

**FINAL DECISION OF
THE COMMUNICATIONS AUTHORITY**

**BILLING ERROR OF
HONG KONG BROADBAND NETWORK LIMITED**

Telecommunications Licensee Investigated:	Hong Kong Broadband Network Limited (“HKBN”)
Issue:	HKBN made incorrect charge entries to the bills of its customers for the month of February 2013
Relevant Instruments:	General Condition (“GC”) 24(1) of HKBN’s Fixed Telecommunications Network Services (“FTNS”) Licence No. 006.
Decision:	No breach of GC 24(1) of HKBN’s FTNS Licence No. 006
Sanction	N/A
Case Reference:	LM T 16/13 in OFCA/R/R/78/5/33 C

BACKGROUND

On 15 March 2013, HKBN reported to the Office of the Communications Authority (“OFCA”) that it had made incorrect charge entries to the bills of its customers for telephone service, international direct dialling (“IDD”) service, broadband service, WiFi service, bbTV service¹ and FaxToEmail service² for the month of February 2013. The erroneous bills were sent to customers during the period between 7th and 14th March 2013. HKBN discovered the error on 14 March 2013 after receiving a number of customer billing enquiries.

¹ bbTV service is a pay television service provided by HKBN through its broadband network.

² FaxToEmail service is telecommunications service which allows customers to receive fax message through an email client or an online interface without using a facsimile machine.

2. Following the reporting requirements specified in the Code of Practice in Relation to Billing Information and Payment Collection for Telecommunications Services (“Code of Practice”), HKBN has submitted to OFCA a preliminary report on 20 March 2013 and a full report on 9 April 2013. According to HKBN, the incident was caused by a software bug in a new Application Server which was added to its billing system in January 2013. The new Application Server was added based on the recommendation of HKBN’s information technology consultant with the objective of shortening the billing process time by [✂] %. According to HKBN, for some reasons, the new Application Server did not function properly and as a result, HKBN incorrectly billed a number of its customers for the month of February 2013. The types of error made included mismatching of customer statement balance with HKBN’s record, duplicated charges, erroneous refunds of discount/pre-payment and under-charging of customers etc. The incident affected [✂] customers (representing around 1% of the total number of HKBN’s customers for fixed telecommunications services), and over 75% of them were under-charged. The net financial effect on HKBN was an undercharge of HKD 1.17 million. HKBN had received and dealt with a total of 669 enquiries.

3. HKBN reported that after receipt of customer billing enquiries, it immediately conducted an investigation into the matter and discovered the problem on 14 March 2013. Shortly after the problem was identified, HKBN took a series of remedial actions including immediately removing the problematic Application Server from the billing system and falling back to the original configuration. HKBN had also taken action to rectify the erroneous billing amounts and sent apology letters to all affected customers. The first batch of apology letters was issued on 22 March 2013 to the affected customers who had been over-charged, and the second batch of letters was issued on 26 March 2013 to those who had been under-charged. All erroneous charge entries had been rectified by the end of March 2013.

4 OFCA completed its assessment and submitted its findings to the Communications Authority (“CA”) on 4 June 2013. Having considered the findings of OFCA, the CA issued its Provisional Decision to HKBN on 17 June 2013 and invited HKBN to make representations within 14 days. HKBN submitted to OFCA on 27 June 2013 that it did not have further representations to make.

THE CA'S CONSIDERATION AND DECISION

5. GC 24(1) of HKBN's FTNS licence specifies that –

“24 (1) The licensee shall take all reasonable steps to ensure that any metering equipment used in connection with the service is accurate and reliable.”

6. With effect from July 2012, HKBN has pledged to comply with the Code of Practice which was issued in October 2011 for voluntary compliance by 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. The CA notes that GC 24(1) of HKBN's FTNS licence only governs the accuracy and reliability of HKBN's metering equipment. Having examined the reports submitted by HKBN, the CA notes that the billing error was caused by the problematic Application Server, which does not form part of HKBN's metering equipment. Given the wording of GC 24(1) and having duly considered the representations of HKBN, the CA takes the view that HKBN has not breached GC 24(1) of its FTNS licence No. 006.

8. Notwithstanding that HKBN has not breached GC 24(1) of its FTNS licence, in respect of the compliance with the Code of Practice, as HKBN had failed to ensure the proper operation of its billing system resulting in error in billing customers, the CA considers that HKBN had failed to comply with the requirement of paragraph 10 of the Code of Practice, i.e. 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. Furthermore, the CA notes that HKBN's internal control system had failed to detect the error before the bills were issued and HKBN was not aware of the existence of the billing error until it was alerted by the affected customers.

9. Accordingly, the CA considers that HKBN should be advised to observe more closely paragraph 10 of the Code of Practice with which it has pledged to comply. HKBN is also requested to implement the following improvement measures to prevent similar incident from recurring in the future –

- (a) to conduct a detailed technical review of the new Application Server as well as the whole billing system to trace the cause of the problem and work out an solution;
- (b) to review the effectiveness of the existing acceptance test procedures to ensure that they are effective in preventing the commissioning of problematic hardware/software in any systems of the company; and
- (c) to review its internal control system to improve the capability of detecting billing error before the bills are issued.

The Communications Authority
September 2013