

PhonepayPlus

# Strategic plan 2014/17

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## Introduction

PhonepayPlus is publishing its three-year strategic plan to ensure widespread understanding of and agreement to its vision, mission and key objectives for 2014 to 2017. The plan sets the direction for our work and will shape our annual budgets and business plans over the period.

We began this regulatory journey with our first three-year strategic plan, published in 2007. The key aim of that plan, its successor, and this latest one is the same: that consumers of premium rate services ('PRS') should be able to use these services with confidence, and should have clear, simple and effective means of redress when things go wrong. But the context for each plan has been far less stable – shaped as it has been by changes in the market, and by the evolution of technology, business models and consumer behaviour.

Our plan for 2008/11 aimed to move us to a more flexible, proactive and preventative approach to regulation. This was achieved through launching a new outcomes-based Code of Practice, adjusting the regulatory enforcement 'bite-points', setting up a provider registration scheme and aiming to identify and pre-empt consumer harm rather than just to respond to it.

Our plan for 2011/14 was about implementing and embedding this new



approach – working with industry to raise standards of compliance in the market, using our enforcement powers effectively and proportionately and engaging with and informing consumers to enable them to use premium rate services with confidence.

The market for digital content and services was from the start fast-moving, but the current pace of change is unprecedented. This is in its essence an industry driven by technological development. But not only is the speed of technological change intense; so is the speed with which these developments have been adopted and have spread. This represents an unprecedented opportunity for both consumers and the industry; but it also poses dangers. It is our job to see that the positive potential of these developments is released while at the same time fair business practice and fair treatment of consumers prevail.

### Significant market and technological changes include:

- The impact of consumers' use and adoption of new social media services, many free to use, across the fixed and mobile internet.
- An accelerating shift of content from traditional premium rate service models to app stores and other emerging content platforms.
- The rapid growth in direct operator billing, which is both replacing some premium SMS traffic and extending the PRS market into new areas such as app stores.
- The increasing internationalisation of the market as services move online: around 20 per cent of providers registered with PhonepayPlus are based outside the UK.
- Rapid changes in the ways PRS are marketed to consumers, with a growing emphasis on digital marketing. This raises important issues of compliance.
- An increasingly convergent market for digital content and services, in which PRS is competing with similar services offered through other payment mechanisms including credit and debit cards and providers such as PayPal.

These developments and many others are already profoundly changing the PRS market and will continue to shape it over the coming years. And they have profound implications for the way PhonepayPlus will regulate the industry in the period of this strategic plan.

For example, as the market becomes increasingly international, cross-border regulatory co-operation must be strengthened. We will work ever more closely with international regulators and other bodies taking action in this area, including the EU, the OECD and the US Federal Trade Commission.

For **consumers**, the changes in the PRS industry are in the main positive. They offer consumers more choice, convenience, innovative services and value, in terms of both content and methods of payment for that content. But they also expose consumers to risk, particularly the risk of 'bill shock' when making premium rate or other purchases of digital content and services. This can arise through services lacking price transparency, or through misleading or aggressive promotions, or through charges being imposed without proper consent.

We are also concerned that consumers of digital content and services may not understand, and thus may not be able to exercise their rights under general consumer law and under sectoral regulation. PhonepayPlus research indicates that of those consumers who feel they have experienced detriment when making premium rate or similar purchases, around 85 per cent do not go on to make a complaint about their issue. This suggests that the extent of consumer harm in this market is almost certainly substantially under-reported.

Protecting children and other vulnerable consumers will remain central to our regulatory mission. As we acknowledged in our child protection plan published in 2013, children stand to benefit from greater access to content and services online; but they are also at greater risk than most consumers of incurring unexpectedly high bills, of being exposed to inappropriate content and of handing over personal data without realising the consequences.

PhonepayPlus already has an active approach to child protection, including the award-winning children's education programme PhoneBrain, which teaches children how to use PRS safely. Over the period of this strategic plan we shall seek to raise our effectiveness further in this area, working closely with industry, government, other regulators and child protection bodies.

For **providers**, there is the challenge of maintaining or growing their business in an increasingly competitive market, where margins are being eroded and where consumers increasingly expect to access digital content and services for free. But those able to innovate and provide genuine value to their customers should gain substantially from the rapid growth in m-commerce accessed through smartphones and tablets. For PhonepayPlus, the challenge is to ensure that regulation protects consumers effectively in the face of these changes, while also supporting valuable market innovation. We have already made significant progress in this direction, working closely with industry providers, security companies and other regulators to help make the UK one of the best-protected jurisdictions against mobile malware.

The converging market for digital content and services makes effective regulation more challenging to achieve. Consumers have a wide and increasing range of payment options for these services – for example on their phone bill, by credit or debit card, by PayPal or by stored value cards, such as digital wallets. For the consumer, the choice of payment mechanism is largely driven by convenience or by what they feel most comfortable using. They do not expect their choice of payment mechanism to have a material impact on the level of regulatory protection they receive, especially when they can purchase the same content in the same store using multiple payment mechanisms (as, for example, in many app stores).

For providers, the convergence in digital micropayments is also likely to lead to a growing issue of an uneven regulatory playing field, as different payment mechanisms are subject to different regulatory regimes. This may to some extent hold back competition and innovation in the market.

Within our remit and expertise, we will therefore seek a more consistent approach to regulating micropayments that are like PRS and we will work with industry, government, consumer bodies and other regulatory bodies as appropriate on this.

# Our vision and mission

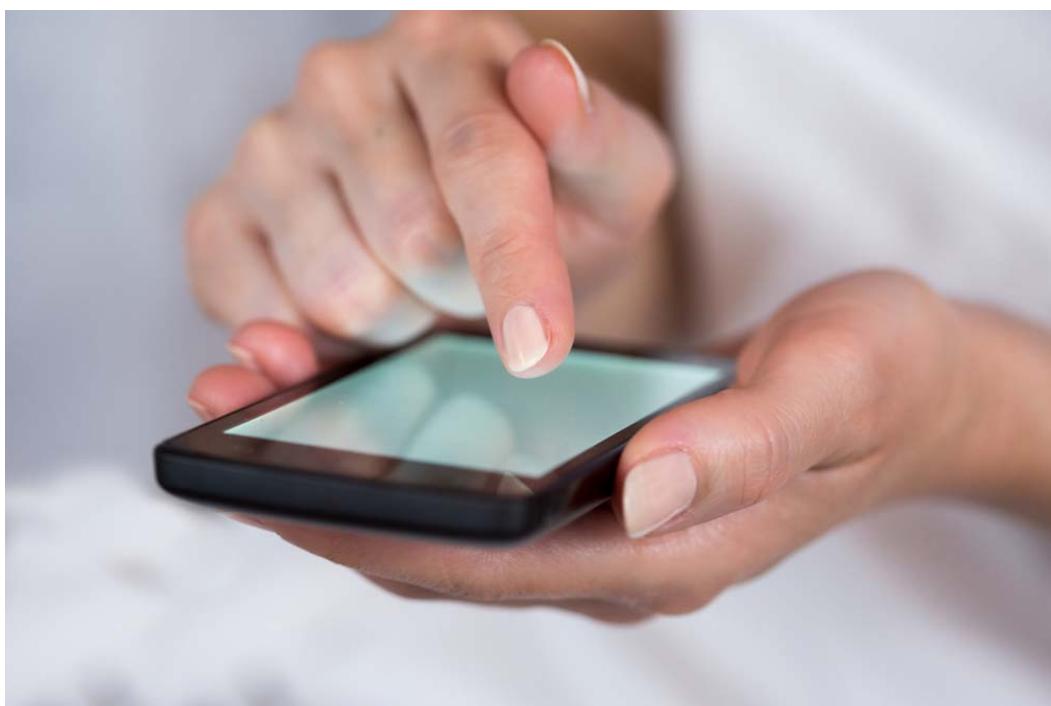
## Vision

**Anyone can use premium rate services with absolute confidence in a healthy and innovative market. Within our remit and expertise, we seek a more consistent approach to regulating micropayments that are like PRS.**

## Mission

Our mission is to achieve our vision and be a world-class regulator by:

- Putting the consumer at the heart of everything we do through providing effective regulation, information and assistance.
- Understanding the market in which we operate and how it is evolving, so that we can take early, proportionate and targeted action where needed to prevent consumer harm.
- Working with providers to build a healthy market with high standards of compliance.
- Having a Code of Practice that is cutting edge in protecting consumers while also supporting innovation in a fast-changing digital landscape.
- Applying our Code in a way that is impartial, fair, transparent, effective and proportionate.
- Working with government, other regulators, industry, consumer bodies and international partners on matters within our remit and expertise.



# Our core values

We continue to adhere to the principles of good regulatory practice. In addition, we have these core internal values and behaviours for carrying out our work:

## **Forward looking**

We understand the market in which we operate and understand how technology, business models and consumer behaviour are changing and may change in future. We seek proactively and collaboratively to build compliance and to work with industry at an early stage to address emerging consumer issues rather than responding to problems after they have emerged.

## **Credible and trusted**

We put consumers at the heart of our work. We act in a way that demonstrates that we are independent, impartial, trustworthy, transparent, accessible and consistent in all we do. Consumers can rely on us to deliver effective regulation and industry can rely on us to understand their business, to act proportionately and to explain and consult on what we do.

## **Reasonable and intelligent**

We demonstrate sound judgment and act on the basis of evidence. We are principled and pragmatic towards providers and are aware of the commercial and technical environments under which industry operates.

## **Focused on delivery**

We are effective and accountable. We project manage our work effectively to deliver results. We manage resources efficiently so as to ensure we continue to provide good value for money.

## **Prompt, open and transparent**

We understand that both providers and consumers benefit from prompt action to resolve issues. We are transparent about our processes and the reasoning behind decisions.

# Our strategic objectives for 2014/17

## Objective 1

### To continue to drive up compliance levels and trust in the market

- Updating our Code of Practice and Guidance to ensure they remain effective and future-proof.
- Engaging actively, and sharing information with industry and other stakeholders throughout the value chain.
- Making effective and proportionate use of enforcement powers under our Code of Practice.

## Objective 2

### To identify and prevent emerging risks to consumers

- Using research and market intelligence to identify emerging issues in the market.
- Developing our market expertise and partnerships with other regulators, consumer bodies, trade bodies and organisations such as internet security companies.
- In collaboration with phone providers and others, taking early action through enforcement, policy development and other tools to prevent emerging issues from becoming active problems.

## Objective 3

### To help consumers to use premium rate services with confidence

- Helping consumers to obtain redress where they have suffered harm.

- Putting in place additional protections for vulnerable consumers, such as children.

- In collaboration with partners, providing information and support to consumers about potential risks and how to avoid them.

## Objective 4

### To ensure that regulatory frameworks keep pace with market changes

- Developing our knowledge of how the market in digital content and services is changing and of the implications of this for consumers, providers and regulation.
- Working with industry, other regulators and government to build a consensus on the best and most effective responses to these changes.

## Objective 5

### To deliver effective and efficient regulation

- Ensuring that our regulation continues to deliver the outcomes for consumers and the industry set out in our Code of Practice.
- Ensuring that we use resources efficiently and provide good value for money.



**PhonepayPlus**

Regulating to build consumer trust in phone-paid services