

**Postwatch Response to
Postcomm's Consultation
on Royal Mail's Compensation Schemes**

23 February 2007

Executive Summary

Location and accessibility of the schemes

Postwatch believes that customers have a right to receive the service they pay for when sending mail, and when the service falls below the expected level they should be compensated. Those expecting to receive an item of mail should also have confidence in the service, and recourse if it fails. If any conditions are to be applied to restrict the availability of compensation, this information should be made readily available to the customer at the point of sale.

Postcomm correctly asserts in its consultation document that Royal Mail's current compensation schemes fail to offer ease of use to the customer. Not only are they published in myriad different places, but they are also disjointed and illogical. It is important that any new schemes are published in one, clear document which is initially distributed to every address in the UK. It must subsequently be easily accessible by all customers, there must be a logical pattern to the compensation that can be claimed and what conditions must be met to claim it.

Levels of compensation

Stamps are only suitable as a form of compensation in a limited number of situations. One of these would be the suggested offer of 12 x first class letter stamps as a first time, "no-quibble" form of compensation which would be offered once a year. When loss or damage of an item with intrinsic value occurs there must be an alternative to stamps offered, as this not only limits the customer to using Royal Mail again but does not allow them to purchase a secure product (for example Special Delivery).

A book of 12 x first class letter stamps should automatically be sent with a letter of apology when mail is purposely delayed.

Proof of postage

If proof of postage is to be required for the consumer to receive any financial compensation then it must become less onerous for the consumer to obtain this proof. The only acceptable form at the present time is a Certificate of Posting issued after queuing at a post office counter. At a time when we are likely to see another significant drop in the number of post office branches this is an unacceptable burden on the consumer. As Royal Mail develops new technologies allowing access to the purchase of postage it must also develop alongside these a means of proving postage.

Market value

When a service that has been purchased fails, the purchase price should be refunded. It is vital that postage is refunded as well as compensation paid for the item lost, damaged or delayed. The definition of market value must become standard to allow the sender to make an informed choice when they post an item. This issue causes the Postwatch Consumer Support Team problems as Royal Mail appears to apply whichever definition gives a lower value in each case.

Bulk mail

Postwatch believes that it is still necessary for Postcomm to stipulate as a licence condition that Royal Mail have a bulk mail compensation scheme for delay. However, it is envisaged that this may no longer be necessary if the market continues to develop over the next 2-3 years. This should be reviewed at the time of the next price control in 2010.

Other services

Users of both the redirection service and Articles for the Blind must be entitled to compensation when the service they expected to receive falls short.

1. Introduction

- 1.1 Postwatch welcomes the opportunity to comment on Postcomm's consultation on Royal Mail's Compensation Schemes for Loss, Delay and Damage. As the statutory body with a specific remit to protect and promote the interests of consumers of postal services in the UK, we are uniquely positioned to represent the views of all senders and recipients of mail from the largest bulk mailer to the most isolated and disadvantaged resident.
- 1.2 Our regionally based structure and our complete independence from Government, the Regulator, Royal Mail, other licensed operators, and postal trade unions, combined with our well-established formal network of contacts give us the ability to speak authoritatively on behalf of consumers throughout the UK.
- 1.3 Our key concerns within the consultation are:

- Location and accessibility of the schemes
- Compensation levels and forms of compensation
- Evidence of postage requirements
- Refund of postage
- Market value
- Redirections
- Articles for the Blind
- The bulk mail delay scheme

These are discussed in more detail below.

2. Background

- 2.1 Complaints, although most popularly viewed as negative, in reality provide any organisation with feedback from their customers and in most cases can be rapidly turned around to create a positive experience for both parties. At the present time Royal Mail are, in the main part, not achieving this positive result, largely due to the complex, confusing and non-standardised nature of their compensation schemes.
- 2.2 Postwatch has a unique position in relation to the issue of compensation, as we are the organisation that deals with complaints that are not addressed by Royal Mail within 30 days, or where the redress offered by Royal Mail is not satisfactory to the complainant. Alongside the feedback received from Postwatch regions and other stakeholders, evidence was also submitted by the Postwatch Consumer Services Team (CST), which deals with complaints and issues arising from the compensation schemes on a daily basis.
- 2.3 The value of compensation offered is likely to be a point of much debate, with Royal Mail wishing to limit the amount available in order to maintain profit levels, while the customer will have their own idea of what constitutes adequate compensation. In order for a fair and reasonable scheme to be established it will be necessary for all points to be considered and to understand what customers really require from a compensation scheme. In order to do this Postwatch has commissioned independent research that

aims to discover the current level of knowledge customers have of the compensation schemes and what they require from any future schemes¹. To achieve a balanced response, stated preference options have been used in order to understand what trade-offs customers are willing to make. The full research report will be available in mid-March 2007 and will feed in to the Postwatch response to the second compensation consultation. Top-line figures will be referred to in this document.

3. Location and accessibility of the schemes

- 3.1 The response from Postwatch regions, evidence forwarded from the Consumer Services Team, and from other stakeholders has been largely that the schemes are confusing and difficult to understand. It is vital for any service provider to make clear to their customers what they are entitled to when things go wrong. It is particularly important that disadvantaged customers are made aware of the compensation attached to each product when they post an item.
- 3.2 Royal Mail have always asserted that the onus to choose the right product for the item that is being sent lies with the customer. If this is to continue as their policy then it is important that when the customer makes that choice they are informed not just of the attributes of the product, but also of the level of compensation attached to it. Our research shows that 32% of those questioned had sent an item worth over £32.00 by a service other than Special Delivery.
- 3.3 The new compensation schemes must be available in one document. This should take the form of a leaflet which will initially be distributed to every address in the UK. It should be clearly displayed and available at all post offices and preferably all points-of-sale. The leaflet should be available on request in a range of languages, and in areas that have a high population of non-English speakers it must be available in the most commonly spoken languages at the post office. A Braille version and a large print version should also be available as well as a spoken version of the leaflet. The leaflet should achieve the Crystal Mark awarded by the Plain English Campaign².
- 3.4 It is important that the schemes are easily accessible on the Royal Mail website, at the moment it is too difficult for a customer to find the details of the schemes. Postwatch recommends that a link to the social compensation schemes is added to the "How can we help?" section of the Personal Customers page on Royal Mail's website. The same link should also be added to the "Postal Services" section of Post Office Limited's website. This would mean the schemes could be accessed by just two moves from the home page and places them in a logical place. There are a number of tools which can be used to assess the ease of use of a website, and it is important that Royal Mail uses these in order to reassure customers that they are not making their compensation obligations unduly difficult to find.

¹ Accent Research will deliver a full report mid-March 2007

² <http://www.plainenglish.co.uk/crystalmark.htm>

- 3.5 We also consider that this information needs to be backed up by clear information and advice from post office counter clerks. Several mystery shopping exercises undertaken by Postwatch have shown that appropriate advice is not always given³.
- 3.6 Postwatch urges Royal Mail to develop innovative methods of communicating the compensation schemes to their customers. An example of an easy to locate, customer-focussed compensation scheme can be found on the First Capital Connect Website⁴. The “Delay Repay” feature is only one click away from the home page and logically located under the heading “Contact Us”.

4. Compensation levels and forms of compensation

- 4.1 Postwatch expects to comment more fully on the levels of compensation that should be available to customers in the second stage of this consultation process as we will be able to feed in the results of our research. At this stage the points we make are in regards to other, non-value specific areas of compensation.
- 4.2 Postwatch believes that Royal Mail should be able to continue to limit their liability with regard to the level of compensation payable, however we will be able to comment more fully on this when we have the full research report. At this time, however, it is important to note that the 100 x the first class stamp value can be confusing due to the introduction of Pricing in Proportion and the fact that a first class stamp has different prices for the three sizes of mail at the first weight increment.
- 4.3 Postwatch supports the proposition that Royal Mail should introduce a standardised approach to first time complaints for loss, damage or delay which are not supported by a proof of postage. This should be a “no-quibble” offer of a book of 12 x first class letter stamps. This “no-quibble” offer will only be made once a year as when Royal Mail send out the stamps they could use this opportunity to educate their customers by including a leaflet on compensation and Royal Mail products. This would mean that the customer would be in an informed position when they next send a piece of mail.
- 4.4 Stamps are only an adequate form of redress in a limited number of situations. As mentioned above Postwatch supports the offer of 12 x first class letter stamps as a first instance offer. When an item of no intrinsic value is lost, damaged or delayed stamps may also be the best form of redress. In the majority of other situations our stakeholders felt that stamps were a derisory form of compensation. There were a number of reasons cited for this including the fact that it was not felt that this really had a strong enough financial impact on Royal Mail, thus it did not reflect the serious nature of complaints. It was also considered that stamps tied customers to specific Royal Mail products which had generally failed for them originally.
- 4.5 Although competition has yet to develop in any meaningful way in the social postal market the fact that stamps limit customers to using Royal Mail to deliver their item(s) is no longer appropriate in all but a limited number of cases. The issue also arises that if

³ http://www.postwatch.co.uk/pdf/Research/Post_Office_Product_Advice_Report_April_06.pdf

⁴ <http://www.firstcapitalconnect.co.uk/pages/contact-us/claim-form/default.aspx>

an item is lost the sender may well wish to trade up when they send a replacement, for example using Special Delivery in order to allow them to track the item; they are unable to do this using their compensation when it is made up of stamps.

- 4.6 Postwatch is keen to see an alternative being developed as an interim between stamps and a cheque. An option may be a postal voucher that could be used to buy any postal products at a post office, thereby allowing the customer to choose a different service following the failure. It will be important that Royal Mail explores a full range of options, supported by research of their customers' views.
- 4.7 Compensation for delay is currently split into two stages; delay which is measured as 4 + days after the due date, and substantial delay which is measured as 10 + days after due date. An item is classed as lost 15 + days after due date.
- 4.8 Postwatch believes that the time periods for delay are too long. Delay compensation should be available on 2 + days after the due date in order to encourage Royal Mail to meet the targets set for delivery. After 2 days the "no-quibble" offer of 12 x first class letter stamps will be made. Additional compensation will be available at 5 + and again at 10 + days, which should take the form of a financial compensation when proof of postage is available. When there is no proof of postage additional stamps should be offered.
- 4.9 A book of 12 x first class letter stamps should automatically be sent with a letter of apology when mail is purposely delayed, for example mail bags dumped by staff, or mail found in stored in private houses.

5. Evidence of postage requirement

- 5.1 In the first instance of a complaint in any calendar year the "no-quibble" offer of 12 x first class letter stamps should not require any supporting evidence.
- 5.2 Post is unique in relation to the method by which payment can be made. Stamps are sold in a wide variety of outlets, not just post offices. A receipt for purchase of stamps does not entitle the purchaser to financial compensation if the item they send is lost or damaged as Royal Mail states there is no proof of postage. The only proof of postage that is currently accepted is a certificate of posting which can only be obtained from a post office counter. If the Government's planned closure programme goes ahead there will be approximately 12,000 post offices by the end of 2008 compared to 17,500 in 2002. It is clear that it is becoming increasingly difficult for the customer to obtain a certificate of posting yet this is the only proof that Royal Mail currently accept.
- 5.3 Postwatch welcomes Royal Mail's innovation in the purchase of postage, most notably the introduction of on-line postage for all in November 2006 and the trials of postal kiosks in the early part of 2007. However, the current practice that Royal Mail do not accept generated receipts when on-line postage is purchased as a certificate of posting causes us significant concern. This means that anyone wishing to ensure they can claim financial compensation must queue at a post office, of which there will soon be

fewer. It is vital that any new methods of buying postage offer a proof of postage that will be accepted by Royal Mail for the purposes of claiming compensation.

- 5.4 We note with interest that one of the postal kiosks currently being used in a trial issues a receipt which clearly states that it is not a VAT receipt. However, it is not stated on the receipt that Royal Mail will accept it as proof of postage (Annex A). It must be made clear before a customer starts to use a kiosk that they will be unable to use the receipt for financial compensation.
- 5.5 Our research shows that one in five of the posting public are not aware of the necessity of a certificate of posting to claim compensation. The experiences of our stakeholders are that an even greater number of people are unaware of the requirement. A suggestion was made by a number of our Consumer Services Team that if Royal Mail are insistent on a certificate of posting being presented in order to claim compensation, then it must be compulsory for counter staff to issue one with each relevant transaction at the post office.
- 5.6 For those Small and Medium Sized Enterprises using franking machines the die number should be adequate proof of postage.
- 5.7 Royal Mail must make it clear to customers that a certificate of posting is required to claim under certain headers of the compensation schemes and as awareness is so low we consider that a full information campaign around this issue is an integral part of the revised scheme.
- 5.8 In the case of a claim for damage we consider that the envelope, packing and item should be presented to Royal Mail in order to receive compensation. The items can either be sent to Royal Mail as evidence, be taken to the local Delivery Office or photographed and the image submitted to Royal Mail. In this case no certificate of posting would be required.

6. Refund of postage

- 6.1 Conceptually this is a very straight-forward issue. If a customer pays for a service and it is not provided they should be refunded the amount originally paid for postage in addition to any compensation to which they are entitled. Royal Mail currently only refunds postage in a very limited number of cases and when it is paid it is included in the £32.00⁵ (100 x first class stamp value) or part thereof. Postwatch believes this to be a wholly unsatisfactory position. The actual cost of postage should be refunded in all cases of loss, damage or delay.

7. Market value

⁵ £34.00 as of 02.04.07

- 7.1 Market value has been an issue of contention for some time and we continue to consider that it is important that a decision is made as to what constitutes market value and that this is clearly communicated to customers.
- 7.2 Postwatch proposes that a standardised definition of market value is developed. This should be replacement cost and cannot continue to vary on a case-by-case basis. The overwhelming view of our Consumer Services Team is that when considering market value Royal Mail applies the definition that has the lowest value in each case. This is unacceptable and often leads to the customer being penalised.

8. Redirections

- 8.1 Redirection customers pay a substantial fee for the service, on top of the postage that will be paid by the sender of the item. The price of redirections is set to rise by over 2.8% on the monthly service in April this year and the customer has the right to recourse if the service fails.
- 8.2 Postwatch considers redirection customers should be entitled to the same financial level of compensation when the service fails as first and second class post customers, the majority of the respondents to our questionnaire felt there should be an additional day for the period defining delay and loss on redirected items to account for the possible additional transportation of the item.

9. Articles for the Blind

- 9.1 Although Articles for the Blind are carried free of charge to the sender, Royal Mail have been allowed by Postcomm to recover £20 million of costs during the Price Control period 2006-2010 for this service.
- 9.2 Articles for the Blind is a vital service and offers a valuable contact with the outside world, as well as the delivery of necessary equipment to blind and partially sighted people. These items are of no less significance than other social postal items and therefore the same compensation regime should be applied to them. Concern has been expressed that if Royal Mail were forced to pay compensation on these items it could threaten the service, however, as they are able to recover the £20million during this price control period, it also has responsibility to deliver items in a timely fashion, to the correct address and undamaged. This is particularly important when the item in question is a talking newspaper as these items are time-specific.
- 9.3 Postwatch is concerned that the way Royal Mail stipulates Articles for the Blind must be packaged increases the risk of loss or damage. There are easier ways for Royal Mail to establish that the item falls within this category, for example a sticker attached by the sender confirming it is an Article for the Blind. We believe that the current packaging

conditions are unnecessary and allow Royal Mail a “get-out” from offering compensation on this product.

10. The bulk mail delay scheme

- 10.1 Postwatch understands the points raised by Postcomm in regard to the scheme imposed on Royal Mail and the lack of such imposition on other licensed operators. Postcomm fears that this may make Royal Mail’s products more appealing and act as a barrier to competition. While we are sympathetic to this view, as Royal Mail still carries the lion’s share of bulk mail directly, it is important that such a scheme is imposed in the short term. If, however, competition develops at the predicted rate it is likely this will only be for the next 2-3 years. Introduction of a new price control regime in 2010 would seem to provide a suitable opportunity to review this issue.
- 10.2 While there needs to be some exemptions from Royal Mail being obliged to pay compensation, it is important that these are administered fairly. If a mailing is non-compliant the reasons must be clearly explained to the sender. Acts of terrorism are clearly outside Royal Mail’s control, however, it is key that a standardised approach is taken on issues such as severe weather to make sure that customers are treated equitably.
- 10.3 Due to the appeal of the Judicial Review decision being ongoing it would be inappropriate at this time for Postwatch to comment on the exclusion from the scheme of those that have defaulted on credit terms.

Recommendations

The following recommendations are included in our response document however for ease of reference please find them outlined below:

- Royal Mail’s compensation schemes must be published in one easy to read leaflet. This leaflet must be delivered to every address in the UK as soon as the scheme is in place. The leaflet must be available at every post office and prominently displayed. The schemes must also be available on the Royal Mail website and must be in a logical position, easily reached from the home page.
- A book of 12 x first class letter stamps should be offered on a “no-quibble” basis for all first time complaints. Proof of postage would not be required for this. This could be claimed only once per year.
- Delay compensation should be payable 2+ days after due date, with additional compensation payable at 5 + and 10+ days.
- If mail is purposely delayed 12 x first class letter stamps and an apology should be automatically sent to the recipient.

- Royal Mail must be innovative in creating new forms of acceptable proof of postage for social customers. The requirement for a certificate of posting only available from a post office counter is too onerous on the consumer.
- Royal Mail must communicate with their customers the acceptable forms of proof of postage, where they can be obtained and why they are required for financial compensation.
- When a service fails the consumer should be reimbursed for the postage paid in addition to compensation entitlement, this is true for loss, delay and damage. There should be no cap on the amount of postage that can be recovered. (This would not apply to the no- quibble payment of 12 x first class letter stamps).
- Market value must be clearly defined as replacement cost, if Royal Mail is unwilling to do this then the Regulator must do so.
- Redirection customers should be able to claim compensation, although an extra day should be added to the loss and delay parameters for redirected items.
- Customers using the Articles for the Blind service should be able to claim compensation under exactly the same terms as “normal” postal items.
- The bulk mail scheme for delay should remain a Licence requirement in the short term but reviewed in the context of the 2010 price control.

Annex A

Post Office Ltd.
Your Receipt

Belfast Post Office
12/16 Bridge Street
Belfast City
Belfast
County Antrim

BT1 1LT

Date and Time: 14/02/2007 14:29
Session Prefix: PAG-000165
Terminal ID: 1
Dest: UK
Quantity: 2

Quantity: 1
Weight: 0.007 kg
Size: Letter
1st Class: £0.32

Quantity: 1
Weight: 0.005 kg
Size: Letter
1st Class: £0.32

Total Cost of Service(s): £0.64
Amount Paid: £1.00
Change given: £0.36

For information regarding
Royal Mail
products and services
contact us on
08457 740 740
or visit our web site at
www.postoffice.co.uk

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Thank You