



The Consumer Council



# Delivering satisfaction: A summary of complaint handling in the postal market

October 2014



## About us

On 1 April 2014, Consumer Futures (previously Consumer Focus) – the statutory representative for consumers of postal services across the United Kingdom, for energy consumers across Great Britain, and for water consumers in Scotland – became part of the Citizens Advice Service. Our responsibility for post in Northern Ireland transferred to the Consumer Council for Northern Ireland.

### Citizens Advice Service in England, Wales and Scotland

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The Citizens Advice Service provides free, confidential, and impartial advice to help people resolve their problems. As the UK's largest advice provider, the Citizens Advice Service is equipped to deal with any issue, from anyone, spanning debt and employment, to housing and immigration, plus everything in between. We value diversity, promote equality, and challenge discrimination.

The service aims:

- To provide the advice people need for the problems they face
- To improve the policies and practices that affect people's lives
- To ensure that individuals do not suffer through ignorance of their rights and responsibilities or of the services available; or through an inability to express their needs
- To exercise a responsible influence on the development of social policies and services, both locally and nationally.

Citizens Advice Bureaux deliver advice services from over 3,500 community locations in England and Wales, run by 382 independent registered charities. Citizens Advice itself is also a registered charity, as well as being the membership organisation for these 382 member bureaux. In Scotland, 61 Citizens Advice Bureaux help over 250,000 clients with over half a million new problems every year. More than 2,200 trained volunteers and 600 paid staff ensure that thousands of people in Scotland receive vital advice every day.

### General Consumer Council for Northern Ireland

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The General Consumer Council for Northern Ireland (the Consumer Council) is an independent consumer organisation, working to bring about change to benefit Northern Ireland (NI) consumers. Our aim is to '*make the consumer voice heard and make it count*'.

We have a statutory remit to promote and safeguard the interests of consumers and have specific functions in relation to energy, water, transport, food and postal services. These include considering consumer complaints and enquiries, carrying out research and educating and informing consumers.

## Introduction

Postal services across the UK continue to play a key role in facilitating communications despite the challenges from digital technology and the consequential reduction in letter volumes. The postal service is pivotal in the delivery of physical items, especially those purchased online, which has resulted in a significant increase in parcel volumes. Royal Mail, as the designated provider of the universal service (providing the service six days a week, at geographically uniform affordable prices), is the largest operator within the wider postal market. It handled approximately one billion parcels and 13 billion addressed letters<sup>1</sup> in 2013/14. However, alternative end-to-end postal operators are handling increasing volumes of addressed letter mail.

In this rapidly changing postal market it is more important than ever that postal operators have effective complaint-handling processes. Dealing with complaints effectively benefits both consumers and operators. It helps build better levels of customer trust and loyalty and limits negative publicity. This will be increasingly important in the more competitive sectors of the postal market where consumers can exercise choice of supplier. Complaints also provide a wealth of data on systemic problems and consumer views.

Fundamental changes were made to the complaint-handling framework through the introduction of the Consumers, Estate Agents and Redress (CEAR) Act 2007. This placed greater emphasis on the importance of complaint handling and required licensed postal operators<sup>2</sup> to take greater responsibility for resolving customer complaints internally. The formal complaint handling standards introduced by Postcomm in 2008 set out the minimum standards for licensed postal operators.<sup>3</sup> The Postal Redress Service (POSTRS) was also approved as the external redress scheme allowing consumers to pursue unresolved complaints.

Responsibility for the regulation of postal services transferred from Postcomm to Ofcom in October 2011. Ofcom re-approved POSTRS as the consumer redress scheme and established consumer protection conditions for complaint handling that largely reflected the previous standards.

Since the introduction of the consumer complaints standards in 2008 there has been no detailed formal review of complaint handling by the regulator. With changes in the structure of the postal market, evolving consumer needs and the developing Alternative Dispute Resolution (ADR) landscape, it is an opportune time for Ofcom to carry out a review to consider whether the current system is proportionate and works effectively in the consumer interest and are pleased that Ofcom is about to start its review with the aim of publishing a decision in 2015. We consider it important that a review is conducted and identify issues for further exploration and development in any regulatory review of the complaint-handling framework.

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<sup>1</sup> <http://bit.ly/1A1jBPp>

<sup>2</sup> Postal operators carrying mail which weighs less than 350g and costs less than £1 to post.

<sup>3</sup> Postal Services Consumer Complaint Handling Standards Regulations 2008. <http://bit.ly/1A1jTpH>

## Our key findings

Between July 2013 and March 2014, we conducted a number of streams of research into complaint handling in the postal market, including: information requests, desk research and operator meetings. Our key findings are outlined below.

### Customer satisfaction

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Previous research, which focused on Royal Mail, offers some insight to the postal consumer experience of complaints since the introduction of the new complaint-handling framework in 2008. In 2009, research by Postcomm highlighted low satisfaction levels with the time taken to acknowledge and resolve complaints and with responses to complaints and customers service.

While not directly comparable, a Consumer Focus study in 2012 indicated an improvement in satisfaction. However, there was a greater proportion of consumers dissatisfied than satisfied in three areas: the quality of information; speed of response and understanding of the issues.

Since the last piece of research Royal Mail has made improvements to its complaint handling processes. Therefore further work in this area would provide an up to date picture of the consumer experience. This should be part of a formal review conducted by Ofcom allowing the regulator to measure and review the impact of actions taken by the universal service provider to improve complaint handling over recent years. Ofcom should include this as part of a formal review by investigating the consumer complaint experience of regulated postal operators.

### Complaint handling principles and consumer protection conditions

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The postal complaint handling conditions stipulated by Ofcom provide the foundation for regulated postal operators to build upon. These represent the minimum requirements and to some extent overlap with many of the principles of good complaint handling, as described by two standards from the British Standards Institution. These include visibility, accessibility, responsiveness, fairness and objectiveness, confidentiality, user-focused approach, and accountability and/or auditability and continual improvement.

However, the continual improvement principle could be better reflected in the complaint handling conditions. Although the conditions require the regulated postal operators to collate, categorise and publish data on the complaints received for specified time periods there is no requirement, for example, to identify common service or operation issues and then subsequently demonstrate that these have been considered and possibly addressed. Ofcom can improve the regulatory complaint-handling standards by taking action in this area.

## Non-compliance

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Broadly speaking regulated postal operators are adhering to those requirements set out in Ofcom's complaint handling conditions. The possibly disproportionate burden of the obligations on smaller operators was highlighted in response to our information requests and may be an area for further examination as they are the only operators not fully compliant with the regulatory conditions.

However, it is important that obligations are still met, for example, several smaller regulated postal operators need to update consumer information on their websites which incorrectly refer to Consumer Direct for complainants who wish to seek independent advice. Although, the feasibility of other obligations on regulated operators with low complaint volumes such as the requirement to seek feedback from consumers may need to be re-considered or acknowledged in the framework.

There is also scope to improve the visibility of complaint procedures at offices which are open to members of the public. This is relevant to the universal service provider where post offices are an access point to postal products and services.

## External redress

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Consumers need clear information identifying the presence of, and right to access, the external redress scheme. Our preliminary review of POSTRS suggests the need for additional independent research on several areas in order to fully evaluate the operation and effectiveness of this scheme. There is limited consumer awareness of the service and it has a low caseload.

In light of recent reviews in other sectors it may be useful to do a benchmarking study comparing POSTRS to other ombudsman schemes to identify areas for improvement, focusing on:

- consumer awareness
- effectiveness and performance
- consumer satisfaction.

Implementation of the EU ADR directive, due by July 2015, is likely to bring about changes in the redress framework and operation of ADR schemes with competent authorities required to publish regular reports on the functioning of these schemes.<sup>4</sup> This provides an ideal opportunity for wider reflections on the scope and operation of the postal redress scheme and its application to operators providing regulated services. The growth in the parcels market and level of complaints with delivery in online cross-border transactions suggests that there may be a consumer need for redress systems for parcels operators.<sup>5</sup> Consideration should be given to how this can be explored in a non-prescriptive and proportionate way.

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<sup>4</sup> Alternative Dispute Resolution for Consumers: Implementing the Alternative Dispute Resolution Directive and Online Dispute Resolution Regulation (BIS: April 2014). <http://bit.ly/1eonNhl>

<sup>5</sup> European Consumer Centres Network 2013 report highlighted that 15 per cent of problems in 2013 concerned the non-delivery of purchased products or services. <http://bit.ly/1eQAWPF>

## Conclusions and recommendations

Establishing an effective complaints system which meets consumer needs is important to promote consumer confidence in markets. The current system for regulated postal operators appears to capture the fundamental attributes of good complaint handling but there are key actions that can be taken by regulated operators, the redress scheme and the regulator to strengthen it.

### Regulated postal operators

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Regulated postal operators should:

- Consider formal adoption of the independent, third party or accredited complaint-handling standards
- Where relevant, update complaint procedures to make sure they provide accurate information on where consumers can go to seek independent advice and guidance
- Improve the visibility of consumer information on the complaints process, available redress and independent advice
- Improve consumer awareness of the key features of mail products.

### The postal redress service

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**POSTRS** has an important role to play as part of the complaint-handling framework and can help deliver improvements. To do this it needs to:

- Review the terms of reference
- Identify systemic issues and draw to operators' and other stakeholders attention.

### The regulator

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**Ofcom** needs to conduct formal and informal periodic reviews<sup>6</sup> focusing on both the internal and external components that make up the complaint-handling framework in the postal market. In particular a review should be conducted in 2015 to examine the level of compliance by regulated postal operators with the consumer protection conditions and assess the suitability of the current complaint-handling framework for all operators.

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<sup>6</sup> In 2008, Ofcom commissioned research to assess the consumer experience of the complaint processes in the communications market; Ofgem has commissioned three rounds of independent research, in 2009, 2010 and 2012, into consumer satisfaction with the way in which complaints are handled by energy suppliers.

As part of a review it should:

- Investigate the consumer complaint experience of regulated postal operators
- Ensure design of regulatory tools in this environment takes account of digital consumer trends, tools and services
- Evaluate the appropriateness of the current consumer protection conditions on regulated postal operators
- Establish clear criteria for assessment of postal redress schemes.

## In the wider context

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Ofcom should also work within its regulatory framework in conjunction with policy makers and other stakeholders to assess whether there is any consumer detriment in complaints handling in the wider postal market. The European Commission's ongoing work on e-commerce includes a parcel delivery roadmap with a key objective being enhanced complaint handling and redress mechanisms for consumers covering online retailers as well as delivery operators.

It would be appropriate for Ofcom to re-consider the current framework for postal operators within its limited regulatory remit in this area.

Commercial incentives are likely to drive any take-up of redress solutions by postal operators. Policy options can cover a range of regulatory and market-led solutions taking into account the EU directive on ADR across all consumer sectors while recognising that the primary avenue for consumers with delivery problems from online shopping will often be e-retailers with whom they have a contractual relationship rather than parcel operators. Development of any regulatory regime will need to take into account the complexity of multiple operators and brokers involved, in a market segment where the greater use of sub-contractors, contracts made with supplier and not the shipper, brokerage of multiple suppliers and the lack of clear parcel markers to identify the carrier will impact on the ease of designing and implementing effective solutions.

There is an important role for consumer advocates such as Citizens Advice, Citizens Advice Scotland and the Consumer Council for Northern Ireland in working with Ofcom on the review of complaints handling in the postal market and look forward to supporting the review with insights from consumer contact data on the consumer experience.

**For a more detailed version of this report see our websites.**

**The statutory watchdog for postal services is Citizens Advice and Citizens Advice Scotland in Great Britain, and the Consumer Council in Northern Ireland.**

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Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.

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The Consumer Council was established under The General Consumer Council (Northern Ireland) Order 1984.