



BT's response to PhonepayPlus consultation

“Review of prior permission conditions for consumer credit services operating on premium rate”

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Comments on this document can be addressed via e-mail to Graham Pottie (graham.pottie@bt.com)

1. Executive summary

Companies operating credit services on PRS need to have prior permission before they can start because additional controls are needed to ensure consumers are not harmed as a result of having to apply for a loan via PRS. The review proposes a number of changes to the Prior Permission conditions to bring it in line with BIS and OFT regulations and to support the PPP Code of Conduct outcomes.

Our main points are:

The reputation of the PRS market is critical to its future, so ensuring compliance and transparency throughout the value chain is essential. An approach that is consistent with other regulatory bodies is essential to achieve this.

The non-compliant or harmful use of PRS by one sector can have an adverse impact on the reputation of the whole PRS market, so ensuring that regulation promotes good outcomes and simple and effective redress is welcome.

The opportunity for service providers to use this model of “commission” via PRS outpayment does bring with it a duty to ensure that the PRS charging is fair, appropriate to the context and not unduly high. PPP have identified a range of regulation and best practice that has been implemented by BIS and OFT and we agree that the whole value chain should be regulated consistently.

Given the vulnerable status of many callers using this approach – as evidenced by the extremely low conversion rates quoted – we support PPP’s revision of the Prior Permission conditions to reduce the likelihood of unnecessary and unproductive PRS calls and to promote the provision of a greater number of appropriate refunds.

The remainder of this response sets out our responses to PPP’s consultation questions.

2 Responses to PPP's consultation questions

Q1. Do you have any views on the PRS consumer credit model, the potential benefits and risks to consumers and the interaction between OFT, BIS and PhonepayPlus regulations?

A We understand and agree with the intention and the need to be consistent with the changes already made by other regulators and the moral case being made. Changes to improve consumer confidence will benefit the PRS industry as a whole and show that PRS providers take their responsibilities seriously.

We understand that PPP can only regulate the PRS element but we are happy that PPP continues to work with BIS & the OFT to monitor and resolve consumer complaints to make sure customers are not left without redress due to falling between regulators' powers.

Q2. Do you have any views on the new conditions we are proposing for transparency around rates of interest charged and their impact on either consumers or providers? Please provide any evidence to support your views.

A We agree that these conditions will improve transparency and this is a positive step. Consumers should be clear on the terms before they make a PRS call.

Q3. Do you agree with our assessment that publishing the average acceptance rates of lenders will help consumers to make an informed decision? Please provide any evidence to support your views.

A We agree that publishing the average acceptance rates of lenders will help consumers to make an informed decision.

Q4. Do you have any views on the impact this may have on PRS-based providers? Please provide any evidence to support your views.

A We agree with the impact it may have on PRS based providers.

Q5. Do you have any views on the new condition we are proposing for the price transparency of calls and its impact on consumers or providers? Please provide any supporting evidence.

A We agree with the new condition that "Consumers must be informed of the maximum cost of the call, the numeric cost per minute and the maximum duration of the call upon connection (in addition to in promotional material)". As the initial PRS calls tend to be close to the maximum call length, we believe this is an appropriate condition and is consistent with OFT guidance. We note that there is already a time limit of 15 minutes for PRS-based consumer credit calls but, given that PPP says the average cost is £1.50 per minute, then this still leaves scope for customers to run up high charges when calling these numbers (£22.50 on average per call).

Q6. Do you have any views on the new conditions we are proposing around the total number of calls and their impact on consumers or providers? Please provide any supporting evidence.

A We agree that giving a non-PRS number for follow-up is reasonable in these circumstances. Consumers will be keen to get information so the PRS provider should give

clear information on who they are and non-chargeable ways to contact them. Given the PPP research quoted we agree that the “not encouraging” principle needs the support this gives.

Q7. Should PhonepayPlus consider introducing new measures to improve refund rates for eligible consumers?

A As the refund entitlement exists in Prior Permission conditions and the Consumer Credit Act, it is appropriate to encourage take up – particularly as the take up is so low and the callers are likely to be “vulnerable”.

Q8. Do you have any views on what steps could be taken to improve the current refund rates?

A The better use of a non-PRS initial call to discourage ineligible consumers (as in paragraph 1.2) from making the PRS call in the first place would improve the acceptance rate and reduce the need for refunds. Clear information on who the consumer should contact if they have questions or need a refund is always helpful and should help to make sure consumers are aware of their rights.

Q9. Do you agree with our impact assessment? If not, why not?

A We agree with the impact assessment.