



Phone-paid Services Authority

Annual Report

2018/19

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PSA overview

Who we are

The Phone-paid Services Authority (PSA) regulates content, goods and services charged to a phone bill. Phone-paid services include TV voting lines, charity text giving, competitions, directory enquiries and game downloads charged to a phone bill.

We are designated by Ofcom as the body responsible for regulating (Controlled) Premium Rate Services (PRS) in the UK. Ofcom is responsible for approving our Code of Practice.

We act independently of Government and commercial interests and operate as an arm's-length body of Department for Digital, Culture, Media and Sport (DCMS).

Vision

Our vision is a healthy and innovative market in which consumers can charge content, goods and services to their phone bill with confidence.

Mission

Our mission in the phone-paid services market is twofold:

- to protect consumers from harm
- to further consumers' interests through encouraging competition, innovation and growth.

We seek to do this by:

- improving the consumer experience of phone-paid services
- applying and enforcing an outcomes-based Code of Practice
- delivering a balanced approach to regulation
- working in partnership with Government and other regulators.

As a public body, we will underpin the delivery of our mission through:

- delivering high standards of organisational support.

Chairman's message



David Edmonds CBE
Chairman, PSA

In 2018/19, we saw overall growth in revenues in the phone-paid services market. The message we are hearing from industry is about realising potential, as new providers enter the market. Consumers appear to see phone payment more and more as a genuine payment option, provided it is delivered in a clear, secure and consistent way.

I was pleased to be re-appointed as the chairman of the PSA in 2018. In my first three years, I spelled out that our goal would be to continue to protect consumers from harm and create the right conditions for the market to deliver services that consumers enjoy. Those will continue to be the PSA's priorities in my second term.

Consumer satisfaction with phone-paid services is growing. Our most recent Annual Market Review suggested a 10 percentage point increase in consumer satisfaction across the market. Our new Consumer Panel is helping to ensure that consumer's interests are at the heart of everything we do.

This year we've seen renewed growth in revenues of 17%, taking the total size of the market measured by revenue up from £540.5 million to £630.7 million – including charity donations. This is promising for the entire phone-paid services industry, but especially for those sectors which have driven that growth, predominantly entertainment services, games and charity donations. It also reverses the trend of steady decline seen in the last few years. Operator billed services were the principal driver of this, with revenues growing 47% in 2018/19.

Our hope is that greater consumer confidence will lead to sustainable growth. We believe that good regulation will support further transition in the market. That is regulation that raises standards, supports innovation and growth, and protects consumers.

We are in the process of tightening our regulatory requirements for phone-paid subscription services to improve the consumer experience and prevent harm. Research told us clearly what consumers want and expect when using these services, and our hope is that we can raise standards to support subscription services that consumers want and enjoy.

We will also start work on our 15th Code of Practice in the next financial year, updating the Code to meet the needs of a changing market and consumer base.

Since I took on the role of Chairman, we have been committed to operating as efficiently and effectively as possible. We have upheld our commitments by holding the industry levy at £1.8 million in 2019/20, as in the previous two financial years. The remainder of the PSA's operational budget of £3,939,475 comes from income from fines and registration fees. This represents a 1% saving in real terms over 2018/19 and 21% over the last four years.

I would like to thank the team in Canary Wharf under Jo Prowse's leadership, and my colleagues on the PSA Board, for their ongoing hard work to further the interests of consumers in this market.

Looking ahead to 2019/20, we will continue to raise standards in the market for the good of both consumers and industry. Our vision remains clear: a healthy and innovative market where consumers can charge content, goods and services to their phone bill with confidence.

CEO report



Jo Prowse
Chief Executive, PSA

After another highly productive year at the PSA, there is much to be pleased with, but still plenty to do. Over the last year, we've redoubled our focus on consumers, not just in terms of proactive consumer protection and enforcement, but also by improving the consumer experience of phone-paid services and enabling good services to flourish with right touch regulation.

This year we established a Consumer Panel in support of our wider work to ensure that the consumer view is at the heart of everything we do. Since they first sat in December 2018, the Panel has already offered vital insights from an independent, consumer perspective on our regulation and the way we communicate with the public.

Our focus on the consumer is paying dividends. According to our most recent Annual Market Review, consumer satisfaction has increased by 10 percentage points over the last year, suggesting that the consumer experience of services across the market is improving.

As well as rising consumer satisfaction, we've also seen significant growth in the market, with revenues increasing by 17% in 2018/19. This is no coincidence. Our Annual Market Review found high and growing consumer satisfaction with services like music streaming, film and TV, gaming, books and charity donations, most of them mobile services and using operator billing.

Subscriptions are a major growth business model, with Deloitte having predicted in their 2017 Consumer Review that the average consumer will double the number of digital subscriptions they pay for over the next few years. The phone-paid services market is part of this growth, with subscription services expanding to include a range of different products and services.

While there are many services operating effectively that generate very few or no complaints to the PSA, there are also some services that are causing significant levels of consumer harm. The total number of complaints we've received has increased up to 20,300 since last year's total of 15,800, the vast majority of these relating to subscription services. Addressing the causes of consumer detriment has been an important focus in 2018/19.

We have been developing proposals to improve standards for subscription services that prevent harm and deliver a consumer experience that they recognise, and subject to public consultation, we anticipate implementing in the first half of 2019/20.

Where there are serious instances of malpractice and non-compliance with our Code of Practice, we take action, and have used our powers to protect consumers from harm. This year, our Tribunal sat 14 times, prohibiting five organisations from operating in the market and issuing £3.38 million in fines. The application of our Code isn't all about formal enforcement, however, and we continue to manage a large proportion of cases through quick, fair and proportionate informal resolution. In the last financial year, we've seen 67% of cases resolved informally.

Our proactive approach to regulation also means engaging in constructive dialogue with industry to clarify our expectations and to work collaboratively towards improved compliance. This year has been no exception; we've been updating our registration requirements, expecting more information about services as they enter the market to enable us to assist consumers and provide clarity as much as possible.

Although fixed line services are in relative decline, we continue to protect the interests of consumers who use and, in some cases, rely on them. We've worked alongside Ofcom to bring greater clarity to the market for Directory enquiries, where there had been growing concern about escalating costs and misleading promotions. New Special conditions came into effect in February 2019, to improve transparency and to prevent harm caused by potentially misleading advertising and sit alongside Ofcom's work in introducing new price caps. Our regulatory remit was also extended to all Information Call Connection and Signposting Services (ICSS) in January 2019, regardless of number range, and we've recently published proposals to update our regulation and protect consumers.

As always, our team in Canary Wharf has been one of my personal priorities. Our staff are highly engaged and committed to delivering good outcomes for consumers and industry. We're proud to have been re-awarded the Silver Investors in People Award we received in 2016 and continually look to improve our business practices and performance of our staff.

There is plenty to be done in 2019/20. We'll be looking to implement final requirements for subscription services to address consumers concerns, and to introduce guidance on consent to charge mechanics to improve the clarity and security of payment platforms and verification processes. Due diligence, risk assessment and control expectations across the whole value chain will be a priority as well as a review of refund mechanisms which best meet the consumer need. Our Service checker – the most widely used service on our website – is also due for an update, allowing consumers to access a far greater range of information about phone-paid service providers.

And importantly, as we look ahead, we will be laying the foundations for a new Code; identifying the areas of potential change required to ensure the Code remains fit for purpose for the market we are regulating. Our mission for this market remains clear: to protect consumers from harm and to further consumers' interests through encouraging competition, innovation and growth.

Delivering on our priorities

Improving the consumer experience of phone-paid services

Our vision is a healthy and innovative market in which consumers can charge content, goods and services to their phone bill with confidence. Part of our work to deliver that vision is to improve the consumer experience of phone-paid services. We want consumers to have confidence when buying services, to be well-informed, treated fairly, and satisfied with the phone-paid service they receive.

The PSA works towards this purpose in three key ways. First, we communicate effectively with consumers. We provide direct assistance to consumers who have queries or concerns about charges to their phone bill via our contact centre and website, where they can find accurate information and guidance. We make it clear what our function is, where and how we can help, and what next steps they need to take. Second, we ensure that we understand what consumers want from phone-paid services and their experiences of using them through commissioning research and analysing complaint and enquiry data and trends. Finally, we put the consumer voice at the heart of our strategy and policymaking, to maximise our effectiveness as a consumer protection body and shape the market in the interests of consumers.

In 2018/19 we:

Established a Consumer Panel

We aim to ensure that consumers and their interests shape our policy, strategy and operations. This year, to bolster the consumer voice in our work, we established a Consumer Panel to ensure we retain a strong focus on consumer interests. This model has proved effective for a number of other regulators, including Ofcom, the Financial Conduct Authority and the Independent Press Standards Organisation. The panel offers independent views on the phone-paid services market and our regulation, providing advice and comment from a consumer perspective on the extent to which PSA policies and regulation meet the needs of consumers.

The panel was appointed after an open recruitment process, in which we received over 140 applications. The six members who were appointed selected their own chair from among their number. All members bring considerable expertise from their professional life, as well as an outsider's perspective on the phone-paid services industry and our regulation, to offer constructive feedback and insights. None are affiliated with the phone-paid services industry, and all have experience in relevant areas including consumer advocacy, trading standards, regulatory affairs and assurance.

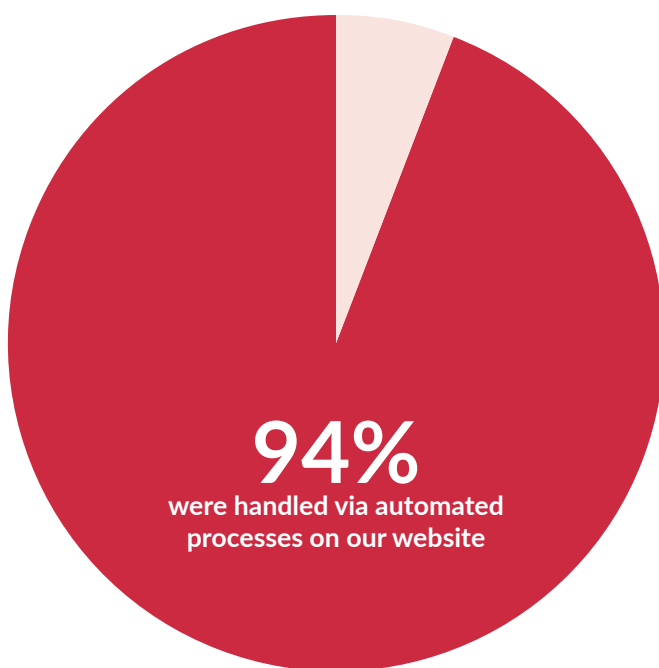
The panel sat twice in 2018/19 and will meet quarterly thereafter. Their insights have already assisted us in adapting our communications to provide clarity about the phone-paid services market to the wider public and influenced our policy proposals, for example, our ongoing review of phone-paid subscriptions services.

Handled thousands of contacts from consumers

One of the ways we communicate with and help consumers directly is through handling contacts. Consumer contacts are also a source of valuable market intelligence and an indicator of consumer experience. We received 297,100 contacts from consumers in 2018/19, 94% of which were handled via automated processes on our website, primarily our Service checker tool – up from 91% in 2017/18. The Service checker enables consumers to self-serve, getting the required information simply and effectively, when they have queries about an unexpected phone charge and its source.

Our contact centre agents also speak to consumers on a daily basis. We've adapted our consumer narrative and all our communications channels, to make it as clear as possible what the PSA does as a regulator and how we can help, including advising consumers on those who can help resolve their individual issues.

We received
297,100
contacts from consumers



3%
more than last year

We saw an increase in complaints over the last year, up to 20,300 since 2017/18, when we received a total of 15,800 complaints. Of these, more complaints were handled via our new website, rising from 43% of complaints in 2017/18 to 72% in 2018/19.

We expect to see a decrease in the number of complaints we receive in 2019/20, in response to changes in our policy and regulatory requirements. Other indicators suggest an increase in consumer satisfaction with many types of phone-paid services, with our Annual Market Review showing a 10 percentage point increase in consumer satisfaction from 55% in 2016/17 to 65% in 2017/18.

Commissioned and published research about consumer engagement with phone-paid services

As a regulator, we aim to understand the consumer experience of phone-paid services so that we can target our regulation to meet their needs. In 2018/19, we worked with several research agencies to improve our understanding of consumer interactions with phone-paid services.

- **ICSS behavioural research:** We asked the University of Nottingham to conduct behavioural research into consumer responses to promotions for ICSS– websites and search results displaying phone numbers for third-party call connection to popular helplines. We published this research in April 2018. The findings informed Ofcom’s review of the regulation of ICSS, which led to our remit being extended to all ICSS, and our subsequent review of our regulatory requirements for these services.
- **Subscriptions research:** We asked market research agency Jigsaw Research to help understand consumer expectations for phone-paid subscription services. The research was published in February 2019 and was commissioned to understand expectations from discovery and sign-up through to use and exit. It found that consumers welcome phone payment as a payment option but are largely unaware of it. As a result, consumers don’t always know that they are in a payment environment and welcome greater clarity and friction than is generally used by services in this market. We are now working to update our regulatory requirements for phone-paid subscription services to deliver standards that meet consumer expectations better.

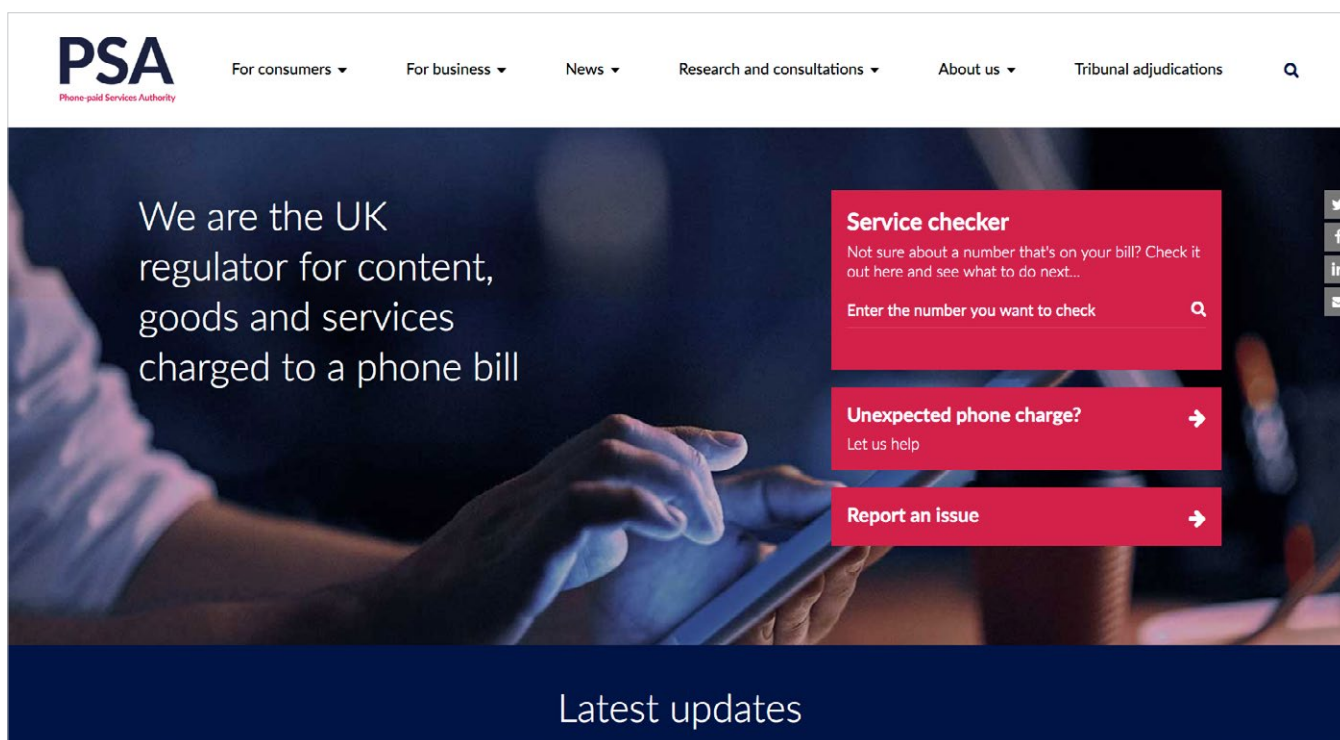
- **Annual Market Review:** We published our Annual Market Review (AMR), delivered by Mobile Squared, in September 2018. The AMR is a crucial piece of research, as it allows us to build a detailed view of the market and its near-term prospects, as well as consumers' experiences and perception of specific service types. This year, we updated the review to divide the market into 13 broad categories, subdivided into 48 service categories and survey 5,000 users of phone-paid services. This allows for greater granularity of market analysis and consumer engagement with services.

The research featured key findings, including a 10 percentage point increase in overall consumer satisfaction within the market, and greater 'stickability' of some services, with higher rates of repeat custom. The biggest growth in reported consumer usage were for entertainment, charity donations, games, gambling and lifestyle services. The greatest consumer satisfaction was for music, books, charity donations, film and TV services. 85% of phone-paid service users said they had not experienced problems with a service in the last year. We believe that an improving consumer experience has been a vital part of recent market growth.

Launched a new website

Our website psaauthority.org.uk receives over a million visitors every year and attracted 1.17 million in 2018/19. In order to serve these visitors as effectively as possible, the PSA launched a new website in September. The new website provides clear and easily digestible information about the market and our function as a regulator to consumers and businesses. It is intuitively structured and task-focussed, designed for consumers who may not have a detailed knowledge of the phone-paid services industry. We've made it easier for consumers to report issues to us, and provided answers to and advice on the most common questions or issues as prominently as possible.

This also involves updating the Service checker (previously known as Number Checker), which we'll implement in 2019/20. The changes are considerably improving the quality and clarity of information which we can provide about specific services or the phone-paid services market more generally. The website also houses important updates about Tribunals, consultations, changes to our regulation and other significant activities to consumers, industry, and other stakeholders.



In September 2018 the PSA revamped their website. The new website provides clear and easily digested information about the market and our function as a regulator to consumers and industry.

Brought important consumer protection messages to a wide audience

The PSA is proactive in raising awareness of the phone-paid services market and promoting important consumer information through a wide range of channels. As well as updating our website, we are also active on social media, and have recently reviewed our strategy to ensure we communicate with consumers in the digital space as effectively as possible. Similarly, we have revised our approach to media communications, publicizing our policy and enforcement work and co-ordinating our efforts with journalists to get consumer protection messages into their forums, including BBC Watchdog, BBC Radio 4's 'You and Yours' and 'Moneybox' programmes, The Times, The Sunday Telegraph, The Independent, The Daily Mail, The Mail on Sunday, The Daily Mirror, the Yorkshire Post, Which? and others. Coverage generated as a result of our news releases reached an average of 1.6 million readers per release. Our media strategy forms an important part of our efforts to improve the information about phone-paid services available to consumers.

Outcomes

- Consumer interests represented at the heart of our organisation through our new Consumer Panel
- Nearly 300,000 consumer contacts handled efficiently and effectively
- Key messages about the phone-paid services industry and consumer protection in national media, reaching wide audience
- Higher consumer satisfaction with many service types and growing repeat custom, according to Annual Market Review
- Regulation that meets the needs and expectations of consumers, based on a developed understanding of their attitudes and behaviour
- Greater clarity about our role and what we can do to help consumers.

"We've seen a 10 percentage point increase in consumer satisfaction"

Applying and enforcing an outcomes-based Code of Practice

Our Code of Practice is outcomes-based and designed to help service providers deliver good services for consumers. We ensure that industry is taking responsibility for compliance with our Code, with the aid of supporting Guidance and free compliance advice. As the regulator, our priority is protecting consumers from harm in the most effective and efficient way possible, while also facilitating innovation and growth. In order to do this effectively, where we can, we raise consumers' issues with service providers and provide opportunities to resolve issues informally where appropriate. In the more serious cases where our Tribunal has found serious breaches of the Code, we have a range of enforcement powers appropriate to a regulator, including the power to prohibit companies and individuals from the market, order refunds and issue substantial fines.

In 2018/19 we:

Resolved issues informally when appropriate

Informal resolution of issues with services can often represent a good outcome for both consumers and industry meaning issues can be dealt with quickly and effectively. In 2018/19, 67% of our cases were resolved in this way, delivering protection and redress for consumers through the quickest and most efficient means available.

We have adopted a more proactive approach in communicating issues to service providers to draw their attention to potential problems at early stages when receiving complaints from consumers, and this has helped to facilitate compliance with our Code of Practice. This approach also enables us to apply our resources most effectively in targeting the greatest areas of consumer harm.

Issued compliance advice to industry

As part of our objective to achieve high standards of compliance in the market, we provide non-binding compliance advice about our Code and Special conditions to service providers. This advice is a free service for industry and is instrumental in enabling service providers to maintain good standards and be aware of their responsibilities to consumers. In 2018/19, we issued 474 pieces of bespoke compliance advice to industry.

We also publish formal Guidance on how services can most effectively stay compliant with specific provisions in our Code of Practice. These are subject to ongoing review, and in line with our strategic priorities for industry, reflecting our wider regulatory priorities. This year, we developed or published Guidance on the retention of data, digital marketing and promotions. The intention of this Guidance is to clarify, in detail, our expectations, and to facilitate compliance with our Code.

Prioritised good standards in due diligence and risk assessment

The PSA Code of Practice makes providers' responsibilities very clear in terms of performing due diligence and risk assessment with everyone they contract with. These processes are particularly important in the phone-paid services market, where services are delivered to consumers through partnerships between network operators and providers, some of them involving multiple parties.

Our expectation is that due diligence should be carried out by anyone contracting with another company to provide phone-paid services and that it should include an assessment of their compliance with the PSA Code of Practice and be subject to ongoing review as part of the business relationship.

This year we commenced a review of our due diligence expectations to ensure market practice delivers the intended outcome. Our work in this area has laid the foundations for new Guidance around due diligence and risk assessment in 2019/20. We have also undertaken targeted enforcement action focussed on reducing poor practice in this area.

Prioritised consumer protection in our enforcement strategy

In deciding which services and service providers to enforce against, we naturally prioritise the prevention of harm to consumers. To achieve this, our enforcement strategy draws not just on the complaints which we receive from consumers and our own monitoring work, but also a broader analysis of those services which are causing the most significant issues. Of course, our enforcement activity is subject to due process, and we only move to formally investigate a service once we have evidence of non-compliance with our Code of Practice. In 2018/19, our focus was primarily on mobile subscriptions and ICSS, as well as ensuring that due diligence and risk assessment responsibilities were being taken seriously at all levels of the industry.



We believe that this is the best approach, both from a consumer protection perspective, and in terms of making best use of our resources and delivering value for money to industry. It also allows us to ensure we maximise the impact of our policy development work.

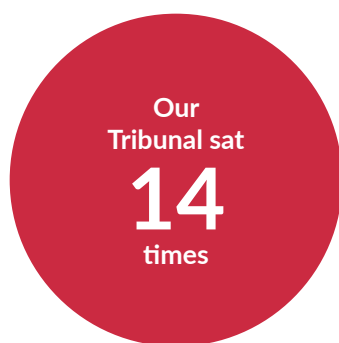
Received a positive report following the audit of our enforcement processes and procedures

In February 2019, we appointed Fieldfisher to undertake a second audit of our enforcement processes. This was commissioned to ensure we had implemented the recommendations from their previous audit and identify any improvements to our decision-making processes.

Fieldfisher's first audit, conducted in 2017/18, concluded that we were conscious of our obligations and sought to act proportionately. It also made several

recommendations on how we could improve our processes, which we have implemented. The 2018/19 follow up audit has confirmed that we have implemented the previous recommendations, and further evaluated any risk in our decision-making processes. The audit also confirmed that there were no concerns about the outcomes reached in any of the cases based on the information available, and that they see the PSA's personnel as being well-versed in the Code obligations and the procedural requirements of the Supporting Procedures.

The audit also found no concerns about the overall quality and consistency in PSA's case handling, conduct of investigations and decision-making, and considered it to be of a good standard.



Undertook proportionate enforcement action where necessary

In order to protect and advance the interests of consumers, the PSA enforces its Code of Practice where necessary. In 2018/19 we worked on 133 different enforcement cases (out of a total of 407 cases), and many of the 80 cases which were closed this year were resolved through either closure without action, or via an agreed action plan. However, 14 cases involving the most serious consumer harm were subject to formal Tribunals, which issued a total of £3.38 million in fines and prohibited five companies from the market.

As is the case with most regulators, it is necessary for us to prioritise our efforts and resources to most effectively and efficiently protect consumers from harm. This year we saw the emergence of many subscriptions being charged for mobile 'alert' services – real-time news updates on sport, weather, news, media content and other subjects. Subscriptions for alerts of this kind, as well as for games, video content and competitions accounted for 37 of our 53 open investigations at the close of the 2018/19 financial year. We also had seven open investigations into ICSS, a considerable driver of consumer harm.

Case studies

- **Xplosion Ltd:** In October 2018, our Tribunal issued three separate fines of £250,000, £350,000 and £440,000 to Xplosion Ltd, which operated several mobile content services that charged consumers on a weekly basis for entry into competitions, or access to quizzes, games, and video content, via their phone bill.

The PSA Tribunal found that Xplosion had failed to secure consumers' consent to bill them. It also found that they had failed to inform consumers about the cost and nature of the service before purchase, that they had failed to treat consumers fairly and equitably by not providing them with access to a real service, and that they had failed to disclose information to the PSA or register services with the regulator as required. The company was formally reprimanded and barred from operating in the phone-paid services market for five years. In total, the PSA had received 252 complaints about the services operated by the company.



- **Tobaji Limited:** In September 2018, our Tribunal adjudicated against Tobaji Limited, an ICSS service provider operating a call connection service on 087 number ranges. Tobaji Limited, which ran the CustomerServiceContactNumber.co.uk website, was fined £700,000 and barred from operating until it made significant changes to the service. The Tribunal also issued a General Refund sanction, meaning that all consumers who were eligible for a refund and made a claim had to receive one.

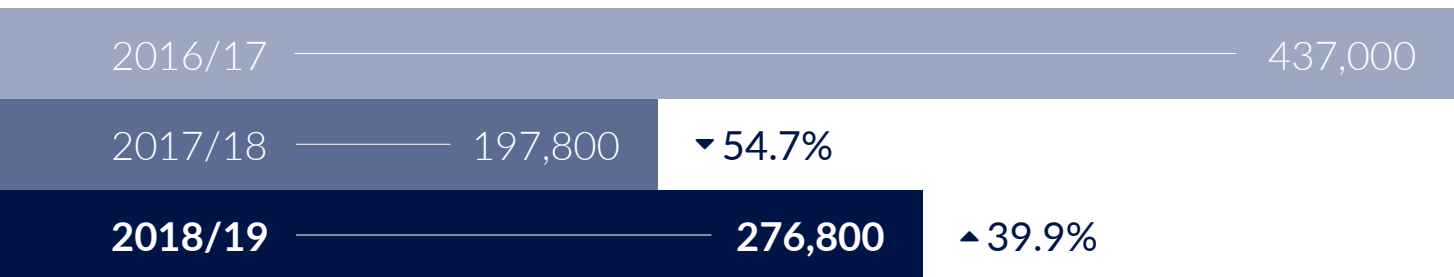
The PSA Code Adjudication Tribunal found that the company had used misleading promotions on its website, which did not make it clear to consumers that they were using a third-party connection service. The company also breached Special conditions for services of this type, including a failure to adequately notify consumers of costs and the nature of the service at the start of the call via a voice message. Several of the numbers which it was using were not registered with PSA, as required by the Code of Practice.

Outcomes

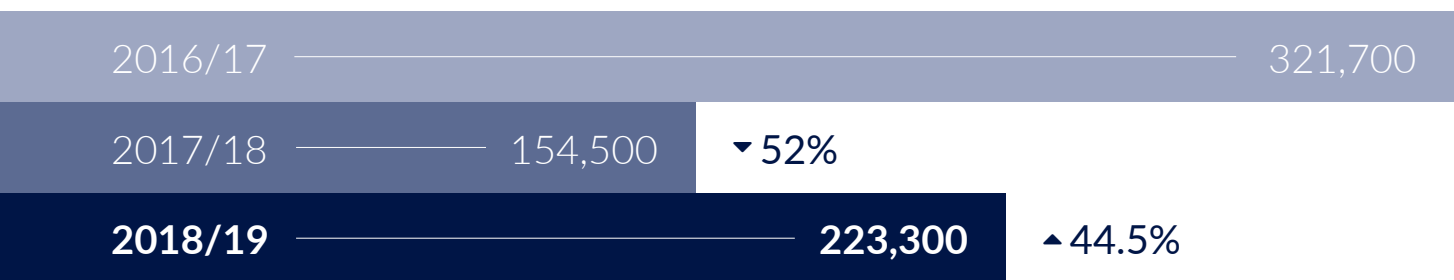
- A balanced and proportionate approach to enforcement, with two-thirds of cases resolved quickly and easily
- Targeted enforcement activity that tackles consumer harm at its worst
- Confidence that our cases are consistently well-handled and that our investigations and decision-making is of a good standard
- Maintained market compliance through issuing 474 pieces of bespoke compliance advice.

Our activity in numbers

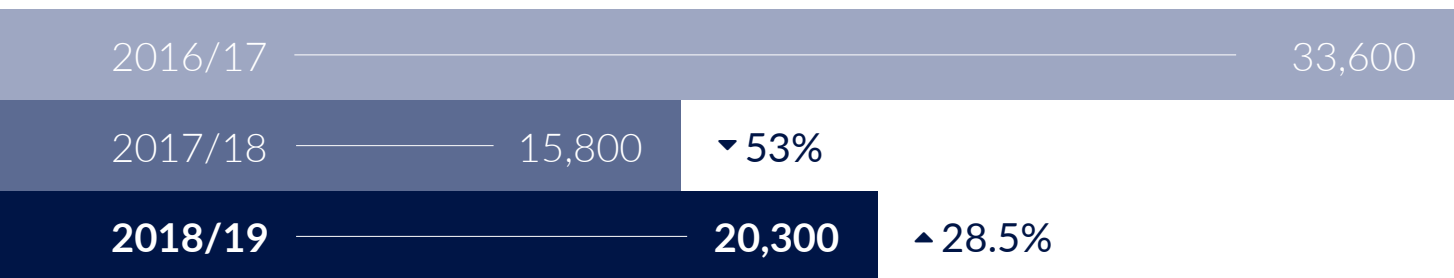
Enquiries



Number checks



Complaints

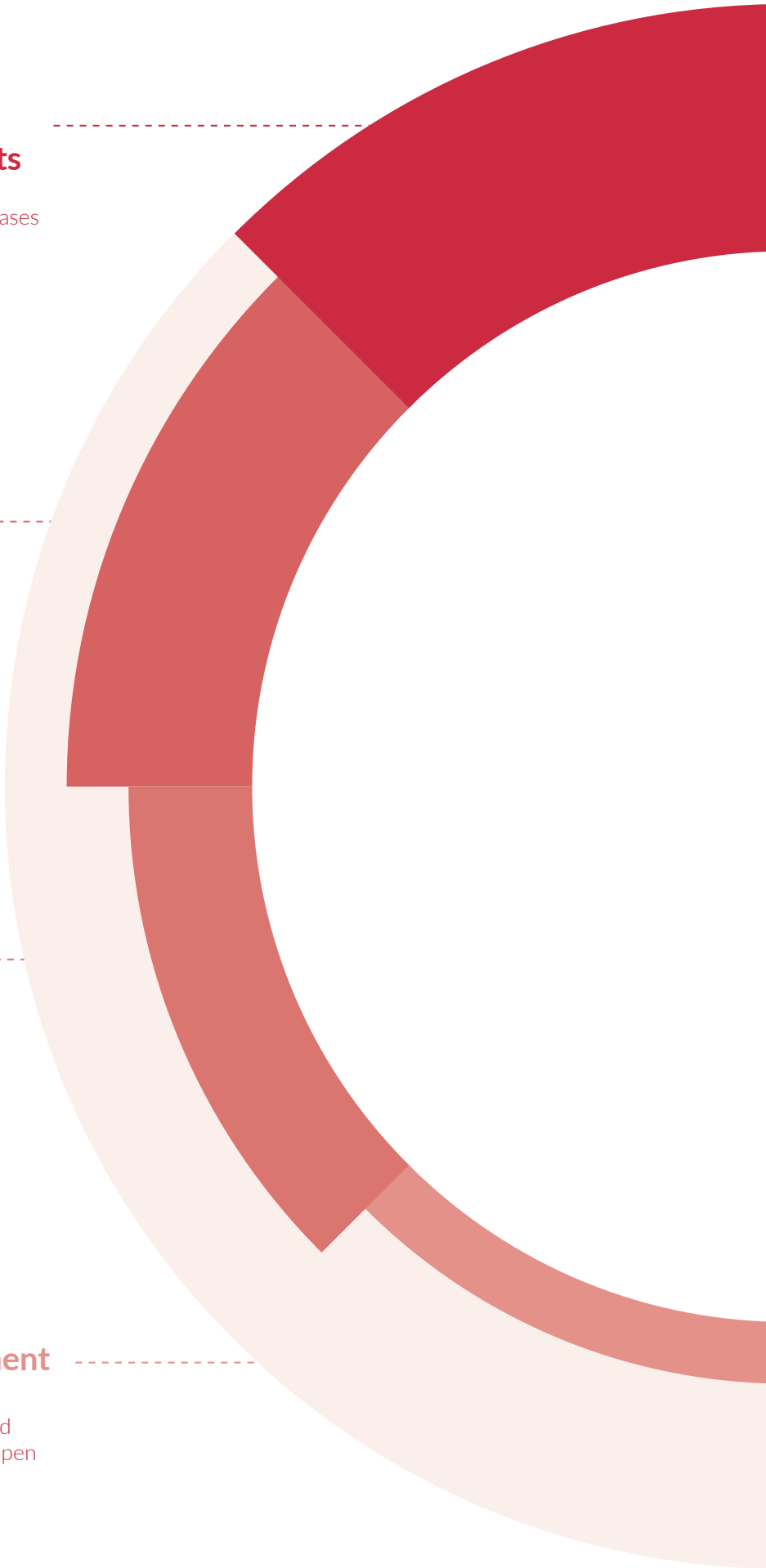


**13,700
Assessed
complaints**
leading to 407
investigation cases

**407
Investigation
cases**
244 cases closed
163 cases still open

**67% Cases
resolved
informally
& quickly**
out of all 244 cases,
164 were resolved
informally and quickly

**133
Enforcement
cases**
80 cases closed
53 cases still open



Delivering a balanced approach to regulation

We believe that effective regulation considers a range of perspectives, follows best practice and takes a proportionate approach. Where we can, we look to facilitate innovation and growth, whether driven by new entrants or established players in the market and reduce any unnecessary regulatory burden on industry. However, we also enforce our Code of Practice, and continuously review our regulatory requirements to protect consumers and raise standards. The PSA hears a broad range of views from stakeholders across the industry. This is not only a question of due process and best practice; it benefits our work on behalf of consumers to shape our priorities around a wide range of information and perspectives.

In 2018/19 we:

Reviewed our regulation of subscription services

We launched a review of our regulatory requirements for subscription services, aimed not only at protecting consumers from harm, but also ensuring the market is supported by appropriate standards that build confidence and facilitate growth. Phone-paid subscriptions can be a secure and convenient payment method for accessing certain types of content like music streaming, games and video content. We've seen strong growth in the market driven in part by blue chip entrants using this payment mechanism. However, subscription services have also been the biggest driver of complaints to the PSA, over 90% of which have been about subscriptions in the last couple of years. There is clear evidence of a poor consumer experience caused by some subscription services and addressing this remains a key priority.

The PSA launched a call for inputs in September 2018, to hear a wide range of views from consumers and industry on the future of phone-paid subscriptions services and what their expectations are. We also commissioned research from Jigsaw Research, a leading market research agency, to gain a more developed understanding of consumers' expectations of discovering, signing up for, using and exiting phone-paid subscriptions. These insights were all considered in the proposals which we published for consultation in February 2019.

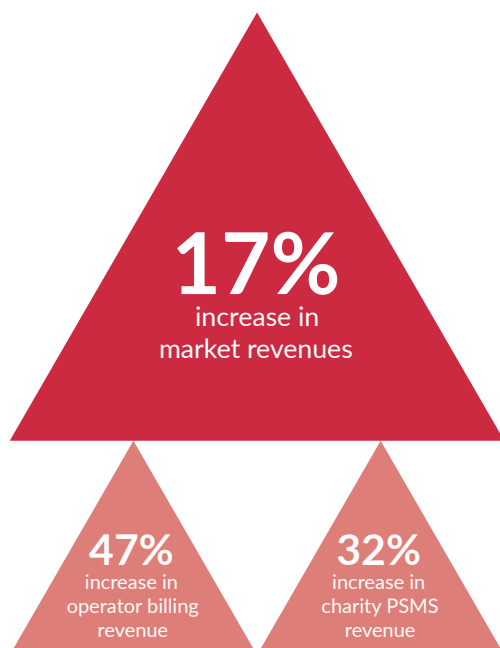
The proposals are intended to reduce consumer harm, build confidence in the market and support good growth. The aim is to ensure that the journey when purchasing subscription services meets consumer's expectations. We intend, through the proposals, to make the process of signing up to a phone-paid subscription as clear and recognisable as possible, deliver the required friction before a purchase is made and ensure that the post-purchase experience meets consumer's needs. Our intention, subject to the consultation, is to introduce new requirements for subscription services in the first half of 2019/20.

Enabled good services to enter the market

Part of our mission is to support growth and innovation in the market in the consumer interest, and this was a focus of our activity in 2018/19. As well as our work on subscriptions, we introduced new Special conditions – requirements tailored to a specific service type to enable consumers to enjoy them with security and confidence – for society lottery services. These services enable consumers to contribute to charitable causes by buying tickets for raffle-style games and prize draws and have the potential to deliver good outcomes for industry, charities and consumers alike. The new Special conditions deliver clarity by bringing together all the applicable elements of our regulation in one place.

We also made a further update to our registrations regime by making a pilot scheme we trialled in 2017/18 permanent. This pilot was intended to make it easier for Level 1 providers to 'on-board' clients that may want to use operator billing as a payment option, without the need to register with the PSA. This is aimed specifically at blue chip providers – major businesses with a good reputation – looking to explore the use of phone payment for their content and services. During the pilot, it was demonstrated that new players were able to enter into the market successfully with alternative protections in place to ensure good outcomes for consumers and compliance with our Code of Practice. We considered the balance of our priorities around consumer protection and facilitating growth and decided to make the scheme permanent.

Our outcomes-based Code, and collaborative, proportionate and flexible approach to regulation continues to support sustainable growth in the market. Market revenues jumped by 17% in 2018/19, which was largely fuelled by blue chip providers choosing to offer phone payment as a payment option to their customers.



Further developed our understanding of consent to charge mechanics

We've worked with the mobile network operators and mobile security experts Copper Horse to test the security of payment platforms used by the phone-paid services industry. Copper Horse tested Payforit-accredited payment platforms used by Level 1 providers, and then made specific recommendations as to how they could be made more secure. Further testing was then carried out three months later to evaluate the effectiveness of the recommendations after implementation. The platforms were found to have improved their security standards across the board.

The PSA is now revising our Guidance on Consent to Charge for industry to reflect the outcomes of the project. We will consult on revised Guidance in the first half of 2019/20.

Our proposed Guidance will build on one of the key requirements in the PSA Code of Practice, which states that consumers should not be charged without their consent. The proposals set out more detailed expectations around informed consent, and the

robustness of the platforms used to verify consent. We anticipate having the Guidance in place, subject to the consultation responses, by the end of quarter 3 of the next financial year.

Updated our registration requirements

We're updating our registration requirements for industry, expecting providers to share a greater range of information about services provided in the market. This will bring our practices forward to reflect changes in the industry since registration was first introduced seven years ago. Much of this information, which will help to identify and provide better information around services as they go live in the market, will be publicly available on our website via the Service Checker.

During consultation, we sought to balance improving our ability to deliver our mission alongside the impact on service providers, in terms of the time and resources committed to registration. We believe that more comprehensive information will benefit consumers, by providing greater clarity about the market, where charges

have come from and what services are available. It also benefits industry by supporting and encouraging high standards of due diligence and compliance from the outset, and the PSA's activities in monitoring the market and assessing services in relation to our Code and Guidance. The new system should be implemented by the end of summer 2019.

Consulted on data retention

The General Data Protection Regulation (GDPR) came into effect across Europe in May 2018. The PSA engaged in dialogue with a number of industry members on the impact of the GDPR on the data they held. This resulted in a need for us to clarify our expectations in relation to various types of data held by providers, including personal data, and the period of time that such data should be held for.

We consulted on proposed Guidance on the retention of data in February 2019 and will be issuing a statement later in this calendar year.



Brought our call duration caps into line with PSD2

The Financial Conduct Authority (FCA) introduced the Payment Services Regulations in 2017 that transpose the Payment Services Directive 2 (PSD2) into UK law. The provisions affecting the phone-paid services industry came into force in January 2018. The new regulations have implications for the phone-paid services industry.

The PSA has updated its existing specified charges to bring them into line with the terms of the PSD2 for both fixed line and mobile services. Notice of the new specified charges and call duration caps was issued in August 2018, laying out revised maximum charges which can be made for a range of service types, and new maximum call durations aimed at capping tariffs for certain fixed line services which charge based on the length of a call. These caps continue to protect consumers from unexpectedly high charges and ensure clarity and consistency by bringing practice in the phone-paid services market into line with other price capping regulations.

Engaged with industry

Our work involves close collaboration with stakeholders, including the phone-paid services industry. We believe the positive engagement with the industry leads to more effective regulation that meets the needs of consumers. There are a range of forums for engagement between the PSA and the industry, including:

- **The industry forum:** The PSA holds an annual industry forum that brings together representatives of the industry and regulator, as well as other stakeholders. The theme this year was improving the consumer experience of operator billing, and included presentations from market researchers, Mobile Network Operators, and Level 1 service providers about the positive development of this crucial aspect of the market. Over 100 delegates attended, taking the opportunity to offer proposals, air their views and develop important relationships.
- **The Industry Liaison Panel (ILP):** is our formal panel to facilitate regular engagement with industry. Chaired by PSA Board member Ann Cook, the ILP hosts quarterly meetings between members of the PSA Board of Directors and senior staff and representatives of the industry from across the value chain and trade associations. It is an important forum for industry representatives to offer their perspective on PSA regulation, and for us to explain, clarify, and develop our strategy and policy proposals to take account of industry views.

Regular workshops and focussed meetings:

In addition to these scheduled forums, the PSA also hosts a programme of workshops and subject-specific meetings each year. In 2018/19, we hosted workshops on the review of subscriptions services and the review of registration requirements and attended forums on our ongoing consent to charge policy work, among other key subjects.

Conducted digital monitoring and intelligence gathering

We proactively monitor the phone-paid services market, using our technology to scan promotions, recreate consumer journeys, and identify areas of potential non-compliance. In 2018/19, we scanned 572,860 promotions, and found 51,765 phone-paid services, monitoring activity which informed our other work in assessment, investigations and enforcement. Having previously worked to reduce the prevalence of phone-paid services marketing in online videos aimed at children, this year we focussed on subscription alert services – recurring charges for access to information alerts about news, weather, sports, digital content or other subjects. We are also examining concerns around malware and the possibility that malware can be used to subscribe a consumer to recurring charges without their consent.

Outcomes

- Proposals developed to raise standards in subscriptions market based on improved understanding of consumer expectations
- 17% market growth (47% growth for operator billing specifically), driven by services that consumers enjoy
- Regulatory consistency with other payment types and augmented protection for consumers
- Clear understanding of industry stakeholder expectations
- Improved understanding of market mechanics, due to monitoring
- Clear data retention expectations for industry
- Improved security standards for payment platforms used by phone-paid services industry.

Working in partnership with government and other regulators

Where it is necessary and appropriate for us to do so, we coordinate our efforts with other regulators and public authorities, and offer our perspective to relevant areas of policymaking, in order to advance the interests of consumers and the phone-paid services industry. We have good working relationships with other public authorities and organisations, including Ofcom, who are responsible for approving our Code of Practice, DCMS, of whom we are an arm's length body, and various other regulatory bodies.

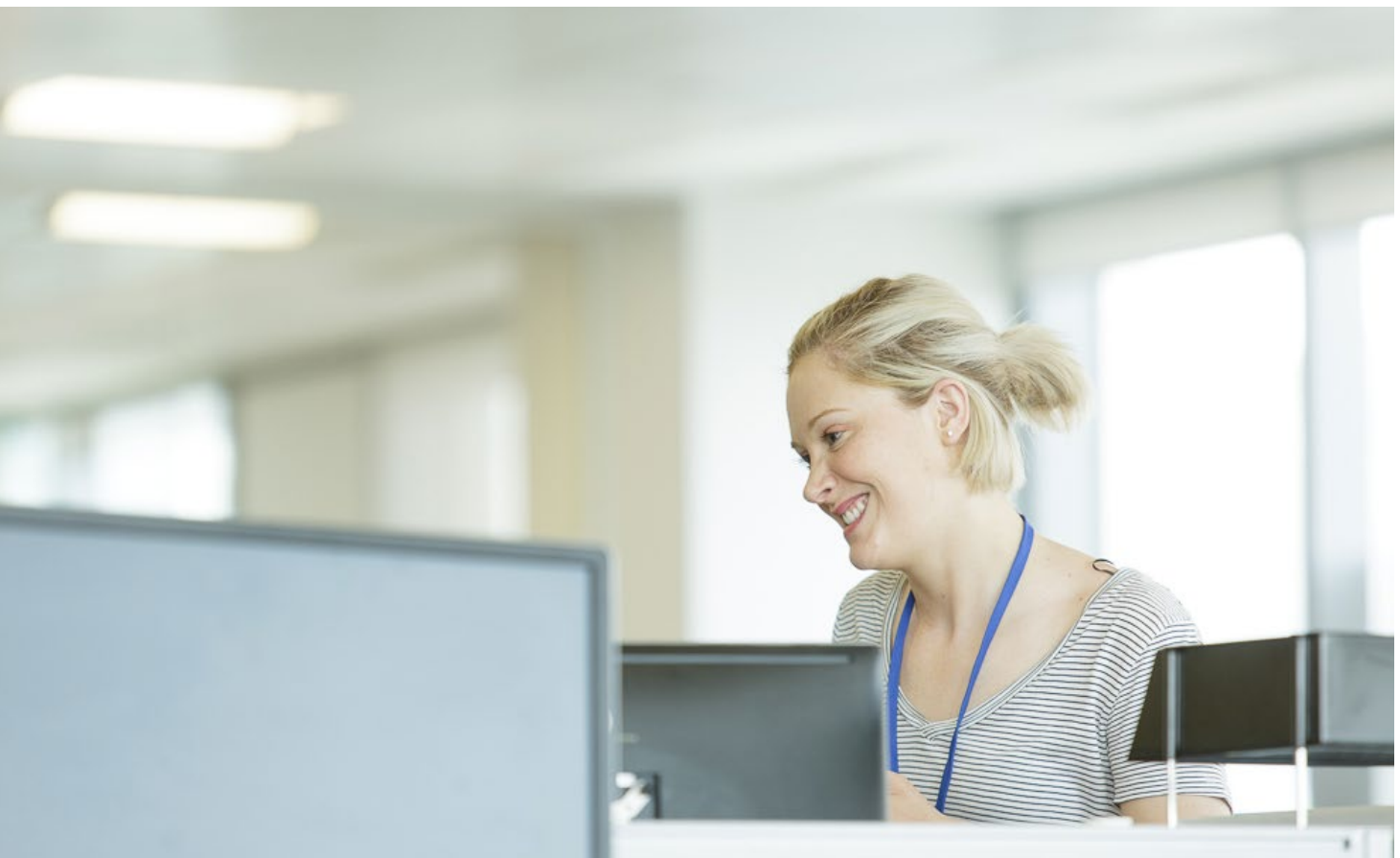
In 2018/19 we:

Worked with Ofcom to update regulation of fixed line services

In 2018/19, we worked closely with Ofcom on updating regulatory requirements for Directory Enquires (DQ) services and Information, Connection and Signposting Services (ICSS):

- **DQ:** Directory enquiries are a long-established phone-paid service type, allowing consumers to access desired phone numbers, information and onward connection via a call to an operator. There were concerns from consumers and the regulator about escalating costs and misleading promotions for these services. In 2018/19, the PSA worked with Ofcom to bring greater clarity to this market and ensure costs and promotions are clearer to prevent harm to consumers.

We introduced new Special conditions in February 2019, sitting alongside revised regulatory requirements from Ofcom. The Special conditions are aimed at preventing potentially misleading interactive voice response promotions being placed on inactive or otherwise unused geographic numbers – which, although not yet widespread, was serious in nature and a cause of concern for consumers. They also ensure that costs for onward connection are made clear upfront, giving consumers the information which they need to consider whether an operator should connect them to the desired call destination. Although the Directory enquiries market is in sharp decline, with revenues falling by 23% in 2017/18 and 34% in 2018/19, services are still used by over a million consumers. Our new Special conditions are aimed at protecting consumers from harm by making costs as clear as possible and preventing misleading promotions from operating.



- **ICSS:** In January 2019, Ofcom made all ICSS subject to PSA regulation, regardless of number range. This was to prevent consumer harm, which was being caused by ICSS operating on number ranges outside PSA regulation, which some consumers were unknowingly engaging when looking for the number for a helpline online. In addition to the Code, the PSA has Special conditions in place for ICSS which are subject to its regulation, to prevent them from misleading consumers, but these regulatory requirements were being circumvented in many instances by use of other number ranges beyond the PSA remit, especially 084 ranges.

Ofcom's extension of PSA regulation followed extensive consultation and was done through its amendment of the Premium-rate Services (PRS) Condition to include all Information, Connection and Signposting Services (ICSS) within the definition of controlled PRS. The PSA also launched a subsequent consultation, proposing updated Special conditions for ICSS and that they should apply to all ICSS. This was aimed at strengthening the regulatory framework for all ICSS.

Worked with colleagues at other regulators

The PSA has standing Memorandums of Understanding with several other organisations whose work overlaps with our regulation of the phone-paid services industry and works closely with several other key partners. These include the Gambling Commission, the Advertising Standards Authority, the Information Commissioner's Office, the Competition and Markets Authority and the Financial Conduct Authority. We co-operated with the FCA over the implementation of the PSD2 directive as it applies to phone-paid services. We also liaised with the Gambling Commission over our new Special conditions for society lotteries services, facilitating the entry of new services to the market and ensuring that our new requirements did not contradict gambling legislation.

Participated in Operation Linden

The ICO has been conducting a major review of services which operate via unsolicited calls or text messages to consumers. Operation Linden is aimed at ensuring that this is done in compliance with the GDPR and consumers' personal data rights. The PSA has taken part in the process, providing relevant information and attending various conferences related to the phone-paid services industry.

Outcomes

- Prevention of misleading advertising practices on DQ services
- All ICSS brought under PSA's remit regardless of the number range they are operated on, with strengthened Special conditions in the pipeline
- Regulatory clarity and alignment.

Delivering high standards of organisational support

Our capacity to effectively regulate the phone-paid services market depends on good governance, strong business, finance and support systems, and high performing staff. The PSA has continued to build a strong internal culture and is a Silver Investors in People accredited organisation. We also manage our finances and IT systems prudently to ensure they remain fit for purpose.

In 2018/19 we:

Continued to invest in our people

Our staff are essential in enabling us to regulate the phone-paid services market effectively and deliver for consumers. We take our responsibilities to them seriously and provide comprehensive opportunities for on-the-job training, personal development and support. Our efforts in this area were recognised when we were awarded a Silver Investors in People (IIP) award 2016. In 2019 we retained our Silver status, despite the new and more challenging framework we were assessed against, reflecting further progress and recognition of our excellent standards of staff support.

Introduced a wellbeing programme

We take employee welfare extremely seriously, and in 2018/19 we made this a priority by launching a wellbeing programme to support both our staff's physical and mental health. Starting with a staff survey to gather staff views, a working group of staff helped steer the focus for the project to ensure it would target the area's that would deliver most value to staff and the organisation.

Some of our staff committed to a step challenge in spring and summer of 2018, dividing into teams to motivate each other to move more, as well as eating healthily, and practising daily mindfulness exercises. We have also trained a number of staff members, including managers, in mental health first aid, better equipping them to support their team members.

Prepared for diversity and inclusion training

We are investing in equality, diversity and inclusion to ensure we are able to deliver on our vision and mission and foster a working culture that's appropriate for the future. We carried out a small audit of our current policies and processes and, although we are already at a high standard, identified several areas for possible improvements. To support this, we have arranged training for all our staff and Board. The aim is that this will be a foundation for integrating improved diversity and inclusion standards into our operations to better serve our stakeholders and staff.

Upheld our budgetary commitments

We delivered our business plan activities on a cash flat budget in 2018/19, through our ongoing commitment to delivering value for money to industry through tight financial control. We have continued this approach through our consultation on our budget for 2019/20 of £3,939,475, which represents a 1% saving in real terms. Since 2015/16, we have reduced our annual operating costs by £1m (21%) in real terms. We achieved all of this without compromising standards in our operations. Our budget is subject to public consultation, approved by Ofcom, and audited by the National Audit Office.

We have also been able to continue to provide financial certainty to our industry funders. In 2018/19 we held the amount of our budget required to be funded by the levy at £1.8m, through utilising previously collected fines to offset the total funding required. This levy was collected at a rate of 0.44% on all outpayments from network operators to their industry clients. We have been able to continue the same approach into 2019/20, and again will seek levy funding of £1.8m – although with an estimated increase in total outpayments, the levy will fall to 0.38%.



Received a good report from the National Audit Office (NAO)

As a public authority, our accounts are subject to audit from the NAO. This year, we received our third consecutive clean bill of health from the auditors, demonstrating sound accounting practice and good management of the PSA finances. There are financial controls in place, including delegation of team budgets to managers with oversight from our accounts team, a detailed corporate risk register, including assigning reserves to be utilized as emergency budget if required, and regular meetings of our Audit Risk and Corporate Governance and Resources Committees. We consider our good report from the NAO to be further confirmation that we are delivering value for money to industry and maintaining good standards of support for our core mission: protecting consumers from harm and promoting innovation and growth in the market.

Awarded a good cyber security score by Microsoft

Secure Score is a tool provided by Microsoft which gives a high-level increased visibility and control over the PSA's security standards for core office functions. Organisations are awarded points for configuring recommended security features, performing tasks or addressing improvement actions. The PSA's score as of March 2019 was 433, considerably higher than the industry average for consumer, telecom and non-profit organisations, which is 103.

Launched a Digital Transformation project

We aim to ensure our technology, business systems and processes allow us to operate in the most efficient and effective way possible. In 2018/19 we launched an ongoing digital transformation project, aimed at updating our use of technology and the digital culture of the organisation. This will cover almost everything that we do, from our databases and customer relationship management system, to our website, social media, and internal communications. Good use of technology and systems can make our regulation more dynamic and effective, improve our service offering, ensure value for money and utilise our expert staff on the higher value adding aspects of the work we do.

Outcomes

- Engaged and highly motivated staff reflected in our Silver IIP status
- Improved standards in wellness, mental health preparation, diversity and inclusion, driving high levels of staff engagement and improved productivity and employee wellbeing
- Balanced and well-managed accounts, delivering certainty to industry and staff
- Systems enabling more advanced standard of work.

Governance & accountability

Our people

Board

The Board is accountable for the performance of the PSA and oversees the strategic direction of the organisation.

The Board consists of the Chair and four remunerated non-executive members and the Chief Executive of the PSA. Three of the directors have no connection with the phone-paid services industry whilst two of the directors are appointed based on their knowledge and interests in the industry.

The Chairman is responsible for ensuring the Board holds the organisation to account including directing, supporting and managing the Chief Executive and the PSA Executive.

To assist the Board in carrying out its duties, it has established two sub-committees: the Resources Committee and the Audit, Risk and Corporate Governance Committee.



*David Edmonds CBE
Chairman*



*Kevin Brown
Board Member & Senior
Independent Director*



*Ann Cook
Board Member*



*Meg Munn
Board Member*



*Steve Ricketts
Board Member*



*Jo Prowse
Chief Executive*

Leadership Team

Responsible for the day-to-day executive function, the Leadership Team ensures that Board approved strategies, plans and policies are implemented efficiently.



Jo Prowse
Chief Executive



Peter Barker
*Director of Corporate
Services & Operations*



Ayo Omideyi
General Counsel



Simon Towler
*Director of Policy
& External Relations*



Code Adjudication Panel

The Code Adjudication Panel (CAP) is responsible for the Phone-paid Services Authority's adjudicatory function.

The CAP came into force when we introduced our 14th Code of Practice in July 2016 and ensures that our adjudicatory process is transparent, fair and independent.

The CAP is made up of ten people. Four of the members are appointed for their legal qualifications and experience and six lay people with relevant experience as set out in the Code.

Three members are drawn from the CAP to form the Phone-paid Services Authority's Code Adjudication Tribunals (CAT). Each CAT consists of three people; a legally qualified chair and two lay members. CATs hear and reach decisions on cases against companies suspected of serious breaches of the Code of Practice.

The CAP's decision-making function and process is independent of the PSA.



*Mohammed Khamisa QC
Chair*



*Linda Lee
Legally Qualified Member*



*Professor Ian Walden
Legally Qualified Member*



*Julian Weinberg
Legally Qualified Member*



*Andrew Ellam
Lay Member*



*Tony Moss
Lay Member*



*Dame Elizabeth Neville
DPE QPM DL, Lay Member*



*Elisabeth Ribbans
Lay Member*



*Peter Wrench
Lay Member*



*Martin Wrigley
Lay Member*

Consumer Panel

The Consumer Panel provides advice and challenge on aspects of the PSA's work, to support and enhance the interests of consumers by:

- providing advice and comment from a consumer perspective on the extent to which PSA policies and regulation are aligned with its consumer-focused strategy
- bringing to the attention of the PSA issues that are or are likely to be of significance to or impact on consumers and providing advice and comment on these issues
- commenting on consultations and research undertaken by the PSA.



*Rhian Johns
Chair*



*Louise Baxter MBE
Member*



*Patrick Bligh-Cheesman
Member*



*Laura Demorais
Member*

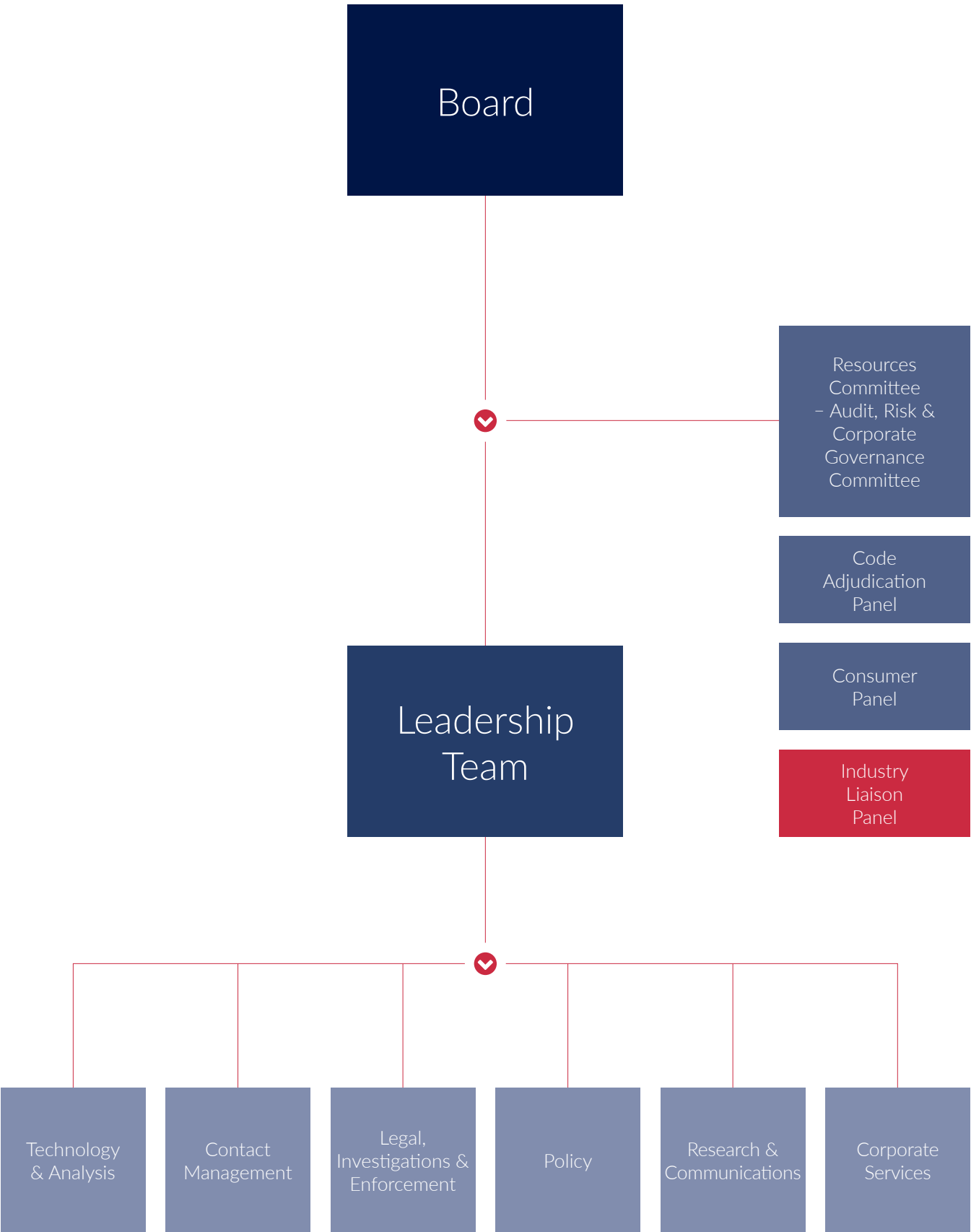


*Paul Eaves
Member*



*Nikki Wilson
Member*

PSA organisational structure





Accounts

Income & expenditure



Income	Notes	2019 £	2018 £
Levy on premium rate telephone services	1	2,043,636	1,852,903
Adjustment for accumulated fines and administrative charges	1	1,550,991	628,948
Administrative charges	1	91,868	149,845
Fines	1	3,380,000	3,800,000
Registration fees		190,605	212,964
Other income		550	450
Total turnover		7,257,650	6,645,110
Interest receivable		34,377	32,772
Total income		7,292,027	6,677,882

Notes

1. The company is non-profit making, with income based primarily on a service provider levy, collected via the network operators. This levy is supplemented by drawing down on retained funds of accumulated collected fines and administration charges. In any given year, income is also shown to include the full amount of fines and administrative charges imposed by Code Adjudication Tribunals as sanctions.
2. Staff and related costs include staff remuneration, recruitment, training, and fees for the Board members and Code Adjudication Panel.
3. Policy costs include research, consultancy, events and publications.
4. Legal fees include general legal advice, costs of debt collection and any unrecoverable costs in relation to adjudications.

Expenditure

	Notes	2019 £	2018 £
Staff and related costs	2	2,696,479	2,594,560
Policy, external relations and communications	3	145,872	144,336
Legal fees	4	101,803	64,856
IT system costs	5	375,784	296,662
Telecoms charges		62,676	59,008
Premises costs	6	426,387	437,474
Finance and governance	7	46,631	76,938
Overheads	8	71,762	69,843
Depreciation		80,881	100,146
Bad debts	9	3,276,565	2,827,505
Interest paid		1,027	0
Total expenditure		7,285,867	6,671,328
Profit before taxation		6,160	6,554
Corporation tax on interest		(6,160)	(6,554)
Profit after taxation		0	0

Balance sheet

	Notes	2019 £	2018 £
Fixed assets	10	289,073	334,483
Current assets			
Trade debtors	11	614,505	451,736
Other debtors		355,210	321,194
Cash at bank and in hand		5,399,343	6,878,552
Total current assets		6,369,058	7,651,482
Current liabilities	12	(4,098,449)	(5,426,283)
Provisions	13	(184,644)	(184,644)
Net assets		2,375,038	2,375,038
Capital and reserves	14	(2,375,038)	(2,375,038)

5. IT system costs include core system running costs, project development, website and data management.
6. Premises costs include rent, rates, service charge, repairs and maintenance, electricity and cleaning.
7. Finance costs include bank charges, payroll bureau, insurance premiums and external audit fees.
8. Overheads includes postage, stationery, travel and subsistence, entertainment, and general office expenses.
9. Bad debts represent the amount of fines and administrative charges we do not expect to collect from service providers. These amounts are pursued through our debt recovery processes, and any funds subsequently recovered will reduce the bad debt charge in the year in which they are received.
10. Tangible fixed assets include fixtures and fittings, office furniture and equipment, computer equipment and registration database.
11. Trade debtors include amounts due from the network operators in respect of the levy, and from service providers for fines and administrative charges where we expect to be able to collect them.
12. Current liabilities include retained funds in respect of accumulated fines and administrative charges.
13. The provision is for dilapidations on office premises.
14. The company's capital and reserves reflects the amounts necessary to mitigate identified risks, including any costs that would need to be met in the event of winding up.

Phone-paid Services Authority

The UK regulator for content, goods and services charged to a phone bill

020 7940 7474
psauthority.org.uk



INVESTORS
IN PEOPLE

Silver
Until 2022