



Elizabeth Gannon
Ofcom
Riverside House
2a Southwark Bridge Road
London
SE1 9HA

25 September 2012

Dear Elizabeth

SERVICE CHARGE CAPS FOR 09 AND 118 SERVICES ("CONSULTATION")

Virgin Media welcomes the opportunity to respond to the proposals set out in the Consultation. We have a large base of consumer customers making us a significant originator of calls to these numbers. Additionally, we have a modest business in hosting service providers.

We are broadly supportive of the proposals set out in the Consultations and we have only found the need to make specific comments on a couple of questions below.

Question 4.2: Do you agree that a maximum SC should apply to 09 numbers for the reasons set out above?

We agree that a maximum SC should apply to 09 numbers but we believe that the principle rationale for this is the avoidance of bill shock. Ofcom's arguments that the imposition of a cap will assist in price awareness and consumer confidence (see para 4.39 to 4.42 of the Consultation) are not especially strong, in our view. Somewhat oddly, Ofcom's argument in respect of efficient prices seems to conclude that bill shock rather than inefficient prices is likely to be the problem addressed.

We agree that incentives for fraud would increase in the absence of a cap on the SC. We also believe that the proposed caps which represent an increase to the current maximum amounts charged will also incentivise the commission of fraud. We have discussed this with our fraud team who have highlighted that risk, but overall, we believe that the systems already developed to guard against fraud are likely to be sufficiently robust to rapidly respond to new ways and means developed by fraudsters as a result of any perceived increased incentive. We also agree that there would be scope for an uncapped SC having a modest impact on the extent of bad debt.

Question 4.3: Do you agree that a maximum SC should apply to 118 numbers for the reasons set out above?

We agree with a maximum SC for calls to 118 numbers but again we believe that the real benefit of such a measure will be as a guard against bill shock and to a lesser extent reduce exposure to significant bad debt.



Question 4.8: Do you agree that Option 2 (a £3 per minute and £5 per call cap) is the most appropriate maximum service charge limit for 09 and 118 numbers? If not, please explain why.

Virgin Media believes that the value of the service charge caps are largely arbitrary and that Ofcom is looking for reasonable amounts which don't limit service innovation, on the one hand, but which don't readily expose consumers to bill shock, on the other.

The amounts selected seem a reasonable compromise to achieve those ends.

Question 5.2: Do you have any comments on our assessment of the costs and benefits of a pre-call announcement on the 09 and 118 range? Please provide reasons for your view.

Ofcom notes at 5.15 that a PCA would likely improve consumer awareness and transparency of the SC at the point of call. In Virgin Media's view, consumers are already aware of the relatively higher charges for calls to 09 and 118 numbers. The unbundling of the service charge combined with obligations to advertise that charge should assist with the transparency of the precise cost of a call to a specific number. At the very least, that measure should be given an opportunity to bed down before the potentially costly measure of PCAs is properly evaluated.

Question 6.1 – Do you agree that the level of the SC should be set at £5 per call and £3 per minute and that no additional consumer protection measures will be required? If not, please provide alternative options and evidence to support your preferred option.

As mentioned above, the new "regime" for calls to 08, 09 and 118 numbers is aimed at providing much greater transparency of charges which should help customers to be able to more easily determine the cost of a call from their *particular* communications provider.

If the outcome of that attempt to provide greater transparency is that it is unsuccessful, then it may be appropriate to review further consumer protection measures.

Yours sincerely

A handwritten signature in black ink that reads "Lee Jones".

Lee Jones
Counsel, Competition and Regulatory Affairs