

Introduction

1. The Sigma Financial Group Limited (“SFGL”) welcomes the opportunity to respond to the call for initial inputs issued by the Ofcom on the review of their persistent misuse powers, focusing on silent and abandoned calls. As a medium sized debt purchaser and debt collection agency group we welcome such a review.
2. There are however a number of significant concerns that SFGL would like to take the opportunity throughout this response to highlight and some recommendations that SFGL would ask Ofcom to consider when reviewing this response and considering the next phase of the consultation process.

Background to The Sigma Financial Group Limited

3. SFGL conducts within its group both contingency debt collection (collecting on behalf of clients who remain the owner of the original debt) and purchases debt from creditors and assumes the role of creditor by assignment. In both instances SFGL companies may be instructed to issue a claim against a debtor at some point in the debt collection process.
4. As a contingency debt collection agency we act for a variety of clients who pass debts to us for collection. We deal with both regulated and unregulated debt from clients in the government, utilities, and retail, telecoms and banking sectors.
5. As a debt purchaser SFGL seeks to buy debt in similar industry sectors and as such assumes the rights and obligations of the creditor through assignment.
6. In this response we have set out our responses to the particular questions asked in the initial consultation document. In addition we have tried to set out the differences between the tele-marketing industry for which the original guidance and requirements were put in place and the debt collection industry. Finally we have made some recommendations with regard to areas we would like Ofcom to consider as part of the detailed consultation process schedules for 2015/16.

The Debt Collection Industry

7. The primary objective for the debt collection industry is to collect the specific debt as quickly and efficiently as possible. This is in the interests of all those involved in the industry. For consumers this ensures credit histories and debts are cleared quickly to avoid them being a long term drain on income. For creditors bad debt is a drain on resources (both personnel and financial). The efficient and speedy collection of debts limits this impact on the future cost of lending.

8. The debt collection industry operates generally by contacting consumers by telephone, letter, e-mail, SMS and postal correspondence. In this respect the industry as a whole complies with the Ofcom requirements.
9. As a contingent debt collection agency (DCA) (acting on behalf of the original creditor) the DCA will attempt contacts by telephone where a telephone number (landline or mobile) is by the client. In addition a DCA may seek to use external agencies to obtain a telephone number of the particular customer. This is known as a tele-append process.
10. As a debt purchaser Sigma collects debt which has been assigned to it by sale agreement from the previous creditor. In these instances Sigma is collecting debt upon its own account. The process followed is similar to that of contingent debt in respect of the contact strategies used.
11. In all instances it is important to note that Sigma is contacting a customer who has entered into a relationship with a credit provider. Sigma is not attempting to sell a product or service to the customer in the same way as claims management companies or energy providers. Equally Sigma is not trying to complete marketing surveys with these customers. Sigma is an entity regulated by the Financial Conduct Authority and as such is required to comply with its Consumer Credit Sourcebook. The primary objective for the debt collection industry is to collect the specific debt as quickly and efficiently as possible. This is in the interests of all those involved in the industry. For consumers this ensures credit histories and debts are cleared quickly to avoid them being a long term drain on income. For creditors bad debt is a drain on resources (both personnel and financial). The efficient and speedy collection of debts limits this impact on the future cost of lending as well as on consumers' ability to obtain credit in the future.

Responses to Individual Ofcom Questions

Q1: We would welcome views and evidence from stakeholders on (a) the main types of harm that consumers experience from nuisance calls in general and specifically in relation to silent and abandoned calls; and (b) how to measure the harm.

You may wish to consider the following points in your response:

- *Evidence of changes in the nature and magnitude of the harm since we last reviewed the policy in 2010.*
- *Whether the harm differs across landlines and mobiles, consumers or the different types of calls (e.g. the time of day the call is received, whether it is a silent call or a live call).*
- *Types of harm other than wasted time and distress.*
- *Whether the distress caused by nuisance calls can be quantified and if so how.*
- *Evidence of how long it takes consumers to deal with silent and abandoned calls (e.g. X seconds or minutes to answer the phone, deal with the call, take steps to prevent further calls) and how that time should be valued.*
- *Views on the relationship between silent and abandoned calls and other call types.*

Sigma response

12. Due to the nature of the debt collection sector, Sigma does not see significant harm caused to consumers as a result of silent or abandoned calls. Effective monitoring of dialler activity and complaints data suggests that in the last 12 months Sigma has not received any complaints from customers relating to these issues.

Q2: We would welcome views and evidence from stakeholders on what are the key drivers of (a) silent calls and (b) abandoned calls.

Sigma Response

13. Sigma considers that the current 15 second guideline for the amount of time a line is left ringing is sufficient to protect customers. Sigma currently uses a 22 second period in its calling strategies but this can vary by client. Sigma has no evidence to suggest from its own calling strategies that customers are receiving an increased number of silent or abandoned calls.

14. While we accept that clearly increasing the time period would decrease the potential for silent or abandoned calls will reduce the likelihood of these incidents occurring we would also ask Ofcom to consider the following points:

- 14.1. Not all entities complying with Ofcom requirements are tele-marketing operations. When compared to these types of operation the call volumes of the debt collection industry are quite modest. Therefore the overall impact on customers is reduced. In addition because of the smaller size in operation compliance may well be monitored more closely or even taken more seriously.

14.2. There will, regardless of the time period chosen, always be the risk that a customer will try to answer the telephone in the split second that the call is terminated. We accept that the risk is one that can be reduced however we would respectfully suggest that this could be done with better compliance with the current guidelines, more aggressive enforcement action by Ofcom in instances on non-compliance and possible revised guidelines requiring more firms to actively use dialler technology that allows calls to ring out for longer for certain customer demographic groups (e.g. the elderly).

15. Ofcom has also asked for information regarding how quickly a call is transferred to a live agent once answered. In Sigma's opinion with current dialler technology this is almost instantaneous. Sigma is however aware that some dialler technologies allow for this to be altered. Sigma remain of the opinion that the 2 second maximum in current guidance is sufficient to ensure customer detriment is minimal.

Q3: We would welcome views and evidence on the use of AMD including (a) if call centres have changed their use of AMD in recent years and if so why (b) the volume of calls made by call centres with and without the use of AMD (c) false positive rates when using AMD and any data to suggest that the accuracy of AMD has improved in recent years.

Sigma Response

16. In the debt collection industry Sigma is aware that the use of AMD was almost prohibited due to dialler tools being ineffective at ensuring compliance with the Ofcom guidelines. In the last 12 months significant improvements in dialler technologies and tools has made the use of AMD far more appealing as compliance has become easier to monitor. While many clients of DCAs do not permit the use of AMD this again is increasing as the benefits to contact strategies and confidence in compliance monitoring increases. Sigma believes that now most DCAs use an element of AMD with some client contact strategies.

Q4: We would welcome views and evidence on potential changes to the policy to help reduce the harm caused by silent and abandoned calls including those identified in Figure 2 (abandoned call rate and approach to AMD), Figure 3 (time limits for calling consumers and connecting to a live agent) and Figure 4 (good management and appropriate processes).

Sigma Response

Potential Changes to the abandoned call rate and approach to AMD

17. Sigma believes this option would heavily limit the use of AMD unless AMD became 100% accurate. This would have a substantial effect on many small businesses/contact centres, who would need to increase staff in their call centre to deal with the additional call volumes. These increased costs may force some smaller businesses out of the market resulting in a loss of competition. In addition there may be longer term impact on the cost of credit. DCAs will be left with no option but to pass the costs of collection to their clients (the ultimate creditors). These increasing costs of collection may ultimately affect the costs of credit or products available to the consumer.

18. We also believe that the % target is not an appropriate target given that some call centres use a dialler with 10 seats and some with 10,000. Perhaps OFCOM would consider something along the below lines.

'Each organisation will work towards 3% or 1000 dropped calls in any 24 hr period, whichever is the lower.'

Possible changes to encourage good management and appropriate processes

19. Specify explicitly that they will take into account whether an organisation has processes in place to help prevent, identify and rectify any (unintentional or deliberate) issues causing silent calls. For example carrying out test calls when first setting up or making changes to systems and processes, having agent performance monitoring in place, ensuring that management of the dialler is carried out by competent persons.

20. Compliance is a subject that Sigma takes extremely seriously from an Ofcom perspective but also in its wider regulatory responsibilities. We already perform tests before during and after any campaign changes and have a monthly testing cycle which is logged by the Dialler Management team. In addition to this we have a programme of internal audit activity ensure effective processes and controls are functioning within the area to manage regulatory compliance and customer detriment.

21. Sigma would welcome more clarity in the area of compliance and encourage Ofcom in the publication of more guidance and in taking necessary enforcement action to remove non-compliant companies from the market.

Remove the current 3% abandoned call rate set out in the policy i.e. move to zero

22. We believe this option takes away the ability to work in a blended environment. AMD and predictive diallers are not the only reason for dropped calls. Inbound calls can take priority over outbound calls forcing the outbound connect to be unanswered. The cost to all call centres would be substantial if this policy was removed.

Differentiate between abandoned calls with messages and silent calls, and apply a lower or zero threshold for enforcing against silent calls.

23. Depending on whether AMD is used and how it is configured, it may have a detrimental effect should the false positive result in a silent call. This then means that AMD can only be used when it is near to or exactly 100% accurate.

Specify that we are more likely to take enforcement action once a certain number of abandoned and/or silent calls over a set period (e.g. 24 hours) have been exceeded (though we may nonetheless take action below that level if appropriate).

24. This would limit the sheer volume of dropped calls and hamper the larger call centres from causing harm to consumers. Perhaps a pro-rata calculation could be applied. For example:

- 0-25 agents – volume of drops should be < 100
- 26-100 agents – volume of drops should be < 250

OFCOM may wish to pro-rate this appropriately until they reach their top level number which they believe would significantly reduce the drop volumes.

Q5: We would welcome views and evidence on potential changes that could be made to the policy relating to the a) current five general examples of persistent misuse (misuse of automated calling systems; number-scanning; misuse of a CLI facility; misuse for dishonest gain – scams; and misuse of allocated telephone numbers) or b) other examples of persistent misuse.

Sigma Response

Localised and Rotating CLIs

25. Sigma does not currently use localised CLIs but do adopt a rotation policy. Sigma feels that this is in use across the Collections Industry and is widely regarded as best practice..

Calling during unsociable hours

26. Sigma would welcome any addition clarity or guidance Ofcom can provide on calling at unsociable hours. Currently we have no evidence that our calling hours generate complaints regarding unsociable hour's calls (Sigma operates between the hours of 8am and 9pm Mon-Thurs, 8am – 6pm on a Friday. We are currently closed across the weekend).

Use of automated voice messaging systems

27. Sigma has and does use IVM in some of the contact strategies and believes it has a place at some point in the life cycle of a strategy. Perhaps a guideline that reduces the time a 'press 1' customer holds for should be specified in the guidelines to ensure all agencies are answering the IVM calls within a specified number of seconds. This will reduce annoyance caused to consumers and ensure that a customer can speak to an agent should they need to.

28. Sigma would suggest that many of the issues raised in this section of the consultation are magnified in the tele-marketing industry. As such Sigma would suggest that Ofcom consider separate rules for the debt collection industry and other service industries to ensure we still have the opportunity to contact our customers to assist them with their financial affairs.

Q6: We have not identified any significant changes to this section of the policy, relating to the issuing of notifications, at this stage. However, we welcome views and evidence from stakeholders on any changes they consider may improve the understanding or clarity of this section of the policy.

Sigma Response

29. Sigma would agree with the Ofcom conclusion that no significant change is required to this section of the policy. We welcome Ofcom's efforts in publicising non-compliance via notifications and would encourage Ofcom to continue to make every effort in this area.

Q7: We would welcome information on the current operation of the outbound call centre market, in particular:

- The size of the current outbound calling market e.g. the annual number of calls made as well as the value.*
- The size of total annual costs in the outbound market (where possible split by operating costs*

- and capital costs (or depreciation)).*
- *The average costs per call/per agent (or per agent hour).*
 - *The split of call centre locations (domestic or overseas) that make calls to UK numbers.*

Sigma Response

30. Sigma is not able to respond in detail in this area. As previously stated, Sigma does not engage in marketing activity to new or existing customers. The purpose of debt collection is not to sell a product but rather to ensure the creditor has the opportunity to recover an outstanding debt whilst considering the customer’s current s

- Q8: We would welcome any initial views and evidence on the potential costs and benefits of any of the potential changes to the policy. In particular, whether any of the potential changes would:*
- *require investment in new technology or other capital costs;*
 - *have an impact on efficiency and operating costs;*
 - *have an impact on call-centre costs or call-centre prices (to their clients);*
 - *affect competition in the call-centre market; and*
 - *have a different impact on different types of call centre, and if so, what factors affect the level of impact.*

Sigma Response

31. We are strongly of the view that changes to this policy would have a significant cost impact on the debt collection industry. In summary at this stage it is our assessment that the changes would as currently proposed would:

- 31.1. Result in a prohibition on the use of AMD which would ultimately impact on call centre costs and prices to their clients;
- 31.2. A loss of operating efficiency and operating costs (space for additional collectors, new dialler technology and increased compliance oversight) would all impact the business;
- 31.3. There is the potential for loss of DCAs within the market as the increased costs of technology, operating costs and compliance overheads force smaller businesses out of the market. This would impact competition in the market and also potentially the costs of collections services to clients.

32. We would like to reiterate the issue here that as a DCA call centre, Sigma is firstly and foremostly trying to contact customers with established relationships. The debt collection industry is an important one to the smooth running of the credit market. As such, while customers may not wish to engage with us, it is in their best interests to do so. Without the ability to contact customers our industry cannot recover debt for creditors, ensure customers credit histories are rehabilitated and to a smaller extent help to identify and rectify issues of fraud related to credit.

Q9: We would welcome any views on what factors may influence a call centre's likelihood of adhering to the current or a stricter policy.

Sigma Response

33. In our view one of the major factors for companies ensuring compliance is the reputation damage experienced when either a reprimand or fine is published. Whilst the monetary impact of the fine itself if large enough can affect other companies in the market, reputation is by far the strongest factor.
34. In the debt collection industry regulatory compliance of all forms is taken with the utmost seriousness and a fine or reprimand from a regulator can be sufficient for clients to take business away or increase their own oversight activity.

Conclusion

35. Sigma is fully supportive of this review and welcomes change and improvement by Ofcom in particular with regard to providing greater clarity around compliance requirements and enforcement activity.
36. We would in conclusion like to ask Ofcom to consider the possibility of separate rules or guidance for the debt collection industry as much of the consultation document refers specifically to the activity of the telemarketing industry.
37. Finally we look forward to seeing the detailed consultation to be published in 2015 and our opportunity to respond in detail at that time.