

Service Charge Caps for 09 and 118 Services - Consultation on maximum Service Charges for PRS and Directory Enquiries services in the unbundled tariff regime

Response to Ofcom

This is a personal response from a consumer viewpoint, drawing on my long previous experience in the field of telecommunications consumer protection, with particular reference to premium rate services.

Most of the proposals in this consultation seem reasonable, and certainly a cap on the service charges for both 09 and 118 will be welcome. However:

- The evidence is unclear for Ofcom's view that consumer protection for 09 calls will need no enhancement when the effective price cap is raised. Complaints for 09 must be assumed to be roughly those shown for landlines in Figure 5.1, running around 1000 per year. While this figure may be low in relation to the number of calls, it is much higher than the 50 or so a year shown for 118 and (as the document acknowledges) could easily increase with higher service charges. PhonepayPlus have kindly provided data about 09 complaints broken down, where possible, by tariff band. They show that since 2008, 62% or more of the minority of complaints for which tariff rates are known relate to tariffs of £1 per minute or call, or above. (In 2008-2010 the percentage was round 90%). Ofcom should explain more clearly its grounds for believing that no further consumer protection is needed.
- As explained below, there is a strong case for Ofcom to require pre-call pricing announcements (PCA,) even with the proposed level of price caps, as a consumer empowerment measure even if more consumer protection is not needed. If not required then PCA should be recommended as best practice, at any rate for calls charged above a threshold rate (to be determined).

PCA are not just a consumer protection measure (as presented in the consultation) but a consumer empowerment measure. Even if extra protection is not essential, boosting empowerment should benefit not just consumers but also, ultimately, providers: bad debt will be reduced and consumer confidence in the services increased.

It is a normal presumption that consumers should be aware of the price of any good or service before deciding to buy it. Usually clear price indications are a requirement, for example in shops. In the case of phone calls, there have been technical difficulties in delivering call price information at the time of the call, and each call is a relatively small transaction. Simply making call price information available, for example online, has traditionally been seen as enough to satisfy the requirements of "tariff transparency".

The new arrangements for 09 and 118 will increase both the need for PCA and the ease of providing PCA. The changes represent an opportunity to raise consumer price awareness to match what would be normal for goods at this price level.

As 09 and 118 calls tend to be expensive, there is an extra case for call-by-call pricing information (at least for calls which are likely to cost more than a certain amount). And the new complexity of unbundled pricing, together with the scope for higher 09 pricing than before (even if this is only

inflation-linked), further strengthen this case. Even when promotional material contains clear pricing information , some people will call without seeing a promotion or taking in the pricing message.

As the document points out, it will be easier for terminating providers to provide PCAs for service charges than it has been for either originating or terminating providers to provide combined pricing information for both access and service charges. Alternative carriers like 18185, which offer very low call charges complete with PCAs (which incidentally the user can choose to switch off), show that the cost of providing PCAs cannot be very great.

A further suggestion is that price statements that exclude VAT or that have three significant figures, for example £1.73 a minute, should be avoided. These are complicated and confusing. All PCAs and promotional material should include VAT and, if over £1, should avoid odd pennies.

Claire Milne