fair telecoms campaign **briefing**

Telephone Directory Enquiry Services (118xxx)
- Comments and Recommendations

The **fair telecoms campaign** anticipates a release of conclusions and recommendations for consultation by Ofcom in response to consumer concern about clear rip-offs that are occurring with 118xxx telephone Directory Enquiry services.

This follows an undertaking given by Ofcom on 12 May 2017. A consultation on proposals for the 070 range has concluded and we await a final statement. Ofcom will shortly move on to address 118 (directory enquiry) numbers.

We believe that action is now required to eliminate the scams and reconfigure the services to represent a properly regulated response to consumer needs.

The following comments reflect our view of the current situation, and the recommendations we have made for action that we believe is required.

These were published in May 2017 and are repeated here (with minor revisions), ahead of Ofcom's publication of its own proposals.

We will respond directly to whatever Ofcom may announce, when that announcement is made.

1. The regulation

There is a strong regulatory principle which applies to all Premium Rate Services, and there is generally a very high degree of compliance by the 118 service operators.

Whenever a 118 number is given, it must be accompanied by a statement of the **Service Charge** applied to calls to the number. The statement must refer to the fact that calls also incur the (flat rate) **Access Charge** which the caller's own telephone service provider adds on all calls to 084, 087, 09 and 118 numbers. (This does not apply when a 118 number forms part of a brand name for a different type of service, e.g. 118118 Money.)

This general principle is applied by **Ofcom**, and is enforced by the **Phone-paid Services Authority**.

We believe that further regulatory measures are required. These recommendations are summarised at the end of this document under numbers given in the form **{Rx}**.

2. The specific scams

Many operators of 118 services also provide geographic numbers across all the various (01 / 02) area codes. In some cases, calls to unused numbers in their allocated ranges receive a special message soliciting calls to their 118, or another premium rate, number.

We believe that this is wholly inappropriate way of soliciting calls to any form of premium rate number, and that the practice should be outlawed. **{R1}**

There are many reports of "missed calls" giving unused numbers from these ranges as CLI. Clearly the only purpose of such a call would be to encourage the recipient to return the call (to a geographic number) and then respond to the invitation to call the premium rate number.

This practice (known as "**wangiri**") is classified as "***misuse of a telephone network or service***" by **Ofcom** and the perpetrator could thereby be subject to a penalty of up to £2 million. **Ofcom** has so far not issued a Notification in respect of anyone engaged in this misuse. **{R2}**

3. The market and the costs

From a casual examination of the various services and costs it is clear that many of the directory enquiry services offer far more than most consumers would wish, at a price that many would regard as being excessive. Reports of call costs in excess of £50 are common, indeed a two-minute call to commonly used services costs over £8, with some as high as £24.

The recent directive known as "**PSD2**" has been widely interpreted as meaning that no telephone call may cost more than £30 (including VAT). We need clarity on the proper interpretation of this regulatory requirement, how breaches may be reported and the action which will follow. **{R3}**

For those with access to the internet, it is a very easy (indeed very common) task to look up a telephone number using various on-line directories, or through a general search engine.

There is however a danger here, as there are scam on-line directory services that offer indirect premium rate contact numbers (see our briefing, and a video, on "ICSS"). **{R4}**

We see the demand for telephone Directory Enquiry services as falling into two distinct categories. These are detailed, with our recommendations for action, overleaf.

The key point is that each category needs to be considered, and perhaps regulated, separately.

4. Categories of telephone Directory Enquiry Services

We see a need to separate Directory Enquiry Services into two separate categories, based on the distinct demand that they are meeting.

Basic: Those who need to know an available telephone number for a known person or organisation, but have no access to the internet.

Advanced: Those who require special services, such as: a recommended local business of a particular type, a number based on limited knowledge of the person or business (e.g. the spelling of a name), to have their call connected rather than simply being given the number, etc.

Definition of which service falls into each group may be difficult, and may require a more detailed consideration than we have been able to undertake, including analysis of consumer survey data. We nonetheless suggest that the primary distinction will be seen in the cost of the service. **{R5}**

For this reason, **we propose that all calls to premium rate services with Service Charges above a specified price point should be covered by a "pre-call announcement" declaring the cost of the call** before the billing process commences, giving the caller the opportunity to drop the call before incurring any cost. This is in addition to the requirement for service providers to declare the **Service Charge**.

Further regulatory restrictions could also be applied to "**advanced**" DQ services.

This is necessary, because there are undoubtedly many people who inadvertently use **advanced** services when a **basic** service would meet their need fully. There are also many numbers which are made memorable, and may be repeated, without being associated with the required call cost declaration - e.g. **118118 Money** is not itself a directory enquiry service, and is thereby not required to state the cost of calling the telephone number which is part of its brand name. **{R6}**

From our casual review, we suggest that the **Service Charge** limit should be set as follows, so that all those who exceed it are regarded as offering **advanced** services.

Cost per call > £2 and/or Cost per minute > £1

This does not include the **Access Charge**. The limit, as defined, has to reflect the fact that services may be charged per call, per minute or a combination of the two. Once set, it cannot take account of the fact that the duration of the call may vary in providing the same information.

It is worth noting that this limit set the two most commonly used services clearly in the **advanced** bracket. The following rates applied at the time when this briefing was first published.

- **118500 (BT)** [**550p** for first minute, **275p per minute** thereafter] and
- **118118 (The Number)** [**898p** for first minute, **449p per minute** thereafter]

[UPDATE] – We wonder if BT got wind of the forthcoming Ofcom proposals, because …

From 1 June 2018, BT cut the cost of calls to 118500 to **77p** per call plus **£1.55 a minute** – see BT slashes the cost of calling 118500 directory enquiries. This is equivalent to **232p** for first minute, **155p per minute** thereafter; a significant reduction, but not as great as may appear at first sight and not below our suggested break point.

We wait to see if perhaps Ofcom proposes a limit a little higher than our suggestion!

5. Call connection by an enquiry service

The UK telephone call charging system does not permit a change in the charging basis during a call, other than after the first minute. A per-minute rate which applies during the "enquiry" phase (unless this lasts exactly 60 seconds) also applies for the duration of a connected call.

The **BT** charge for operator connected UK calls is a flat rate of £1.32 per minute, which covers use of the operator service. Many of the Directory Enquiry call connection services apply rates which are out of all proportion to those available in the general market for calls (**BT**'s own is greater).

Some providers offer ongoing pence per minute rates at a reasonable level, after an initial charge for the particular enquiry service. There can be no justification for excessive premiums. **{R7}**

6. Price Points

We recognise that the **Service Charge** price points are set by the industry to reflect the open market in which its members participate. This is however subject to oversight and agreement by **Ofcom**. We believe that **Ofcom** should immediately take a serious look at the higher price points introduced on 1 July 2016 and seek evidence that these truly reflect a genuine market with willing and informed consumers.

The higher rates we have in mind range from **898p** for the first minute, **449p per minute** thereafter to **1598p** for the first minute, **799p per minute** thereafter. There must be serious concerns that a lot of pricing in the telecoms market reflects what those with large advertising budgets can get away with, rather than deriving from consumer-responsive competition. This general point applies particularly to Directory Enquiry services. **{R8}**

Is anyone really prepared to knowingly pay almost £25 for a two minute telephone call?

7. Free to caller Directory Enquiry services

From our research we have identified three examples of how telephone directory enquiry calls may be made at no cost. (There may be other examples, which we would be delighted to add.)

- Those who are disabled, whereby they are unable to use a printed directory, can register for use of the free 195 Directory Enquiry service. This is provided by **BT**, but can be used through most telephone service providers. Medical evidence is required for registration.
- **Virgin Media** landline customers may use 118180 for 10 free enquiries per day. (Other providers no longer offer customers free or discounted access to their own DQ service.)
- The 0800 118 3733 (118FREE) service provides free use of an advertising-funded automated service. Those who tolerate commercial television and voice recognition systems may find this useful. It is provided by "**The Number**", operator of the 118118 service.

8. Summary of existing DQ services

Our original briefing - Telephone Directory Enquiry Services (118xxx) - Comments and Recommendations [updated] – includes a detailed listing of Directory Enquiry Services in place at the time, listed by price.

Many price changes (more up than down) have occurred since. We feel that this listing gives a fair impression of the scope of the market, albeit 12 months out of date. We will be happy to update this on specific request.

See overleaf for a Summary of Recommendations

9. Summary of recommendations

(🗎 - provides link to relevant text above)

R1 Soliciting of calls to specific Premium Rate Services through recorded messages on unused geographic numbers should be prohibited, and immediate action be taken to remove them. 🗎

R2 Evidence of use of the "wangiri" scam to (directly or indirectly) solicit calls to expensive Directory Enquiry numbers must be used to issue a **Notification of Persistent Misuse** by **Ofcom**. Triggering possible further action and encouraging other victims to come forward. 🗎

R3 The precise relevance of the PSD2 regulations to telecoms services needs to be clarified and embedded in appropriate regulation. 🗎

R4 Action is required to more tightly regulate ICSS services so that use of internet search engines to find numbers is not polluted by scam numbers. This includes extension of the scope of **Phone-paid Services Authority** regulation by **Ofcom**, (as recommended here) and better enforcement of compliance with the principles of honest trading by the **Phone-paid Services Authority**. 🗎

R5 We would welcome, and have called for, an independent, consumer-focussed review of the market to be undertaken by one or more suitably respected and well-resourced consumer representative bodies. As well as assessing the quality of the service and value for money from individual providers, this research should be focussed on drawing a necessary distinction between **basic** and **advanced** services. 🗎

R6 Based on the above distinction, calls to numbers assigned to those **Service Charge** price points used for **advanced** services should be covered by a pre-call announcement. On the basis of a casual review, we suggest that the break point could be set at **> £2 per call and/or > £1 per minute**. 🗎

R7 Provision of call connection services, as part of a Directory Enquiry call should be reviewed and made subject to tighter regulation. Many operators charge for this feature at rates that are out of all proportion to those in the general market. 🗎

R8 **Service Charge** price points SC087-SC091 should be reviewed with the benefit of up to 21 months consumer experience. Their continued validity should require some evidence of valid and contented use by consumers. 🗎