

Telecom2 Ltd responses to 'Directory Enquiries (118) Review'

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Consultation Question 1: Do you agree with our assessment of harm?

While the types of harm set out in the consultation are theoretically possible, the actual incidence of occurrences of harm isn't proportionate to the proposed solution.

We believe that the evidence for the level of harm is inadequate.

The survey used to support the points around harm is flawed and doesn't meet normally expected standards. Too few people were questioned and the questions asked were often vague. Prompting people who were initially unable to answer causes them to guess, to try to give the answers they believe the researcher is seeking, and returns inaccurate results. Asking people to recall events from up to a year ago will also lead to guessing and consequent inaccuracy.

The Consultation doesn't address the true cause of the harm which is largely due to consumers not checking prices. We accept that there may have been an increase in complaints about bill shock but this coincides with the cessation of advertising DQ services by BT and TNUK, where prices would have to be shown and the introduction of strong brand advertising by TNUK where prices don't have to be shown. So, consumers are aware of the brands and their core offering but with no visibility of cost.

That said, price information is already readily available in written marketing material and on line and prices are transparent. When calls are onward connected consumers are given call cost details before the call continues with the consumer's consent. We take OFCOM's point about the numeracy of a quarter of the population but this doesn't transfer across to the numbers of complaints and in any event disproportionately affects the younger population who are the least likely to use DQ services, older people, who make more use of DQ services, tend to be more numerate. While bill shock is regrettable, it would be much reduced if consumers made themselves more aware. Consumers check and compare prices for other purchases and need encouraging to do the same with Telecommunications services. It shouldn't be the job of the regulator or CPs to disadvantage responsible consumers by legislating for the few who wilfully place themselves in difficult situations. Responsible CPs will have a policy of refunding vulnerable consumers who inadvertently call a DQ service and incur a high charge. OFCOM already have an interest in retail complaint handling, it would be more productive if this interest was carried over into DQ and other NGCS.

There is a case to be made for an industry and OFCOM supported awareness campaign, possibly in conjunction with consumer interest groups, and possibly a short pre-call announcement directing consumers to that campaign and a permanent web site listing prices, something similar to this one:

<https://www.telecom-tariffs.co.uk/dialdirq.htm>

We accept that there is a little misuse but it is not widespread or even significant given the number of calls to DQ services and is being dealt with by PSA's regulation and industry procedures. The three PSA adjudications quoted related to two instances of misuse, both committed by the same person who is well known for misusing telecoms systems and, having been banned by PSA, now operates through third parties. The harm was caused by the prolonging of calls rather than the rates for the calls and this would be an issue no matter how cheap the calls were.

There is no indication of the level of satisfaction with the services consumers used. This is important when gauging the actual level of harm caused by services.

Consultation Question 2: Do you agree with our view that the proposed cap on the service charge for a call to a 118 number of £2.58 (ex VAT) per 90 seconds of the call is an effective and proportionate to remedy the harms identified?

We aren't convinced that a cap is the most effective way of mitigating harm without affecting the services available to consumers.

We believe that the cap as proposed is not proportionate to the level of harm that exists and will not of itself necessarily be effective, there would be unintended consequences to such a low cap.

The proposed cap is set too low, it will make some DQ services uneconomic and they will cease to be provided, particularly those that offer unrestricted onwards connection or where the requested number is verbally given by call handlers who then stay on the call to ensure that the caller has correctly taken the number down, rather than initiate an automated readout that some callers may not hear, causing them to make another call. This will impact on consumers, they will have less choice of providers and fewer services, and will disadvantage those who have hearing or learning difficulties. BT could end up being the only DQ service provider with consequent competition issues. Far more consumers will be harmed in this way than are being under the existing situation. The transaction caps imposed by the payment services regulations set out what the EU and the FCA believe are acceptable limits on consumer spend and are being adopted by PSA. They and we feel that these are more proportionate and effective at reducing harm without impacting on most services and responsible consumers. The cap imposed by OFCOM on NGCS 09 services has been seen to be effective at reducing bill shock, the cap on DQ calls should be no lower than that and ideally a little higher to permit onward connection to these services.

Including price information in marketing is another means of reducing bill shock. In 4.59 b) of the consultation OFCOM considers this solution, requiring DQ providers to advertise the price of their services whenever they refer to a DQ number in marketing. This is rejected by OFCOM because they feel it would be of limited effectiveness and could lead to confusion among consumers if call costs are being explained within adverts that are primarily concerned with promoting non-related services such as financial products etc.

It is already a requirement of the PSA that pricing is given in advertising for 118 services. It is seen as being effective for all NGCS including 118 services and there is no evidence of confusion amongst the generality of consumers. We have seen no evidence of DQ services being promoted alongside other products or any confusion caused by it, we don't believe it is likely to happen and would be interested in seeing adverts where a DQ service was a sub part of promotion for another service.

We are concerned that the revised BT rate has been used as an expedient means of setting the cap rather than a more reasoned calculation of what the cap should be. BT appears to have had an undue influence over the setting of the cap.

Consultation Question 3: Do you agree with our view that an overall implementation period of four months following Statement will be a sufficient time for providers to introduce the proposed cap?

Unfortunately, four months would not be sufficient time to introduce the proposed cap. There are many aspects of the process that Telecom2 and our clients would need to implement as well as administrative and contractual processes between us and BT.

We would have to allow a period for technical modifications to inhouse platforms and programmes. Our technical engineers would have to arrange time for the cap changes so that they would not impede on the day to day system maintenance and ongoing projects. Our billing department would also need to make changes to their DQ billing process.

Service Providers would need to produce new marketing material (online/print/audio) to reflect the cap changes. Service Providers would need a generous amount of time to make sure that they and their promotions are compliant with the PSA Code of Practice and PSA Number Checker results. Our due diligence and contracts with service providers would have to be amended and reprocessed.

Service Providers and Call Centre agencies would need to address the changes that would need to be implemented. From both a technical stand point and staff retraining on current service.

We would suggest a minimal of 9-12 months for thorough implementation.

Consultation Question 4: Do you have any comments on the notifications at Annex 10 and the draft modification set out within them? Where you disagree with the proposed modification, please explain why.

We agree with the concept of a cap but as stated in our response to question 2, feel that the cap is set too low, being even lower than some of the rates for services currently open for onward connection, is not proportionate to the existing or likely level of harm, will reduce the number of services and service providers and so reduce competition. It does not address the question of prolonging calls, the cause of the PSA investigations mentioned in the consultation. We would go so far as to say that the cap set out in the proposed modification borders on the punitive.

This will impact adversely on consumers, the opposite of the intention of the cap. This cannot have been the intention of this consultation.

We feel that the caps set by Payment Services Regulations and the PSA Code of Practice already in force, together with PSA and Industry safeguards on bad practice, are sufficient to deal with the harm identified by OFCOM in this consultation while still allowing the full range of DQ services to be provided. A cap at the same level as that for NGCS 09 services would allow most DQ services to be provided, albeit with smaller margins that might lead service providers to exit the market and so reduce competition, in breach of EU legislation.

We do not believe that the numbering plan is an appropriate means of capping prices. Outside 080 calls, other caps are in place, for example for PRS, that do not use the numbering plan and we can see no reason to place a cap on DQ services in the numbering plan, it would be misuse of the numbering plan.

Telecom2 Ltd