THE CODE COMPLIANCE PANEL OF PHONEPAYPLUS TRIBUNAL DECISION

Thursday 24 June 2010

TRIBUNAL SITTING No. 56/ CASE 2

CASE REFERENCE: 833323

Service provider: Wireless Information Network Ltd, High

Wycombe

Information provider: SB7 Mobile Ltd, London Type of service: Subscription competition

Title: 'JuicyWin' Service numbers: 88818

Cost: £4.50 per month (three text messages charged at

£1.50 each)

Network operator: All Mobile Network Operators

Number of complainants: 34

THIS CASE WAS BROUGHT AGAINST THE INFORMATION PROVIDER UNDER PARAGRAPH 8.7 OF THE CODE

BACKGROUND

PhonepayPlus received 34 complaints in relation to the service operating on shortcode 88818. The service was a subscription competition service called 'JuicyWin' and offered participants the chance to win an iPhone prize and/or other cash prizes. Users would enter their mobile phone number onto the promotional website 'juicywin.com' and receive two free service text messages, one containing a multiple choice question. On answering the question, the user would be subscribed into the competition service.

Complainants stated that they had received charged unsolicited text messages and stated that the subscription element of the service had been concealed. An example of the two text messages is as follows:

"FreeMsg: Welcome to JuicyWin.com for a chance to win our iphone, £150 AND 100k draw! Your first question is on its way, answer it to confirm your web entry"

"JuicyWin FreeMsg: Reply correctly now to get in the iphone comp! Which one of these do Apple also make? A) Playstation B) iPod C) Xbox. Reply YES + A, B or C"

PhonepayPlus examined consumer complaints and monitored the service. During the course of its investigation, PhonepayPlus identified that the service was also promoted on promotional partner sites 'myoffers.co.uk' and 'uk-prizedraw.co.uk'. It also appeared on Facebook.

Monitoring

The Executive undertook a monitoring exercise in February 2010 and identified that the 'JuicyWin' service was promoted on the 'myoffers.co.uk' website (Appendix C) and the 'juicywin.com' website (Appendix B) via a promotional advertising banner on Facebook (Appendix A), none of which had been disclosed in the response provided by the Information Provider in relation to the Executive's information request letter dated 28 October 2009.

The Executive identified issues regarding the use of a countdown clock on the service website and the promotion of the 'JuicyWin' service as a 'free' competition on the 'myoffers.co.uk' website.

The Investigation

The Executive conducted this matter as a Standard Procedure investigation in accordance with paragraph 8.5 of the Code.

The Executive issued a breach letter to the Service Provider dated 1 May 2010. The Executive received a response to the breaches raised in the letter on 18 May 2010.

The Tribunal made a decision on the alleged breaches raised by the Executive on 24 June 2010, having heard an Informal Representation from the Information Provider.

SUBMISSIONS AND CONCLUSIONS

ALLEGED BREACH ONE PROVISION OF INFORMATION (Paragraph 3.2.2)

"Service providers must provide to PhonepayPlus without delay such information as it may require for any purpose relating to this Code which may include but is not limited to:

- a any number ranges (including dialling codes) or other connection arrangements allocated to it by Ofcom or any network operator,
- b if the service requires or involves access to any website, the URL of the site,
- c the name, address, e-mail address, phone and fax number of the person representing the service provider who is nominated to receive all communications in connection with the application of the Code, enabling contact to be made with that person at all necessary times, and, if that person is not a director of the service provider, the name of the director with primary responsibility for premium rate services,
- d the name and home address of each of the directors and their phone and fax numbers and e-mail addresses."
- 1. The Executive submitted that the paragraph 3.2.2 requires information providers, when called upon by the Executive, to provide information in their possession, as required for any purpose relating to this Code. It submitted that the provision is clear and that the listed examples are part of a non-exhaustive list.

The Executive referred to its letter dated 28 October 2009 that had specifically requested information under paragraph 8.3.3 of the Code as follows:

'a copy of the promotional material along with details of ALL publications / websites / other media in which the promotion appeared'

The Executive submitted that the Information Provider had failed to advise the Executive that, as well as the website 'juicywin.com', the service was also being promoted on Facebook and the websites 'myoffers.co.uk' and 'ukprizedraw.co.uk'.

2. The Information Provider responded to the Executive submissions in relation to the alleged breach as follows:

myoffers.co.uk

The Information Provider stated that it acknowledged the Executive's request in the letter dated 28 October 2009. It stated that, at the time, it had recruited a new agency that was trialling new promotional partners on an ad-hoc basis to discover which promotional partners could commercially deliver traffic on the service. It stated that the initial investigation had related to the 'juicywin.com' website and all complaints were associated to that. It stated that 'MyOffers' did not promote 'juicywin.com', but offered a completely different user experience with a distinctly separate sign-up process and one which did not relate to the main site for the following reasons:

- The Information Provider does not control the user:
- The Information Provider does not own or control the media where the user is browsing and signing up;
- Users had already undergone a detailed sign-up process with the lead generation sites;
- Each user who signed up could be fully tracked with the partner to match, name, address, email, date of birth, gender, etc.

The Information Provider stated that it had not included this information at the time as there was no ongoing commitment to utilise these channels and it believed the focus of the investigation was on 'juicywin.com'. It stated that there was never any question of it setting out to withhold information as 'myoffers.co.uk' was a highly prominent competition website. It stated that, 'JuicyWin' was a brand name, not a service, and that this brand name was used in a range of different services that could offer different prizes; as such, using the term 'The JuicyWin promotion' was similar to referring to 'The 'SB7' promotion' (i.e. it could not relate to one particular item). It stated that it was of the view that it had attempted, in good faith, to be as specific as possible with its response in order to keep faithful to the nature of the original request.

Facebook

The Information Provider stated that it was important to emphasise that it was not possible to enter a 'JuicyWin' promotion on Facebook. It stated that Facebook only carried banners that directed people back to the 'JuicyWin' website and, to this end, the banner could be viewed as a signpost to the website and not a promotion in itself. It went on to state that simply creating a website was not enough and that it had to let people know that the website existed. It stated that this could be done via search engines and various third parties that could deliver traffic to a website.

It stated that it employed digital advertising agencies to deliver leads to its website 'juicywin.com' and that it had given these companies strict guidelines on the demographic of the desired type of user. It was then left to these agencies to build a campaign on these guidelines. It stated that it was not told exactly where the leads were generated as this was key to the agency's business. The agency used tools like banner advertisements across websites that formed their large media networks and were not designed to sell the service, but merely to deliver interested users to the 'JuicyWin' website where all the information was clearly on-hand to allow the user to make a relaxed, unhurried decision on whether or not to participate.

The Information Provider stated that it had paid the agency for each person that entered and submitted his or her mobile phone number on the website (known as a cost per lead). It stated that it did not get charged for users just being delivered

to the website and that it was not in its interest to hurry users to enter the competition as it would get charged for a lead that would then most likely fail to convert into a sale (given the Information Provider's 24-hour 'cooling off' period before billing commences).

It stated that it had been unaware that its service was being promoted on Facebook as the commercial agreement with its agency was to pay for leads where valid users were entered in to its website.

3. The Tribunal considered the evidence and concluded that the Information Provider had failed to provide information that had been expressly requested by the Executive in its letter dated 28 October 2009 and was later discovered through the Executive's monitoring of the service. The Tribunal upheld a breach of paragraph 3.2.2 of the Code.

Decision: UPHELD

ALLEGED BREACH TWO LEGALITY (Paragraph 5.2)

"Services and promotional material must comply with the law. They must not contain anything which is in breach of the law, nor omit anything which the law requires. Services and promotional material must not facilitate or encourage anything which is in any way unlawful."

1. The Executive submitted that, under Regulation 22 of the Privacy and Electronic Communications (EC Directive) Regulations 2003 ('the Regulations'), it is an offence to send unsolicited promotions using electronic mail (including text messages) for direct marketing purposes, unless (1) the recipient has specifically consented to receiving such promotions, or (2) the recipient's details were obtained whilst purchasing a similar or related product or service to that now being promoted and the recipient was given the opportunity, when his details were collected, to opt out (without charge) of receiving further communications, and is given the same opportunity in each subsequent communication (this is known as the 'soft opt-in').

The Executive made reference to an example of initial service text messages as follows:

"FreeMsg: Welcome to JuciyWin.com for a chance to win our Nokia N97, £150 & £100k draw! Your first question is coming, answer it to confirm your web entry"

"JuicyWin FreeMsg: Reply correctly now to get in the Nokia N97 comp! Which country is Nokia from? A) Wales B) Finland C) France. Reply YES + A,B or C"

It submitted that it appeared that incorrect mobile phone numbers had been entered into the web promotion, resulting in unsolicited initial service text messages being sent to recipients. It submitted that there was no indication to such consumers that the text messages related to a premium rate service, making the text messages the first call to action and promotional in nature. It submitted that consumers who had not entered their mobile number on the web promotion, but had received an unsolicited initial promotional text message requesting a response, had stated that they had been misled into responding and unaware that it was for a premium rate service. Accordingly, the Executive submitted that the initial free text messages (as above) were a 'promotion' in

accordance with the definition under paragraph 11.3.27 of the Code. It submitted that the initial service text messages sent to some complainants were unsolicited and referred to the following complaints:

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"Silly JuicyWin trivia style messages that I did not sign up for. Messages about winning extra tickets into the draw. I did not reply except to say stop".

*******059

"I haven't entered any competitions. I did get a marketing call straight after I got these from a company and I asked them where they got my number from and actually traced an address in Swindon so I think someone must have entered the number in incorrectly".

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"The text messages that initially prompt an entry do NOT mention the subscription costs and charges. This is a basic disclosure that is required. Have since been charged GBP 4.5. I have received a message mentioned that there is a cost and I have cancelled immediately".

2. The Information Provider stated that its services could only be activated by users entering their details online and then confirming via a user text message sent from a mobile handset. It stated that it was simply not possible to activate the service without an online sign-up. It stated that, further to an email from the Executive dated 17 November 2009, it had incorporated changes to avoid any confusion with users regarding unsolicited text messages. Furthermore, following PhonepayPlus guidance, the Information Provider stated that it had made changes to all live services including the first initial text message that now read as follows:

"FreeMsg from JuicyWin.com: Thanks for entering our iPhone + £100k draw. Answer the next question to confirm your web entry, ignore it if it wasn't requested."

The Information Provider stated that it did not market these services via text message marketing to handsets and that all users signed up online to ensure they had full knowledge of the service and had read the various terms and conditions presented to them. The Information Provider stated that users could visit the 'juicywin.com' website where they had the option to enter their mobile phone number so it is blocked any other promotions. It stated that 'juicywin.com' was featured on every text message, allowing users easy contact with the Information Provider. The Information Provider stated that all users had web access as this was how they had registered with the service in the first place.

The Information Provider responded to each of the complainant examples submitted by the Executive.

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The Information Provider stated that its message logs showed that this user had entered the competition online at 14.34 on 7 September. There was also evidence of entry via a user text message from the user's mobile handset on 7 September at 14.36. It stated that two weeks later the user sent in the 'STOP' command, which cancelled the subscription, and that this was confirmed with a free text message to the user's handset.

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The Information Provider stated that its message logs showed that the user entered the competition online at 15.25 on 15 October. It stated that no response was received from the text messages sent to the user to confirm the online entry, so no further contact was made.

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The Information Provider stated that its message logs showed that the user entered the online competition at 12.52 on 10 February. It stated that the user had then received text messages to confirm the entry. The user responded at 14.01 with a user text message from the handset that activated the service.

The Information Provider stated that that the last user had received text messages updated in line with guidelines and was asked to ignore the initial service text message, if it had not been requested. It stated that the fact that the user went on to reply clearly cast doubt over the veracity of the claim that the text messages were unsolicited.

3. The Tribunal considered the evidence and concluded, on the balance of probabilities, that the user with mobile phone number ending '059' had received unsolicited service text messages from the Information Provider for the purposes of direct marketing without having consented to receiving such a communication (in contravention of the Regulations). The Tribunal noted the steps taken by the Information Provider to comply with the Code but decided that, nevertheless, unsolicited texts had been received. It observed that the system of double web entry of mobile numbers had not been used at the time of the alleged breaches, thereby increasing the risk of mistaken or 'rogue' mobile phone numbers being entered into the website. The Tribunal also noted that the Information Provider had since adopted a system of double web entry of mobile numbers. The Tribunal upheld a breach of paragraph 5.2 of the Code.

Decision: UPHELD

ALLEGED BREACH THREE MISLEADING (FAIRNESS) (Paragraph 5.4.1a)

"Services and promotional material must not: a mislead, or be likely to mislead in any way"

1. The Executive submitted that there had been a breach of paragraph 5.4.1a of the Code on the following grounds:

Ground 1

The Executive made reference to its monitoring exercise and submitted that it had identified that the 'JuicyWin' subscription competition service had also been promoted on a competition website called 'myoffers.co.uk'.

It submitted that the 'myoffers.co.uk' website had stated: "It's free to join, and it's free to enter our competitions and prize draws". The Executive submitted that the word 'free' had been highlighted in bold on the website to make it more prominent.

It submitted that the majority of competitions on the 'myoffers.co.uk' website were free, allowing consumers to enter competitions by completing a survey or

questionnaire (sponsored by companies).

It submitted that by promoting the 'JuicyWin' premium rate service on the 'myoffers.co.uk' website, consumers were potentially misled that all competitions promoted on 'myoffers.co.uk', including the 'JuicyWin' competition, were free, when this was not the case.

The Executive made reference to the following consumer complaint that read as follows:

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"I entered free competitions on the internet then I get billed and I have been charged. I had no idea I would be charged, I only entered these competitions because it said free".

The Executive submitted that, by promoting a chargeable competition subscription service on a website that promoted free competitions, consumers were or were likely to have been misled.

Ground 2

The Executive submitted that the use of a countdown clock on a web-promoted competition subscription service was considered misleading as the artificial countdown had created a sense of urgency for users to enter their details when there was no actual time limit, and this potentially detracted from the user being able to make an informed decision.

The Executive made reference to its monitoring exercise and submitted that it identified the use of a countdown clock for the 'JuicyWin' competition subscription service promoted on Facebook on 20 and 22 January 2010. This was after the Executive had previously advised against the use of the countdown clock and closed an investigation against 'JuicyWin' in November 2009 on the basis that it had appeared to the Executive that the Information Provider had adhered to the Executive's advice and had removed the countdown clock from the 'juicywin.com' website.

2. The Information Provider responded to the grounds of the Executive's allegations as follows:

Ground 1

The Information Provider stated that 'myoffers.co.uk' is the UK's number one competitions and prize site. It stated that its core business model is to generate leads for third party companies via its website. Through its agency, the Information Provider had used 'myoffers.co.uk' to generate leads for its services. 'myoffers.co.uk' recruited users to its website to enter into their own free-to-enter competitions; it was also free to register on the 'myoffers.co.uk' website. It stated that, once a user had decided to enter a 'myoffers.co.uk' competition, he or she was also presented with third-party offers from companies. The Information Provider stated that users were not forced to sign up to any third-party services, as this was optional to the user. However, where they did sign up to a third-party promotion, the third party then has the right to contact them.

It stated that, when a user signed up to the 'JuicyWin' service on 'myoffers.co.uk', it was made clear, at the point of entering their mobile number, that the service was a subscription service, the costs involved, how to stop the service, the

contact details, etc. It stated that it was fair to assume that, if the user could read the word 'free', then they can also read the details of each offer that was presented. The 'JuicyWin' offer was very simple and uncluttered, with the costs detailed between the 'enter mobile' box and the submit button. The same paragraph also included details of how to stop the service, the cost of the service, the nature of the service and, in February 2010, a helpline number that had already been previously present in one of the initiation text messages.

It stated that 'myoffers.co.uk' had assured its agency that another client's premium rate promotion had been shown to PhonepayPlus last year and that PhonepayPlus had been satisfied with the template. It stated that the same framework had been applied to its promotion.

It stated that PhonepayPlus had recently communicated its concerns in relation to such websites and, as a result, the Information Provider had been proactive to work with competitors and 'myoffers.co.uk' to address these concerns and remedy them. Indeed, prior to receiving the breach letter, it had already paused all promotions on 'myoffers.co.uk' to allow it to re-evaluate the whole campaign.

The Information Provider highlighted that the 'JuicyWin' service was free for a 24-hour period and that users who stopped the service during this period were still valid for the draws that they had signed up to. The Information Provider stated that it would argue that the use of the word 'free' was not misleading in this scenario as the user has the ability to stop before incurring any charges and that this had been outlined in the terms and conditions where it was made clear that users could enter the competition for free, without actually using the word 'free' as PhonepayPlus had raised concerns with the word 'free' being associated with subscription services.

The Information Provider stated that it felt strongly that web marketing gave the user the option to look in depth at what they were signing up to. All the key information was contained on the entry page and was adjacent to either the box where the mobile number was entered or the button that was clicked to submit the entry. It stated that, in its opinion, it was the most user-friendly medium to promote premium rate services as the user could read terms and conditions in depth at their own leisure and that print and broadcast media did not deliver this type of user experience.

Ground 2

The Information Provider stated that, as agreed with PhonepayPlus in November 2008, it had removed the countdown clock from all of its live services and replaced it with a passive question mark, a lazily circling arrow or a circle of four different colours that lit sequentially. It stated that, upon receipt of the Executive's breach letter, it had conducted an internal investigation to determine why the Executive's monitoring exercise had encountered a countdown clock. It stated that the agency responsible for promoting its websites had been inadvertently promoting some old URLs after a server upgrade.

The Information Provider stated that it had now remedied this and had put measures in place for future promotions to avoid this happening again by recycling URLs and not issuing new ones to its agency. Where this was not possible, it stated that it would physically delete old URLs. The Information Provider stated this had been a genuine technical error that would have affected some, but not all, users who accessed the service and that, short of physically

checking the agencies' servers to ensure that the old links had been deleted, it had to take a certain amount on face value (it had no legal right to audit these servers).

The Information Provider stated that it disagreed with the Executive's original opinion on the use of the countdown clock. It made reference to two elements to the promotion as follows:

The game

It stated that the games could be played by anyone and were unrelated to the sign-up/entry process. Consumers could play the game for fun and then move on to another website without subscribing. It stated that, if the user ran out of time, the clock would restart from 60 seconds and, if the user selected an answer, the clock stopped immediately allowing the user as much time as he or she required to complete a full entry, review the terms and conditions or read anything else on the website. It stated that it was of the opinion that the countdown clock did not create a sense of urgency and it was clear from the Executive's own monitoring that there was no actual time limit to entering the service. It stated that the clock related only to answering the question and did not distract the user from making an informed decision about subscribing.

The entry process

The Information Provider stated that the clock had clearly stopped at the stage a user entered the service and there was no time pressure on the user to complete the entry. It stated that the user had as much time as he or she wanted to read the terms and conditions and/or any other copy on the website. It stated that the clock was designed to help create a sense of fun, and that the costs and nature of the service had been prominent and displayed immediately adjacent to the 'enter now' button, as well as at the bottom of the page and in the terms and conditions link. It stated that it paid for every lead that signed up to the website and needed to make sure that each lead was fully aware of the costs and nature of the service.

It stated that the Advertising Standards Authority had also looked at the promotion and had confirmed that it have no issues with the use of a countdown clock in this particular promotion.

It stated that it did not have a strong affinity to the countdown clock and was happy to replace it with the alternatives mentioned above.

3. The Tribunal considered the evidence and concluded that, in relation to Ground 1, the prominent references to 'free' on the 'myoffers.co.uk' website (Appendix C) in relation to the 'JuicyWin' subscription competition service were misleading, particularly in the context of a website in which the majority of competitions were, in fact, free. In relation to Ground 2, the Tribunal concluded that the use of the countdown clock in the sign-up process (Appendix B) was likely to have misled users into thinking that the service sign-up process had to be completed within an allotted time, even if that was not, in fact, the case. The Tribunal upheld a breach of paragraph 5.4.1a of the Code on both grounds.

Decision: UPHELD

SANCTIONS

The Tribunal's initial assessment was that, overall, the breaches taken together were **significant**.

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

- The Information Provider had an unsatisfactory approach to regulatory risk in this
 case through its reliance on third-party promoters about whose activities it was
 insufficiently aware.
- Non-compliant subscription services have been singled out for criticism by PhonepayPlus.

In mitigation, the Tribunal noted the following factors:

- The Information Provider did try and comply with the rules by taking steps in advance to identify and mitigate risk by seeking legal advice.
- The Information Provider did co-operate with PhonepayPlus.
- The Information Provider made refunds to users.

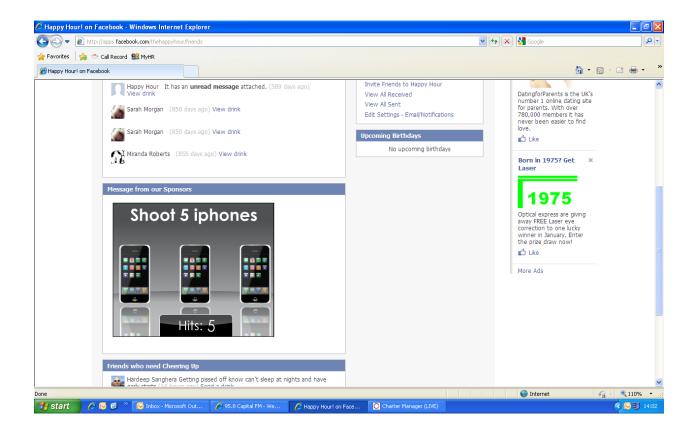
The revenue in relation to this service was in the low range of Band 3 (£100,000-£250,000).

Having taken into account the aggravating and mitigating factors, the Tribunal concluded that the seriousness of the case should be regarded overall as **significant**.

Having regard to all the circumstances of the case, including the revenue of the service, the Tribunal decided to impose the following sanctions:

- A Formal Reprimand;
- Fine of £30,000;
- The Tribunal ordered that the Information Provider seek compliance advice in relation to this service within two weeks of the publication of this decision. Compliance advice is to be implemented to the satisfaction of the Executive within two weeks of receipt;
- The Tribunal commented that it expected claims for refunds to continue to be paid by the Information Provider for the full amount spent by complainants, except where there is good cause to believe that such claims are not valid.

Appendix A – Facebook banner promotion for the service



Appendix B – Screenshot of the 'juicywin.com' website (including countdown clock)



Appendix C – Screenshot of the 'myoffers.co.uk' website (including close-up)

