

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

February 2008

Executive Summary

Following issues raised in our response to its first consultation, we support some of Postcomm's latest proposals, in particular:

- refund the cost of postage in addition to compensation
- definition of market value and
- compensation for articles for the blind.

However, key concerns in this consultation are:

First time "no quibble" payments

Postwatch maintains that customers should receive 12 x first class stamps should as a first time no quibble payment, rather than 6 x first class stamps as proposed by Postcomm.

Compensation with proof

Postwatch is unclear as to why Postcomm considers awarding maximum compensation of 100x1st class stamps as appropriate. Postwatch believes that Royal Mail should be more flexible when determining the maximum value for compensation.

Evidence of proof of posting

Postwatch understands that customers should be required to provide proof of posting each time they make a claim for compensation. However, given that the number of post offices, where the certificate of posting can be obtained, is to be significantly reduced over the next year, Royal Mail should make alternative arrangements for this to be obtained quickly and easily (and free of charge). Postwatch believes that Royal Mail should investigate more innovative methods of providing a certificate of posting.

Provision of information of compensation schemes

Postwatch considers that Royal Mail's compensation schemes must be published in one 'easy to read' leaflet, to be delivered to every address in the UK as soon as the scheme is in place, be available at every post office and prominently displayed. The schemes must also be available on the Royal Mail website, prominently displayed and easily reached from the home page. The information contained must be readily accessible thereafter.

Bulk Mail compensation

Postwatch strongly considers that, in the absence of hard evidence of market distortion, the bulk mail compensation scheme should be retained in its current form, at least until Royal Mail's licence is amended in April 2010 (to implement the next price control).

These issues are discussed in more detail below.

1. Introduction

- 1.1 Condition 4 of Royal Mail's licence requires it to have a "standards of service compensation scheme" for compensating users of postal services for delayed mail.
- 1.2 Following a first stage consultation at the beginning of 2007, Postcomm issued the second stage of its consultation on compensation schemes in December 2007. This 'proposals document' invites views on a large number of issues in relation to the current compensation arrangements for postal packets that have been lost, damaged or delayed for both retail and bulk mailers.
- 1.3 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.
- 1.4 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.

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 complaint to Royal Mail remains unresolved, for example where the redress offered by Royal Mail is not satisfactory to the complainant.
- 2.3 Following the structure which will be put in place as part of the new Consumer Redress proposals, the scheme will operate in a different environment to that which currently exists and Royal Mail will need to ensure its compensation schemes operate effectively and openly, meeting customer needs, without continued reference to the ombudsman schemes and that its schemes are fully communicated to customers.
- 2.4 In 2007, Postwatch commissioned independent research to discover the current level of knowledge customers have of the compensation schemes

and what they require from any future schemes. The full research report is published on our website¹.

- 2.5 The research found that only a minority of respondents who had complained had received compensation and a high proportion of those who did were very dissatisfied with the compensation they received. However, when the current levels of compensation were outlined, most people felt that they were reasonable. There was slightly less satisfaction with compensation for delayed Special Delivery items but most respondents felt that the current levels were reasonable.
- 2.6 In our response to Postcomm's first consultation (March 2007), we raised the following points:
- 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
 - Bulk Mail delay scheme

Details are found on our website².

Response to proposals document

Retail compensation

3. First time “no quibble” complaints

- 3.1 In the first consultation response, Postwatch endorsed the principle of a “no quibble” payment for first time complainants with no proof, but argued strongly that 12 x first class letter stamps should be offered.
- 3.2 Postcomm is now proposing that first time complainants should be offered 6 x first class stamps. Postwatch does not agree with Postcomm's argument that such a reduction is justified by the compensation being applicable to all first time claimants of loss, damage and delay which would increase the overall burden of payment by £220k. Whilst Postwatch accepts that a scheme should not be an unrealistic burden we do not believe this should result in a derisory level of customer compensation.
- 3.3 Postwatch would also like to query Royal Mail's estimate for stating that implementing the ‘no quibble’ compensation would result in a 30% increase in claims, as there is no current evidence to support this claim.

¹ Royal Mail's compensation scheme: the awareness and requirements of social customers and SMEs – March 2007:
http://www.postwatch.co.uk/images/stories/pdfs/Research/2007/March07_Accent_RM_compensation_research.pdf

² http://www.postwatch.co.uk/images/stories/pdfs/policydocs/23.2.07PW_Response_Compensation.pdf

- ***Postwatch considers that customers should receive 12 x first class stamps as a first time 'no quibble' payment.***

4. Compensation with proof

- 4.1 Market value - Postwatch believes that Postcomm's proposals have considerable merit and that they take into account the issues raised by Postwatch. We acknowledge that a single definition is difficult and consider that a range of scenarios is a practical way of defining market value but that definitions should be monitored and not become so wide to be meaningless.
- 4.2 Refund of postage - Postwatch also supports the proposal to refund the cost of postage in addition to any compensation paid. Postwatch understands that there should be a limit on the maximum value for compensation (100x 1st class stamp value).
- 4.3 Maximum value - While we acknowledge that this element of the scheme currently exists, Postwatch is unclear as to why Postcomm considers awarding maximum compensation of 100x1st class stamps as appropriate.
- 4.4 Postwatch believes that Royal Mail should be flexible to make higher payments to customers if they provide them with reasonable cause or proof and while, in theory, Royal Mail can do this, evidence from complaints that Postwatch has received shows that this happens rarely. Additionally, Postwatch believes that in practice, few payments would need to be made in excess of the current maximum as alternative products such as Special Delivery would be used if the value of items was significantly higher.

- ***Postwatch agrees with Postcomm's proposal to define market value and to refund the cost of postage in addition to compensation. However, Postwatch believes that Royal Mail should be flexible when determining the maximum value for compensation.***

5. Evidence of proof of posting

- 5.1 Postwatch understands that customers should be required to provide proof of posting each time they make a claim for compensation. However, given that the number of post offices where the certificate of posting can be obtained will reduce by almost by 20% over the next year due to the Network Change Programme, Postwatch considers that Royal Mail should make alternative arrangements for this to be obtained quickly and easily (and free of charge) without consumers having to queue at Post Offices. Moreover, it must be made clear to customers at point of purchase and via Royal Mail's website that a certificate of posting is required in order to claim compensation, and how one can be obtained.
- 5.2 We recognise and support the trialling of the future intended role of kiosks (in crown franchises) which will be able to provide certificate of posting to customers, and would urge future use of these beyond the current intended rollout where practical, as this will provide customers with wider access to obtain certificate of posting required for claiming compensation.

- 5.3 Other solutions could include having a designated counter in Post Offices that solely deal with postal queries such as Certificate of Posting. Royal Mail should also make available a process whereby a customer can 'make a case' to support their claim for compensation. For example, Royal Mail attempting to deny compensation because no certificate of posting was obtained, however a 'sorry you were out' card had been put through the door of the delivery address should be accepted as evidence of posting. Postwatch would also encourage Royal Mail to develop more innovative approaches to providing a certificate of posting without requiring a visit to the Post Office.
- 5.4 Additionally, Postwatch urges Royal Mail to make available a process whereby customers who purchase Special Delivery online are able to obtain a certificate of posting online too. This is not currently available for customers, but Postwatch strongly believes that if customers can purchase premium products like Special Delivery online, then proof of postage also needs to be readily available.
- ***Postwatch believes that Royal Mail should provide more innovative methods of obtaining a certificate of posting.***

6. Provision of Information about compensation schemes

- 6.1 Postwatch considers that Royal Mail needs to better publicise its compensation schemes. Postwatch raised the same issue in its response to Postcomm's first consultation. Postwatch believes that Royal Mail should publish a leaflet on compensation schemes and should also be required to deliver this leaflet to every address in the UK as soon as the scheme is in place. The leaflet would also 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 prominent position, easily reached from the home page.
- 6.2 Postcomm has stated that it expects Royal Mail to work with Postwatch (or its successor body) to ensure that its customer communications are as up to date as possible so that customers are clear about what accepted forms of proof of posting can be used to support compensation claims. Postwatch does not see that as a practical way forward and believes that Postcomm must determine on this matter.
- ***Postwatch considers that 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, be available at every post office and prominently displayed. The schemes must also be available on the Royal Mail website, prominently displayed and easily reached from the home page. The information contained must be readily accessible thereafter.***

7. Redirected mail

- 7.1 Postcomm does not make it clear why it has allowed Royal Mail to double the delay time for redirected mail from 3 to 6 days. There does not appear to be an operational reason why this mail, held within the system already, should be delayed by a further three days.
- 7.2 Postwatch proposes that the limit should be extended to four days on the assumption that once identified as such it is handled as first class mail.
- ***Postwatch does not agree with the delay time being doubled for redirected mail.***

8. Increased time for delay of Christmas

- 8.1 Postwatch believes that if the regulator wishes to simplify compensation schemes for customers, then the scheme should not be applied differently over Christmas, as Royal Mail still claims to provide a first class service during this period.
- 8.2 Whilst Postwatch accepts that Christmas quality for next day delivery is lower than at other times of the year, there is no evidence in Postcomm's document to suggest that items are delayed beyond the 3 days which is allowed for standard delay claims.
- ***Postwatch considers that the compensation scheme should not be applied differently over the Christmas period.***

9. Requirement for full address

- 9.1 Postcomm has stated that customers will not receive any compensation if the postcode on the letter is not completed accurately. Postwatch continues to agree and accept that items for which compensation is being claimed should be properly addressed, including bearing the full postcode. Postwatch has, however asked that postcode information should continue to be easily accessible, accurate and free to customers.
- 9.2 Postcomm also states that Royal Mail is not obliged to provide compensation where the 'address is not written clearly on the front or on a label securely attached to the front of the envelope, or the address is illegible'. The wording suggests compensation is only available if the address is on the envelope or a label. Postwatch would like to query whether compensation would be available if the address was behind a window envelope.
- ***Postwatch accepts that items are not eligible for compensation without a postcode but that postcode information should continue to be easily accessible, accurate and free for customers.***

10. Metered mail and Smart stamp

10.1 SMEs who use smart stamp and metered mail have campaigned for credit as a form of compensation. Royal Mail has proposed that it will only be able to provide a credit note for those who use smart stamp rather than metered mail. Postwatch considers this to be prejudicial to many SMEs who use metered mail as part of their daily business and do not find stamps a useful form of compensation.

- ***Postwatch does not consider that arguments given by Postcomm with regards to third party meter providers are insurmountable in terms of providing meter customer compensation in the form they require.***

11. Mail Integrity – wilful delay

11.1 Postwatch firmly believes that when certain incidents occur such as postmen/women deliberately failing to deliver mail with which they are entrusted (for example, leaving mail in dustbins, on doorsteps) affected customers should automatically receive compensation, together with an apology letter without them having to claim and without this counting as a 'no quibble' complaint.

- ***Royal Mail should provide automatic compensation (12 x first class stamps to customers) whose mail has been deliberately delayed.***

12. Delivery Exceptions for loss

12.1 Postcomm has stated where addresses are classified as delivery exceptions these can be assessed on a case to case basis in the event of compensation claims. This suggests that if customers' addresses are classified as delivery exceptions, they are forfeiting their rights to claim compensation.

- ***Postcomm need to state clearly that regardless of customers' addresses being classified as delivery exceptions, they should be entitled to the same compensation as customers whose addresses are not classified as delivery exceptions.***

13. Compensation for damage

13.1 Postcomm state that customers claiming for damage will not be entitled to compensation if damage has been caused to the external packaging with the contents intact or where items have not been adequately secured or wrapped/packageged to prevent damage. Postwatch believes that any item accepted (over the counter) by Royal Mail/Post Office Limited should be deemed to have been 'adequately secured or wrapped/packed'.

- ***Customers should be entitled compensation for damaged items that are accepted over the counter at a Post Office.***

14. Bulk Mail schemes

- 14.1 Postcomm has proposed to remove bulk mail from the compensation scheme for delay with effect from 1 April 2009. Postcomm considers that the continuation of a regulated compensation scheme for bulk mail may distort customer behaviour and act as a barrier to switching.
- 14.2 Postwatch believes that the introduction of the current bulk mail compensation scheme in 2003 has contributed to the dramatic improvement of the quality of service over the last few years, and that by retaining the scheme, not only will customers benefit from good service, but Royal Mail will also have an incentive to continually perform at a high standard.
- 14.3 Postcomm have not provided evidence to suggest that the bulk mail scheme is impeding competition or is providing a barrier to switching. Postwatch is also concerned that re-negotiating contracts could provide Royal Mail with an opportunity for anti-competitive tie-ins and no mention has been made by Postcomm of protection against this.
- 14.4 In Postcomm's Business Customer Survey 2007³, respondents were asked what they felt were barriers for moving to other mail operators other than Royal Mail. The majority of respondents (34%) indicated cost as a barrier to switching. The bulk mail compensation within Royal Mail's licence was not mentioned as a barrier to switching.
- 14.5 Furthermore, Postwatch is concerned that one year is too short a period of time to re-negotiate individual contracts to include compensation.
- 14.6 Postwatch would therefore like to see what evidence Postcomm has to abolishing the scheme from April 2009 on the basis of it acting as a barrier to switching.
- ***Postwatch strongly believes that in the absence of evidence of market distortion the bulk mail compensation should be retained in its current scheme, at least until Royal Mail's licence is amended in April 2010 (to implement the next price control).***

15. Access agreements

- 15.1 On the basis that Postwatch does not support the abolition of the bulk mail scheme, no change to the compensation element of access agreements would be necessary. However, we are aware that there are some 16 access agreements in place and it would clearly be up to those organisations that have access arrangements to make their views known to Postcomm.

³ Business Customer Survey 2007 – Page 95 – Figure 4.14 - http://www.psc.gov.uk/postcomm/live/competition/business-customer-survey/2007_10_30_Postcomm_BCS.pdf

- ***Postwatch does not believe that the access agreement needs to be changed.***

Further to our submission on this issue, I am writing to offer one additional comment on behalf of Postwatch.

Evidence of proof of posting

Whilst we understand the arguments supporting the need for proof of posting, Postwatch remains concerned by the requirement for this documentation in view of the declining number of Post Offices in the UK and the absence of novel (automatic) ways of obtaining a certificate of posting.

We therefore believe that where a dispute arises there should be a mechanism which allows a dialogue to take place between the customer and Royal Mail. If Royal Mail truly seeks to be a customer-focussed organisation this could (and hopefully would) lead to the company adopting sensible business practice and offering compensation in deserving cases rather than disputing the issue and incurring the cost of complaint handling.

The implication of this is that proof of posting should not be regarded as an absolute requirement for customers successfully to claim compensation.

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