

**FINAL DECISION OF
THE COMMUNICATIONS AUTHORITY**

**BILLING ERROR OF
PCCW-HKT TELEPHONE LIMITED
AND HONG KONG TELECOMMUNICATONS (HKT) LIMITED**

Telecommunications Licensee Investigated:	PCCW-HKT Telephone Limited and Hong Kong Telecommunications (HKT) Limited (collectively “HKT”)
Issue:	HKT made incorrect charge entries (through the bank) to the credit card accounts of its customers
Relevant Instruments:	Special Condition (“SC”) 9.1 of HKT’s Unified Carrier Licence (“UCL”) No. 025.
Decision:	Breach of SC 9.1 of HKT’s UCL No. 025
Sanction	HKT is strongly advised to observe more closely SC 9.1 of its UCL No. 025
Case Reference:	LM T84/10 in OFCA/R/R/78/5/33C

BACKGROUND

On 13 November 2012, HKT reported to Office of the Communications Authority (“OFCA”) that it had made incorrect charge entries (through the bank) to the credit card accounts of its customers for broadband service and Now TV service¹. The incident occurred on 9 November 2012 and HKT discovered the error on 12 November 2012.

2. Following the reporting requirements specified by the Code of Practice in Relation to Billing Information and Payment Collection for Telecommunications Services (“Code of Practice”), HKT submitted to OFCA a preliminary report on 19 November 2012 and a full report on 4 December 2012. According to HKT, on 9 November 2012, a HKT staff wrongly used the October 2012 payment files as the November 2012 payment files in billing

¹ HKT is acting as an agent for PCCW Media Limited for Now TV services.

its customers for their November service charges. The total number of incorrect entries made was about [✂] (affecting some [✂] customers) and the total amount involved was about HKD 4.3 million.

3. HKT reported that upon discovering the error on 12 November 2012, it immediately took remedial actions, including liaising with the bank to make reverse entries (viz. writing off the erroneous amount of billed service charges by credit entries and re-debiting the affected credit card accounts with the correct amount of service charges) and updating its customer hotline staff on 13 November to prepare for handling customer enquiries. The making of reverse entries was completed on 14 November 2012. On 16 November 2012, HKT issued apology emails to all affected customers notifying them of the incident and the completion of the reverse entries. HKT had also reviewed its work process and started to make improvement measures to prevent similar error from happening again.

4. OFCA completed its investigation and submitted its findings to the Communications Authority (“CA”) on 26 January 2013. Having considered the findings of OFCA, the CA issued its Provisional Decision to HKT on 28 January 2013 and invited HKT to make representations within 14 days. HKT submitted its representations to OFCA on 14 February 2013.

THE CA’S CONSIDERATION AND DECISION

5. SC 9.1 of HKT’s UCL No. 025 requires that –

“9.1 The licensee shall take all reasonable steps to ensure that any metering equipment and billing system used in connection with the service is accurate and reliable.”

6. With effect from July 2012, HKT has pledged to comply with the Code of Practice which the former Telecommunications Authority issued in October 2011 for voluntary compliance by the telecommunications services operators. Paragraph 10 of the Code of Practice requires that –

“10. ... Given the nature of automatic payment and the importance of correct collection of payment to both customers and service providers, service providers shall take all reasonable, necessary and practical steps to ensure that the information used for collection of payment from customers (particularly so with automatic payment arrangements) is secure, authentic and error-free.”

7. Paragraphs 11 - 14 of the Code of Practice also specify the detailed reporting requirements, which require service providers to “*report to OFCA immediately after occurrence of any incident involving systematic errors in the billing information or payment collection, and provide timely progress update of the remedial action so that OFCA can take the necessary remedial action to minimise the impact of the incident on the community*”.

8. As HKT has failed to take all reasonable steps to ensure the proper operation of its billing system leading to errors in billing of service charges on its customers which was only detected 3 days later when it reviewed the bank's credit card collection reports, the CA takes the view that HKT has contravened SC 9.1 of its UCL.

9. HKT has also failed to comply with the requirement of paragraph 10 of the Code of Practice to take all reasonable, necessary and practical steps to ensure that the information used for collection of payment from customers is authentic and error-free.

10. The CA notes that in this incident –

- (a) the error was caused by human error, and HKT’s internal control system failed to detect the error until HKT reviewed the bank’s credit card collection reports on 12 November 2012;
- (b) the number of affected customers represented around 1.3% of the total number of HKT’s customers of broadband service and Now TV service;
- (c) HKT completed the reverse entries through the bank on 14 November 2012, and sent apology emails to all affected customers notifying them of the incident on 16 November 2012. Given that normally there is a credit period between the issue date of credit card statements and the payment due date, after the affected customers had received the apology email of HKT, there is little likelihood that they would make the credit card payment involving the wrong sum of service charges. Even if payment had been made due to, for example, autopay arrangements, the affected customers would not suffer monetary loss as reverse

entries had been made to their credit card accounts and the correct amount would be shown in their credit card statements in the following month;

- (d) the incident had not caused any disruption of services to customers, and
- (e) HKT had reported the incident within the timeframe and in accordance with the requirements stipulated in the Code of Practice.

11. Under the Telecommunications Ordinance (Cap. 106), the CA may impose a number of remedies on a licensee for contravening a licence condition. These include the issue of a direction and imposition of financial penalties. A number of administrative remedies are also available to the CA, such as the issue of advice and warning to the offending licensee.

12. In considering the sanction on HKT for the breach of SC 9.1 in the current incident, the CA notes that HKT has strived to rectify its error expeditiously and has taken speedy remedial action in reversing entries through the bank and owning up to their mistakes with apologies to the affected customers. Also, the CA notes that HKT has reviewed its work process and started to make improvement measures to prevent similar error from happening again. Taking into account the circumstances of the case and HKT's representations, the CA takes the view that, as a sanction for the breach, HKT should be strongly advised to observe more closely SC 9.1 of its UCL No. 025.

13. On contravening the Code of practice, the CA notes that HKT has complied with the reporting requirements as stipulated in the Code of Practice, which is voluntary in nature. HKT is reminded to observe more closely paragraph 10 of the Code of Practice with which it has pledged to comply.