

**Postcomm's consultation Complaint
Handling Standards for
licensed postal operators:
Postwatch response**

17th March 2008

COMPLAINT HANDLING STANDARDS FOR LICENSED POSTAL OPERATORS

1. Introduction

1.1 Postwatch welcomes the opportunity to comment on Postcomm's consultation.

1.2 As the statutory body with a specific remit to investigate complaints about the products and services, provided under licence, by regulated postal operators and our experience in agreeing Royal Mail's complaint handling standards under Condition 5 of its operating licence, we are uniquely positioned to represent the views of all senders and recipients of mail in the UK.

2. Summary of Postwatch Response

2.1 In general, we support Postcomm's proposals that the standards for complaint handling should set a high level framework. However, we believe that there are a number of areas/principles that should be considered for inclusion in the proposals. These are:

- the proposed standard should define what a complaint is;
- postal operators should be required to ensure that they commit adequate resources to their complaint handling process;
- the proposals should incorporate the Government's expectation that regulated providers keep accurate records of first contacts with consumers to register a complaint;
- the proposals should seek to ensure that a postal operator's timelines and responsiveness are reasonable;
- the proposals should address how complaints that involve two or more postal operators will be managed;
- to avoid consumer confusion over what constitutes a licensed product, this information should be readily available to consumers;
- the criteria should provide that the complaints handling process should be easily accessible to all complainants;
- the framework standard should provide for the Schedule to Condition 5 of Royal Mail's Licence (existing complaints procedures) to be replicated in Royal Mail's future complaint handling procedures.

2.2 These points are discussed in more detail below

Postwatch Response

3. Type of complainants to be covered by complaint handling Regulations

3.1 Postwatch recognises that Postcomm can only prescribe standards for complaint handling about products and services in the licensed areas, although postal operators could opt to make use of the procedures for other non-licensed products.

3.1.1 Postwatch welcomed the Government decision, in response to BERR's consultation, not to differentiate between senders and recipients of mail by size of the company. In conclusion, the Government announced that senders of mail who do not have a contract with licensed postal operators and all recipients of mail should have access to an independent redress scheme.

3.1.2 Consequently, we are unclear why Postcomm's proposal at paragraph 3.14 states that "*the regulations should apply to complaints from retail and small business users (senders and recipients) of mail*". The inclusion of small business conflicts with the above decision by Government by attempting to define by size who should have access to a redress scheme; as such Postwatch cannot support it.

Postwatch Recommendation

3.1.3. Postwatch, in its response to BERR, argued that all recipients of mail, **irrespective of size**, should have access to an independent redress scheme. Recipients of mail have no choice over who delivers their mail and have no contractual relationship with any licensed postal operator to deliver mail and as such cannot easily resolve a complaint by using their commercial power.

3.1.4. Postwatch recommends that the proposed regulation for complaint handling standard should apply to all senders of mail, irrespective of size, who do not have a contract with a licensed postal operator and to all recipients, again irrespective of size.

3.2. Implementation and Monitoring

3.2.1 Postwatch supports principle xiv which will place a duty on licensed postal operators regularly to review their complaint handling procedures and to seek feedback from their customers and other relevant parties. However, we are concerned that the principle does not:

- specify the frequency of such a review; or
- indicate who the "other relevant parties" may be.

3.2.2 Postwatch also supports Postcomm’s proposal that a review of the appropriateness of the high level framework takes place every three years and that such a review must take into account the experience of consumers and licensed postal operators. This provision should ensure that licensed postal operators adhere to principle xiv and do not simply pay lip service to it.

3.2.3 Postwatch is concerned that the reporting requirements of principle xv will not be sufficient to allow the National Consumer Council to fulfil its duty and publish statistical information relating to the levels of compliance with the complaint handling standards set by the Regulator.

3.2.4 Principle xv – publishing an annual complaints report, is similar to the current quarterly reporting requirements provided under condition 5 clause (6b) of Royal Mail’s licence. Postwatch is concerned that, as drafted, the principle is too vague and should be strengthened.

3.2.5 We are also concerned that relying on an annual reporting cycle will provide too little information too late. It will not allow either Postcomm or the new National Consumer Council to be aware of performance failures (national or local) or other issues such as mail integrity, product failures etc. on a timely basis.

3.2.6 From our experience, such reports will typically contain the numbers of complaints received about lost mail, misdelivered mail and other categories of complaint, and the amount of compensation paid. This is only part of the information required that will enable the National Consumer Council to comment on the levels of compliance with the standard. There is no provision that requires a licensed postal operator to report on how well it performs against its own internal Key Performance Indicators, the products complained about and the split of complaints from senders or recipients.

3.2.7 Principle xv also includes the term “where relevant”. Postwatch is unsure what this is trying to achieve and as currently drafted will lead to confusion.

3.2.8 In the absence of a more robust reporting requirement, Postwatch find it difficult to envisage how the National Consumer Council will be able to publish any meaningful report about the level of compliance with the complaint handling standard.

Postwatch Recommendation

3.2.9 Postwatch recommends that the reporting requirements of the proposed standard be strengthened to ensure that it is sufficiently robust to enable the National Consumer Council to publish a compliance report.

3.2.10 As a minimum we would recommend that the reporting requirements should be quarterly and cover, for the relevant reporting period;

- the number of new complaints received;
- the number of complaints that went through an operator's internal complaints handling process and why;
- the number of complaints resolved;
- the number of complaints that reached deadlock;
- performance data against internal Key Performance Indicators;
- the licensed products complained about;
- the split of complaints from senders or recipients;
- the level of compensation/goodwill paid;
- complaints by classification and postcode area.

3.2.11 Postwatch also believe that Postcomm should publish, on an annual basis, a report on the effectiveness and efficiency of all licensed postal operators complaint handling processes and ensure that any shortcomings are identified and taken up with the relevant postal operator .

4. Consultation Questions

4.1 Do you agree with Postcomm's proposal to introduce a high level framework of principles rather than prescribe detailed procedures for complaint handling regulations? Please explain your answer. (Question 4.1)

4.1.1 As Postcomm states, Royal Mail is the only provider of the universal service. It is still the dominant operator in the UK postal market and delivers more than 99% of all mail in the UK. The impact of this is that Royal Mail's licence condition for complaints differs from that of all other licensed postal operators. As such a difference already exists, there is an argument that a different and more prescriptive approach should be taken in respect to the complaint handling process provided by Royal Mail.

4.1.2. Postwatch has considerable experience in dealing with complaints from postal users and it is not surprising that, as Royal Mail is the dominant operator, we receive more complaints about it than any other. As such it is essential that consumers, who complain to Royal Mail, receive an efficient and effective complaint handling service and a prescriptive approach is perhaps required to achieve this.

4.1.3. However, in the past decade the Customer Service industry and the worldwide standards making bodies have moved away from being prescriptive in the approach to providing good customer service. It has been recognised, that whilst there is a place for performance standards (i.e. efficiency targets such as response times etc) within individual organisations to help drive improvements in efficiency, such measures have been found to act as the wrong drivers for ensuring the overall quality of any customer service provided. For example, a customer advisor, under pressure to meet performance targets, could simply pick up a telephone call within 15 seconds; this would meet the performance target

but may not ensure a response is of sufficient quality to satisfy the caller. The advisor would be under pressure to kill the call and move on to the next one just to meet the performance target. As a result a high level framework approach has been adopted in the following standards:

- BS ISO 10002:2004 - Quality management – Customer Satisfaction – Guidelines for complaints handling in organisations.
- BS 8477:2007 – Code of practice for customer service

4.1.4. The above standards, which are seen as providing the benchmark for complaint handling across all industries, provide guidance on the process for complaints handling within organisations, including planning, design maintenance and improvement.

4.1.5 The same high level framework approach has been adopted by the European postal industry which is currently working with CEN on a draft European standard EN 14102 – Postal Services – Quality of Service – Complaints handling principles.

4.1.6. The changing focus in the Customer Service industry had a direct influence in the design of Royal Mail's current complaint handling procedures. These procedures, which provide a mix of a high level framework approach with some prescriptive requirements (such as resolving complaints within 30 calendar days) are set out in the schedule to Condition 5 of Royal Mail's licence which has been agreed by Postwatch and has been endorsed by Postcomm.

4.1.7 We understand that Postcomm has based its proposals around the Condition 5 agreement. We expect that Royal Mail will implement the procedures set out in the agreement in the short to medium term. We would expect the framework to provide for the procedures/protections currently provided in the Condition 5 Agreement to be replicated in Royal Mail's complaints procedures. We would also expect a provision to the effect that should Royal wish to change any part of these procedures it could do so only with the approval of Postcomm.

4.1.8 As the proposed standards for complaint handling are intended to be industry-wide, a 'one size fits all' prescriptive standard would be impractical. A prescriptive standard could be over-burdensome on smaller operators, possibly to the detriment of the competitive market and could create conflict with the provisions of the EU's Postal Services Directive which, amongst other things requires complaint handling procedures to be simple and inexpensive.

4.1.9. The benefit of a high level framework approach is that it will allow each individual postal operator to take into account its own and its customers needs when designing its complaint handling service.

4.1.10 The independent redress scheme will be expected to investigate complaints:

- which relate to the way in which a postal operator handled the initial complaint: and

- where consumers are experiencing sustained difficulty in contacting their service provider.

4.1.11 In order for a redress scheme to be able to investigate complaints where the customer has experienced sustained difficulty in contacting the service provider, a postal operator must have in place internal performance measures which the redress scheme operator will need to take into account.

Postwatch Recommendation

4.1.12 Postcomm should ensure that the schedule of complaint procedures which Royal Mail currently provides under Condition 5 of its licence should be replicated in Royal Mails' complaint handling procedures under the new arrangements, and should Royal Mail wish to amend it, Postcomm would have to approve any changes to it.

4.1.13 Subject to this, Postwatch, on balance, is satisfied that the combination of the proposed high level framework and the procedures agreed in the schedule to Condition 5 provide a suitable framework for the future.

4.2 Do you agree with Postcomm's proposed high level framework for complaint handling standards? If you do not agree with one or more of the principles, please state which ones and why. (Question 4.2)

4.2.1 Postwatch agrees with the proposed principles, in particular:

- that customers will be required to be treated in a consistent and non-discriminatory manner;
- that the complaint handling procedures are to be published, to ensure that customers know when and how to make a complaint (but see 4.3.8 below);
- that postal operators must have in place a process to deal with non-evidence based complaints;
- that postal operators will be required to have in place a process to identify and manage vulnerable customers.

4.2.2 However, Postwatch also believes that there are a number of other principles that should be included and our thoughts are set out in response to Postcomm questions 4.3, 4.4 and 4.5 below.

4.3 Are any changes required to the wording of the high level principles? Please explain any changes you would suggest. (Question 4.3).

4.3.1 Principle ii provides that a licensed postal operator must be able to deal with complaints about all licensed products and services and not exclude any licensed products and services.

4.3.2 Whilst we support this principle, we are aware from our own experience how difficult it is to establish what products and services are supplied under a

postal operator's licence. It is unreasonable to expect consumers to understand the licence conditions of individual postal operators and what postal products and services are supplied under such a licence (for example, international mail, Special Delivery by 9am, and Door to Door are products or services where we have seen confusion from both consumers and from within Royal Mail as to whether they are products or services provided under a licence).

4.3.3 Left as it is, it will create consumer confusion which may impact on the ability of a redress scheme to help consumers resolve their complaint and may undermine the new approach to complaint handling.

4.3.4 Whilst Postwatch supports principle vii – the provision that will require licensed postal operators to inform their customers of how and when to complain, we believe that Postcomm should consider how this should be framed.

Postwatch Recommendation

4.3.5 Whilst we recognise that it would be impractical to list all the licensed postal products and services in the proposed regulations and high level principles, we strongly recommend that it would be in the interest of the consumer if the principle is amended to require that such information should be published and readily available to consumers.

4.3.6 We further recommend that Postcomm should be responsible for publishing this information, making it readily available and ensuring that it is kept up to date.

4.3.7 Such an approach will ensure that any consumer confusion is minimised and it is clear which postal products and services will fall into the scope of the redress scheme, thus avoiding any ambiguity.

4.3.8 Postcomm should consider how the obligation (principle vii) to publish complaint handling procedures should be framed. For example, we believe that consumers should be advised of how to make complaints via mandatory posters in Callers' Offices, in Post Offices, on pillar boxes, via Royal Mail's website, and in leaflets widely distributed. In addition, the obligation should be framed so as to ensure that the licensed postal operator publicises not only the existence of the complaints procedures, but also advice to consumers as to how to make a complaint.

4.4 What, if any, other principles should be included in the complaint handling regulations? Please explain. (Question 4.4)

4.4.1 Postwatch is concerned that the principles do not cover the following points

- **Definition of a complaint**

4.4.2 We were surprised to see that the proposed regulation did not include a definition of a complaint. As the proposals are intended to set an industry wide standard, it is essential that there is consistency amongst all licensed operators and that there is a clear understanding about what the standard is intended to cover. The starting point for this must be an industry wide definition of complaint.

4.4.3 Failure to have a common definition will:

- create customer confusion (one organisation's complaint will be another's enquiry and will not be logged);
- the information that licensees will have to publish will not compare like to like and could be misleading.

Postwatch Recommendation

4.4.4 Postwatch recommends that the high level framework be amended to include a definition of complaint. We suggest that the definition is based upon the provisions of BS ISO 10002:2004 - Quality management – Customer Satisfaction – Guidelines for complaints handling in organisations, which defines a complaint as an *'expression of dissatisfaction made to an organisation, related to its products, or the complaints-handling process itself, where a response or resolution is explicitly or implicitly implied'*. This should be amended to ensure that the definition includes all licensed products and services.

- **Resources**

4.4.5 Postwatch is concerned that the proposals do not require postal operators to have sufficient resources in place to ensure that the complaints handling process operates effectively.

4.4.6 Indeed the Government in its response to BERR's consultation on Consumer Redress Schemes in Gas, Electricity and Postal Services, recognised the importance of service providers ensuring that they have sufficient resource in place to enable consumers to make enquiries and register a complaint.

4.4.7 The importance of ensuring that sufficient resources are available is also recognised in the standards mentioned in 4.1.3 and 4.1.4 above.

Postwatch Recommendation

4.4.8 Postwatch supports the Government's view and would recommend that Postcomm include a principle within the high level framework that requires postal operators to devote sufficient resources to ensure that the complaints handling process operates effectively and efficiently.

- **Recording of complaints**

4.4.9 An essential feature of any complaints handling process is that accurate information is captured for all complaints received, whether or not they are

deemed to be justified at the time of receipt. From our experience, it would be wrong to assume that postal operators will capture all complaints that they receive (see 4.4.12 below). However, Postcomm's proposals do not address this point.

4.4.10 The need to ensure that all complaints are captured is recognised in BS ISO 10002:2004, which recommends that any complaint that is reported to an organisation should be recorded, with supporting information and a unique identifier code.

4.4.11 Also, in its response to BERR's consultation, the Government stated that it will be important that service providers keep accurate records of first contact with consumers who register a complaint and are scrupulous in adhering to any timescales for the issue of "deadlock" letters where the provider and the consumer have been unable to agree a resolution of the complaint.

4.4.12 One of the most common reasons why customers feel the need to complain to us is because they have not received a reply to their complaint from a postal operator. Currently 20% percent of complaints that we receive fall into this category. Our investigations into such complaints generally show that the operator has no record of the complaint or customer.

Postwatch Recommendation

4.4.13 We recommend that Postcomm includes a requirement in the high level frame work for postal operators to keep accurate records of all complaints received about its licensed products and services and about its complaint handling processes and procedures.

4.4.14 Additionally we recommend that postal operators should be required to retain such records for a period of time that ensures they will be available to a redress scheme. We would expect a minimum period of 15 months from the date the complaint is closed. This take into account the limitations of liability provided for in the Postal Services Act plus an additional time element to allow a complaint to go to a redress scheme after this time has elapsed

- **Timeliness/Responsiveness/Accessibility**

4.4.15 Whilst Postcomm, in its consultation, has recognised the importance to consumers of timeliness and responsiveness in a complaint handling process, it has not specifically provided for this in the high level framework or principles that have been proposed.

4.4.16 One of the most common criticisms that consumers have about any complaint handling process is the length of time that it takes for an organisation to respond to the complaints that it receives.

4.4.17 The Government in its response to the BERR consultation recognised the importance of adhering to timescales, particularly for the issue of deadlock letters.

4.4.18 It is assumed that postal operators and redress scheme providers will agree the criteria for cases that can be referred to the schemes, this will include the timescales, however, it is surprising that Postcomm has not included any principle that requires a postal operator to respond to a complaint in a timely manner

4.4.19 Whilst principle viii recognises the importance of customers being made aware of what they can expect, it is essential that customers are not simply aware of how to complain, they must also be aware of when they can complain

Postwatch Recommendation

4.4.20 Postwatch is aware from its own complaint handling experience that the redress scheme will almost certainly receive a number of complaints about the efficiency of a postal operator's complaint handling service.

4.4.21 Postwatch recommends that Postcomm should include a principle in the high level framework that;

- ensures that the complaints handling process is easily accessible;
- postal operators have in place a process which ensures that complaints are responded to promptly and processed in a timely manner.

- **Access Mail**

4.4.22 The increase in competition in the postal sector has seen an increase in the volumes of down stream access. Such mail will typically involve two or more licensed postal operators.

4.4.23 Postcomm's Common Operational Code simply provides that any licensee who receives a complaint about mail that bears the Code Identifier of another licensed postal operator shall:

- (a) treat the complaint or other enquiry with the same degree of care and importance that it would if the complainant or other enquiry should have been made to that licensee;
- (b) explain to the complainant that the complainant should contact the other relevant Licensee; and
- (c) provide to the complainant the contact details of that other relevant Licensee.

4.4.24 Postwatch has received a small number of complaints where Royal Mail Customer Services have followed this process much to the annoyance and frustration of the customer. In these cases the customers are aware that it was Royal Mail who delivered the item and could not understand why they would not deal with the complaint. Moreover, the envelope or other packet container with the stamp or imprint, which would demonstrate which postal operator received the item, may have been discarded by the recipient.

4.4.25 Where an item of mail has been handled by more than one postal operator, it is unreasonable to expect the consumer (particularly a receiving consumer) to be aware that the mail has been handled by more than one postal operator and who to complain to. Simply advising the customer to contact another licensee introduces a delay in registering the complaint, increases that customer's frustration and increases the customer's cost, as it is the customer who has to make the contact, and can result in the customer having no recourse at all if, for example, the postal operator which received the packet cannot be identified by the customer.

4.4.26 Royal Mail has continued to accept the majority of complaints that it receives which involve access mail; as such this is not a significant issue at this time. However, with the continued growth in access mail it is only a matter of time before Royal Mail begins to apply the letter of the Code and refer all complaints where another operator has been involved to that licensee and/or declines to accept complaints on the grounds that the packet might have been received by another operator (indeed, Postwatch has received complaints such as this) . Postwatch believe that such action will be detrimental to the consumer's interest.

Postwatch Recommendation

4.4.27 In the case of mail being handled by more than one licensed postal operator, Postwatch recommends that Postcomm introduces a principle into the high level framework that makes it possible for a consumer to complain to any of the postal operators involved, even if the operator does not have an agreement with the consumer and the operator was not responsible for the complaint arising.

4.4.28 Postcomm should also ensure that licensed postal operators should formally develop procedures to determine the ownership of complaints that involve more than one postal operator. Such procedures should ensure that where a complaint may involve more than one operator, the complainant is treated no less favourably than if the complaint were against a single operator and the complaint should not be compromised in any way by the involvement of more than one operator. Accordingly, the responsibility for dealing with the complainant should rest with the postal operator receiving the complaint.

4.3.28 Postwatch recognise that the above will require the Common Operational Code to be amended but we believe that such an approach is far more customer focussed than the present Code provides.

5. Are the principles clear and understandable? If not, please suggest how clarity and ease of use could be improved. (Question 4.5)

5.1 Postwatch believe that the principles are clear and understandable to postal operators. However, it is important that postal operator's standards, that are drawn up to satisfy Postcomm proposals, are also clear and unambiguous to the consumer and we note that this is addressed by principle v.

6. Do you consider the principle in relation to vulnerable customers to be sufficient to ensure that licensed postal operators take into account the reasonable needs of these customers and provide them with appropriate assistance when required? Please explain your answer. (Question 4.6)

6.1 Postwatch believes that the principle in relation to vulnerable consumers is sufficient to ensure that licensed postal operators must take into account the reasonable needs of such customers.

6.2 However, we are concerned that the principle simply concentrates on an operator advising a consumer of their right to refer the matter to the National Consumer Council. It does not address the referral process of complaints from vulnerable consumers received by (or referred to) the National Consumer Council to a postal operator.

Postwatch Recommendation

6.3 Postwatch recommends that the principle be amended to provide that postal operators must agree a referral process with the National Consumer Council to ensure that complaints from vulnerable consumers are effectively managed.

7. Do you agree with Postcomm's proposals on the review and modification process for the complaint handling regulations? Please explain your answer. (Question 4.7)

7.1 It is important to recognise that the Act introduces a new approach to consumer representation and complaint handling in the postal sector. Industry must be allowed sufficient time to implement, deploy and develop their customer service culture to meet the minimum requirements of the proposed complaint handling standards.

Postwatch Recommendation

7.2 Postwatch is satisfied that a review period of three years is about right. However, we recommend that Postcomm should include a provision that allows it to modify the standard, at any time, without waiting for the review period, should it become aware of issues that need addressing.

8. Are there other examples of best practice that Postcomm should be made aware of before it finalises the complaint handling regulations? (Question 4.8)

8.1 It is unclear from the research undertaken by Postcomm whether it took into account the standards referred to above, in particular BS ISO 10002; 2004 and BS 8477:2007. These standards are recognised within the Customer Services industry as providing best practice.

9. Miscellaneous

9.1 Postcomm in its consultation on the approval criteria of the redress scheme correctly explains that under sections 89-92 of the Postal Services Act permits Royal Mail (as the universal service provider) to limit the amount of compensation payable for services and products that fall within a scheme made under section 89 of that Act.

9.2 The CEAR Act does provide that a redress scheme operator may require a licensed postal operator to provide complainants with (amongst other things) a compensation payment as a form of redress. However, a redress scheme provider will have to recognise the provisions of the Postal Service Act and the limits of compensation payments that exist.

9.3 Whilst the Postal Services Act excludes or limits the amount of compensation that Royal Mail is required to pay, it does not limit other discretionary payments (commonly known as “goodwill” payments). Royal Mail can and do make discretionary payments to complainants who are not eligible to receive an actual compensation payment because they have not adhered to the terms and conditions provided for under a section 89 scheme or the nature of their complaint means that it is not eligible to receive a compensation payment. However, in our experience Royal Mail turns down numerous claims, even when it has been negligent, simply because it enjoys the protection provided by the Postal Services Act and because the claim does not meet Royal Mail’s definition of “compensation” or the amount exceeds the maximum compensation level of £34.

9.4 Postwatch can provide many examples of negligent behaviour but perhaps the recent case, of which Postcomm is aware, involving a delivery officer who, when the recipient did not answer the door, decided to leave a package in the recipient’s dustbin and left a card for the recipient telling him where the item was. The rubbish was collected before the recipient saw the card. Whilst Royal Mail paid the maximum compensation payment of £34, it rejected the customer’s claim for the full cost of replacing the missing item. Royal Mail also turned down our arguments that the customer should receive a goodwill payment to cover the full cost of his loss. The case was rejected because Royal Mail could argue that its liability is limited and it does not matter if they have been negligent.

9.5 Postwatch is concerned that if too rigid approach is adopted by Royal Mail, such cases will become more commonplace. Discretionary goodwill payments may disappear to the detriment of many consumers.

Postwatch recommendation

9.6 Postwatch recommends that, whilst under competition law principles customers must be treated fairly and consistently, Postcomm should ensure that

there is nothing in the complaint handling standard that would allow Royal Mail and other postal operators to argue that they cannot use discretionary payments as a means of resolving a complaint.