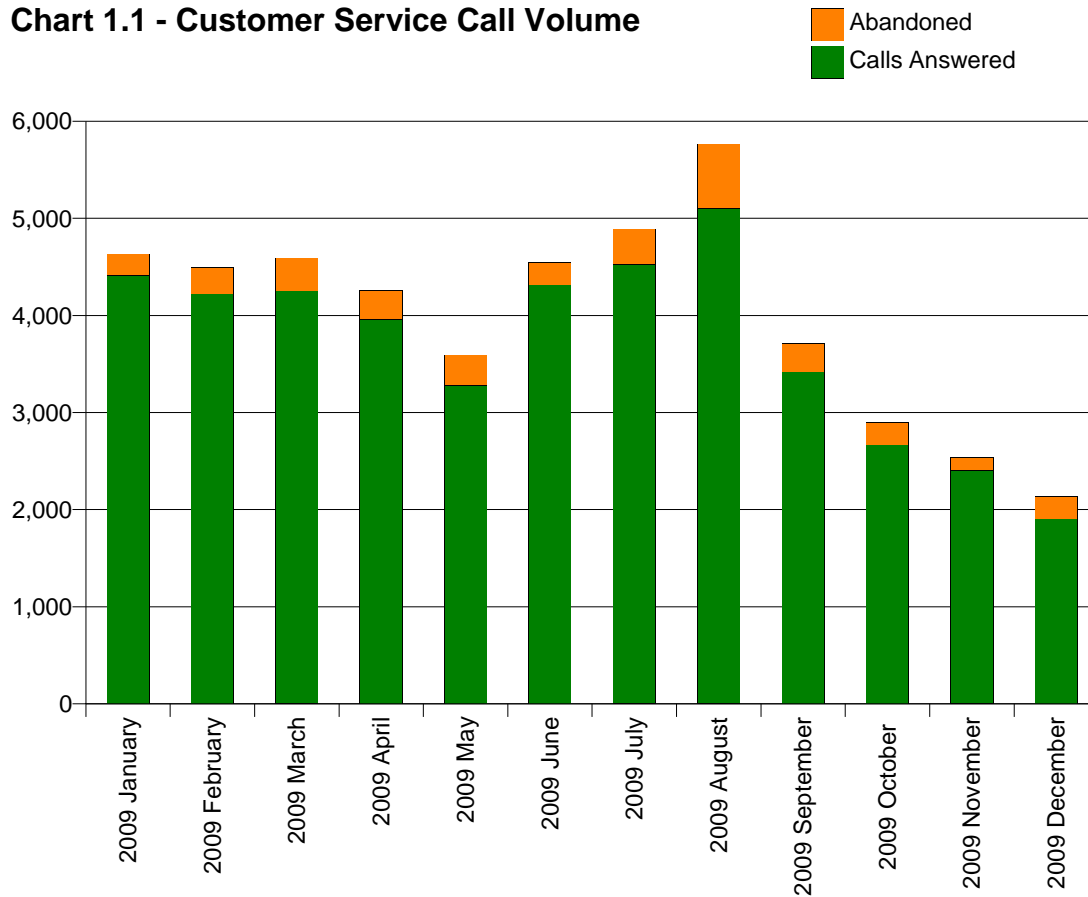
Published Date: 15 February, 2010

Report Summary

Introduction

- Overall complaints logged have decreased 61% for 2009/2010 Q3 in comparison to Q3 of 2008/2009 (5,442 vs. 2,132)
- Complaints for the mobile sector in 2009/2010 Q3 have decreased 62% in comparison to Q3 of 2008/2009 (4,880 vs. 1,835)
- Call volumes in 2009/2010 Q3 have decreased 44% in comparison to Q3 of 2008/2009 (12,439 vs. 6,979)
- A forensic analysis of 10% of mobile service-related complaints in the last two months of Q3 indicates:
 - WAP services account for 24% of complaints
 - Adult chat and date accounts for 16% of complaints
 - Wallpaper and ringtone downloads account for 12% of complaints
- Of the 224 landline complaints PhonepayPlus received in Q3, 77 were in relation to 087 numbers

Chart 1.1 - Customer Service Call Volume



| Month | Calls Answered | Calls Abandoned | Total Calls Offered |
|---------------------------|----------------|-----------------|---------------------|
| 2009 January | 4,410 | 219 | 4,629 |
| 2009 February | 4,223 | 275 | 4,498 |
| 2009 March | 4,251 | 339 | 4,590 |
| 2009 April | 3,960 | 295 | 4,255 |
| 2009 May | 3,276 | 315 | 3,591 |
| 2009 June | 4,320 | 225 | 4,545 |
| 2009 July | 4,525 | 361 | 4,886 |
| 2009 August | 5,101 | 663 | 5,764 |
| 2009 September | 3,421 | 291 | 3,712 |
| 2009 October | 2,669 | 226 | 2,895 |
| 2009 November | 2,405 | 128 | 2,533 |
| 2009 December | 1,905 | 229 | 2,134 |
| Totals for Period: | 44,466 | 3,566 | 48,032 |

Chart 1.2 - KPI: % of Calls Answered < 30 Sec

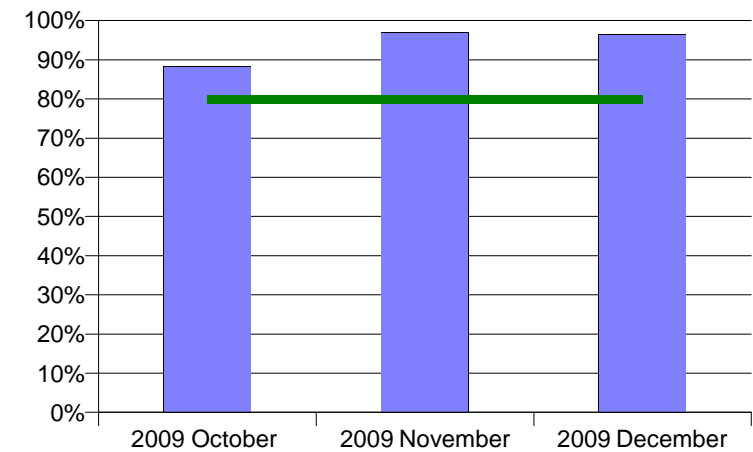
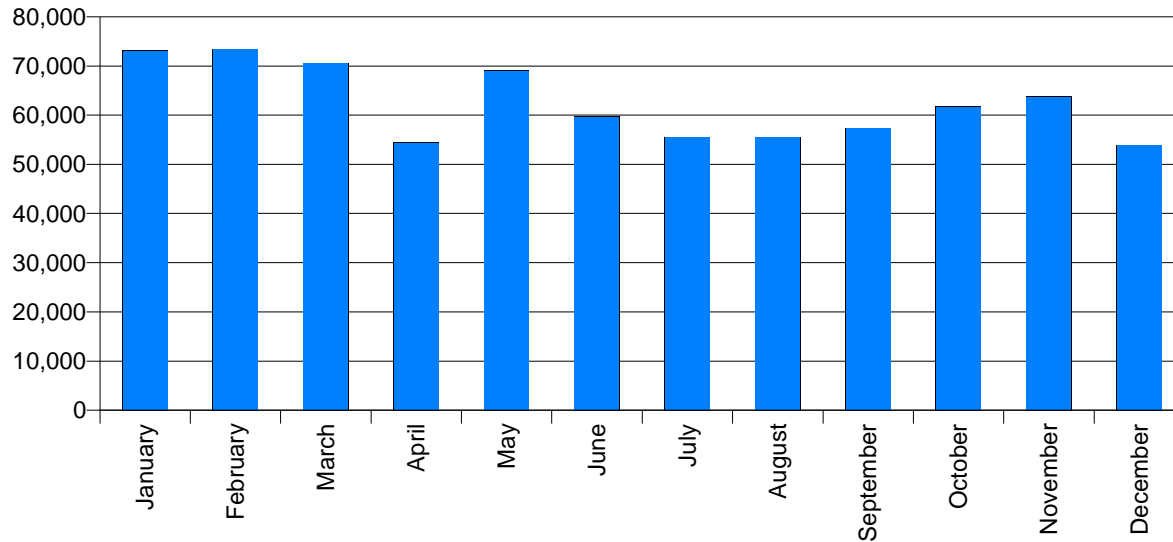


Chart 1.3 - Number Checker Usage



Comments:

- Chart 1.3 - Number Checker Usage includes web, IVR, and SMSus number checks
- PRN = Premium Rate Numbers that are not SMS shortcodes
- The "Other" category contains out of remit, National, and mobile numbers along with mistyped number searches

| Number Type | PRN | Shortcode | Directory Enquiries | 070 | 087 | Other | Month Totals |
|---------------------------|----------------|----------------|---------------------|--------------|---------------|----------------|----------------|
| January | 28,737 | 22,037 | 369 | 645 | 1,749 | 19,579 | 73,116 |
| February | 27,187 | 24,382 | 353 | 684 | 1,725 | 19,112 | 73,443 |
| March | 27,030 | 21,599 | 479 | 669 | 1,722 | 19,089 | 70,588 |
| April | 20,644 | 17,260 | 368 | 550 | 1,310 | 14,321 | 54,453 |
| May | 28,777 | 19,341 | 327 | 762 | 1,927 | 17,945 | 69,079 |
| June | 24,512 | 18,660 | 376 | 583 | 1,566 | 14,027 | 59,724 |
| July | 22,731 | 16,854 | 419 | 706 | 1,486 | 13,306 | 55,502 |
| August | 23,608 | 16,647 | 295 | 667 | 1,889 | 12,397 | 55,503 |
| September | 24,599 | 15,829 | 280 | 804 | 1,706 | 14,052 | 57,270 |
| October | 24,101 | 17,803 | 328 | 817 | 2,186 | 16,506 | 61,741 |
| November | 26,236 | 16,005 | 315 | 762 | 2,109 | 18,315 | 63,742 |
| December | 22,160 | 15,820 | 176 | 576 | 1,671 | 13,479 | 53,882 |
| Totals for Period: | 300,322 | 222,237 | 4,085 | 8,225 | 21,046 | 192,128 | 748,043 |

Chart 1.4 - Contact Centre Correspondence Contacts

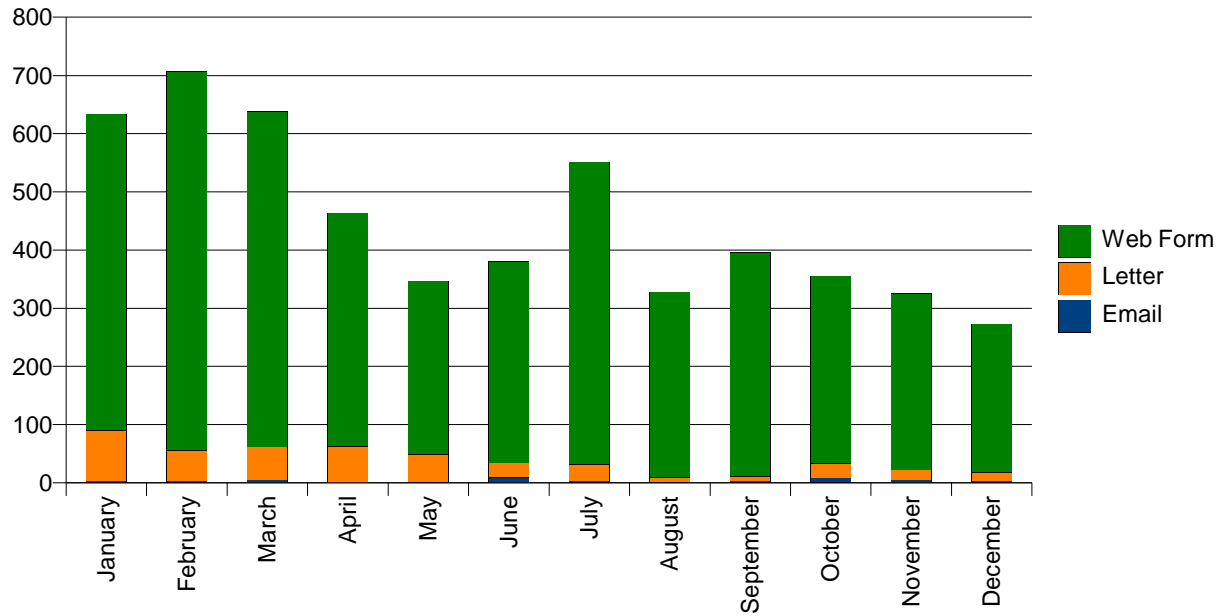
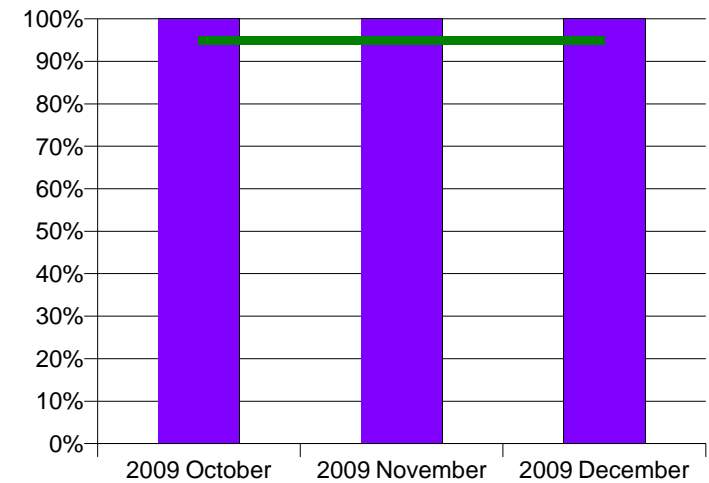


Chart 1.5 - KPI: Out of Remit Correspondence < 10 Days



| Type of Contact | Email | Letter | Web Form | Month Totals |
|---------------------------|-----------|------------|--------------|--------------|
| January | 4 | 86 | 543 | 633 |
| February | 3 | 53 | 651 | 707 |
| March | 5 | 57 | 576 | 638 |
| April | | 62 | 401 | 463 |
| May | 1 | 48 | 297 | 346 |
| June | 9 | 25 | 346 | 380 |
| July | 3 | 29 | 519 | 551 |
| August | 2 | 8 | 318 | 328 |
| September | 3 | 8 | 384 | 395 |
| October | 8 | 25 | 322 | 355 |
| November | 5 | 17 | 303 | 325 |
| December | 3 | 15 | 255 | 273 |
| Totals for Period: | 46 | 433 | 4,915 | 5,394 |

Chart 1.6a - PhonepayPlus Web Site Page Views & Visits

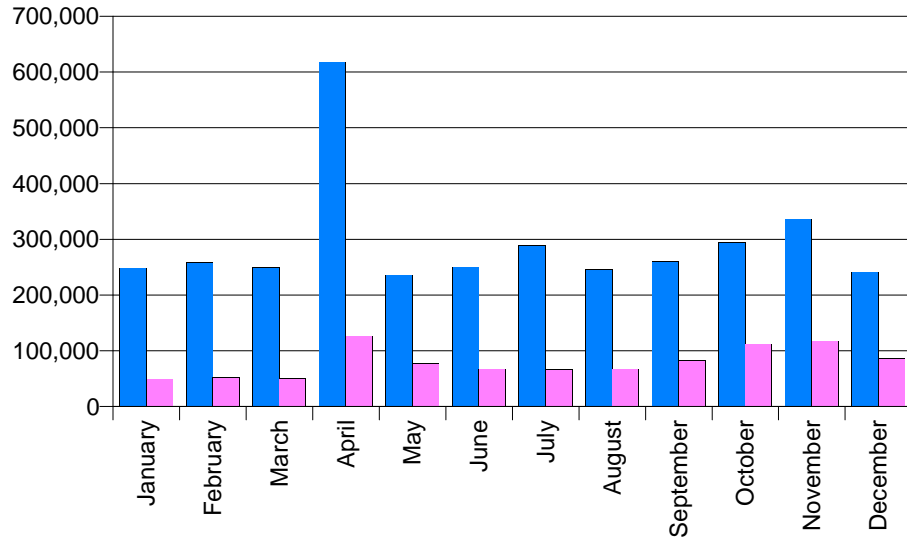
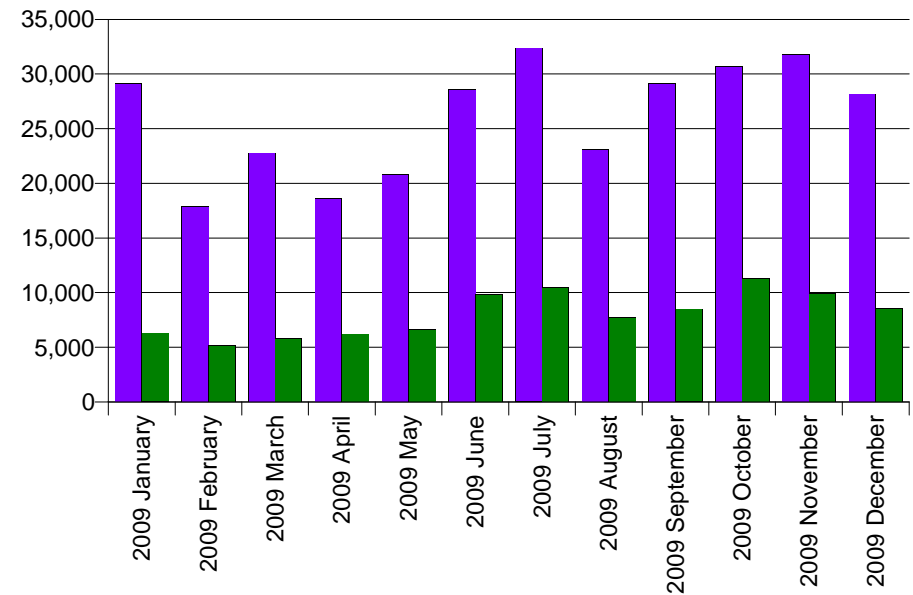


Chart 1.6b - PhoneBrain Web Site Page Views & Visits



| Month | Page Views | Visits |
|--------------------------|------------------|----------------|
| January | 247,979 | 48,799 |
| February | 257,944 | 51,407 |
| March | 248,928 | 49,867 |
| April | 617,802 | 126,528 |
| May | 235,240 | 77,237 |
| June | 249,567 | 66,987 |
| July | 288,131 | 66,407 |
| August | 245,671 | 67,638 |
| September | 259,522 | 82,109 |
| October | 294,294 | 111,830 |
| November | 335,290 | 117,394 |
| December | 241,566 | 85,461 |
| Total for Period: | 3,521,934 | 951,664 |

Comments:

- The spike in activity for April is due to the new PhonepayPlus website launch on April 14
- The method by which page views are calculated needed to be adjusted to match the new site's structure
- Pre-April 14 page view numbers have been modified and will vary from previous published figures

| Month | Page Views | Visits |
|--------------------------|----------------|---------------|
| 2009 January | 29,154 | 6,280 |
| 2009 February | 17,909 | 5,129 |
| 2009 March | 22,766 | 5,791 |
| 2009 April | 18,641 | 6,228 |
| 2009 May | 20,815 | 6,612 |
| 2009 June | 28,591 | 9,818 |
| 2009 July | 32,346 | 10,500 |
| 2009 August | 23,088 | 7,709 |
| 2009 September | 29,115 | 8,460 |
| 2009 October | 30,708 | 11,241 |
| 2009 November | 31,774 | 9,900 |
| 2009 December | 28,199 | 8,575 |
| Total for Period: | 313,106 | 96,243 |

Chart 2.1 - All Complaints Logged

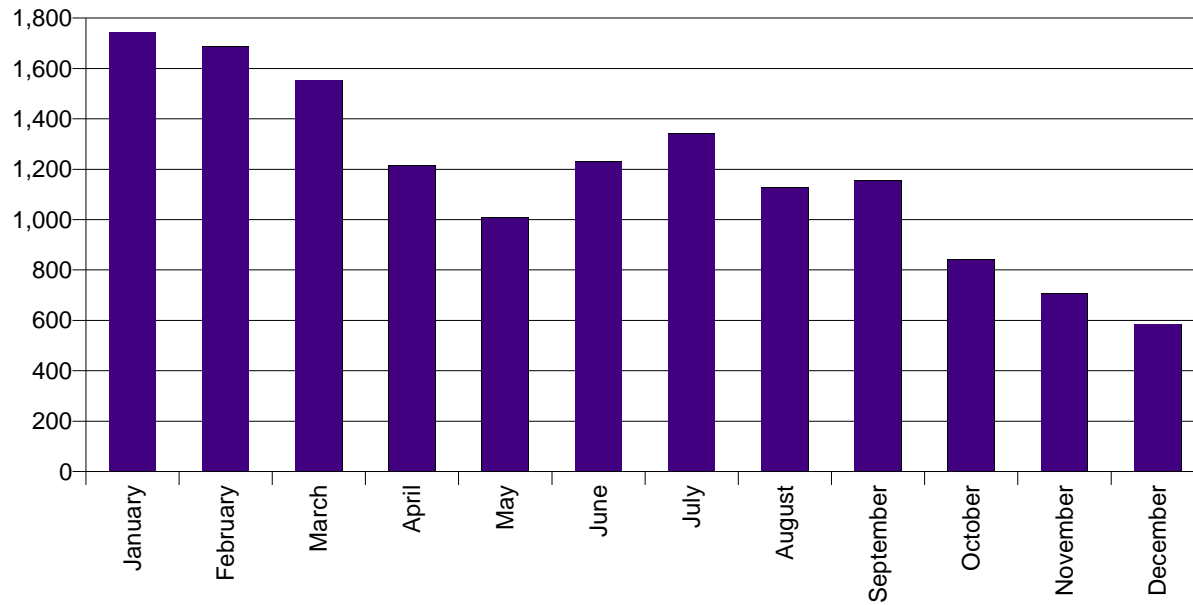
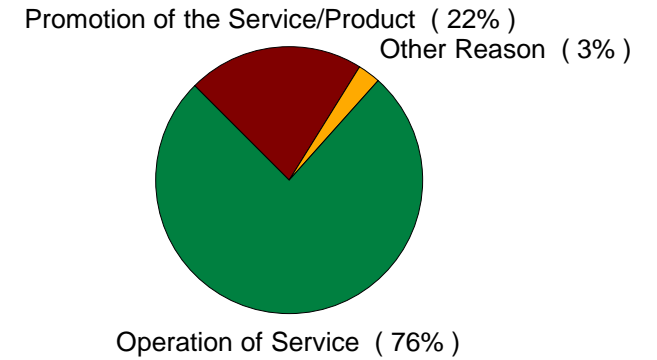


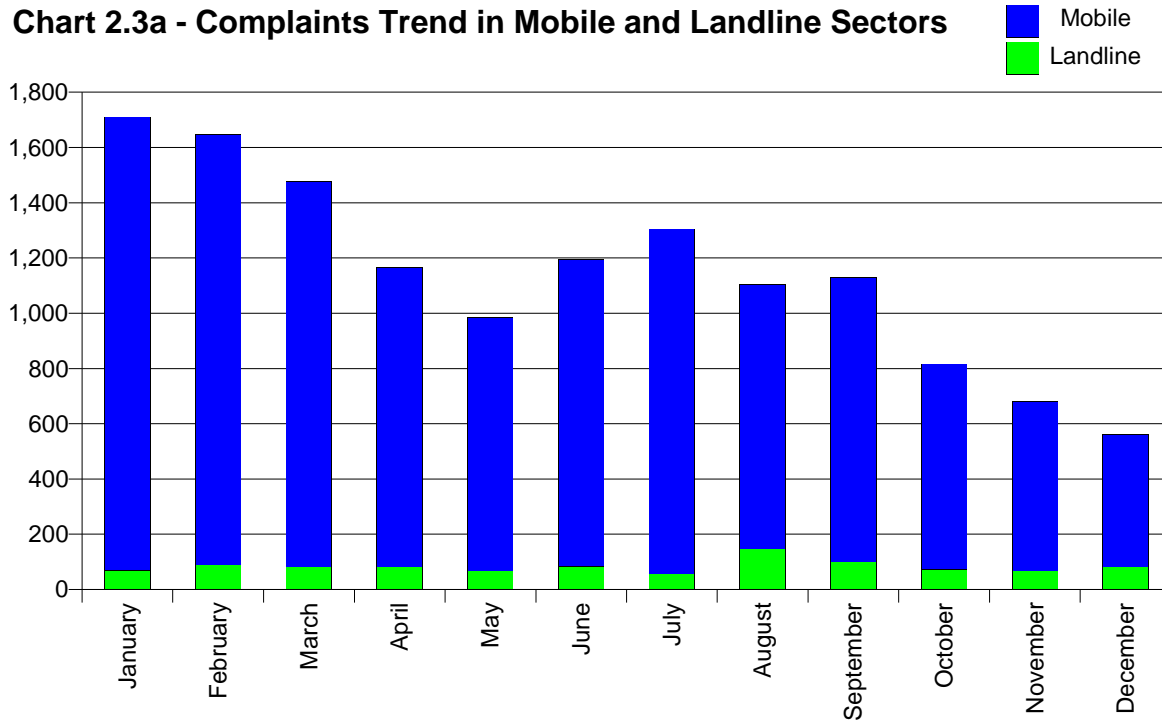
Chart 2.2 - Reason for Complaint Q3



| Source of Complaint | Phone | Web | Correspondence | Other | Month Totals |
|---------------------------|--------------|--------------|----------------|------------|---------------|
| January | 1,300 | 438 | 4 | 3 | 1,745 |
| February | 1,152 | 529 | 3 | 2 | 1,686 |
| March | 1,077 | 466 | 8 | 3 | 1,554 |
| April | 868 | 339 | | 7 | 1,214 |
| May | 734 | 267 | 3 | 4 | 1,008 |
| June | 927 | 286 | 6 | 11 | 1,230 |
| July | 943 | 371 | 7 | 20 | 1,341 |
| August | 832 | 272 | 2 | 20 | 1,126 |
| September | 807 | 330 | 3 | 15 | 1,155 |
| October | 549 | 273 | 9 | 10 | 841 |
| November | 458 | 223 | 4 | 21 | 706 |
| December | 336 | 207 | 7 | 35 | 585 |
| Totals for Period: | 9,983 | 4,001 | 56 | 151 | 14,191 |

Quarterly Report - 2009/2010 Q3

Chart 2.3a - Complaints Trend in Mobile and Landline Sectors



| Month | Landline | Mobile | Month Totals |
|-------------|--------------|---------------|---------------|
| January | 68 | 1,642 | 1,710 |
| February | 89 | 1,558 | 1,647 |
| March | 83 | 1,394 | 1,477 |
| April | 82 | 1,084 | 1,166 |
| May | 69 | 915 | 984 |
| June | 84 | 1,110 | 1,194 |
| July | 57 | 1,248 | 1,305 |
| August | 148 | 955 | 1,103 |
| September | 101 | 1,028 | 1,129 |
| October | 74 | 742 | 816 |
| November | 67 | 614 | 681 |
| December | 83 | 479 | 562 |
| Sum: | 1,005 | 12,769 | 13,774 |

| Month | 070 Complaints |
|-------------|----------------|
| July | 31 |
| August | 29 |
| September | 55 |
| October | 33 |
| November | 14 |
| December | 11 |
| Sum: | 173 |

| Month | 087 Complaints |
|-------------|----------------|
| August | 80 |
| September | 15 |
| October | 15 |
| November | 26 |
| December | 36 |
| Sum: | 172 |

Note: PhonepayPlus began regulating 087 numbers 1 August, 2009

Chart 2.3b - Mix of Mobile vs. Landline Sector Complaints Q3

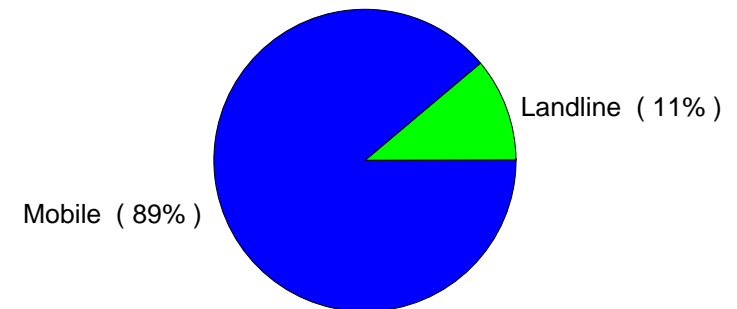
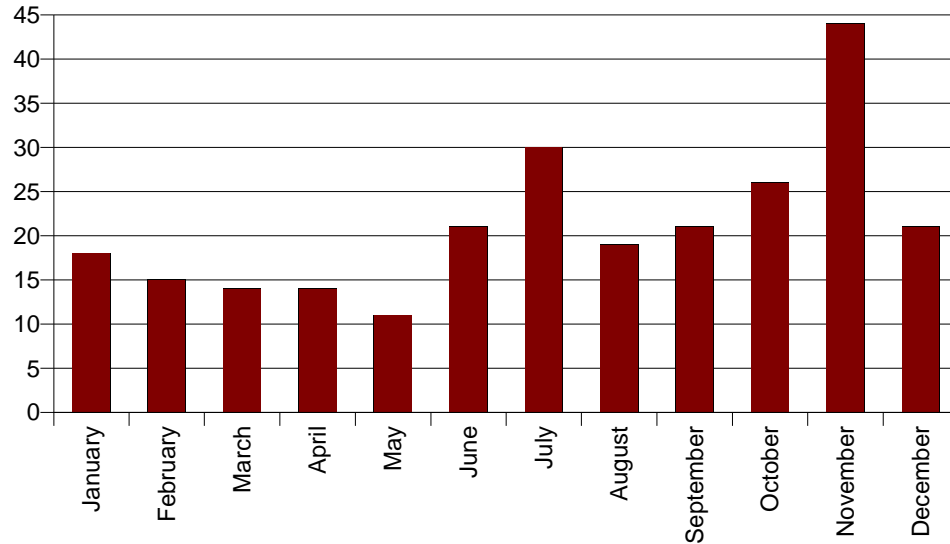


Chart 3.1 - Lead Cases Identified



| Month | Lead Cases Identified |
|--------------------------|-----------------------|
| January | 18 |
| February | 15 |
| March | 14 |
| April | 14 |
| May | 11 |
| June | 21 |
| July | 30 |
| August | 19 |
| September | 21 |
| October | 26 |
| November | 44 |
| December | 21 |
| Total for Period: | 254 |

Current Open Investigations as of January 29th: 46 Cases

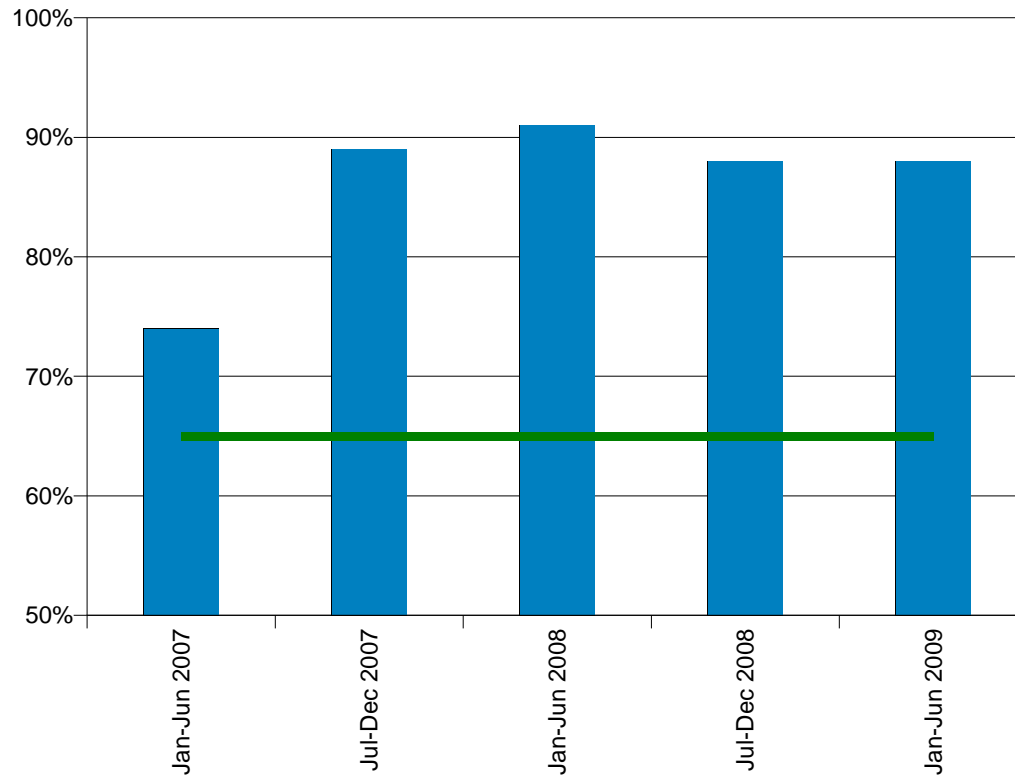
| Open Investigations by Sector | Cases |
|--------------------------------------|-----------|
| Mobile | 29 |
| Landline | 4 |
| Cases Against Associated Individuals | 7 |
| Network | 6 |
| Sum: | 46 |

Key Adjudications:

Two key adjudications emerged from the Tribunal which sat on 17 December 2009 in respect of two IPs, Sonnerier and Tagcontent. Both featured mobile content subscription services and are the first adjudications in which a Tribunal has clearly stated that, based on the evidence before it, information provided to the Executive by the IPs during the course of the investigations had been deliberately falsified (in the case of Sonnerier) and inaccurately provided (Tagcontent). As such, the sanctions were particularly severe, with both IPs being prohibited from involvement in, or contracting for, the provision of any premium rate services for periods of 12 and six months respectively.

Read more at: www.phonepayplus.org.uk/output/Adjudications.aspx

Chart 3.2 - KPI: Customer Satisfaction *



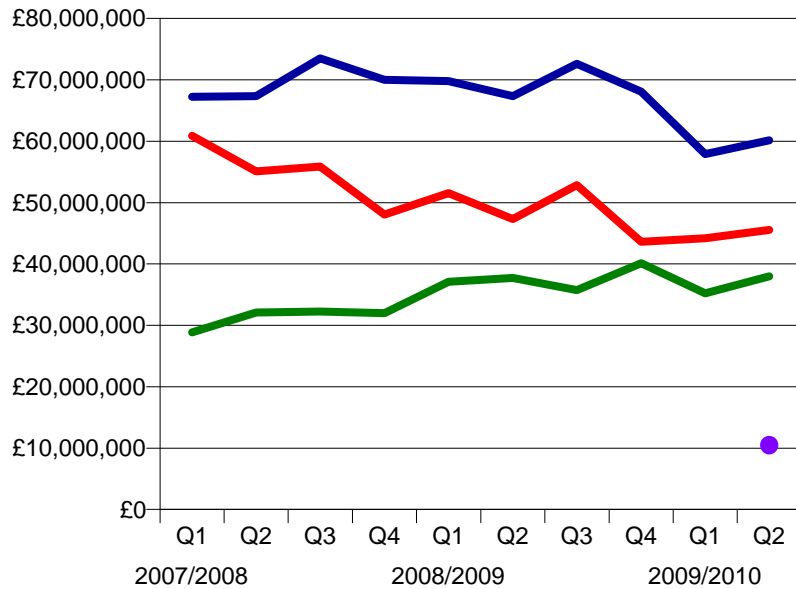
* This measures the satisfaction levels of complainants sent an adjudication letter.

Comments:

- 88% of people surveyed were satisfied or above (Jan – Jun 09)
- 30% of complainants responded to our survey (160 out of 535 contacted for survey)
- 84% felt we met our target timeframe for the investigation
- 62% felt we explained the outcome sufficiently
- 66% did receive an adjudication letter (Currently, all correspondence is sent via post – electronic options are being evaluated)
- 85% of respondents due a refund felt we clearly explained how to obtain it
- 34% of complainants due a refund have attempted to get one (Complainants generally explained that they were happy the company was fined and did not feel compelled to attempt to collect a refund)

Note: A new, more comprehensive customer satisfaction survey will be tested for the complaints logged in the last six months of 2009. This data is slated for availability in the next upcoming quarterly report.

Chart 4.1 - Outpayments per Sector



Note: 2008/09 and 2009/10 outpayment figures are based on annual and quarterly returns submitted by networks and are currently being verified.

| Financial Year | Quarter | Mobile | Landline | DQ | 087 | Totals |
|----------------|----------------|---------------------|---------------------|---------------------|-----|---------------------|
| 2007/2008 | Q1 | £67,209,538 | £60,879,308 | £28,869,040 | | £156,957,886 |
| | Q2 | £67,324,028 | £55,100,297 | £32,111,315 | | £154,535,640 |
| | Q3 | £73,490,259 | £55,883,148 | £32,225,116 | | £161,598,523 |
| | Q4 | £70,003,933 | £48,057,125 | £31,993,216 | | £150,054,274 |
| | Totals: | £278,027,758 | £219,919,878 | £125,198,687 | | £623,146,323 |

| Financial Year | Quarter | Mobile | Landline | DQ | 087 | Totals |
|----------------|----------------|---------------------|---------------------|---------------------|-----|---------------------|
| 2008/2009 | Q1 | £69,765,887 | £51,566,146 | £37,080,629 | | £158,412,662 |
| | Q2 | £67,320,403 | £47,310,155 | £37,730,948 | | £152,361,506 |
| | Q3 | £72,613,676 | £52,829,823 | £35,743,700 | | £161,187,199 |
| | Q4 | £68,069,852 | £43,622,856 | £40,102,699 | | £151,795,406 |
| | Totals: | £277,769,817 | £195,328,981 | £150,657,975 | | £623,756,774 |

| Financial Year | Quarter | Mobile | Landline | DQ | 087 | Totals |
|----------------|----------------|---------------------|--------------------|--------------------|--------------------|---------------------|
| 2009/2010 | Q1 | £57,885,245 | £44,174,818 | £35,224,540 | | £137,284,603 |
| | Q2 | £60,151,242 | £45,513,267 | £37,958,958 | £10,481,347 | £154,104,814 |
| | Totals: | £118,036,487 | £89,688,085 | £73,183,498 | £10,481,347 | £291,389,417 |

| Financial Year | Mobile | Fixed | 070 | 087 | Totals |
|---|-------------------|----------------|-----------------|---------------|-------------------|
| 2009/2010 | | | | | |
| Fines invoiced from 01/04/09 - 31/12/09 | £3,434,500 | £85,500 | £1,300,000 | £3,000 | £4,823,000 |
| Sanctions suspended | -£520,000 | £0 | £0 | £0 | -£520,000 |
| Oral hearing | £0 | £0 | £0 | £0 | £0 |
| Services barred due to non receipt of payment | £0 | -£10,000 | -£917,848 | £0 | -£927,848 |
| Fines not yet due | -£145,000 | £0 | £0 | £0 | -£145,000 |
| Fines due | £2,769,500 | £75,500 | £382,152 | £3,000 | £3,230,152 |
| Fines paid | £2,256,500 | £75,500 | £202,152 | £2,000 | £2,536,152 |

Collection Percentage: 79%

Chart 4.2 - KPI: Fine Invoices < 10 Days of Tribunal Date

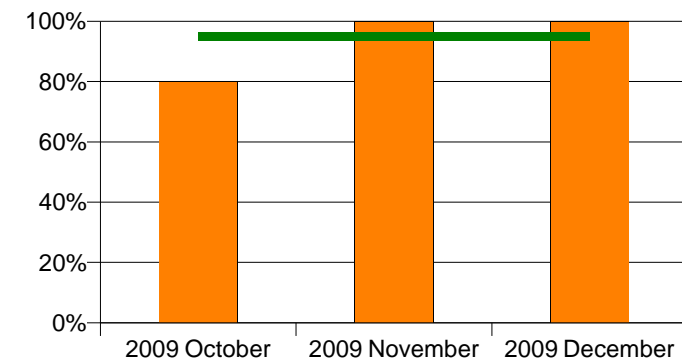


Chart 5.1 - External PhonepayPlus Newsletter Readership

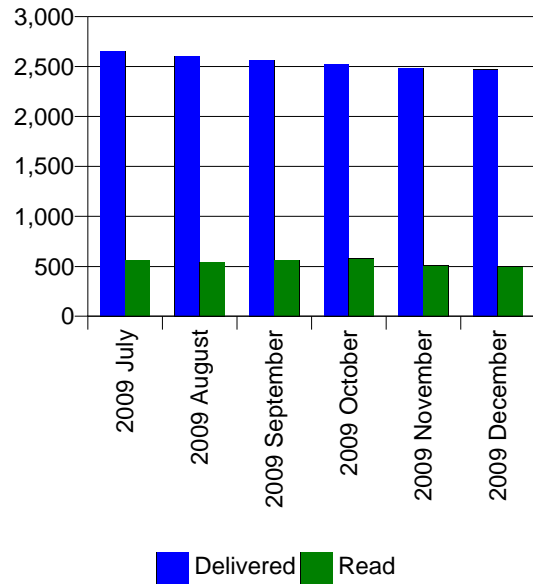
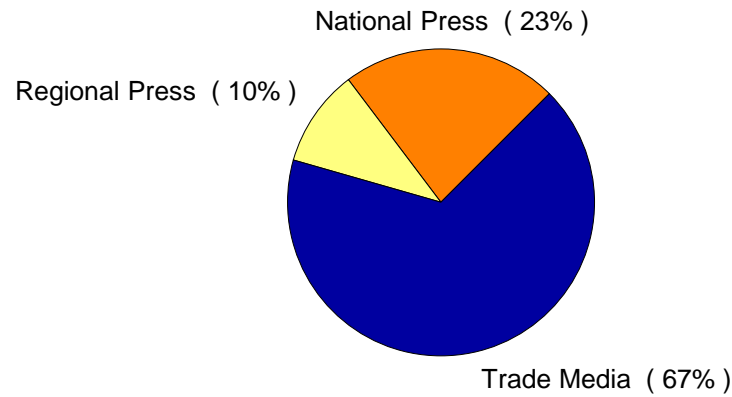
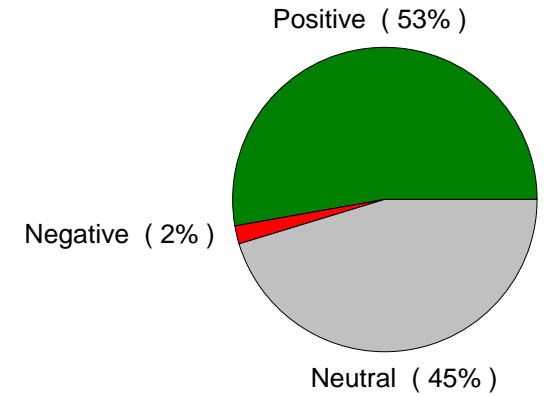


Chart 5.2a - Press Article Type Q3



Articles Published in Q3: 97

Chart 5.2b - Press Article Tone Q3



Note: Article Tone is measured internally by our Communications Team

Communications Team

11 announcements

- PhonepayPlus' statement on postal scam chain email (22 October)
- Emergency procedure investigation into 'Adult Sex Exchange' Virtual Chat Service (23 October)
- PhonepayPlus welcomes Ofcom's statement on PRS regulation (28 October)
- PhonepayPlus announce 62% decrease in complaints about mobile phone-paid services (17 November)

Continued on next page...

Communications Team continued

Announcements continued:

- PhonepayPlus' quarterly operations report (2009/10 Q2) published (19 November)
- Emergency procedure investigation into 'Local Sex Buddies' Virtual Chat Service (23 November)
- PhonepayPlus' 2010/11 Business Plan and Budget consultation published (2 December)
- Howard Webber and Hugh Griffiths appointed to the PhonepayPlus Board (4 December)
- Help Note on Virtual Chat Services issued (10 December)
- Emergency procedure investigation into email/text message that falsely claimed to be sent by Gumtree.com (17 December)
- Emergency procedure investigation into 'Sms Chat With Just Legal Babes' Virtual Chat Service (22 December)

Two events:

- PhonepayPlus supports Mobile Entertainment Forum conference on 'Mobile payments: trends, regulations and future opportunities' (12 October)
 - Held at the Royal Statistical Society in London
 - Approximately 75 attendees
 - Presentations from KPMG, Reuters, various UK and international regulators, and a variety of industry panellists
- PhonepayPlus Forum – 'The importance of customer service' (5 November)
 - Held at the Mermaid Conference & Events Centre in London
 - Approximately 80 stakeholder delegates (including consumer bodies, mobile networks, Service Providers and other regulators)
 - Presentations by Which?, PhonepayPlus, Ofcom and industry panellists

Other activity:

- Supported the Internet Watch Foundation's annual Awareness Day (14 October)
- PhonepayPlus' 'A phone is for life, not just for Christmas' campaign (Nov/Dec)
- Published three issues of *NewsPlus* – PhonepayPlus' external e-newsletter – on 30 October, 27 November and 18 December

Chart 6.1 - Industry Advice

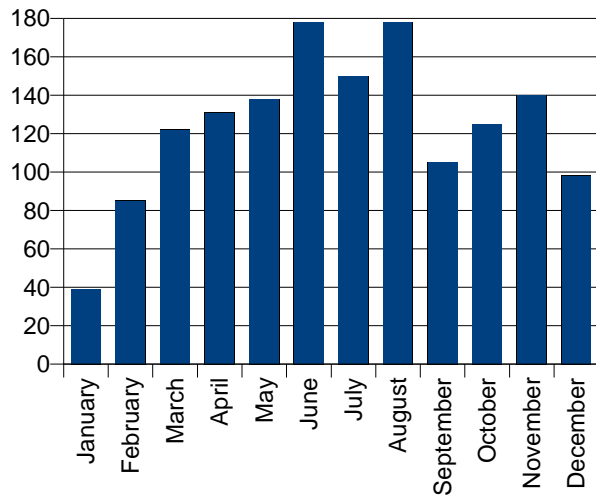


Chart 6.2 - Industry Enquiries

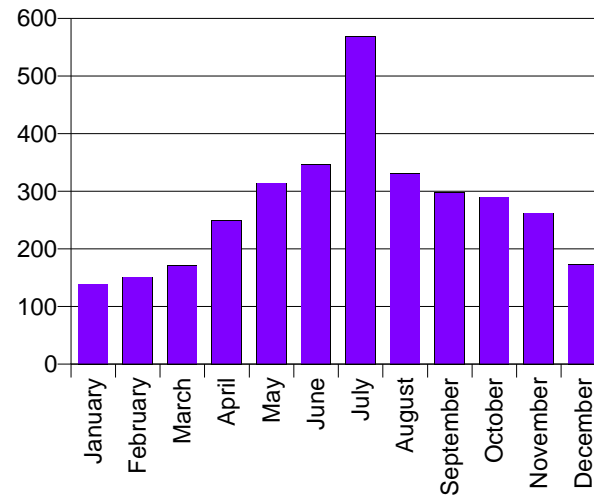
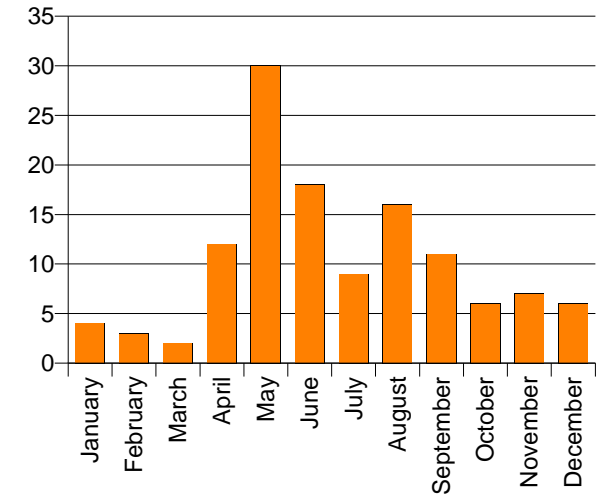


Chart 6.3 - Industry Applications



Comments:

- In total, requests for advice (both by phone and email) have fallen by 33% from the previous quarter’s peak. Requests have declined steadily since August, but this quarter’s figure is slightly distorted by the Christmas break, a period in which few requests of either type were made.
- This drop also appears more significant than it actually is due to the previous quarter covering the period where PhonepayPlus took over regulation of 087 services. Whilst by no means all the requests during that period were from 087 providers who were new to the market, a significant proportion were.
- Over the next quarter we would not expect to see these figures rise or fall to any great extent. However, we expect them to rise sharply once again after the consultation document for the new Code is released in March, as providers seek to gain a personal introduction as to how the changes in the Code will affect them. As with any new regulation, requests for information are then likely to stay high for some time as we begin to externally socialise the Code.

| Month | Advice | Enquiry | Prior Permission |
|--------------------------|--------------|--------------|------------------|
| January | 39 | 139 | 4 |
| February | 85 | 151 | 3 |
| March | 122 | 171 | 2 |
| April | 131 | 249 | 12 |
| May | 138 | 314 | 30 |
| June | 178 | 346 | 18 |
| July | 150 | 568 | 9 |
| August | 178 | 330 | 16 |
| September | 105 | 297 | 11 |
| October | 125 | 290 | 6 |
| November | 140 | 262 | 7 |
| December | 98 | 172 | 6 |
| Total for Period: | 1,489 | 3,289 | 124 |

Research Team

Research undertaken by, and on behalf of, PhonepayPlus is used to increase our understanding of market and industry trends in order to improve our operations, policy-making and market risk management. A programme of service monitoring and testing also identifies emerging trends and issues with platforms and services. Problems identified with specific services are passed onto the Investigations team and Industry Support and Policy team for further work.

A number of recent research projects, both undertaken in-house and externally commissioned, have required input from industry and other stakeholders. We are very grateful for those contributions to the work we are undertaking.

Research conducted in-house and commissioned research (including ongoing projects):

- Commissioned research: Annual market report for PRS. In addition to the PRS market(s), the research has also looked at alternative microbilling platforms and compared various PRS market sectors their respective wider markets for similar services. Report due for completion mid February 2010.
- “Market map” commissioned to provide a visual overview of the wider value chain and interrelationships associated with the provision (and regulation) of premium rate services.
- Research undertaken in-house to document policies and practice of adult verification procedures with various M(V)NOs & aggregators.

Ongoing monitoring and testing of services and service sectors:

In the third quarter of 2009/10, monitoring and testing activities included the following, promoted in mid & top-shelf publications, newspapers, internet and TV:

- Research/monitoring commissioned to look at the types of PRS and compliance levels of promotional material appearing in online blogs, forums and spam emails.
- In-house research project undertaken to look at typical user experiences and promotional material received via SMS and WAP-push following use of a PSMS or WAP service.
- Market review: Compliance testing of a cross-section of mobile subscription services on the market today.
- Monitoring and testing of virtual chat, contact and dating services.
- Compliance testing of cross-section of service genres promoted on television.