

# THE CODE COMPLIANCE PANEL OF PHONEPAYPLUS

## TRIBUNAL DECISION

**Thursday 8 January 2008 TRIBUNAL SITTING No. 18 / CASE 4**

**CASE REFERENCE: 779455/JI**

Service provider & area:	K. Felix J. Paul, Kerala, India
Information provider & area:	N/A
Type of service:	Fixed Line
Service title:	Unknown (promoted through missed calls)
Service number:	7033303126, 7033308240, 7033330682, 7033331820, 7033335749, 7033337471 7033341881, 7033345430, 7033347992 7033308128, 7033308133, 7033306717
Cost:	50 pence per call plus 3.95 pence per minute from a standard BT landline
Network operator:	Cheers International Sales Limited
Number of complainants:	9

### BACKGROUND

The PhonepayPlus Executive (“the Executive”) received nine consumer complaints regarding the receipt of unsolicited calls to personal landlines or mobiles, from one or more 070 prefixed numbers. The complainants were consistent in claiming that the call they received terminated after one ring. This prompted consumers to return the call whilst being unaware that the number was not a mobile number and would incur higher rate charges. The vast majority of complainants who returned the call indicated that they were connected to a recording of a ringing tone, an engaged tone or voicemail messaging facility.

Ofcom has designated 070 numbers for use only as personal ‘follow me’ numbers, which are charged at a higher rate. Ofcom does not allow end-user revenue share on 070 numbers. This service charged users 50 pence per call plus 3.95 pence per minute from a standard BT landline, and appeared to charge consumers from the commencement of the ringing tone.

The Executive was concerned that the complainants were experiencing a modified version of what is commonly known as ‘wangiri’, a well known trend for misuse of premium rate and personal numbers, involving a computer using hundreds of phone lines to randomly dial mobile phone numbers. After one ring, the call disconnects, which leaves the number stored in the receiving parties’ mobile phone. If the call is returned, the caller is usually charged a premium rate for connection.

The Executive conducted the matter as an emergency procedure investigation in accordance with paragraph 8.6 of the Code.

In a letter to the service provider dated 9 December 2008, the Executive raised potential breaches of paragraphs 5.4.1a, 5.7.1, 5.8 and 5.12 of the Code, together with a request

for information under paragraph 8.3.3. A formal response to the breach letter was provided by the service provider on 17 December 2008.

As several of the questions within the request for information contained in the breach letter were not answered sufficiently, the Executive raised a further breach of paragraph 8.3.3 on 17 December 2008.

The Tribunal made a decision on the breaches raised by the Executive on 8 January 2009

### **Preliminary Matter**

As a preliminary issue the Tribunal considered whether the service was a Premium Rate Service and considered the following matters:

1. whether the ringtone recording, engaged tone and/or voicemail messaging facility heard by complainants, constituted a service for the purposes of section 120(7)(a) of the Communications Act 2003 ("Act") and within the meaning of section 120(8)(a) of the Act), being contents of communication;
2. whether there had been for the purposes of sections 120(7)(b), (c) and (d) of the Act: a charge for the provision of the service such charge paid to a person providing an electronic communication service by means of which the service in question was provided; and, such charge imposed in the form of a charge made by that person for the use of the electronic communications service.
3. whether the service involved the use of 070 numbers which were charged at a cost exceeding 10 pence per minute, thereby satisfying the requirements of the Controlled Premium Rate Services Condition ("CPRS") as set and published by Ofcom from time to time.

The Tribunal concluded that the service was a Premium Rate Service for the following reasons:

1. The ringtone recording, engaged tone and/or voicemail messaging facility heard by complainants, constituted a service within the meaning of section 120(8)(a) of the Act being contents of communication, and was thereby a service for the purposes of s120(7)(a) of the Act.
2. The service also satisfied subsections 120(7)(b), (c) and (d) of the Act on the basis that the callers to the numbers were charged on connection to the service and some of the monies paid by callers to their respective billing networks, having first been paid to the network operator, were received by the service provider, who also appeared to be the end user. Furthermore, the Tribunal noted the lack of any evidence suggesting that there were any other valid end-users to which the 070 numbers were assigned, other than the service provider.
3. The Tribunal noted that the service involved the use of 070 numbers charged in excess of ten pence per minute (50 pence per call plus 3.95 pence per minute from a standard BT landline), which thereby satisfied the requirements of the CPRS Condition.

## SUBMISSIONS AND CONCLUSIONS

### ALLEGED BREACH ONE

#### MISLEADING (Paragraph 5.4.1a)

*“Services and promotional material must not:*

*a mislead, or be likely to mislead in any way...”*

1. The Executive considered the service to be misleading for the following reasons:

##### Reason 1:

The Executive noted that complainants reported to have received unsolicited missed calls from numbers they did not recognise. The calls lasted for the duration of one ring and terminated before it was possible for complainants to answer. The Executive considered that receiving a missed call in this manner, prompted consumers to return the call. The Executive commented that the 070 ‘personal number’ was a relatively unknown technology to the average consumer, which could result in the number being confused for a mobile number and the call being returned. Consumers would therefore be unaware that they were responding to a commercial enterprise, for which they would incur charges.

The Executive considered the consumer expectation of responding to a ‘missed call’ was usually to find out more information about who had called and their reason for calling. That expectation was defeated in this instance, as responding to the 070 number directly engaged the consumer with the service, which was a commercial enterprise. Consequently, the cost of the call might not be apparent to the consumer until they received their bill and were thereby misled.

##### Reason 2:

The Executive noted that some of the complainants who returned the missed call, indicated that had been charged for listening to a recording of a ringing tone or an engaged tone, without realising they were connected to the number and, in any event, did not at the time realise they were being charged.

The Executive considered that the recorded ringing tone had been presented to consumers in a manner which implied that a connection had not been made and consequently no charge incurred. The Executive considered that that the service had intentionally sought to mislead consumers by creating a fake scenario in order to delay consumers’ termination of the call, thereby prolonging the period in which revenue was generated.

2. The service provider did not respond to the breach raised. However, in his response to the further information requested by the Executive, the service provider stated that he did not recognise the numbers, and suggested they could have been misdialled. The service provider also commented that the tone was engaged, because the call was made while he was on the phone, or when he was unable to answer.
3. The Tribunal considered the evidence and concluded, on the balance of probabilities, that the missed calls made to consumers’ handsets were made deliberately with the intention of misleading recipients into returning the calls in

the belief that they had missed a call from someone who wanted to speak to them. The Tribunal also noted that the service had presented a recording of a ringing tone or engaged tone, which was a clear and deliberate attempt to mislead consumers into staying on the line, in the mistaken belief that connection had not been made, thus increasing the revenue generated by the service. The Tribunal upheld a breach of paragraph 5.4.1a of the Code.

**Decision: UPHELD**

## **ALLEGED BREACH TWO**

### **PRICING INFORMATION (Paragraph 5.7.1)**

*“Service providers must ensure that all users of premium rate services are fully informed, clearly and straightforwardly, of the cost of using a service prior to incurring any charge.”*

1. The Executive noted that the service was charged at a rate of 50 pence per call plus 3.95 pence per minute from a standard BT landline. The service therefore had the potential to cost more than 50 pence overall, which was confirmed by the individual complaints. As such, the Executive considered that the service did not fall under the exemption from the requirement to provide pricing information, granted by paragraph 5.7.5 of the Code. None of the nine complainants reported to having been informed of the cost of returning a call to a 070 number at any point prior to incurring a charge. Only upon receiving their phone bill, did complainants realise that the service was in fact premium rate.
2. The service provider did not respond to the breach raised. However, in the service provider’s response to the further information requested by the Executive, he stated that the cost of connecting to the premium rate service, was 25 to 50 pence. The service provider also commented that the numbers in question were personal numbers, and that he had no idea they should have been supplied with pricing information.
3. The Tribunal considered the evidence and concluded that consumers had not been supplied with any pricing information prior to returning the call and consequently incurring a charge. The Tribunal upheld a breach of paragraph 5.7.1 of the Code.

**Decision: UPHELD**

## **ALLEGED BREACH THREE**

### **CONTACT INFORMATION (Paragraph 5.8)**

*“For any promotion, the identity and contact details in the UK of either the service provider or information provider, where not otherwise obvious, must be clearly stated. The customer service phone number required in paragraph 3.3.5 must also be clearly stated unless reasonable steps have previously been taken to bring it to the attention of the user or it is obvious and easily available to the user.”*

1. The Executive considered that the number displayed on the consumers' handset ("the CLI") fell within the definition of promotional material under paragraph 11.3.27 of the Code. None of the nine complainants were provided with contact information at any point during the service; either at the point of promotion when the missed call was initially made to them or after calling the premium rate service. Therefore complainants had no way of contacting the service provider other than returning the missed call and hence calling the premium rate number.
2. The service provider did not respond to the breach raised.
3. The Tribunal considered the evidence and concluded that the display of CLI on consumer's mobiles or land lines constituted promotional material for the purposes of paragraph 11.3.27. It also concluded that this promotional material had failed to provide consumers with any contact information. The Tribunal therefore upheld a breach of paragraph 5.8 of the Code.

**Decision: UPHELD**

#### **ALLEGED BREACH FOUR**

##### **INAPPROPRIATE PROMOTION (Paragraph 5.12)**

*"Service providers must use all reasonable endeavours to ensure that promotional material does not reach those for whom it, or the service which it promotes, is likely to be regarded by them as being offensive or harmful. Service providers must use all reasonable endeavours to ensure that their services are not promoted in an inappropriate way."*

1. The Executive noted that none of the 9 complainants reported to have consented to receive missed calls from the 070 prefixed numbers, which related to the service. Several complainants explicitly stated that the calls were unsolicited. Furthermore, the calls lasted for the duration of one ring before terminating, prompting a call back from consumers. The Executive considered that the calls made to consumers who had not consented to receive them and the manner in which those calls were made, constituted inappropriate promotion. As such, it was the opinion of the Executive that the service provider had not used all reasonable endeavours to ensure that the services were not promoted in an inappropriate manner.
2. The service provider did not respond to the breach. However, in a response to the further information requested by the Executive, the service provider commented that he understood the numbers to be business contact numbers and that he would not contact anyone who did not want to be contacted.
3. The Tribunal considered the evidence and concluded that the service had been inappropriately promoted due to the intention of the promotion, the lack of consent of the recipients, the frequency of the calls (in some cases) and the worry or annoyance caused by the apparent missed calls. The Tribunal upheld a breach of paragraph 5.12 of the Code.

**Decision: UPHELD**

## ALLEGED BREACH FIVE

### FURTHER INFORMATION (Paragraph 8.3.3)

*“During investigations, or as part of the adjudication process, PhonepayPlus may direct any service provider or network operator concerned to disclose to the Executive, subject to the confidentiality provision set out in paragraph 1.5 and within a reasonable time period, any relevant information or copies of documents.”*

1. The Executive made various requests for information under paragraph 8.3.3 of the Code. The service provider supplied brief and insufficient responses to the information requested.
2. The service provider did not respond to the breach raised.
3. The Tribunal considered the evidence and noted that the service provider had supplied short and inadequate responses to the Executive’s requests for information. The Tribunal upheld a breach of paragraph 8.3.3 of the Code.

**Decision: UPHELD**

### SANCTIONS

The Tribunal’s initial assessment was that, overall, the breaches taken together were **very serious**.

In determining the sanctions appropriate for the case the Tribunal took into account the following aggravating factors:

- The service was valueless to consumers;
- The service provider’s operation of the improper use of 070 numbers was wilful;
- There was material consumer harm; 9 consumer complaints;
- The cost paid by individual consumers was high; 50 pence per call plus 3.95 pence per minute; and
- The misleading and improper use of 070 numbers is a concern which has previously been brought to the attention of the industry.

There were no mitigating factors for the Tribunal to consider:

Taking into account the aggravating factors and lack of mitigating factors, the Tribunal concluded that the seriousness of the case should be regarded overall as **very serious**.

The Tribunal therefore decided to impose the following sanctions:

- A formal reprimand;
- A fine of £20,000;
- A bar on the service and all numbers providing access to the service unless and until the service is considered to be compliant by PhonepayPlus or for a period of 12 months, whichever is the longer. The Tribunal doubted whether the service could ever be compliant. The service provider is required to seek

compliance advice regarding the future use or allocation of premium rate numbers which provide access to the service in question.

- The Tribunal ordered that claims for refunds are to be paid by the service provider for the full amount spent by users, except where there is good cause to believe that such claims are not valid.