

POSTAL SERVICES COMMISSION REVIEW OF ROYAL MAIL'S RETAIL COMPENSATION SCHEMES FOR LOSS, DAMAGE AND DELAY DECISION STATEMENT

Summary

1. This statement concludes Postcomm's current review of Royal Mail's retail compensation arrangements for loss, damage and delay. On 1 April 2008, Postcomm issued a final proposals document¹, which set out that it was:
 - minded to accept Royal Mail's proposals to implement changes to the compensation arrangements for loss and damage, and
 - minded to agree to the revised compensation arrangements for delay.
2. The detailed arrangements were set out in the appendices to the document. Representations on the proposals were requested by 30 April 2008. Having considered the one response received, Postcomm does not consider that the proposed retail compensation arrangements for loss, damage or delay need to be changed. Royal Mail has agreed with Postcomm that the new arrangements will come into effect on 1 August 2008.

Background

3. In November 2006, Postcomm published a consultation document asking for views on a number of key issues in relation to the current compensation arrangements for postal packets that have been lost, damaged or delayed.
4. In December 2007, Postcomm issued a further consultation document setting out detailed proposals for changes to the compensation arrangements for

¹ A review of Royal Mail's compensation schemes for loss, damage and delay: Final proposals for consultation – retail compensation, April 2008.

loss, damage and delay. The proposals aimed to simplify and align:

- the processes for making a claim;
- the evidence required to support a claim, and
- the compensation payments

for retail mail that has been lost, damaged or delayed.

5. Postcomm received six responses to the proposals for changes to the retail compensation arrangements for loss, damage and delay as set out in the December 2007 consultation document. After considering the views of respondents, Postcomm issued a third and final consultation document in April 2008 setting out the key issues raised by respondents, its assessment of each of these issues and its resulting “minded to” decision for the retail compensation arrangements.
6. Postcomm was “minded to” accept the proposed changes to the retail compensation arrangements for loss and damage and to agree to the revised compensation arrangements for delay as set out in the Annexes to the April 2008 consultation document. The key changes proposed in relation to the retail compensation arrangements for loss, damage and delay were as follows:
 - if an item was posted with Royal Mail, there would be compensation (a minimum of a book of 6 x 1st class stamps²) for loss, damage and delay where an item has no intrinsic value or where a claimant could not provide proof of posting as long as the claimant can provide “basic evidence”³;
 - loss and damage to items with an intrinsic value, with proof of posting with Royal Mail and proof of value, would entitle customers to a postage refund plus compensation for actual loss up to a maximum of the market value of

² A “stamp” in this document means a first class letter stamp at the first weight step.

³ For more information on what is “basic evidence” – see note IV to paragraph 3 of Annex 1 and paragraph 6(iii) in Annex 2.

- the item or 100 x 1st class stamps⁴, whichever is the lower;
- the £5 and £10 payments for delay and substantial delay would be removed, except for Special Delivery Next Day (not posted on account);
 - compensation for delayed retail mail would become payable one day earlier than at present, i.e. 3 working days after the due date;
 - redirected mail⁵ would be eligible for compensation for delay; and
 - users of the Articles for the Blind⁶ service will be able to claim compensation for loss, damage and delay.
7. Postcomm stated that it would decide whether to remove the bulk compensation scheme from regulation when it makes a final decision on Royal Mail's application for suspension of the scheme and C-factor in 2007-08 due to industrial action arising from its Transformation Plan. No changes have been made to the paragraphs in the Standards of Service Compensation Scheme dealing with bulk mail compensation from the scheme published in October 2003.

Response to final proposals

8. Postcomm received one response to its final proposals document which has been published alongside this decision statement. The respondent, who runs a small mail order company, raised a new issue regarding proof of posting for users of Royal Mail's Smartstamp® product.
9. The respondent said that, as the Smartstamp® system produces a unique identifier on every stamp produced and the identifier is recorded by Royal Mail via the Smartstamp® process, then this should suffice as proof of posting.

⁴ For Special Delivery Next Day (not posted on account) and for Standard Parcels with enhanced compensation, up to the market value of the item or the maximum level of compensation purchased, whichever is the lower.

⁵ This only applies to mail in the retail compensation scheme redirected using Royal Mail's redirection service.

⁶ Postcomm has allowed Royal Mail to recover £20m of costs to cover the provision of the Articles for the Blind service.

10. Postcomm considers that the unique identifier is proof that postage has been purchased rather than proof of posting. The identifier does not provide evidence that the item has been posted with Royal Mail. Royal Mail has confirmed that Smartstamp® users can ask for proof of posting when posting items at Post Offices or when handing over items at its mail centres. Smartstamp® users can also print out their own certificate of posting from the software and hand it over to Royal Mail or Post Office staff to validate when posting the items. Postcomm considers that the proof of posting requirements for the new compensation arrangements do not need to change from the final proposals.

Postcomm's decision

11. After carefully considering the responses to the November 2006, December 2007 and April 2008 consultation documents and assessing those responses (see Chapters 2, 3, 5 and 6 of the December 2007 consultation document, Chapter 2 of the April 2008 consultation document and paragraphs 8 – 10 above) Postcomm has reached the decision set out below.

Retail compensation arrangements for delay

12. Condition 4(25) of Royal Mail's licence provides that it may amend the Standards of Service Compensation Scheme at any time, with the agreement of Postcomm⁷. Postcomm hereby agrees that Royal Mail may amend the Standards of Service Compensation Scheme in relation to the retail compensation arrangements for delay so that the amended scheme reads as per the scheme set out at Annex 1.

Retail compensation arrangements for loss and damage

13. Postcomm considers that it has the power to direct Royal Mail, after consultation with it, Postwatch and such persons as it appears to Postcomm to be appropriate "in the making and application" of any scheme under section 89 of the Postal Services Act 2000 "in relation to compensation for loss of or

⁷ Royal Mail's Licence Condition 4(25).

damage to postal packets, including the process for making claims for compensation and the maximum amount of compensation that may be paid.”⁸ Royal Mail continues to maintain its previously stated position that Postcomm would be acting outside of its legal remit if it issued a Decision/Direction purporting to instruct Royal Mail as to the content of the section 89 schemes, or to create a new scheme.

14. In response to the review, Royal Mail has voluntarily proposed to amend its current arrangements for dealing with loss and damage compensation where appropriate, by way of amendment to the content of the current schemes dealing with compensation for loss and damage, as set out in Annex 2. A summary of the changes Royal Mail will make to its section 89 schemes can be found in Annex 3. The new arrangements will come into effect on 1 August 2008.
15. Royal Mail’s constructive response to the review of its compensation arrangements, in the form of the package of proposals which it has submitted to Postcomm means that although Postcomm is of the view that it has the power to make a Direction (see paragraph 13 for Postcomm’s and Royal Mail’s stated position on this issue above) it does not need to exercise that power at this stage as it is content with Royal Mail’s proposals.
16. Royal Mail has agreed to provide appropriate customer literature (in the form of a poster and separate leaflets available at Post Offices) and update its website to inform customers of the new arrangements as soon as they come into effect on 1 August 2008.

May 2008

⁸ Royal Mail’s Licence Condition 4(18).

ANNEX 1 - Royal Mail's modified compensation scheme for delay

Postcomm agrees to Royal Mail's proposals to amend the standards of service compensation scheme. The new arrangements are set out below and will come into effect on 1 August 2008.

STANDARDS OF SERVICE COMPENSATION SCHEME OF ROYAL MAIL GROUP LTD (as amended with effect from 1 August 2008)

Compensation to be provided by Royal Mail

1. Compensation shall be paid by Royal Mail Group Ltd ("Royal Mail") in accordance with this Scheme to users of postal services provided by Royal Mail affected by failure by Royal Mail to meet the quality standards applicable to the conveyance of postal packets sent by services referred to in the Scheme.
2. This Scheme is intended to ensure that users of postal services receive compensation for delay in the conveyance of postal packets by Royal Mail.

Retail services – Nature and extent of compensation payments

3. Subject to paragraph 7, the delays for which compensation is to be paid under paragraphs 3 to 12 of this Scheme in relation to retail services and the nature and extent of the compensation to be paid for such delays are set out in the following table.

Number of working days after item was posted ¹		Stamped and metered or Recorded (Signed for) 1st class mail and Articles for the Blind (with basic or additional evidence²)	Special Delivery Next Day (not posted on account)	Stamped and metered or Recorded (Signed for) 2nd class mail (with basic or additional evidence ²)	Parcels (with basic or additional evidence)	Stamped and metered or Recorded (Signed for) 1st class Mail and Articles for the Blind redirected using Royal Mail's redirection service (with basic or additional evidence²)	Stamped and metered or Recorded (Signed for) 2 nd class mail items and/or parcels redirected using Royal Mail's redirection service (with basic or additional evidence ²)
(a)	(b)						
1	2	Due	Due	0.00	0.00	Originally due	0.00
2	3	0.00	£5	0.00	0.00	0.00	0.00
3	4	0.00		Due	Due	0.00	Originally due
4	5	6 x 1 st class stamps		0.00	0.00	0.00	0.00
5	6			0.00	0.00	0.00	0.00
6	7			6 x 1 st class stamps	6 x 1 st class stamps	0.00	0.00
7	8					6 x 1 st class stamps	0.00
8	9		£10				0.00
9	10						6 x 1 st class stamps

Notes –

I The numbers in column (a) apply –

(a) at all times to Special Delivery Next Day (not posted on account) services, and

(b) at all times apart from when the Due date falls in the Christmas and New Year period to all other services referred to in the table.

¹ For the Special Delivery Next Day (not posted on account) services, £5 will be payable if the item was delivered more than 24 hours (excluding non-working days) after the guaranteed time of delivery, or £10 will be payable if the item was delivered seven or more working days after the guaranteed time of delivery.

² For circumstances where Additional evidence may be required, see paragraphs 8(a) and (b).

II The numbers in column (b) apply when the Due date falls in the Christmas and New Year period to all services referred to in the table except Special Delivery (Next Day) not posted on account.

III The Due date and delivery time for Special Delivery Next Day (not posted on account) services are specified in the terms and conditions for this product and will not always provide for next day delivery. When compensation is due will, in some cases therefore, differ according to the service specification. For Special Delivery Next Day (not posted on account) services with a delivery specification of one or more days after the next day, the figures in column (a) apply with the addition of that number of days.

IV “Basic evidence” means the information provided by the claimant at the time of first bringing the complaint to the attention of Royal Mail and where contact is by telephone includes responses by the claimant to reasonable telephone questions asked by Royal Mail which may include –

- (a) the names and addresses of the sender, addressee and claimant,
- (b) the place of posting,
- (c) the date of posting,
- (d) the basis for asserting that date (such as date of postmark, date of letter, certificate of posting (if available) and, for Special Delivery Next Day (not posted on account), service documentation),
- (e) the date of delivery,
- (f) the basis for asserting that date,
- (g) the method of postage, and
- (h) the indication (if any) of the amount of postage.

V “Additional evidence” –

(i) means a statement in writing containing the information in paragraphs (a) to (h) in the note above on Basic evidence and a declaration by the claimant acknowledging that the making of a false statement may lead to prosecution, accompanied by the envelope of the letter, or the part of the wrapping that includes the address and the postage stamp or mark of the parcel, in respect of which the claim is made, and

(ii) may include an explanation, with such supporting information as is reasonably available, of circumstances that have resulted in the delay causing particular loss, distress or inconvenience to the claimant.

Retail services – procedures for payment

4. A claim in relation to delay to a postal packet conveyed under a retail service shall not be made after the expiry of the earlier of –
 - a) one month of receipt, or
 - b) three months from the postingof the postal packet that is subject to the delay giving rise to the claim.

5. Subject to paragraph 6, the persons who may claim compensation are –
 - a) the sender of a postal packet, and
 - b) the addressee of the postal packet.

6. In the event that both the sender and the recipient of a postal packet make a claim under this scheme in respect of that postal packet, then that right of claim shall lie only with the sender, unless compensation has already been paid to the recipient.

7. In relation to the late arrival of postal packets conveyed to those addresses designated by Postcomm under paragraph 4 of Condition 2 of the Licence as exempted from a daily delivery obligation, the Scheme shall apply on a case by case basis.

8. Royal Mail may require claims to be made in accordance with such reasonable procedures as, with the approval of Postcomm, it determines. These procedures may include –
 - a) arrangements for ensuring that unwarranted claims are not made, which may include a requirement that a second claim by a claimant or in relation to a particular address within a period of 90 calendar days shall be supported by Additional evidence and by further information,
 - b) arrangements for ensuring that compensation is not paid more than once in respect of the conveyance of any postal packet,
 - c) arrangements under which decisions made by Royal Mail in relation to compensation that users find unsatisfactory may be subject to review and appeal within Royal Mail, and
 - d) arrangements to ensure that those disputes that are not satisfied under Royal Mail procedures within 90 calendar days of receipt of a claim may be referred to Postwatch to make representations on behalf of the claimant.
9. Payments specified in the table in paragraph 3 will be minimum payments in relation to delayed items and Royal Mail may, at its discretion, pay higher levels of compensation as befits the claim.
10. Where Royal Mail accepts that compensation is payable it will within 30 calendar days of the day of acceptance:
 - a) notify the claimant of acceptance , and
 - b) pay compensation.

11. Compensation not assessed by reference to numbers of stamps shall be payable by cheque or Giro cheque at the discretion of Royal Mail.

12. Where Royal Mail rejects a claim for compensation it shall advise the claimant of the rejection within 30 calendar days of the making of the claim and the receipt of all necessary supporting documents and information, advising the claimant of the reason for the rejection and that the matter may be referred by him or her to Postwatch to make representations on behalf of the claimant.

Retail services – exclusions

13. Royal Mail shall be under no obligation to provide compensation –

a) where the postal packet is not fully and correctly addressed in a manner which includes all the elements of the postal address (including the full postcode) written clearly on the front or on a label securely attached to the front of the cover or envelope, or the address is illegible, or the address is not fully visible,

b) where the event giving rise to the claim was caused by circumstances outside Royal Mail's control, including exceptionally severe weather conditions, acts of terrorism and vandalism and acts of third parties with whom Royal Mail has no contractual relationship, but excluding the failure of the employees, sub-contractors or agents of Royal Mail, to provide services to or for Royal Mail as a result of industrial action by them,

c) where a postal packet is posted in a manner that does not comply with the provisions of the scheme relevant to its conveyance under section 89 of the Act, or is identified as containing prohibited contents as defined in the provisions of that scheme,

d) where a postal packet is undeliverable and/or has been returned to sender,

e) where alternative delivery arrangements have been agreed with the customer, including, for example, through the use of services such as Safepace, PO Box delivery, Mail Collect and Post Restante, and the delay is caused by the customer or by the nature of the arrangements,

f) where a postal packet has been forwarded from the delivery address stated on the item other than by Royal Mail under its redirection service,

g) where postage payable for the postal packet in question is unpaid or underpaid,

h) where the claim relates to a postal packet posted with or handled by another postal operator other than when another postal operator has posted the postal packet using a Royal Mail retail service, in which case that postal operator will be regarded as the sender of the postal packet for compensation purposes,

i) where the delay has arisen through the posting or receiving customer's own act or omission, or

j) in such other circumstances as Postcomm, after consulting with Postwatch, may agree.

Bulk mail services – calculation and payment of compensation

14. Compensation in accordance with paragraphs 14 to 17 of this scheme shall be payable by Royal Mail to senders of postal packets using the bulk mail services in respect of failure by Royal Mail to achieve the required standards of service for any of those services in any of the target years as set out in the Annex to Condition 4 of the Licence, by 1% or more.

15. The level of compensation to be paid to each user of each of the bulk mail services shall be calculated at the rate of 0.1% of their annual expenditure on that service in the year in question for each 0.1% failure by Royal Mail to achieve the standard for that service in that year, provided that compensation for any user for any service shall not exceed 5% of the user's expenditure on that service in that year.
16. Any expenditure on mailings that were not compliant with the terms and conditions of the contract for the relevant service shall be excluded from the annual expenditure used to calculate compensation payments.
17. Compensation payable for delays to bulk mail services shall be announced by Royal Mail no later than the end of a three month period after the date at which final adjusted and audited quality of service performance figures for the year to which the minimum target percentages apply are accepted by Postcomm.
18. Payment will be made by way of credit against future expenditure or, if requested by the user, by cheque and arrangements for payment shall be made (and cheques issued if required) within one month of the announcement of compensation payments.
19. Decisions made by Royal Mail in relation to compensation for bulk mail services that users find unsatisfactory shall be reviewed within Royal Mail and if a dispute is not satisfied under Royal Mail's procedures within 90 calendar days of receipt of a claim may be referred to Postwatch to make representations on behalf of the claimant.

Bulk services – exclusions

20. Royal Mail shall be under no obligation to provide compensation –

(a) where the event giving rise to the claim was caused by circumstances outside Royal Mail's control, including exceptionally severe weather conditions, acts of terrorism and vandalism and acts of third parties with whom Royal Mail has no contractual relationship, but excluding the failure of the employees, sub-contractors or agents of Royal Mail, to provide services to or for Royal Mail as a result of industrial action by them,

(b) where a sender is in default of credit terms, without reasonable excuse,

(c) in relation to postal packets posted with another postal operator, or

(d) in such other circumstances as Postcomm, after consulting with Postwatch, may agree.

General provisions for retail and bulk services

Suspension or modification of scheme

21. Royal Mail may at any time request Postcomm to suspend or modify its obligations to provide compensation in relation to retail and bulk services to such extent, in such circumstances and for such duration as Postcomm, after consultation with Postwatch, may determine.

22. Where Royal Mail has requested such a suspension, it may suspend payments to claimants or customers posting bulk mail from the time its formal request for the scheme to be suspended or modified is received by Postcomm, until Postcomm's decision. Royal Mail is required to keep details of such claims and to honour them in the event that Postcomm does not accept the request for suspension or modification.

Commencement and review

23. This amended Scheme shall apply with effect from 1 August 2008.

24. This Scheme shall be subject to –

- (a) quarterly monitoring, including of its practical operation,
- (b) a full review of each part of the scheme 12 months after it has come into effect, and
- (c) further modification and review as provided in Condition 4 of Royal Mail's Licence.

Interpretation

25. In this Scheme, unless the context requires otherwise –

- (a) terms and expressions that are defined in the Act shall have the same meaning as in the Act,
- (b) terms or expressions that are defined in Royal Mail's Licence shall have the same meaning as in the Licence, and
- (c) for further clarification in relation to this Scheme, terms in the left hand column in the table below have the meaning set out adjacent to them in the right hand column in the table.

“bulk mail services”	means the services 3 to 11 of the services listed in the Annex to Condition 4 of the Licence which include all Mailsort, Presstream, PPI (Postage Paid Impression) and Response Services.
“Christmas and New Year period”	means the period commencing on the first Monday in December in any year and ending at the start of the working day after the immediately following New Year public holiday or in Scotland at the start of the working day after the immediately following Scottish New Year public holiday.
“delay”	a postal packet shall be regarded as delayed if Royal Mail has not attempted to deliver it at the place to which it is addressed (or, where relevant, the redirected address) by the end of – (a) the Due date in relation to Special Delivery (Next Day) not posted on account; (b) the second working day after the Due date in relation to retail services ; and (c) the fifth working day after the original Due date in relation to retail services where a postal packet is redirected using Royal Mail's redirection service,
“Due date”	means –

	<p>(a) for first class services the next working day following the day of posting,</p> <p>(b) for Special Delivery (Next Day) services not posted on account the date in the delivery specification,</p> <p>(c) for second class services and the standard parcel service the third working day following the date of posting, and</p> <p>or, in the case of a day referred to in paragraphs (a) or (c) falling in a Christmas and New Year period, the next working day following that day, or the second working day following that day in the case of a postal packet that is redirected using Royal Mail's redirection service.</p>
"first class services"	means those services which are listed as Retail first class in the table at Note 1 of the Annex to Condition 4 of the Licence, the first class Recorded Signed For service (when used in conjunction with the Retail first class services), and the Articles for the Blind service.
"the Licence"	means the licence granted to Royal Mail under section 11 of the Act on 23 March 2001 as amended on 1 April 2003, 2 November 2005 and 25 May 2006.
"target percentage"	means for each service for each year the percentage set out in the Annex to Condition 4 of the Licence,
"original due date"	the date when the postal packet would be due at the address on the item but for a redirection being in place.
"postal address"	means for any premises the address, including the postcode, maintained by Royal Mail from time to time as corresponding to those premises in the Postcode Address File,
"redirection service"	means the service whereby an addressee may on application to Royal Mail and payment of a fee have a letter redirected from one specified address within the UK to another address within the UK.
"retail services"	means those services which are listed as Retail first class, Retail second class, Standard parcel and Special Delivery Next Day (i.e. Special Delivery Next Day (not posted on account)) in the table at Note 1 of the Annex to Condition 4 of the Licence , Recorded Signed For service (when used in conjunction with the Retail first and second class services), and the Articles for the Blind service,
"second class services"	means those services which are listed as Retail second class, in the table at Note 1 of the Annex to Condition 4 of the Licence, and the second class Recorded Signed For service (when used in conjunction with the Retail second class services),
Special Delivery Next Day (not	means Special Delivery (Next Day) other than when sold to users having an account and buying the service using their account, i.e. services listed as Special Delivery (Next Day) in

posted on account)	the table at Note 1 of the Annex to Condition 4 of the Licence,
“year”	means a period of twelve months ending on 31 st March.

ANNEX 2 – Retail compensation arrangements for loss and damage

Royal Mail will give effect to the following arrangements to deal with loss and damage compensation, where appropriate by way of amendment to The Successor Postal Services Company Inland Letter Post Scheme and the Successor Postal Services Company Inland Parcel Post Scheme, Schemes made under section 89 of the Postal Services Act 2000, and in its customer literature and website. The new arrangements will come into effect on 1 August 2008.

Nature and extent of compensation payments for loss and damage

1. Compensation for loss or damage is to be paid under paragraph 6 in relation to retail products and services as set out in paragraph 2 below.
2. The compensation payments for loss and damage set out below will apply only to items posted with Royal Mail in the UK for delivery by Royal Mail in the UK using the following products:
 - a. 1st class stamped and metered mail, including items sent using Smartstamp® or Online Postage;
 - b. 2nd class stamped and metered mail, including items sent using Smartstamp® or Online Postage;
 - c. Standard parcels;
 - d. 1st and 2nd class Recorded Signed for™ mail when used in conjunction with products a or b above;
 - e. Articles for the Blind, and
 - f. Special Delivery™ Next Day (not posted on account).
3. Compensation for damage may be payable if an item in a postal packet has suffered a degree of harm that reasonably impairs the material function or contents of the item, solely as a result of its transmission through the post, and excluding liability for any pre-existing damage.
4. Compensation for loss will not be considered for an item that Royal Mail has not delivered or attempted to deliver until after:

- 15 working days for items other than Special Delivery™ Next Day (not posted on account), or
- 10 working days for Special Delivery™ Next Day (not posted on account) have elapsed from the due date of delivery, unless there is evidence to the contrary to demonstrate that the item has not been lost. Where an item is safely delivered after the 15 working days (or 10 working days in the case of Special Delivery) the customer will be entitled to claim compensation for delay but not loss.

5. In respect of claims for the loss of postal packets conveyed to addresses designated by Postcomm under paragraph 4 of Condition 2 of the Licence as exempted from daily delivery obligations, the assessment of lateness in paragraph 4 shall apply on a case by case basis.

6. The nature and extent of the compensation to be paid for loss of, or damage to eligible mail items are set out in the following tables.

Table 1 All retail services other than Special Delivery™ Next Day not posted on account and Standard Parcels with enhanced compensation	Loss	Damage and part loss
Item has no intrinsic value	Postage refund (minimum 6 x 1 st class letter stamps)	6 x 1 st class letter stamps
Item has intrinsic value (with basic evidence only)	Postage refund (minimum 6 x 1 st class letter stamps)	6 x 1 st class letter stamps
Item has intrinsic value (with additional evidence)	Postage refund, plus compensation on basis of the customer's actual loss. This compensation is subject to the maximum payable being the lower of the market value of the item and statutory maximum of 100 x 1 st class letter stamp.	Postage refund, plus compensation on basis of the customer's actual loss. This compensation is subject to the maximum payable being the lower of the market value of the item and statutory maximum of 100 x 1 st class letter stamp.

Table 2 Standard parcels with enhanced compensation	Loss	Damage and part loss
Item has no intrinsic value	Postage refund (minimum 6 x 1 st class letter stamps)	6 x 1 st class letter stamps
Item has intrinsic value (with basic evidence only)	Postage refund (minimum 6 x 1 st class letter stamps)	6 x 1 st class letter stamps
Item has intrinsic value (with additional evidence)	Postage refund plus compensation on basis of the customer's actual loss. This compensation is subject to the maximum payable being the lower of the market value of the item and the maximum level of compensation purchased.	Postage refund plus compensation on basis of the customer's actual loss. This compensation is subject to the maximum payable being the lower of the market value of the item and the maximum level of compensation purchased.

Table 3 Special Delivery™ Next Day (not posted on account)	Loss	Damage and part loss
All items (with additional evidence)	Fee refund plus compensation on basis of the customer's actual loss. This compensation is subject to the maximum payable being the lower of the market value of the item and the maximum level of compensation purchased.	Fee refund plus compensation on basis of the customer's actual loss. This compensation is subject to the maximum payable being the lower of the market value of the item and the maximum level of compensation purchased.

Notes –

- (i) Where an item is lost or damaged beyond repair then actual loss is the amount it cost the customer to acquire, purchase or manufacture the item subject to condition, age and depreciation. Where an item is damaged, it is the cost of repair. No additional payment will be made for the reduced value of the repaired item. If a customer has used one of the services set out in Table 1 above, then any claim for compensation for actual loss will be paid up to the market value or the

statutory maximum whichever is the smaller amount. Where Special Delivery Next Day or standard parcel with enhanced compensation has been used then any compensation for actual loss will be paid up to the smaller of market value or the compensation purchased by the sender.

- (ii) When assessing the market value of the content of an item the value of any message must be ignored (e.g. the market value of a cheque is not its face value).
- (iii) All claims must supply as a minimum the following “basic evidence”
- the names and addresses of the sender, addressee and claimant,
 - the Royal Mail product used,
 - the postage paid and method of postage, e.g. stamps, franking impression, Smartstamp®
 - the place of posting,
 - the date of posting,
 - the basis for asserting the posting details and product used (such as date of postmark, certificate of posting (if available) and for Special Delivery™ Next Day, Recorded Signed for™ and Standard Parcels with enhanced compensation, the product documentation)
 - a description of the contents,
 - the date of delivery (for damage and part loss claims only), and
 - a description of the packaging and condition of the mail item itself (for damage and part loss claims only).

Claimants must retain all the packaging and contents of damaged items or items subject to part loss as Royal Mail may need to inspect them. If they are not retained compensation may not be paid.

- (iv) Claims for items with an intrinsic value should all be made on Royal Mail’s current loss and damage claim form. The claim form needs to be signed and dated by the claimant and supported by “additional evidence” (evidence of posting and evidence of value) to corroborate

the amount claimed for actual loss. If only basic evidence can be provided then only postage refund or stamps can be considered.

- (v) Evidence of the actual loss must be provided to enable Royal Mail to determine the value of the contents of a packet. Such evidence might be original receipts, bank or credit card statements, details of age, paypal record, invoices, manufacturing costs, auctioneer's valuation, and repair costs in the case of damage claims. This list is not exhaustive and is for illustrative purposes only.
 - (vi) Royal Mail reserves the right to inspect the item and packaging and/or to request additional documentation and/or information from the claimant, sender or recipient to protect against unwarranted or duplicate claims. This includes, but is not limited to, a declaration of non-receipt (or proof of non receipt in appropriate cases).
 - (vii) Evidence must be provided that the part loss or damage sustained by the item is consistent with the damage to the envelope or to the external packaging or the internal wrappings.
7. The sender or the recipient may make a claim for loss of or damage to an item. However Royal Mail will only pay compensation once in respect of any item. In the event that both the sender and the recipient of a postal packet makes a claim for the same item, then that right of claim shall lie only with the sender, unless compensation has already been paid to the recipient.

Exclusions

8. Royal Mail does not accept liability, and will not pay compensation for a lost or damaged item in the following circumstances –
- a. where the claim relates to an item posted with, or handled by another postal operator or third party other than when another postal operator has posted the postal packet using Royal Mail's "first class services" or "second class services", in which case that

postal operator will be regarded as the sender of the postal packet for compensation purposes;

- b. where the loss or damage has not arisen due to any wrongful act done, or any neglect or default committed by an officer, servant or agent of Royal Mail while performing or purporting to perform his functions as such in relation to the receipt, carriage, delivery or other dealing with the item;
- c. where the loss or damage has arisen due to the posting or receiving customer's own act or omission; including but not confined to a failure to collect mail held for customer collection within the required timescales,
- d. where the loss or damage has arisen due to circumstances outside the control of Royal Mail including exceptional severe weather conditions, acts of terrorism and vandalism and acts of third parties with whom Royal Mail has no contractual relationship;
- e. where loss or damage is due to a latent or inherent defect, natural deterioration; or (for damage or part loss) where there is no material damage to the item;
- f. where all of the conditions that apply to the service used have not been complied with, including but not confined to;
 - where an item does not comply with all the provisions set out in the Scheme and those provisions relating to specific services detailed in product licences, terms and conditions, application forms and similar product documentation;
 - where a Special Delivery™ Next Day (not posted on account) item does not adhere to the terms and conditions for that service;
- g. where the item is not fully and correctly addressed in a manner that includes all the elements of the postal address (including the full postcode) written clearly on the front or on a label securely

- attached to the front of the cover or envelope, or the address is illegible, or the address is not fully visible;
- h. where the item is not in a suitable and reasonably strong cover or envelope appropriate to its contents that (with the exception of Articles for the Blind) is sealed or fastened securely;
- i. where the item is not packaged in accordance with the requirements of the relevant post schemes, which are described on Royal Mail's website and customer literature, including but not confined to;
- where anything enclosed in the letter is not well protected against damage;
 - where a breakable item has not been packed in a strong container with enough packaging material to protect the item against pressure and knocks, and where the item has not been marked with the words "FRAGILE HANDLE WITH CARE" in capital letters on the cover or envelope above the address,
 - where an item that may be damaged by bending is not packed in a strong container that will prevent the item from being bent , and marked with the words "DO NOT BEND" on the cover or envelope above the address;
 - where a letter contains an item that is likely to perish or decay, the letter is not marked with the word 'PERISHABLE' in capital letters on the cover or envelope above the address
 - where restricted items are not packed in accordance with further published packaging requirements
 - where the packaging does not comply with any other information published by Royal Mail on packing.
- j. where the item contains valuables (i.e. money and jewellery) unless posted using an appropriate Special Delivery™ service within the terms of this scheme;
- k. for standard parcels, where damage is to glass or ceramics

- l. where Royal Mail has destroyed, dealt with or disposed of an item at its discretion under any section of the relevant schemes made under section 89 of the Postal Services Act or in accordance with other legislation;
- m. where the item is one of the following:
 - an undeliverable or return to sender item;
 - an item containing anything prohibited by law or any item listed as prohibited in the relevant Inland Postal Schemes;
- n. where a postal packet has been forwarded from the original delivery address stated on the item other than by Royal Mail under its redirection service,
- o. where an item has been forwarded or redirected to an address in the Channel Islands or the Isle of Man.

9. Definitions used

“actual loss”	Where an item is lost or damaged beyond repair then it is the amount it cost the customer to acquire, purchase or manufacture the item subject to adjustment to take account of condition, age and depreciation. Where an item is damaged it is the cost of repair. No additional payment will be made for the reduced value of the repaired item.
“damage”	If an item in a postal packet has suffered a degree of harm that reasonably impairs the material function or contents of the item.

“due date”	<p>Means –</p> <p>(a) for first class services, the next working day following the day of posting;</p> <p>(b) for second class services and the standard parcel service the third working day following the date of posting; and</p> <p>(c) for Special Delivery™ Next Day (not posted on account) the guaranteed date provided in the delivery specification.</p>
“evidence of posting”	<p>Includes:</p> <ul style="list-style-type: none"> • The item with envelope or packaging, showing the postage paid; • Original Certificate of posting (provided automatically for Recorded Signed for™ items and Special Delivery™ Next Day (not posted on account) and available on request at Post Offices for other items); • Original Horizon certificate of posting; • Original Smartstamp® or on-line postage certificate of posting validated at a Post Office.
“first class services”	<p>Means those services which are listed as Retail first class in the table at Note 1 of the Annex to Condition 4 of the Licence, the Articles for the Blind service and the first class Recorded Signed for™ service when used in conjunction with the Retail first class services.</p>
“the Licence”	<p>Means the licence granted to Royal Mail under section 11 of the Act on 23 March 2001 as amended on 1 April 2003, 2 November 2005 and 25 May 2006.</p>
“loss”	<p>A postal packet shall be deemed as lost if Royal Mail has not delivered it at the place to which it is addressed by the end of the fifteenth working day (or the tenth working day for Special Delivery™ Next Day (not posted on account)) after its due date of delivery, unless there is evidence to the contrary to demonstrate that the item has not been lost.</p>

“part loss”	Where a postal packet is received and some or part of the content is missing.
“postal address”	Means for any premises the address, including the postcode, maintained by Royal Mail from time to time as corresponding to those premises in the Postcode Address File.
Special Delivery™ Next Day (not posted on account)	Means, Special Delivery™ (Next Day) other than when sold to users having an account with Royal Mail buying the service using their account, i.e. services listed as Special Delivery™ (Next Day) in the table at Note 1 of the Annex to Condition 4 of the Licence
“second class services”	Means those services which are listed as Retail second class in the table at Note 1 of the Annex to Condition 4 of the Licence and the second class Recorded Signed for™ service when used in conjunction with the Retail second class services.
“working days”	For Special Delivery™ Next Day (not posted on account), any day which is not a Saturday, a Sunday or a public holiday, unless Saturday guarantee has been purchased, in which case Saturday is a working day. For other retail services in paragraph 2, any day which is not a Sunday or a public holiday

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10. Payments specified in Tables 1 and 2 in paragraph 5 will be minimum payments in relation to lost or damaged items and Royal Mail may, at its discretion in exceptional circumstances, make higher payments as befits the claim, up to the statutory maximum or level of compensation purchased for the service used.

11. Royal Mail will advise the claimant of its decision with reasons within 30 calendar days of the receipt of the claim together with all necessary supporting documents and information.

12. Compensation not assessed by reference to numbers of stamps shall be payable by cheque or Giro cheque at the discretion of Royal Mail.
13. Where Royal Mail rejects a claim for compensation it shall advise the claimant of the appeals process available to them.

ANNEX 3 – Section 89 scheme changes

Royal Mail will amend the Inland Letter Post Scheme and Inland Parcel Post Scheme under section 89 of the Postal Services Act 2000 on a voluntary basis to implement the changes to the compensation arrangements for loss and damage made by Royal Mail with which Postcomm is content.

Royal Mail will make the following principal changes to the Inland Letter Post Scheme (ILS) to implement the arrangements referred to above¹:

- Packaging requirements will be grouped together in paragraph 9.2.
- A reference will be added in section 9 to packaging requirements for restricted items and other requirements published in Royal Mail's customer literature.
- Section 50 paragraph 1 will be amended to include exclusions for
 - force majeure,
 - return to sender mail
 - forwarded mail,
 - latent or inherent defect and natural deterioration;
 - damage which is not material or pre-existing damage.
- Section 50 paragraph 1 will be amended to remove the exclusion for Articles for the Blind.
- Paragraphs will be added to Section 50 to cover further exclusions for:
 - items posted with or handled by other postal operators or third parties, and
 - for loss or damage caused by the customer's own act or omission.
- Paragraph 51.2 will be amended to include refund of postage for loss of or damage to the retail services included in the proposed arrangements.
- Paragraphs 51.2 and 52.2 will be amended to clarify that compensation is assessed in relation to the actual loss.

¹ Paragraph numbers may be revised in the amended Scheme

- A new paragraph will be added to section 51 to exclude liability where there is no material damage to the envelope or internal wrappings which is consistent with the damage sustained by the item.
- Paragraph 51.4.1 will be amended to refer to evidence of posting rather than a certificate of posting.
- A new subparagraph will be added to section 51 paragraph 4 to clarify the requirement to comply with all the product terms and conditions.
- A new paragraph will be added to section 51 which lists the retail services covered by the compensation arrangements in Schedule 3.
- Definitions for actual loss, damage, due date, evidence of posting, intrinsic value, IPS, Licence, loss, part loss and postal address will be added to Schedule 2.
- A new Schedule 3 will be added to set out the proposed arrangements themselves. It is anticipated that this will cover the information in paragraphs 1 to 7 of the proposals.

Royal Mail will make the following principal changes to the Inland Parcel Post Scheme (IPS) to deploy the arrangements above²:

- Definitions for actual loss, cover, damage, due date, evidence of posting, ILS, intrinsic value, Licence, loss, mark, market value, part loss, postal address, Smartstamp®, undeliverable, unpaid and working day will be added to section 3. The definitions of money and valuables will be amended to reflect the ILS where appropriate.
- The prohibitions and restrictions at section 7 will be revised to reflect the ILS where appropriate.
- The packaging instructions in other parts of the Scheme, including Schedules 4 and 5, will be grouped together at section 9, which will also incorporate the requirements in the ILS plus packaging requirements for restricted items and other requirements published in Royal Mail's customer literature.

² Paragraph numbers may be revised in the amended Scheme

- The addressing instructions in other parts of the scheme, including Schedules 4 and 5, will be grouped together at section 10, which will also incorporate the requirements in the ILS.
- Section 24 will be amended to incorporate paragraph 50.2 of the ILS.
- The restrictions on compensation in part 3 of Schedule 4 and part 2 of Schedule 5 will be incorporated into the main body of the Scheme at section 24.
- A new paragraph will be added to section 24 to exclude liability where there is no material damage to the envelope or internal wrappings which is consistent with the damage sustained by the item.
- Section 24 will be further amended to include exclusions for
 - mail forwarded or redirected to the Channel Islands or Isle of Man (as for paragraph 50.1.1 of the ILS)
 - undeliverable mail
 - return to sender mail
 - forwarded mail,
 - damage which is not material or pre-existing damage
 - force majeure,
 - items posted with or handled by other postal operators or third parties, and
 - loss or damage caused by the customer's own act or omission.
- Exclusions for prohibited and restricted items moved from sections 25 and 26 to section 24.
- Section 24 will be modified to clarify the requirement to comply with all the product terms and conditions in addition to Scheme terms and conditions.
- Paragraph 25.4 and 26.2 will be amended to include refund of postage for loss of or damage to the retail services included in the proposed arrangements.
- Paragraph 25.4 will be amended to clarify that compensation for a compensation fee parcel is assessed in relation to the actual loss, capped by market value and the maximum level of compensation purchased.

- Paragraph 26.2 will be amended to clarify that compensation for other parcels is assessed in relation to the actual loss, capped by market value and the statutory maximum.
- Part 2 paragraph 1 of Schedule 4 will be moved to Section 25 and be amended to refer to evidence of posting rather than a certificate of posting.
- Part 1 paragraph 1 of Schedule 5 will be moved to Section 26 and amended to refer to evidence of posting rather than a certificate of posting.
- A new paragraph will be added to each of sections 25 and 26 which lists the retail services covered by the compensation arrangements in Schedule 8.
- Requirements for packaging and addressing in part 2 of Schedule 4 and part 1 of Schedule 5 will be moved to paragraphs 9 and 10 as described above. The remaining requirements for compensation in parts 2 and 3 of Schedule 4 and parts 1 and 2 of Schedule 5 will be incorporated into the main body of the Scheme at paragraphs 24, 25 and 26. Schedule 5 and parts 2 and 3 of Schedule 4 will be deleted.
- A new Schedule 8 will be added to set out the proposed arrangements themselves. It is anticipated that this will cover the information in paragraphs 1 to 7 of the proposals.

The changes set out above to the Inland letter Post Scheme and Inland Parcel Post Scheme would implement Royal Mail's loss and damage compensation proposals. Royal Mail may make other changes to the Schemes, for example to clarify current practice, to tidy up the wording or to reflect changes to products and services.