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*Sen Wilf*

11 September 2025

Thank you for your contribution to the recent debate on the Draft Online Safety Act 2023 (Qualifying Worldwide Revenue) Regulations 2025 and your continued engagement with the implementation of the Online Safety Act 2023. I am writing to clarify what happens if the fee income collected by Ofcom does not cover the amount required to fund its regulatory activity and to clarify how the package of processes needed to implement the fee regime under the Act fits together.

### **Managing shortfalls in Ofcom's fee income**

Ofcom's authority to collect fees is explicitly provided for in section 84 of the Online Safety Act 2023. If the total fee income collected is insufficient to cover Ofcom's regulatory costs—or conversely, exceeds realised costs—section 88 of the Act provides any imbalance is carried forward to the next fee charging year. In practice, this means that the planned spend in the next charging year is adjusted to reflect the over-recovery or under-recovery from the previous year.

It is important to note that the online safety fee regime is not intended to generate surplus revenue. Rather, it is structured to recover costs incurred in the performance of Ofcom's statutory duties. Section 88 sets out that Ofcom must have in force a statement of charging principles at the beginning of each charging year to set out details relating to the fee calculation method. At the end of each charging year, Ofcom will publish a statement setting out how much has been recovered, how much was needed to perform its regulatory functions, and any surplus or deficit incurred.

### **Enforcement powers**

Ofcom's authority to issue penalties in respect of non-compliance with the Act is set out in Schedule 13 of the Act. Section 141 of the Act enables Ofcom to issue a penalty notice to any provider that fails to pay its fee in full. The notice will specify the



outstanding sum and the date by which it must be paid. Ofcom may also bring legal proceedings to recover the whole or part of the amount due.

### **Implementation of the fee regime**

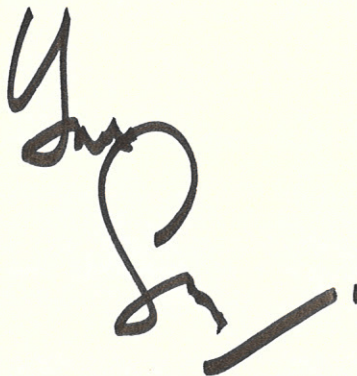
Ofcom consulted on a range of proposals related to the implementation of the fee regime between October 2024 and January 2025. This included the approach to determining QWR, proposals on notification and its approach to the charging principles. Ofcom then published its final decisions in a policy statement on 26 June 2025. On the same day, the Secretary of State laid Ofcom drafted regulations on both QWR and Fees Notification in Parliament. Both of these regulations underpin the fees and penalties regime as they set out the revenue in scope for determining both fees and the maximum penalty cap, and the notification requirements for providers when submitting evidence of their revenue to Ofcom. Ofcom has recommended a QWR threshold of £250 million to the Secretary of State, who must now consider this recommendation and set a threshold level via a separate Statutory Instrument later this year. Ofcom also recommended an exemption for providers with UK referable revenue of less than £10 million. This exemption is subject to approval by the Secretary of State.

Now that all policy decisions have been set out, Ofcom has begun consulting providers on guidance to ensure they understand their duties under the Act. Ofcom has already consulted on guidance to help providers calculate QWR, including methods of apportioning revenue in a just and reasonable manner, and is currently consulting on guidance relating to notification requirements. Furthermore, Ofcom and will issue a consultation on guidance relating to its Statement of Charging Principles, which will set out the principles that Ofcom propose to apply in determining fees, including practical arrangements for invoicing and payment. The initial charging year is expected to be 2026/27, with invoices being issued to providers in Q3 2026.

I trust this provides clarity on the statutory basis and operational safeguards in place to ensure that Ofcom's regulatory activity is appropriately funded. Please do not hesitate to reach out should you require further detail.

I will deposit a copy of this letter in the libraries of both Houses.

Yours sincerely,

A handwritten signature in dark ink, appearing to be 'Y. Leong', with a long horizontal stroke at the end.

**LORD LEONG CBE**