

THE CODE COMPLIANCE PANEL OF PHONEPAYPLUS

TRIBUNAL DECISION

Thursday 2 April 2009 TRIBUNAL SITTING No. 24 / CASE 4

CASE REFERENCE: 766056/JI

Service provider & area:	PCB Telecom Limited, London
Type of service:	Fixed Line
Service title:	Unknown (promoted through missed calls)
Service number:	07061701000-07061705999 07061743000-07061747999 07061758000-07061758999
Cost:	50 pence per call plus 3.95 pence per minute from a standard BT landline
Network operator:	Hotchilli Communications Limited
Number of complainants:	17

THIS CASE WAS BROUGHT AGAINST THE SERVICE PROVIDER UNDER PARAGRAPH 8.5 OF THE CODE

BACKGROUND

The PhonepayPlus Executive (“the Executive”) received 17 consumer complaints regarding the receipt of unsolicited calls to personal 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 claimed that they were connected to a recording of a ringing tone.

The 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 at premium rate for connection.

The Executive conducted the matter as a standard procedure investigation in accordance with paragraph 8.5f of the Code.

In a letter to the service provider dated 7 January 2009, 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 19 January 2009.

As some 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 February 2009.

Following correspondence between the Executive and the service provider regarding the dispute over allocation of the 070 numbers, the Executive sent an email to the service provider on 20 February 2009 informing it that it had withdrawn three of the 070 prefixed number ranges from the investigation as it believed that they were contracted for use by another service provider.

The Tribunal made a decision on the breaches raised by the Executive on 2 April 2009.

Preliminary Matter

As a preliminary issue the Tribunal concluded that the service was a regulated premium rate service for the following reasons:

1. The recording of a ringing tone heard by complainants and the Executive, 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. The Tribunal noted the lack of any evidence to suggest 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) and was thereby a Controlled Premium Rate Service ("CPRS") as defined within paragraph 2(e) of the Premium Rate Services Condition ("the PRS Condition") as published by Ofcom in December 2003 (as amended in April 2007).

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 on the following grounds:

Ground 1

The Executive stated 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 that 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 may not have been apparent to the consumer until they received their bill and were thereby misled.

Ground 2

The Executive submitted that some of the complainants who returned the missed call indicated that had been charged for listening to a recording of a ringing 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 monitored the service and found that, on playback of the recordings of one of the 070 numbers, after connection to the service, a ringing tone was heard. 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 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.
3. The Tribunal considered the evidence and concluded that, in relation to ground one, the missed calls made to consumers' handsets were likely to mislead recipients into returning the calls in the belief that they had missed a call from someone who wanted to speak to them and that the number they were calling from was a personal mobile number. In relation to ground two, the Tribunal concluded that the service had presented a recording of a ringing tone as a clear and deliberate attempt to mislead consumers into staying on the line in the mistaken belief that connection had not been made, thereby increasing the revenue generated by the service. The Tribunal upheld a breach of paragraph 5.4.1a of the Code in relation to both grounds.

Decision: UPHELD on all grounds

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 submitted that the service was charged at 50 pence per call plus 3.95 pence per minute. The service therefore had the potential to cost more than 50 pence overall, which was confirmed by the individual complaints and the Executive's monitoring of the service. As such, the Executive considered that the service did not fall under the exemption from the requirement to provide pricing information, given by paragraph 5.7.5 of the Code. None of the 17 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.
3. The Tribunal considered the evidence and concluded that consumers had not been provided 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 caller line identification ("the CLI") number displayed on the consumers' handset fell within the definition of promotional material under paragraph 11.3.27 of the Code. None of the 17 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 consumers' 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 identity or 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 submitted that none of the 17 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 raised.
3. The Tribunal considered the evidence and concluded that the manner in which the service was promoted was inappropriate (i.e. the use of one ring to solicit a call back, the failure to obtain the consent of the recipients prior to calling them, the frequency of the calls (in some cases), and the worry or annoyance caused to complainants by the 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 failed to supply any response to the questions raised.
2. The service provider did not respond to the breach raised.
3. The Tribunal considered the evidence and concluded that the service provider had completely failed to provide responses to any of the Executive’s requests for information under paragraph 8.3.3 of the Code. The Tribunal therefore 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 provider's improper use of 070 numbers was wilful;
- There was material consumer harm; there were 17 consumer complaints and over 850,000 calls made from consumers to the 070 numbers;
- The cost paid by individual consumers was high; 50 pence per call plus 3.95 pence per minute from a standard BT landline, and considerably higher from a mobile phone;
- The misleading and improper use of 070 numbers is a concern which has previously been brought to the attention of the industry; and
- The service provider did not cooperate with PhonepayPlus when notified of the breaches.

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 £500,000, having exercised its discretion to apply a fine of up to £250,000 per breach; and
- The Tribunal also 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.