

24 March 2011

Wholesale charges for Number Translation Services & Premium Rate Services NTS Retail Uplift charge control and PRS Bad Debt Surcharge – Response to consultation

Catherine Galvin
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Ofcom
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Dear Catherine,

Here is our response to the Ofcom consultation described above and we confirm that our response can be published in full.

Lexgreen Services Limited has been involved in the provision of personal number, non-geographic and premium rate number services for a number of years. We have built up a significant business in providing discount international phone calls via premium rate and non-geographic numbers. We also provide many personal numbers for a “follow-me service”. There are a number of aspects of this consultation that will directly affect our customers and our business.

Question 9: Do you agree with our assessment of the potential options regarding the structure of the recovery for bad debt on PRS calls?

Yes, we broadly agree with this.

Question 10: Do you agree that BT's attribution methodology for bad debt is an appropriate starting point to use in assessing the incidence of bad debt on PRS calls?

Not entirely. Whilst it has been confirmed that revenue that is disputed via AIT procedures does not get included in BT's bad debt figures, there are no assurances given, that revenue that is collected from BT customers, but not paid on due to an upheld AIT dispute, is allocated to reducing BT's bad debt figures. There are many instances where BT will have collected money from its customers for a service they have used, but not pay the revenue due to the operator of the services, due to BT successfully arguing a case of AIT. There is no evidence to show that when BT does not pay revenue to other operators due to AIT disputes, that it refunds its customers for the calls made to the disputed services. These figures are significant and need to be accounted for.

Whilst it should be a given, it is not confirmed specifically that VAT charged by BT to its customers, but not paid, has been excluded from its bad debt figures, as unpaid VAT can be recovered using bad debt relief from HMRC. Given previous elementary errors in BT's figures, it should be confirmed that this is indeed the case.

The proposed rate of 5.2% is almost double the current 3% level. It seems very strange that whilst complaints about premium number services have reduced, that PRS bad debt levels for BT should have increased. Whilst we accept that the level of complaints about PRS will not necessarily correlate with PRS bad debts, it is hard to imagine that the problem could have got worse when complaints have fallen. The proposed level of 5.2% would indicate in simplistic terms that over 1 in 20 of BT customers that call PRS numbers do not pay their bills. This is a rather unlikely scenario, and should prompt further work by Ofcom. This figure either indicates a very lax approach by BT towards collecting money relating to PRS charges or the figures still contain elements to cause the bad debt level to be over-stated allowing BT to collect more than it should.

In view of this, Ofcom should undertake further work involving all the major call providers in the UK to get a better understanding of the situation.

Question 11: Do you agree with our view that no adjustment should be made to the PRS Bad Debt Surcharge for inefficiency? If not, please provide analysis and evidence to support your arguments

No, we do not agree. There appears to have been insufficient work carried out to determine the levels of bad debt in general, within the industry. Whilst Virgin Media claimed to have similar levels of PRS bad debt compared with BT, they also confirmed that they had not checked any data to determine what it was. This just sounds like an easy response to support BT, as Virgin Media could benefit financially from a bad debt surcharge higher than the bad debt levels they themselves would actually suffer.

Question 12: Do you agree that in the current circumstances it is appropriate for the PRS Bad Debt Surcharge charge control to have effect on the first of the month following our final statement? If not, please supply reasons why this would be the case.

Yes we do, but we also feel that BT should be prevented from trying to apply it retrospectively as it appears they may try to do.

Yours sincerely

Mikael Armstrong
Director