

# **Consultation: Review of the universal postal service and other postal regulation**

Citizens Advice submission  
April 2025



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# 1. Executive summary

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- 1.1 Citizens Advice is the statutory advocate for postal consumers in England and Wales. Our role is to make sure postal services meet the needs of consumers - particularly those in vulnerable circumstances - and small businesses. We have on-the-ground insights from our network of 300 local offices, who see first hand the impact of problems with our postal service, both in terms of the impact on individuals and additional demands on already-stretched frontline services. This is combined with years of postal policy expertise in our national team. Together, they allow us to represent consumer interests in questions related to postal services.
- 1.2 In January 2024, Ofcom announced a review of the postal Universal Service Obligation (USO). Following a call for input on its initial proposals for change<sup>1</sup> in September 2024, the regulator set out a two phase approach to the USO review.<sup>2</sup> This initial phase looks primarily at the types of service reductions which could generate savings for Royal Mail, with the second phase covering questions of affordability, regulatory enforcement and the broader quality of service regime, which matter most to consumers. This approach is particularly problematic for consumer advocates. First, it effectively relegates consumer concerns to secondary considerations. Second, it becomes extremely challenging for us to effectively engage with the proposals set out at this first phase, as the impact of changes cannot be fully assessed without an understanding of the reciprocal offer to postal consumers.
- 1.3 We have therefore framed our response around both the implications of what is proposed in the consultation paper, and the gaps that these leave to be addressed by phase 2. Where appropriate we have indicated the consultation questions we are engaging with at the beginning of the relevant sections. We have also indicated the specific consultation

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<sup>1</sup> Citizens Advice, [Ofcom Call for Input: The future of the universal postal service](#), 2024.

<sup>2</sup> Ofcom, [Future of the universal postal service: Summary of responses to our Call for Input and next steps](#), 2024, paragraph 3.10.

questions that we are addressing at the beginning of relevant subsections where appropriate.

- 1.4 Postal services - both in the UK and across Europe - are at a crossroads. On the one hand, post remains a fundamental pillar of our communications network. On the other, we've witnessed a digital upheaval in the way we communicate and letter volumes have declined as a result. Ofcom's consultation is therefore timely. Although the UK parcels market is competitive, Royal Mail holds a virtual monopoly over letter post, making the targets and conditions set by the USO central to consumer protection. **Reform is necessary - the USO is not providing effective consumer protection in its current form, leaving people facing ongoing service failures combined with steeply rising prices.** We're concerned that the lack of effective regulation at present means that, at best, there are few incentives for Royal Mail to meet targets, and at worst, there is a risk of creating commercial advantages to ongoing poor service.
- 1.5 Ofcom has now put forward its proposals for a revised USO. These reduce the delivery frequency of 2nd class letters, quality of service targets and Royal Mail's access letter obligation, while introducing backstop 'tail of mail' targets. We **support the continued regulation of D+2 access and the extension of regulation to cover D+3 access** for priority bulk mail.<sup>3</sup> We also **welcome the introduction of 'tail of mail' targets** and acknowledge that Ofcom has proposed the retention of postcode area targets and *marginally* more substantive 'tail of mail' targets than those proposed by Royal Mail.<sup>4</sup>
- 1.6 However, **the key proposals set out in the consultation paper also raise a range of concerns from the consumer perspective, which we need to see addressed before implementation.** A significant reduction in 2nd class delivery days to alternate weekdays, compared with a minor

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<sup>3</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, section 7.

<sup>4</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, section 6.

reduction in the quality of service targets, makes the expectation of meeting targets dependent on Royal Mail *significantly* improving its current performance. This includes being able to accelerate around half of 2nd class volumes to deliver within 2 days or quicker in order to meet a D+3 target. In the context of half a decade of routinely missed targets - when Royal Mail had 6 delivery opportunities to meet a D+3 target (compared to 2 or 3 under proposed arrangements) - and in the absence of any new enforcement measures, this seems highly unlikely. The new regime, in which current 2nd class delivery days will be both reduced and will vary week by week and area by area, is also likely to generate significant confusion, with no clear indication of how communication to consumers will be handled.

1.7 This complex new system, particularly if combined with an ongoing failure to meet targets, fails to meet consumers' key priority for a more reliable service.<sup>5</sup> This is a vital gap in a future USO that should work for consumers as well as Royal Mail. But it also poses risks to the financial sustainability at the centre of the proposal itself. Ofcom states that, to fully realise the financial benefits of the cuts, there will need to be a significant shift in mail volumes from 1st to 2nd class.<sup>6</sup> It is unlikely consumers will take this up in the numbers needed if the new service is not offering what they're asking for.

1.8 **We also remain concerned that Ofcom's overall approach is unbalanced.** The consultation proposes generating significant savings for Royal Mail through cuts to the service and a reduction of quality of service targets, but at this stage offers no reciprocal measures to ensure the company is then incentivised to tackle the issues that matter most to consumers. There are no proposals on ensuring the affordability of the service, or on more effectively enforcing reduced and new 'backstop' quality of service targets.

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<sup>5</sup> Five focus groups of 10 English and Welsh postal consumers, Savanta, Jul - Aug 2024.

<sup>6</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation 2025](#), paragraph 5.46.

- 1.9 We also note that no attempt has been made to balance an assessment of the financial sustainability of the USO with an assessment of the efficiency of the service, as is required by the primary legislation.<sup>7</sup> Without an assessment of Royal Mail's efficiency, there is a real risk that Royal Mail is simply being allowed to pass inefficiency costs on to consumers - something the regulatory provisions in the 2011 Postal Services Act clearly sought to avoid.
- 1.10 **This approach to regulating a private company with a virtual monopoly over an essential service poses risks to government as well.** The possibility of a future public subsidy for the service has already been raised.<sup>8</sup> But if the regulator is unwilling to put measures in place to create the transparency, effective enforcement or range of price controls that incentivise a monopoly provider to deliver an efficient and good quality service, then any discussion of subsidy should raise concern.
- 1.11 It is welcome that Ofcom is having this debate in the open. But ultimately, changes to Royal Mail's obligations should be made - as Parliament intended - through democratic debate. Although Ofcom is entitled to make regulatory changes, those proposed mark significant reform to the shape of the universal service outlined in the 2011 Postal Services Act. Delivery days for 2nd class letters will be markedly reduced (from 6 days per week to 2-3 days per week) and 1st class price increases may be needed to reduce 1st class volumes.<sup>9</sup> This could leave consumers priced out of a priority service, and with a 2nd class option that may be too slow and inconsistent to meet their needs. It also has implications for the billions of letters from hospitals, courts and government departments sent every year.
- 1.12 Secondly, following the takeover of Royal Mail by Daniel Kretinsky's EP group, government will hold a 'golden share' in Royal Mail. This means that it is closely implicated in Royal Mail's finances and performance. The

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<sup>7</sup> Postal Services Act 2011, [Part 3](#), Section 29, 3 (a) and (b).

<sup>8</sup> Royal Mail, [Response to Ofcom's call for input on the future of the universal postal service](#), 2024, p. 8.

<sup>9</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, paragraph 5.46.

risks to government if the USO continues to provide minimal incentives for Royal Mail to run an effective and efficient service are higher than they were previously. **Citizens Advice therefore urges Ofcom to advise Parliament on a way forward, rather than push regulatory changes through the backdoor that go against the spirit of the legislation.** This would allow MPs greater scrutiny and say on the proposals, and strengthen lines of accountability for consumers.

1.13 We previously identified three priority areas for consumers, set out in our initial response to Ofcom’s Call for Input.<sup>10</sup> None of the measures we put forward would be incompatible with steps to support a more financially sustainable service if Ofcom feels these are required. Unfortunately, this consultation contains almost no measures to address any of these areas. There has been suggestion they will be reviewed in a second phase of the consultation, but the paper contains no specifics on the process or timing for this phase. The issues we believe must be addressed under Phase 2 are:

1.14 **Reliability:** Targets under any revised USO must be backed by a more effective, consumer-focused regulatory system. Under current arrangements, Royal Mail faces few commercial incentives to meet requirements - it has missed annual delivery targets for the last 5 years, yet has received just 3 fines as a result.<sup>11</sup> The most recent, and highest, still amounts to just 0.08% of that year’s group revenue.<sup>12</sup> Enforcement decisions are taken behind closed doors, with Royal Mail as the only stakeholder represented. We instead need to move towards a system where consumers are guaranteed a voice in the investigative process, where quality of service standards provide fuller information, and where Ofcom has oversight of a much wider range of letters in the system. We should also be considering the moves by other regulators to link missed targets to consumer compensation - particularly if consideration is being given to reducing requirements on Royal Mail in any way.

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<sup>10</sup> Citizens Advice, [Ofcom Call for Input: The future of the universal postal service](#), 2024, section 5.

<sup>11</sup> Ofcom, [Enforcement](#).

<sup>12</sup> Ofcom, [Ofcom fines Royal Mail £10.5m for poor delivery performance](#). Royal Mail, [Financial Report for the full year ended 31 March 2024](#), 2024, p. 1. Reported Group revenue for the year ending March 2024 was £12,679m.  $(£10.5m / £12,679m) * 100 = 0.08\%$ .

- 1.15 We welcome the introduction of 'tail of mail' targets as an additional protection for consumers, but they must form only a backstop. Quality of service targets continue to be the primary reliability targets Royal Mail is expected to meet. The introduction of 'tail of mail' targets also makes the need for transparency on the role different targets play in the enforcement decision-making process more pertinent.
- 1.16 **Affordability:** The USO commits to the provision of an affordable postal service, yet the cost of a 1st class stamp has more than doubled in 5 years.<sup>13</sup> Royal Mail holds a virtual monopoly over letters and that lack of competitive pressure on prices means proactive regulation is vital. There are a number of steps we believe could be taken to improve oversight. We would like to see greater transparency in pricing scenario modelling, which is largely negotiated privately between Ofcom and Royal Mail at present. We also call for an end to the developing problem of digital exclusion penalties, whereby Royal Mail can charge higher prices for products purchased in person, as opposed to the same product bought online. Finally, we need to see price safeguard caps retained and extended under any future form of the USO, as the most effective and practical measure to guarantee affordable prices for all low-income consumers.
- 1.17 **Universality:** While the USO is clearly designated a 'universal' service, the way provision is set up at the moment prevents this. Under the current model, the USO commits Royal Mail to delivering to every address in the UK. However, this shuts out millions of people who - either temporarily or permanently - are unable to securely access their post at a fixed address.<sup>14</sup> This might be due to homelessness or housing insecurity, or because they are a survivor/victim of domestic abuse and have someone intercepting their post. But these issues could be resolved, as they have been in other countries. An 'Address & Collect' service would give people the option to access their post at an alternative location, such as a post

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<sup>13</sup> 1st class stamp price in March 2020 was £0.76. 1st class stamp price as of April 2025 is £1.70. Difference of £0.94.  $(0.94/0.76)*100 = 123.68\%$ , rounded to 124%.

<sup>14</sup> Citizens Advice, [Millions without mail](#), 2020.

office. We would like to see any review of the USO used as an opportunity to make sure that the designated universal service provider has to make reasonable provisions to deliver to every individual, rather than to every address as it is currently.

- 1.18 More also needs to be done to ensure consumers in vulnerable circumstances are not sidelined as services are reduced. To achieve this, Ofcom should explore options to move to an outcomes-focused approach to regulation. This would ensure consumers are treated fairly, by rebalancing the focus on financial sustainability whilst reducing regulatory burden.
- 1.19 Ofcom should also explore options aimed at protecting consumers in vulnerable circumstances in a declining market. Options for doing so include an extension of Royal Mail's NHS barcode scheme to include other vital communications, and/or the introduction of a priority services register in the letters market.
- 1.20 We believe a USO that embodies these principles would far more effectively serve the needs of the consumers it is there to protect. None of the measures we suggest would be incompatible with considerations of financial sustainability. But crucially, they also stand the best chance of generating a good value service, tackling many of the gaps and knock-on costs within the current system, and reducing the likelihood of consumers and government being asked to pick up the tab for service failures and inefficiencies in the future.

## 2. Why post matters

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- 2.1 The ongoing shift towards digital has changed the way many of us interact with post, reducing the reliance on letters, particularly for digitally engaged consumers. But **letters still remain a vital part of the UK's national communications infrastructure**. Almost 9 in 10 (86%) people received an important letter or document in the post in the six months leading up to February 2025.<sup>15</sup> Half of the adult population (50%) in Great Britain also sent an important letter or document via post in the same period.<sup>16</sup> And two thirds of people say post is either essential or helpful for keeping in touch with family and friends.<sup>17</sup>
- 2.2 **The digital transition also makes certain groups more heavily reliant on post as their 'backstop' to social and economic participation.** In the UK, 7.9 million adults lack the most basic digital skills.<sup>18</sup> Digital exclusion is higher amongst older people, those on lower incomes and those living in rural areas.<sup>19</sup> People with certain protected characteristics (like racially minoritised groups and people with long-term health conditions or disabilities) are also more likely to rely on post.<sup>20</sup>
- 2.3 This is often linked to issues such as digital skills, but also to greater interaction with government services and support. A wide range of essential legal documents including DWP appeal responses, benefit awards (except for Universal Credit), revision and overpayment notifications (except for UC), HMCTS directions and hearing dates continue to be sent via letter post. The centrality of post in many government services is frequently raised by our frontline advisers. As one pointed out:

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<sup>15</sup> Survey of 3351 GB adults, Accent, 06 Feb - 26 Feb 2025. This consisted of an online survey of 3000 adults, 251 face-to-face interviews with digitally excluded adults and 100 telephone interviews with adults living in remote rural areas.

<sup>16</sup> Ibid.

<sup>17</sup> Citizens Advice, [Millions without mail](#), 2020, p. 8.

<sup>18</sup> Lloyds Bank, [2024 Consumer Digital Index](#), 2024, p. 32.

<sup>19</sup> Yates, S. J. et al., [Who are the limited users of digital systems and media? An examination of the U.K. Evidence](#), 2020, section 4.4.; Communications and Digital Committee, [Digital exclusion, 3rd Report of Session 2022-23](#), 2023, paragraph 17.

<sup>20</sup> Citizens Advice, [The future of the Universal Service Obligation](#), 2023, p.8.

*"Some people do not use email, or have access to the internet and so physical mail is still important in receiving appointments, reminders and other official documents, as well as socially receiving things like greetings cards and letters that keep them in touch with friends and family."*

*Local Citizens Advice Chief Officer, March 2025*

- 2.4 Given these factors, the way our postal network is regulated - and the extent to which regulation protects service users and particularly people in vulnerable circumstances - is an important question, even as we look to a more digitally-determined future.

## 3. Where are the gaps for consumers in the current USO

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Section 3 engages with questions:

- 2.1: Do you agree with the provisional conclusions set out in our Equality Impact Assessment?
- 3.1: Do you agree that we have identified the reasonable needs of post users?
- 3.2: Do you agree that the market is meeting the reasonable needs of postal users?

- 3.1 **The postal Universal Service Obligation (USO) is designed to impose the conditions Royal Mail - as the Universal Service Provider - must meet.** This is crucial when a private company holds a monopoly on an essential service, providing the only real protection for consumers and businesses from delivery failures and high prices. Ofcom's role is to enforce obligations around quality of service and affordability, with regard to both efficiency and financial sustainability.
- 3.2 Ofcom's own research suggests that despite the decline in letter volumes consumers believe they will always need to use the postal service to send letters.<sup>21</sup> Universality, affordability and reliability are the things consumers most prize about their postal service.<sup>22</sup> But the current USO is not meeting those needs.
- 3.3 Below, we set out the key problems and gaps with the existing approach to postal regulation.

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<sup>21</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation 2025](#), paragraph 3.22.

<sup>22</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation 2025](#), paragraphs 3.93 and 3.99.

## A consistently unreliable service with minimal sanctions

3.4 **Royal Mail has now failed to meet its annual quality of service targets under the USO for either 1st or 2nd class letters for 5 years, rendering them almost meaningless** (see Figure 1 below).<sup>23</sup> The company also consistently fails to meet its area postcode targets.<sup>24</sup> It generally misses delivery targets in all 118 UK postcode areas, and occasionally meets the target in just one area.<sup>25</sup> This has been the pattern for the last 14 quarters.

**Figure 1: Royal Mail performance against delivery targets since 2018<sup>26</sup>**

	2018/19				2019/20				2020/21				2021/22				2022/23				2023/24				2024/25		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
% 1C delivered on time (Target: 93%)	92.1	91.3	90.1	92.0	93.2	93.3	91.9	93.2	66.2	79.0	70.6	76.2	87.2	82.4	76.8	79.6	85.1	72.6	54.1	78.9	74.6	74.1	70.1	78.0	79.1	76.3	76.2
% 2C delivered on time (Target: 98.5%)	98.8	98.6	98.0	98.9	98.9	98.8	98.5	99.0	93.0	95.3	91.5	93.9	97.5	95.7	93.8	94.3	96.1	91.3	78.6	94.5	94.3	91.3	90.2	93.6	94.1	92.6	92.3
Postcode Area Targets met	87 of 118	65 of 118	40 of 118	80 of 118	108 of 118	113 of 118	78 of 118	107 of 118	/	/	/	/	14 of 118	0 of 118	0 of 118	1 of 118	1 of 118	0 of 118	1 of 118	1 of 118	0 of 118	0 of 118					

\*Data collected from [www.internationaldistributionservices.com](http://www.internationaldistributionservices.com) on 18 March 2025.

\*\* Adjusted data used for 2019/20 Q4 (adjusted for Covid-19).

3.5 **Millions of people are suffering negative consequences as a result of these ongoing letter delays.** An estimated 14.7 million (29% of GB adults) were hit with letter delays in February 2025.<sup>27</sup> Given the range of vital services - from healthcare and legal communication to benefits - that continue to frequently interact via letter, this can have serious repercussions. Of those who experienced a delay in our latest research,

<sup>23</sup> Royal Mail, [Quality of Service Reports](#), 2018-2025.

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> Survey of 3351 GB adults, Accent, 06 Feb - 26 Feb 2025. This consisted of an online survey of 3000 adults, 251 face-to-face interviews with digitally excluded adults and 100 telephone interviews with adults living in remote rural areas.

50% (18% of all GB adults) experienced a negative consequence as a result.<sup>28</sup>

- 3.6 Amongst those, almost 1 in 4 (23%) suffered significant health-related harm, such as missed health appointments and medical test results.<sup>29</sup> Over 1 in 3 (35%) suffered significant financial harm, such as missing fines, bills and benefits information.<sup>30</sup> This issue is also hitting the wider economy - our research revealed over 25% of small businesses had experienced a letter delay in the previous month.<sup>31</sup> Of this group, nearly 2 in 3 reported direct negative impacts, such as the loss of a customer or payment delays.<sup>32</sup>
- 3.7 Letter delays can cause disproportionate harm for certain - often vulnerable - groups. Two thirds (64%) of those who use the internet less than daily experience harm when their letters are delayed, compared to 50% of the general population. Ethnically minoritised groups are also more likely to experience harm when their post is delayed (67%), as well as those with a longstanding health condition (59%), unpaid carers (66%) and those receiving Universal Credit (65%).<sup>33</sup> At Citizens Advice, our frontline advisers regularly support people needing help with these issues:

*Mandy\* came to Citizens Advice when she unexpectedly stopped receiving Employment and Support Allowance (ESA) payments. Mandy doesn't have a mobile so relies on post for communication. Upon contacting DWP, Mandy found out she had missed her latest ESA assessment. She had not had any post delivered and had missed information about the appointment. Her benefit was reinstated but payments soon stopped again. For a second time, Mandy had missed*

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<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>31</sup> Citizens Advice, [Postal problems cause big challenges for small businesses](#), 2023. From an online survey of 1320 small businesses carried out by Yonder Data Solutions, 8- 24 March 2023.

<sup>32</sup> Ibid.

<sup>33</sup> Survey of 3351 GB adults, Accent, 06 Feb - 26 Feb 2025. This consisted of an online survey of 3000 adults, 251 face-to-face interviews with digitally excluded adults and 100 telephone interviews with adults living in remote rural areas.

*her appointment due to not receiving her post. Mandy now has no money and cannot afford to pay her rent, council tax or utility bills.*

*Sonia\* is living with multiple serious health conditions. She recently found out that the mandatory reconsideration of her Personal Independence Payment had been rejected. However, she only received the letter notifying her of this outcome one month after the letter was dated. This postal delay resulted in Sonia having less time to seek the advice and legal help she needed and made it more difficult to adhere to appeal deadlines.*

*Citizens Advice case studies, November 2024*

*\*Names changed to preserve anonymity*

- 3.8 **But we're concerned the current lack of effective enforcement of USO regulation offers minimal commercial incentives for Royal Mail to invest in improving standards.** This is particularly the case when the company holds a virtual monopoly over letter delivery.
- 3.9 Ofcom's penalty guidelines make clear that fines should help to ensure it is not more profitable for a business to ignore them than to comply with regulation.<sup>34</sup> Ofcom has the power to fine companies up to 10% of revenue, meaning it could fine Royal Mail up to £1.3 billion.<sup>35</sup>
- 3.10 Ofcom has investigated Royal Mail for quality of service failures 6 times since 2015 (and has chosen not to investigate in several other years where targets were missed).<sup>36</sup> Yet, the regulator has only issued fines on three occasions. The most recent and largest penalty amounts to just 0.08% of the group's revenue for that financial year.<sup>37</sup> Sporadic, minimal fines offer

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<sup>34</sup> Ofcom, [Penalty guidelines - Section 392 Communications Act, 2003](#).

<sup>35</sup> Ofcom, [Decision finding Royal Mail contravened its quality of service performance targets in 2018/19 and imposing a financial penalty under paragraph 6 of Schedule 7 to the Postal Services Act 2011](#), paragraph 3.12.

<sup>36</sup> Ofcom, [Enforcement](#).

<sup>37</sup> Ofcom, [Ofcom fines Royal Mail £10.5m for poor delivery performance](#). Royal Mail, [Financial Report for the full year ended 31 March 2024](#), 2024 p.1. Reported Group revenue for the year ending March 2024 was £12,679m. ( $£10.5m / £12,679m * 100 = 0.08\%$ ).

few incentives for Royal Mail to improve its service standards when the company benefits from a virtual monopoly over letter delivery.

- 3.11 There have also been instances where the regulator has been asked to directly address concerns about Royal Mail's adherence to the USO and has shown reluctance to do so. In 2023, thousands of postal workers reported that Royal Mail was prioritising parcel deliveries (in a competitive market) over letter deliveries, for which they face no competition. The Business Select Committee concluded that the company had "deprioritised delivery of letters as a matter of company policy and that it has systematically failed to deliver against parts of its USO" and ordered Ofcom to carry out a multi-year investigation.<sup>38</sup> However, Ofcom did not do this.<sup>39</sup> Despite agreeing to look into the issue as part of its 2022/2023 (single year) quality of service investigation, the regulator accepted Royal Mail's position that nothing in the company's written policies provided evidence of letter deprioritisation and that the issue was confined to individual delivery offices.<sup>40</sup> Yet, since the regulator's statement in November 2023, both the Sunday Times and BBC Panorama used undercover reporting and whistleblowers to indicate the practice is still taking place.<sup>41</sup>
- 3.12 Overall, we feel Ofcom's existing stance on regulating Royal Mail neglects its duties to ensure the standards set out in the USO offer meaningful protection for consumers. Their approach offers no concrete incentives to Royal Mail to tackle the reliability issues continuing to plague service users - and indeed their singular focus on options leading to cost savings for Royal Mail in this consultation appears to reward such failures.

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<sup>38</sup> Business, Energy and Industrial Strategy Committee, [Royal Mail Seventh Report of Session 2022-23](#), 2023, paragraphs 4 and 31.

<sup>39</sup> Ofcom, [Enforcement](#).

<sup>40</sup> Ofcom, [Decision finding Royal Mail contravened its Quality of Service performance targets in 2022/23 and imposing a financial penalty](#), 13 November 2023.

<sup>41</sup> BBC One Panorama, [Royal Mail: Where's my post?](#) 26 February 2024.

Sunday Times, [Undercover at Royal Mail: 'Never mind the letters, just take the parcels.'](#) 16 December 2023.

## Price increases far beyond inflation

### 3.13 **The USO commits to an ‘affordable’ universal postal service but, again, lack of effective regulation is currently putting this at risk.**

Affordability is of vital importance in essential markets. This is of particular importance in the letters market, as post increasingly provides a vital ‘backstop’ through which more vulnerable users, such as those who are digitally excluded or have restricted mobility, engage with services.<sup>42</sup>

### 3.14 **Those who are reliant on post are also disproportionately impacted by price increases.**

Our research found people with longstanding health conditions are significantly more likely to struggle to afford a book of 2nd class stamps, compared to people without chronic conditions.<sup>43</sup>

Infrequent internet users (those using it less than daily) were also found to be more likely to send documents via post, as well as more likely to send a high number of letters and cards compared to those using the internet daily.<sup>44</sup> Furthermore, those using the internet less than weekly were significantly more likely to struggle to buy a 2nd class stamp next week compared to those using the internet daily (22% vs 8%).<sup>45</sup>

### 3.15 **Price protection is also vital in providing the right incentives for Royal Mail to deliver efficiently in a monopoly market.**

Prior to privatisation and Ofcom assuming control of postal regulation in 2011, Royal Mail was subject to price controls on all its major USO products. When Ofcom took over the role of post regulation it scaled back the scope of these controls dramatically, so that only certain 2nd class products were regulated as a ‘safeguard’. At the time, Ofcom recognised that this approach included risks in terms of Royal Mail’s incentives to operate efficiently and regulate prices, but believed that this could be mitigated by

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<sup>42</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation 2025](#), paragraph 3.44.

<sup>43</sup> Survey of 3351 GB adults, Accent, 06 Feb - 26 Feb 2025. This consisted of an online survey of 3000 adults, 251 face-to-face interviews with digitally excluded adults and 100 telephone interviews with adults living in remote rural areas.

<sup>44</sup> Ibid.

<sup>45</sup> Ibid.

the prospect of end-to-end competition.<sup>46</sup> However, given that this hasn't emerged, Citizens Advice has become increasingly concerned that incentives for Royal Mail to control prices and, with this, to operate efficiently have drastically reduced. This becomes clear when recent pricing trends are reviewed.

- 3.16 As Figure 2 below illustrates, **prices are increasing most dramatically in the areas of the market, such as low weight letters, where Royal Mail has a virtual monopoly, and at the same time falling on products subject to market competition.** Its monopoly position, combined with the lack of 1st class price caps, means the company has been able to more than double prices for 1st class letter postage over 5 years.
- 3.17 1st class lightweight letters have seen a particularly steep price hike, with small lightweight letter postage increasing by 124% since 2020 and large lightweight letter postage increasing by 174%. Even 2nd class prices, subject to some controls, have increased by 34% over the same period.<sup>47</sup> Price increases at this level far outstrip inflation - the Bank of England puts CPI at 25% since 2020.<sup>48</sup>
- 3.18 It's striking that parcel prices, which face market competition, have actually *decreased* over the same period (1st class parcel prices by 19% and 2nd class by 5%). The obvious risk of very loose controls on monopoly letter prices is that they can increasingly be used to cross-subsidise prices in Royal Mail's parcels arm, in place of the investment that would otherwise be needed to run a better quality, more efficient parcels service.

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<sup>46</sup> Citizens Advice, [Call for Input: The future of the universal postal service: Citizens Advice submission](#), 2024, paragraph 32.

<sup>47</sup> Citizens Advice, [Citizens Advice responds to Royal Mail stamp prices 2025](#), March 2025.

<sup>48</sup> Bank of England, [Inflation calculator](#). Goods and services costing £10 in 2020 cost £12.47 in 2025, an increase of 24.7%.

**Figure 2: Royal Mail Prices 2020 - 2025**

1st Class Postage Rates		Weight	Mar-20	Jan-21	Apr-22	Apr-23	Oct-23	Apr-24	Oct-24	Apr-25	% Change Over 5 years	
Monopoly	Letter	0-100g	£0.76	£0.85	£0.95	£1.10	£1.25	£1.35	£1.65	£1.70	124%	101%
		0-100g	£1.15	£1.29	£1.45	£1.60	£1.95	£2.10	£2.60	£3.15	174%	
	Large Letter	101-250g	£1.64	£1.83	£2.05	£2.25	£2.70	£2.90	£3.50	£3.60	120%	
		251-500g	£2.14	£2.39	£2.65	£2.95	£3.30	£3.50	£3.50	£3.60	68%	
		501-750g	£2.95	£3.30	£3.30	£3.30	£3.30	£3.50	£3.50	£3.60	22%	
Competitive	Small Parcel	0-1kg	£3.70	£3.85	£4.45	£4.19	£4.19	£4.59	£4.79	£4.99	35%	-19%
		1-2kg	£5.57	£5.57	£4.45	£4.19	£4.19	£4.59	£4.79	£4.99	-10%	
	Medium Parcel	0-1kg	£5.90	£6.00	£6.95	£6.29	£6.29	£6.69	£6.99	£7.19	22%	
		1-2kg	£9.02	£9.02	£6.95	£6.29	£6.29	£6.69	£6.99	£7.19	-20%	
		2-5kg	£15.85	£15.85	£7.95	£7.99	£7.99	£8.39	£8.69	£8.99	-43%	
		5-10kg	£21.90	£21.90	£7.95	£7.99	£7.99	£8.39	£8.69	£8.99	-59%	
		10-20kg	£33.40	£33.40	£12.95	£11.99	£11.99	£12.49	£13.19	£13.69	-59%	

2nd Class Postage Rates		Weight	Mar-20	Jan-21	Apr-22	Apr-23	Oct-23	Apr-24	Oct-24	Apr-25	% Change Over 5 years	
Monopoly	Letter	0-100g	£0.65	£0.66	£0.68	£0.75	£0.75	£0.85	£0.85	£0.87	34%	39%
		0-100g	£0.88	£0.96	£1.05	£1.15	£1.55	£1.55	£1.55	£1.55	76%	
	Large Letter	101-250g	£1.40	£1.53	£1.65	£1.85	£2.40	£2.10	£2.10	£2.00	43%	
		251-500g	£1.83	£1.99	£2.15	£2.40	£2.70	£2.50	£2.50	£2.40	31%	
		501-750g	£2.48	£2.70	£2.70	£2.70	£2.70	£2.70	£2.70	£2.70	9%	
Competitive	Small Parcel	0-1kg	£3.10	£3.20	£3.35	£3.49	£3.49	£3.69	£3.75	£3.90	26%	-5%
		1-2kg	£3.10	£3.20	£3.35	£3.49	£3.49	£3.69	£3.75	£3.90	26%	
	Medium Parcel	0-1kg	£5.20	£5.30	£5.35	£5.49	£5.49	£5.89	£6.15	£6.29	21%	
		1-2kg	£5.20	£5.30	£5.35	£5.49	£5.49	£5.89	£6.15	£6.29	21%	
		2-5kg	£8.79	£8.99	£6.95	£6.99	£6.99	£7.39	£7.65	£7.89	-10%	
		5-10kg	£20.25	£20.25	£6.95	£6.99	£6.99	£7.39	£7.65	£7.89	-61%	
		10-20kg	£28.55	£28.55	£10.45	£10.49	£10.49	£10.99	£11.55	£11.89	-58%	

**3.19 The consequence of minimal price regulation has been consumers experiencing growing affordability challenges in the letters market.** Our research, which was conducted prior to the stamp price increases in April 2025, shows that 1 in 3 (15.8 million GB adults) would struggle to afford a book of 8 1st class stamps if they had to buy them next week.<sup>49</sup> This has increased from 1 in 5 in 2023,<sup>50</sup> reflecting both the above-inflation growth of stamp prices and the ongoing intense cost of living pressures on many households. Our research recently highlighted that 1 in 3 people are living on a financial knife edge - i.e., they would find it difficult to afford a £20 increase in their essential bills.<sup>51</sup>

<sup>49</sup> Survey of 3351 GB adults, Accent, 06 February - 26 February 2025. This consisted of an online survey of 3000 adults, 251 face-to-face interviews with digitally excluded adults and 100 telephone interviews with adults living in remote rural areas.

<sup>50</sup> Online survey of 4,007 UK adults, Walnut, 25 May - 5 June 2023.

<sup>51</sup> Citizens Advice, [‘One in three living on a financial knife edge’, warns Citizens Advice](#), March 2025.

3.20 Even when prices are slightly more protected by the 2nd class safeguard cap, we still found considerable affordability challenges. Our research shows that 1 in 5 people would find it difficult to afford a book of 8 2nd class stamps, priced at £6.80, if they had to buy them next week.<sup>52</sup> We speak to small businesses and consumers facing these challenges every day:

*"It's just unworkable. We used to get one price increase a year in April now we get two. A lot of people don't notice the later ones coming in and it's just going up and up. The more the prices go up, the less people will use... For so many very small businesses, it is extremely difficult to survive and I can't see many people managing the way it's going."*

*Interview with sole trader who relies on postal services, March 2024<sup>53</sup>*

*"We work with lots of clients who have deficit budgets - so no spare income to pay for stamps. We need clients to send us information in order to provide debt advice. Increased postage costs put another barrier in place to people accessing the advice they need, especially if they do not have email access."*

*Citizens Advice Debt Adviser, March 2025*

3.21 A significant aspect of Royal Mail's case for USO reform has been its financial struggles. It has blamed these on falling letter volumes. However, letter revenue is in fact going in the opposite direction, with 2024's half year financial report from the business acknowledging **declining letter volumes are being "more than offset by price increases."**<sup>54</sup> What's more, these results also suggest letter post consumers are subsidising Royal Mail's competitive parcel service. Despite parcel volumes increasing

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<sup>52</sup> Survey of 3351 GB adults, Accent, 06 February - 26 February 2025. This consisted of an online survey of 3000 adults, 251 face-to-face interviews with digitally excluded adults and 100 telephone interviews with adults living in remote rural areas.

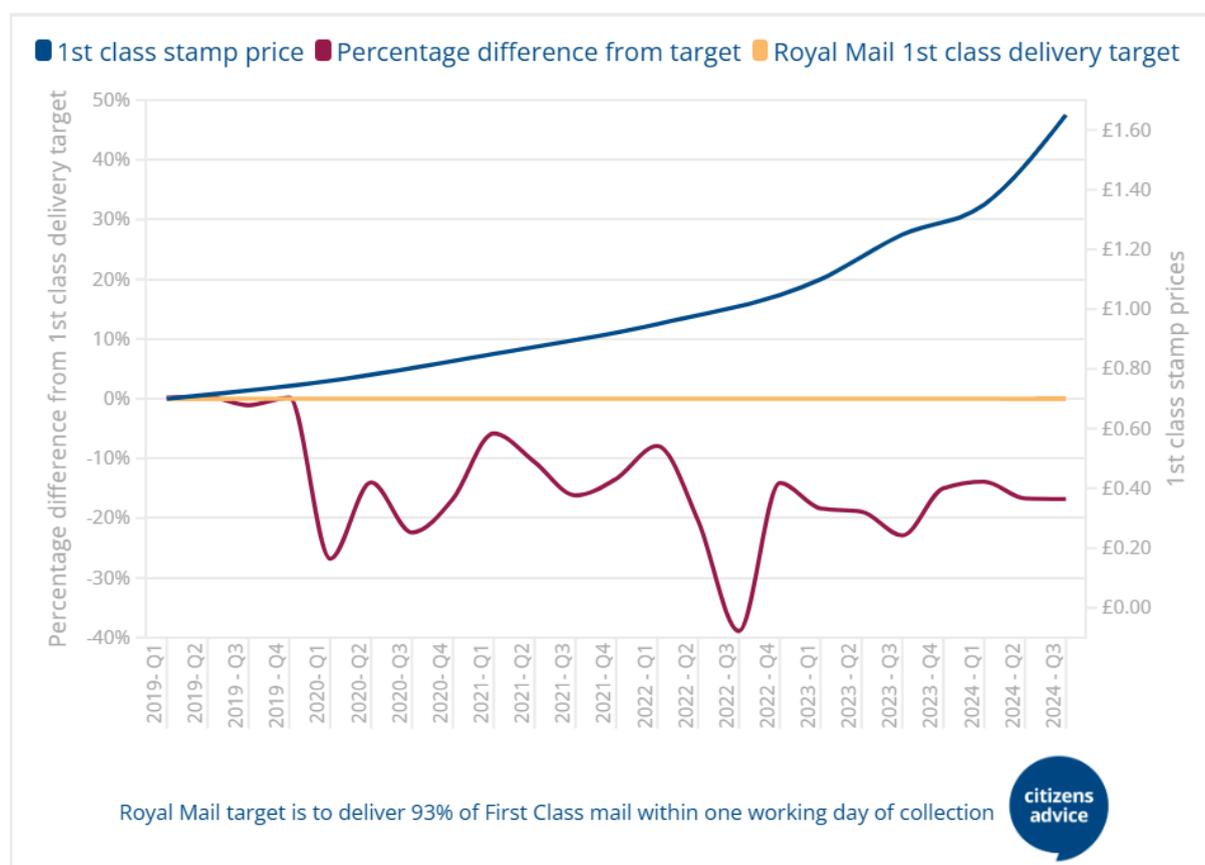
<sup>53</sup> Citizens Advice, interviews with 5 small businesses, 5-7 March 2024.

<sup>54</sup> International Distribution Services PLC, [Results for the 26 weeks ended 29 September 2024](#), November 2024.

by 9%, parcel revenue only increased by 8.9%.<sup>55</sup> On the other hand, total letter post volumes fell by 5%, whilst revenue increased by 7.2%.<sup>56</sup>

3.22 Increasingly, our research has found consumers are not only concerned about the affordability of the service, but also its value for money. The price of a 1st class stamp has more than doubled in the last five years, during which Royal Mail has failed to meet any of its quality of service targets. More than two thirds (68%) of people think the five-year increase in the cost of a 1st class stamp is unfair.<sup>57</sup> As illustrated by Figure 3, consumers are consistently paying more for less.

**Figure 3: 1st class stamp price against 1st class delivery target**



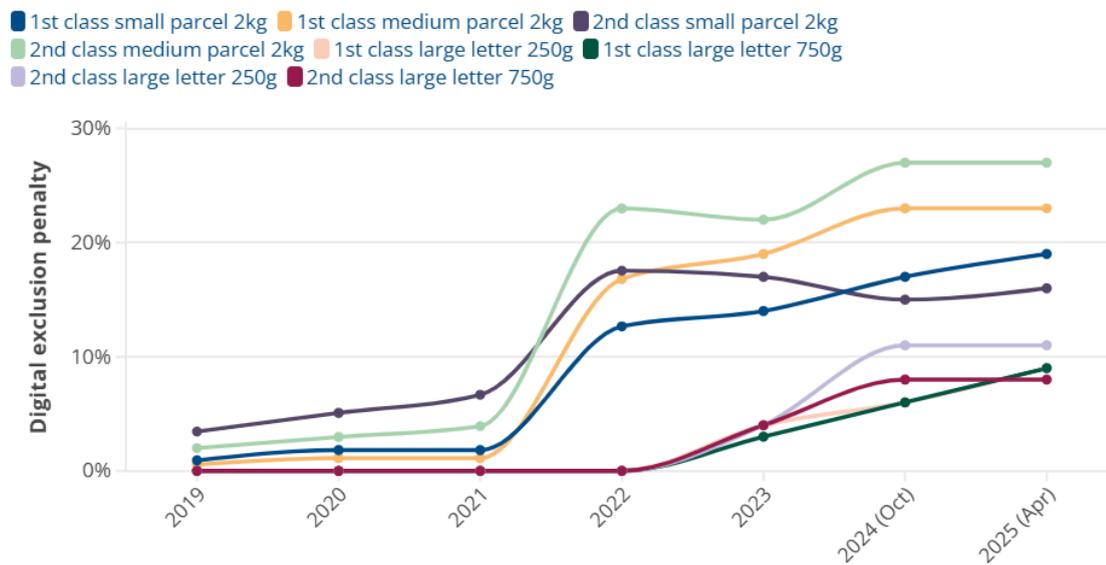
<sup>55</sup> International Distribution Services PLC, [Results for the 26 weeks ended 29 September 2024](#), November 2024.

<sup>56</sup> Ibid.

<sup>57</sup> Survey of 3351 GB adults, Accent, 06 Feb - 26 Feb 2025. This consisted of an online survey of 3000 adults, 251 face-to-face interviews with digitally excluded adults and 100 telephone interviews with adults living in remote rural areas.

3.23 We're also concerned that the current USO permits an emerging '**digital exclusion penalty**' within what is intended to be a universal pricing structure. The USO is meant to provide a 'one-price-goes-everywhere' service. Yet, with the expansion of online markets and competition between Post Office Limited and Royal Mail, Royal Mail has begun to charge more for those buying postage products in person, often at a post office. Until October 2023, this issue only affected the parcels market. But the most recent rounds of price increases have expanded this price differential to letter consumers too. Figure 4 illustrates that postage for 2nd class large letters (250g) is now 11% more expensive when purchased in person than online. And 2nd class medium parcels (2kg) are now 27% more expensive when purchased in person. Given we know people who are digitally excluded are both most reliant on post and more likely to be on a low income, this loophole risks exacerbating inequalities and should be of concern for the regulator.

**Figure 4: Increase in Royal Mail digital exclusion penalty\* over time**



Source: Apex Insights Report 2023 Parcel Volumes. \*Scale for parcel volumes here are measured in millions. 3000million = 3bn



\*By digital exclusion penalty we mean how much more consumers are paying when buying the same product in person rather than online.

3.24 **It's also important to look at the impact ineffective regulatory oversight on pricing could have on the incentives for Royal Mail to tackle the issue of reliability.** Our research found that a third of people (32%) felt the need to use a premium product if they perceived the letter to be important, given reliability concerns.<sup>58</sup> With quality of service targets missed so routinely, consumers consistently tell us that they send important or urgent letters as parcels, using Special Delivery or Signed For products, to ensure it arrives on time:

*"You know, I've started sending important letters as parcels. That's always an option that people forget about. It's a way of guaranteeing the speed that First Class doesn't bring."<sup>59</sup>*

3.25 This can lead to a troubling cycle: if Royal Mail is not effectively penalised for poor service reliability and faces very limited controls on prices as a monopoly provider, more consumers are pushed towards premium-price products, effectively offering a commercial advantage to the company for ongoing poor service. These are precisely the kinds of incentives effective regulation is intended to avoid.

## The current USO is not truly universal

3.26 The USO should be universal, yet it isn't, in its current form. Under existing requirements, Royal Mail needs to deliver to every address in the country. But this focus on addresses, rather than individuals, leads to the temporary or permanent exclusion of millions. Our research has found that over 7 million people experienced post-exclusion at some point in the last ten years, with over 625,000 people being affected between May 2023 - May 2024.<sup>60</sup> Our advisors support people experiencing post-exclusion everyday:

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<sup>58</sup> Survey of 3351 GB adults, Accent, 06 February - 26 February 2025. This consisted of an online survey of 3000 adults, 251 face-to-face interviews with digitally excluded adults and 100 telephone interviews with adults living in remote rural areas.

<sup>59</sup> Five focus groups of 10 English and Welsh postal consumers, Savanta, Jul - Aug 2024.

<sup>60</sup> Citizens Advice, [Millions without mail](#), 2020, p. 3; Telephone survey of 2,003 UK adults, Yonder Data Solutions, 4 April - 10 May 2024.

*Chris\* has multiple debts, including a phone contract which a previous partner pressured them into taking out. Chris is currently experiencing homelessness and lives in a hostel. Chris is not able to contact the provider via webchat or telephone and, whilst their local Citizens Advice has been able to support them with this issue, Chris' lack of a stable address means it is difficult for them to receive post, which would help them to get on top of their debts.*

*Citizens Advice case study, August 2024*

*\*Name changed to preserve anonymity*

3.27 Letters allow people to connect with services and manage their health, legal and financial affairs. Without access to post, consumers in vulnerable circumstances can lose access to support when they need it most, trapping them in a vicious cycle.<sup>61</sup> People may lose access to post because they don't have a fixed address, they are moving around frequently, or they are victims/ survivors of domestic abuse.<sup>62</sup> The living standards crisis has made this issue even more pertinent, with the numbers affected by issues such as housing insecurity rapidly increasing.<sup>63</sup> This means that the risk of experiencing postal exclusion is higher than it was previously.<sup>64</sup> We're also behind other countries in this regard, with schemes to tackle post-exclusion already operating in Australia and Ireland.

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<sup>61</sup> Citizens Advice, [Failing to deliver: how the rising cost of living has exposed and ongoing failure to tackle post exclusion](#), 2024, p. 7.

<sup>62</sup> Citizens Advice, [Millions without mail](#), 2020, p. 3.

<sup>63</sup> Citizens Advice, [Failing to deliver: how the rising cost of living has exposed and ongoing failure to tackle post exclusion](#), 2024, p. 17.

<sup>64</sup> Citizens Advice, [Failing to deliver: how the rising cost of living has exposed and ongoing failure to tackle post exclusion](#), 2024, p. 17.

## 4. Ofcom's USO proposals raise a number of concerns for consumers

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Section 4 engages with questions:

- 5.1: Do you agree with our proposals and impact assessment on the changes to the delivery frequency of Second Class letters so that those items would be delivered every other day from Monday to Friday, and would not have to be collected, processed or delivered on Saturdays?
- 6.1: Do you agree with our proposal to set the First Class national D+1 performance target to 90%?
- 6.2: Do you agree with our proposal to set the First Class PCA D+1 performance target to be 3% lower than the national target?
- 6.3: Do you agree with our proposal to introduce a new First Class 'tail of the mail' target of 99.5% at D+3?
- 6.4: Do you agree with our proposal to set the Second Class D+3 performance target to 95%?
- 6.5: Do you agree with our proposal to introduce a new Second Class 'tail of mail' target of 99.5% at D+5?
- 7.1: Do you agree with our proposal to regulate D+3 access services, subject to a margin squeeze control and the other protections outlined above?

4.1 The shortfalls of the current USO for consumers make Ofcom's review timely. However, **we remain concerned that Ofcom's proposals fail to strike a balance between their roles of ensuring the financial sustainability of the service on the one hand, and protecting the interests of citizens and consumers on the other.**<sup>65</sup> In terms of the proposals Ofcom is putting forward at this point, we set out our responses to each below.

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<sup>65</sup> Communications Act 2003, [section 3\(1\)](#).

## Reduced delivery frequency for 2nd class letters and Access services

This subsection specifically addresses question:

- 7.1: Do you agree with our proposal to regulate D+3 access services, subject to a margin squeeze control and the other protections outlined above?

- 4.2 Ofcom proposes to reduce 2nd class deliveries to every second weekday, with Saturday deliveries ended. This will be applied across both USO and Access products, with Saturday delivery removed from D+5 access products, an extension of the USPA conditions to Royal Mail's new D+3 product and the continued regulation of D+2 access products. We support the continued regulation of D+2 access and the extension of regulation to cover D+3 access.
- 4.3 Access mail makes up the vast majority of letters that are sent in the UK - generally covering any organisations sending letters at large volumes.<sup>66</sup> These letters sit outside of the USO but are delivered via the same network as USO products.
- 4.4 **While we understand that some changes to delivery patterns may be required to secure long-term financial sustainability, we are concerned that this particular proposal is unlikely to lead to the more reliable service consumers are clear they need.** We have concerns both about how the reduced service will impact on quality of service, and on how accessible and understandable it is to consumers. This is of real concern if - as stated - Ofcom also wishes to see more consumers opting for a 2nd class service.

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<sup>66</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, paragraph 2.9.

## Quality of Service implications of the revised model

This subsection specifically addresses questions:

- 5.1: Do you agree with our proposals and impact assessment on changes to the delivery frequency of Second Class letters so that those items would be delivered every other day from Monday to Friday and would not have to be collected, processed or delivered on Saturdays?
- 6.4: Do you agree with our proposal to set the Second class D+3 performance target to 95%?

- 4.5 Our consultation with consumers suggests that most acknowledge that there may be reductions to some letter services as volumes reduce. In this context, they were clear that their priority was for a reliable service, where they could rely on items being delivered in the time stated, rather than the exact speed of delivery.<sup>67</sup> Yet we're concerned that the proposals Ofcom is putting forward, rather than capitalising on the opportunity to set a more effective and meaningful quality of service regime, in fact significantly reduce Royal Mail's margin for error, at a point at which they have been unable to meet existing targets for nearly half a decade.<sup>68</sup>
- 4.6 The proposed 'alternate weekday' delivery model would mean that, instead of having three opportunities to deliver D+3 letters as now, Royal Mail would, depending on the delivery schedule, have just one or two delivery opportunities. As Figure 5 makes clear, the margin for error is considerably lower under this alternative weekday model, with half of 2nd class volumes having to be delivered either at D+2, or arriving late.

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<sup>67</sup> Five focus groups of 10 English and Welsh postal consumers, Savanta, Jul - Aug 2024.

<sup>68</sup> Royal Mail, [Quality of Service Reports](#), 2019-2025.

**Figure 5: Delivery day changes**

Day of posting	Delivery day under current model	Delivery day when posted in recipient's week 1 (Mon, Wed, Fri)*	Delivery day when posted in recipient's week 2 (Tues, Thurs)*	Ofcom's stated delivery day <sup>69</sup>
Monday	Thursday	Wednesday D+2 or Friday D+4	Thursday D+3	Thursday
Tuesday	Friday	Friday D+3	Thursday D+2 or Monday D+4	Friday
Wednesday	Saturday	Friday D+2 or Tuesday D+4	Monday D+3	Monday
Thursday	Monday	Tuesday D+3	Monday D+2 or Wednesday D+4	Tuesday
Friday**	Tuesday	Tuesday D+2 or Thursday D+4	Wednesday D+3	Wednesday
Saturday**	Wednesday	Thursday D+3	Wednesday D+2 or Friday D+4	Thursday
Sunday	Thursday	Thursday D+3	Wednesday D+2 or Friday D+4	Thursday

\* The delivery days presented take into account that letters posted in the recipient's week 1 may not be delivered until they are in week 2 and vice versa.

\*\* Ofcom states that any 2nd class letters posted after last collection time on Friday (often 9am) would be held back and treated as Monday collection. And any 2nd class letters collected on Saturday will be treated as Monday collection.

<sup>69</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation, 2025](#), p.76.

- 4.7 **Under these delivery day proposals, to meet D+3 quality of service targets, Royal Mail must be able to deliver half of 2nd class mail volumes at D+2 or faster.** Ofcom has proposed reducing the target slightly - from 98.5% to 95% within the D+3 timeframe, but the latest quarter of quality of service data suggests Royal Mail is missing even that reduced target for 2nd class mail under the current 6 delivery day model.<sup>70</sup> There is no indication how performance would be turned round to such an extent that Royal Mail could meet these targets with such a drastic reduction in delivery days, but in the current context it appears unlikely. **Given the importance of a more reliable service to consumers and business users, the opportunity this review presents to address that risks being wasted.** It is vital that Ofcom provide information on how they will ensure that Royal Mail meets quality of service targets as a matter of urgency.
- 4.8 Ofcom does recognise this reduced margin of error.<sup>71</sup> The risks inherent in the model are also to some extent acknowledged by Royal Mail, through their proposals of additional measures. For example, the company has recently introduced a barcode scheme for NHS letters, allowing them to be identified and prioritised when there is service disruption.<sup>72</sup> However, this feels like a sticking plaster, rather than a direct look at the causes of ongoing service failures. A huge number of other vital communications travel via letter, outside of NHS services. This includes benefits decisions (which often have a very limited timeframe for response), legal documents, and financial correspondence - items which can have serious repercussions were they to be lost or delayed.<sup>73</sup> Such limited measures suggest an implicit acknowledgement that the risk of service delays remains far too high.

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<sup>70</sup> IDS, [Quality of Service and Complaints Report, Quarter 3 2024/5](#): 92.3% of 2nd class post was delivered within D+3.

<sup>71</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, paragraph 5.33.

<sup>72</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, paragraph 7.39.

<sup>73</sup> Citizens Advice, [Race against time: how short deadlines to return PIP forms are harming disabled people](#), March 2025.

## Clarity and usability for consumers of the revised model

This subsection specifically addresses questions:

- 3.1: Do you agree that we have identified the reasonable needs of post users?
- 5.1: Do you agree with our proposals and impact assessment on the changes to the delivery frequency of Second Class letters so that those items would be delivered every other day from Monday to Friday and would not have to be collected, processed or delivered on Saturdays?

- 4.9 **The alternating weekday delivery model is potentially very confusing for consumers.** With schedules changing week to week and running differently in different areas, it becomes very difficult for people to work out both when their post is due to arrive, when they should post important letters in order to ensure that they arrive on time, and whether they need to use a 1st or 2nd class stamp.
- 4.10 We also note that Ofcom intends for these changes to take effect on the day that announcement is made.<sup>74</sup> But **no information has been given on how these changes will be communicated to consumers, with sufficient time to allow them to understand the changes and implications.** Given that Ofcom intends to make significant changes to the way the service works, it is vitally important that any changes are communicated to consumers in a proactive and understandable way.
- 4.11 It is also crucial that Access mailers, particularly those who are sending important, time-sensitive letters such as the NHS, courts, and government departments, are given information and advance notice so they can consider any changes that they will need to make to their internal processes as a result.
- 4.12 Receiving a letter is not always a one-off, isolated event. For many of our clients, sending and receiving letters forms part of a sequence of

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<sup>74</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, paragraph 9.4.

communication with essential services. These interactions can involve multiple parties and deadlines.

4.13 To illustrate, we have considered a hypothetical (but very typical) example of one of our advisors supporting a housebound disabled client to apply for Personal Independence Payments (PIP). PIP applicants only have a maximum of four weeks to seek support, gather the required evidence, complete the form and return the application.<sup>75</sup> This process could realistically involve at least five postal interactions:

1. The Department of Work and Pensions sends a PIP form to the applicant via post.
2. The applicant posts the form to Citizens Advice.
3. Citizens Advice complete the form with the applicant over the phone and return it to the applicant via post.
4. The applicant receives medical evidence via post (from GP/hospital/physio/carer etc).
5. The applicant signs the form and posts the form and evidence back to DWP.

4.14 Let's assume the best case scenario - no letters are delayed, no items require resending, and the client only requires medical evidence from one source rather than multiple. In this case, the proposed changes in which post "may take a day longer to arrive"<sup>76</sup> would see this process delayed by five working days. Around 1 in 10 PIP claims are currently disallowed because the form wasn't returned on time or they failed basic eligibility criteria.<sup>77</sup>

4.15 Finally, both the high likelihood of ongoing quality of service failures and the confusing nature of the proposals create a secondary risk for Ofcom and Royal Mail. Ofcom's consultation paper sets out the intention of using

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<sup>75</sup> Citizens Advice, [Race against time: how short deadlines to return PIP forms are harming disabled people](#), March 2025.

<sup>76</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, paragraph 1.16.

<sup>77</sup> Citizens Advice, [Race against time: how short deadlines to return PIP forms are harming disabled people](#), March 2025.

price levers to shift mail volumes from 1st to 2nd class where possible.<sup>78</sup> However, **if consumers are presented with a 2nd class service that is both seen as highly unreliable and makes it virtually impossible to calculate an expected delivery date, we are unlikely to see the shift in channels Ofcom and Royal Mail hope to achieve.**

## Consumers' views on proposals for 2nd class service reductions

This subsection specifically addresses question:

- 3.1: Do you agree that we have identified the reasonable needs of post users?

- 4.16 In terms of what consumers themselves feel about these proposals, those we have spoken to were generally willing to countenance a reduced service in light of wider changes to the letters market, but strongly felt this needed to become far more reliable as a result.<sup>79</sup> As set out above, Ofcom's current proposals are highly unlikely to meet this requirement.
- 4.17 It should also be noted that a significant minority of consumers are opposed to the changes. Our research assessed consumer support for the alternating weekday model for 2nd class as actually proposed. This contrasts with the approach taken by Ofcom when conducting their user needs research (see paragraph 5.11). We found that almost a third (29%) of people would like Royal Mail to keep delivering 2nd class letters six days a week.<sup>80</sup>

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<sup>78</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation 2025](#), paragraph 5.46.

<sup>79</sup> Five focus groups of 10 English and Welsh postal consumers, Savanta, Jul - Aug 2024.

<sup>80</sup> Survey of 3351 GB adults, Accent, 06 February - 26 February 2025. This consisted of an online survey of 3000 adults, 251 face-to-face interviews with digitally excluded adults and 100 telephone interviews with adults living in remote rural areas.

## Quality of Service changes

This subsection specifically addresses questions:

- 6.1: Do you agree with our proposal to set the First Class national D+1 performance target to 90%?
- 6.2: Do you agree with our proposal to set the First Class PCA D+1 performance target to be 3% lower than the national target?
- 6.3: Do you agree with our proposal to introduce a new First Class 'tail of mail' target of 99.5% at D+3?
- 6.4: Do you agree with our proposal to set the Second class D+3 performance target to 95%?
- 6.5 Do you agree with our proposal to introduce a new Second Class 'tail of mail' target of 99.5% at D+5?

- 4.18 Ofcom acknowledges in its consultation document that recent quality of service “is not acceptable”.<sup>81</sup> Their proposals focus on **reducing targets for both 1st and 2nd class - from 93% to 90% within 1 day for 1st class and from 98.5% to 95% within 3 days for 2nd class.**<sup>82</sup> We acknowledge that Ofcom has proposed the retention of postcode area targets.<sup>83</sup> Postcode area targets ensure that consumers receive a minimum level of service regardless of their geographical location.
- 4.19 However, if targets are to be relaxed for Royal Mail, consumers need a reciprocal assurance that they will now be made meaningful, paving the way to a more reliable service. On this, there is far less proposed. Both Ofcom and Royal Mail has put forward one additional quality of service measure under a revised USO, in the form of 'tail of mail' targets.<sup>84</sup> They assess what percentage of 1st class letters are delivered within 3 working

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<sup>81</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, p. 89.

<sup>82</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, p. 5.

<sup>83</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, paragraph 6.45.

<sup>84</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, paragraph 1.21.

days and what percentage of 2nd class letters are delivered within 5 working days.<sup>85</sup>

- 4.20 **Citizens Advice supports the introduction of ‘tail of mail’ targets as an additional protection for consumers.** As we highlighted in our response to Ofcom’s Call for Input, under current arrangements, once Royal Mail has missed a delivery target, there’s no indication of whether that delayed post arrives a day or a week later than it was meant to.<sup>86</sup> The scale of delay currently makes no difference to Royal Mail’s performance against its target, yet it can have huge implications for consumers affected. We are therefore pleased that Royal Mail will now see additional incentives to minimise delays for items which miss their initial target. We also acknowledge that Ofcom’s targets are *marginally* more substantive than the targets proposed by Royal Mail.<sup>87</sup>
- 4.21 It is also important that these new ‘backstop’ targets bolster the enforcement of quality of service and do not become a means of relaxing requirements by the back door. Quality of service targets should continue to be the primary reliability targets Royal Mail is expected to meet. This should be reflected in enforcement decisions. **We would like to see greater transparency from Ofcom on how quality of service investigations will work under a revised target regime, and how the two sets of targets will feed into penalty decisions.**
- 4.22 The proposals put forward a limited number of assurances to consumers in the form of retention of postcode area targets and the introduction of ‘tail of mail’ targets. But fundamentally, Ofcom has proposed cuts to the service and reductions to quality of service targets within the context of half a decade of missed targets and above inflation price increases. **Reducing the service and relaxing targets without much clearer reciprocal requirements to meet them appears a reward for failure,**

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<sup>85</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, p. 4.

<sup>86</sup> Citizens Advice, [Ofcom Call for Input: The future of the universal postal service](#), 2024, paragraph 68.1.

<sup>87</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, pp. 104-110.

**creating perverse incentives that a regulator should look to avoid.** It is vital that Ofcom provide information on how they will ensure that Royal Mail meets quality of service targets as a matter of urgency.

## 5. Beyond the proposals put forward, we have a range of concerns about the way in which consumers' rights and priorities have been addressed by the consultation process

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Section 5 engages with questions:

- 2.1: Do you agree with the provisional conclusions set out in our Equality Impact Assessment?
- 3.1: Do you agree that we have identified the reasonable needs of post users?

- 5.1 The consultation should have been used as an opportunity to address the current gaps in the postal service impacting consumers, but instead the proposals put forward by Ofcom largely disregard consumers' needs. Ofcom has relegated consumer concerns to a '2nd phase' of the reform, without a timeline given for these discussions.<sup>88</sup> Ofcom has also not adequately assessed whether their proposals meet reasonable user needs, meaning conclusions drawn cannot be used as an adequate basis for change. We are also very concerned that the validity of the consultation process itself has been called into question by Ofcom allowing Royal Mail to begin rolling out the changes it has proposed, prior to inputs being considered or decisions taken. This approach to regulation is legally highly questionable, and we believe government should be reviewing it.
- 5.2 We outline our concerns with Ofcom's approach to the consultation process below.

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<sup>88</sup> Ofcom, [Future of the universal postal service: Summary of responses to our Call for Input and next steps](#), 2024, paragraph 3.13.

## A 'two-phase' consultation process relegates consumer concerns to a secondary consideration

- 5.3 After Ofcom's Call for Input in January 2024, statutory consumer advocates for England and Wales, Scotland and Northern Ireland put forward a range of suggestions to ensure a revised USO would better support consumer priorities, even under a reduced service.<sup>89</sup> These included enhanced affordability measures, a stronger enforcement regime, closer analysis of efficiency questions and more inclusive measures for vulnerable consumers. We're concerned that none of these proposals have been fully addressed by this consultation.
- 5.4 We understand this is linked to Ofcom's 'two phase' approach to the USO review, announced as part of their response to the Call for Input in September 2024.<sup>90</sup> The first phase is focused on the specifics of delivery requirements. The second phase of the review will focus on the 'other relevant areas of the regulatory regime' such as the broader quality of service regime and affordability and pricing - the issues that matter most to consumers.<sup>91</sup> No timeline was provided for phase two.
- 5.5 This two-phased approach has a number of serious shortfalls. First, it effectively relegates the issues that matter most to consumers to a secondary consideration. Second, it makes it impossible for consumer advocates to constructively engage with the proposals that Ofcom are putting forward in this first phase, without clear insight into the guarantees - if any - that are being offered to consumers in return. It is our view that proposals to update the USO should have been consulted on as a single package.

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<sup>89</sup> Ofcom, [Future of the universal postal service: Summary of responses to our Call for Input and next steps](#), 2024, paragraph 2.4.

<sup>90</sup> Ofcom, [Future of the universal postal service: Summary of responses to our Call for Input and next steps](#), 2024, paragraph 3.10.

<sup>91</sup> Ofcom, [Future of the universal postal service: Summary of responses to our Call for Input and next steps](#), 2024, paragraphs 3.10 and 3.13.

5.6 We also note that phase two of the USO review is barely mentioned in the consultation paper. **We urge Ofcom to provide a timeline for phase two, and much more substantive information on what will be included and excluded, as a matter of urgency.**

## Ofcom's user needs assessment has serious shortcomings

This subsection specifically addresses questions:

- 2.1: Do you agree with the provisional conclusions set out in our Equality Impact Assessment?
- 3.1: Do you agree that we have identified the reasonable needs of post users?

5.7 As part of reviewing and reforming regulation, Ofcom is legally required to consider the “reasonable needs” of users alongside the financial sustainability of Royal Mail’s business model, and the efficiency of the universal service.<sup>92</sup> For this consultation, the regulator commissioned BMG Research to conduct a Postal User Needs Survey between September - November 2024.<sup>93</sup>

5.8 It’s unclear how the 2011 Postal Services Act defines “reasonable needs” when it comes to postal service users, and we understand the importance of securing a financially sustainable model for the universal service provider. However, all three aspects - financial sustainability, efficiency and meeting consumer needs - must be properly considered and balanced in order to fulfil the provision of the 2011 Act.<sup>94</sup>

5.9 **Ofcom’s approach gives only minimal weight to consumer needs.** This is especially obvious in the research reporting. For example, Ofcom acknowledges that the changes will have “significant or very significant impacts” on online market sellers, people who are financially struggling,

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<sup>92</sup> Postal Services Act 2011, [Part 3, Section 34, \(1\)](#).

<sup>93</sup> BMG Research, [Ofcom Post User Needs survey research 2024 - Technical Report – prepared by BMG Research](#), 2024.

<sup>94</sup> Postal Services Act 2011, [Part 3, sections 29 and 34](#).

benefit recipients and people with impacting or limiting conditions.<sup>95</sup> However, they go on to conclude that taking everything into account, the proposed changes would make no difference or would only have a slight negative impact, with the financial benefits to Royal Mail from the proposed changes outweighing these negative consequences for often vulnerable consumers.<sup>96</sup>

- 5.10 **Ofcom’s user needs assessment is also incomplete.** The research did not test consumers’ level of understanding of the current USO, and BMG Research states that they “cannot confirm that their perceived impact of the changes is based on a fully rounded knowledge of the difference between the current and proposed service”.<sup>97</sup>
- 5.11 Information provided to respondents in the questionnaire outlines that 2nd class and standard business letters will no longer be delivered on Saturdays, and could take one extra day to arrive compared to the current framework.<sup>98</sup> This is the basis on which respondents were asked to share opinions on the impact of change. However, this summary is both incomplete and misleading, particularly since **respondents were not told that the proposal includes a reduction of the service to alternate weekdays**, effectively leading to a 2.5 delivery day model. This fails to fully capture the change to consumers’ lived experience. Letters currently posted on a Wednesday are expected to arrive by Saturday, but under the proposal, they could be delivered as late as the following Tuesday (see Figure 5). For consumers used to Saturday deliveries, this will feel like a change to D+5. Nowhere is this accounted for in the research, calling into question participants’ assessment of impacts.
- 5.12 **The research fails to capture the impact of the current context on consumer expectations.** This research took place after 5 years of missed

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<sup>95</sup> Ofcom, [Post User Needs Research 2024](#), January 2025, p. 9.

<sup>96</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, paragraphs 2.63 - 2.65.

<sup>97</sup> BMG Research, [Ofcom Post User Needs survey research 2024 - Technical Report – prepared by BMG Research](#), 2024, p.19.

<sup>98</sup> BMG Research, [Ofcom Post User Needs survey research 2024 - Technical Report – prepared by BMG Research](#), 2024, pp. 47 and 79.

quality of service targets.<sup>99</sup> This is likely to shape consumers' understanding and use of postal services, and this is captured in our own research. For example, 35% of consumers normally use a 1st class stamp, but this jumps to 62% if they perceive the item to be important, given reliability concerns.<sup>100</sup> We therefore believe that conducting the research entirely hypothetically - on the assumption that letters are currently being delivered reliably and will continue to be so under a revised service - does not give consumers the opportunity to provide a fair assessment of the changes proposed.

5.13 **The research also overlooks the issue of affordability**, beyond making the core assumption that USO products are affordable.<sup>101</sup> However, as we raised at the time, the 2023 research on which this statement is based used average spending on post to calculate expenditure as a percentage of disposable income.<sup>102</sup> This average is one for all households nationwide, including those who spend nothing on post. When we analysed the difference for households who specifically spend money on post, we found that the average spending on post was 6 times higher in the financial year ending 2022.<sup>103</sup> 1st class stamp prices have also increased by 55% since Ofcom's research was carried out.<sup>104</sup>

5.14 Beyond this assumption, there are *no* direct questions about affordability included anywhere in the survey, nor is the term defined when it is included as a response option. Yet affordability will play a role in determining whether changes meet user needs and even whether they succeed in allowing Royal Mail to make targeted savings. Ofcom sets out that Royal Mail will need to shift volumes from 1st to 2nd class for a

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<sup>99</sup> Royal Mail, [Quality of Service Reports, 2020-2025](#).

<sup>100</sup> Survey of 3351 GB adults, Accent, 06 February - 26 February 2025. This consisted of an online survey of 3000 adults, 251 face-to-face interviews with digitally excluded adults and 100 telephone interviews with adults living in remote rural areas.

<sup>101</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation, 2025](#), paragraph 5.47.

<sup>102</sup> Citizens Advice, [Review of the second class safeguard caps 2024: Addendum to Citizens Advice's response to Ofcom's consultation, 2023](#), addendum, pp. 4-5.

<sup>103</sup> Citizens Advice, [Review of the second class safeguard caps 2024: Addendum to Citizens Advice's response to Ofcom's consultation, 2023](#), addendum, p. 4.

<sup>104</sup> 1st class stamp price in April 2023 was £1.10. 1st class stamp price as of April 2025 is £1.70. Difference of £0.60.  $(0.60/1.10)*100 = 54.5\%$ , rounded to 55%.

sustainable service with pricing the most obvious lever,<sup>105</sup> but this is not explored in the research. In fact, the hypothetical scenario presented states “no changes would be made at all to First Class letters service or urgent business mail”.<sup>106</sup> The 1st class price hikes implied - and their impact on consumer behaviour when deciding on a class of service - are not assessed at all.

**5.15 Finally, there are particular issues with capturing the impact on vulnerable consumers.**<sup>107</sup> Digitally excluded consumers and those reliant on communications around their healthcare or benefits are all acknowledged to face additional problems as a result of the changes. The research recognises that these groups could face “substantial harm or difficulties” and are “less likely to change their behaviour”.<sup>108</sup> (When 6 out of 7 of the behavioural changes presented to respondents either involve spending more money or using technology,<sup>109</sup> a question arises as to whether this group are, more accurately, less likely *to be able* to change their behaviour). Yet, the report goes on to conclude that the impacts are “relatively small” at an “overall level,” i.e. within the overall population.<sup>110</sup> This is a clear reporting choice to disregard specifically vulnerable groups - whose numbers are small but who face the greatest potential detriment - by considering them only in terms of their representation in the general population and using statistics to obfuscate their importance.

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<sup>105</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, paragraph 5.46.

<sup>106</sup> BMG Research, [Ofcom Post User Needs survey research 2024 - Technical Report – prepared by BMG Research](#), 2024, Section C, pp. 47 and 79.

<sup>107</sup> Ofcom’s recent user needs research doesn’t comprehensively take into account the experiences of rural, disabled, digitally excluded users, those on benefits, and consumers experiencing financial precarity. Our data consistently shows that these groups disproportionately rely on post#, but even with boosts for deep rural and completely digitally excluded groups, sample sizes only reached base sizes of N=176 for deep rural, N=171 for those without connection at home, and N= 148 (all unweighted) for those with no internet connection at all.# This limits the ability to analyse the data intersectionally in relation to other demographic breaks and specific response options within each question.

<sup>108</sup> Ofcom, [Post User Needs Research 2024](#), January 2025, pp. 29 and 54.

<sup>109</sup> BMG Research, [Ofcom Post User Needs survey research 2024 - Technical Report – prepared by BMG Research](#), 2024, pp. 50-51.

<sup>110</sup> Ofcom, [Post User Needs Research 2024](#), January 2025, p. 37.

- 5.16 Considering the concerns outlined above about respondents' understanding of the proposed changes, it's also likely that the full extent of negative impacts - for example with regard to healthcare and benefits-related - have not been accurately captured, either amongst the general sample or more precarious demographic groups. But looking at the data, it's clear that there is a high likelihood that some consumers will be severely affected by the changes. For example, almost 1 in 5 people (19%) who are struggling financially and receive medical letters said the service would no longer meet their needs, while over half (51%) of the same group said the changes would generally cause them "big inconvenience/substantial harm/difficulties".<sup>111</sup>
- 5.17 Furthermore, those who said they would be disproportionately affected are not only impacted by changes to one letter type, but multiple. Looking at the data, financially precarious consumers would suffer serious issues with changes to any important mail including NHS letters, medical test results, benefits-related mail, and financial documents.<sup>112</sup> Those who are most at risk of falling through the cracks are most vulnerable precisely because post is essential to multiple aspects of their lives, and issues in one area often have repercussions across the board. **We would therefore question whether this group's needs have been assessed fully. This is something that the regulator should look at in more detail, in order to understand whether the new model meets their needs.**
- 5.18 Before modifying the universal postal order, Ofcom must carry out an assessment of user needs.<sup>113</sup> However, there are clear issues with Ofcom's research. **These issues are so significant that the conclusions of the research are not sufficient as a basis for change.** Ofcom must address the issues that we have identified in phase 2 of the USO review. A number of recommendations aimed at addressing affordability challenges in the

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<sup>111</sup> BMG Research, [Ofcom Postal User Needs Residential Tables - prepared by BMG Research](#), 30 January 2025.

<sup>112</sup> BMG Research, [Ofcom Postal User Needs Residential Tables - prepared by BMG Research](#), 30 January 2025.

<sup>113</sup> Postal Services Act 2011, [Part 3](#), section 30(3).

letters market and protecting consumers in vulnerable circumstances in a declining market are included in section 6.

## **Ofcom has permitted Royal Mail to begin rolling out delivery day changes, *before* it reached a conclusion on whether the changes are permissible**

- 5.19 In February, Royal Mail began rolling out pilots of the alternative day delivery model for 2nd class letters in 37 delivery offices across the UK. They are being rolled out over several months, in preparation for the proposed changes.<sup>114</sup> The pilots were not publicly announced, but Royal Mail and Communication Workers Union published a full list of the delivery offices taking part in the pilot.<sup>115</sup> The pilots will impact over a million households and small businesses, *before* any of the planned reforms have been approved.<sup>116</sup>
- 5.20 Allowing an early roll-out of a regulatory change **before** the regulator has determined whether the changes are permissible is potentially illegal. Ofcom has effectively allowed Royal Mail to directly breach existing USO and Access regulations in certain areas, at the same time as it is apparently consulting on the changes being enacted (Royal Mail notified the regulator of the pilots in advance).<sup>117</sup> Ofcom states that if they do proceed with the proposals outlined in the consultation paper, they are unlikely to take any enforcement action around the pilots.<sup>118</sup>
- 5.21 **This is extremely concerning for a regulator covering an essential service in a monopoly market.** It suggests a laxity and disregard for

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<sup>114</sup> Royal Mail, [The Future of Letter Deliveries - Operational pilots](#), PowerPoint.

<sup>115</sup> The Communications Union, [Universal Service Obligation \(USO Reform\) – Pilot Terms of Reference](#).

<sup>116</sup> Greeting Card Association, [Together We Stand: Uniting Against Royal Mail's Proposed Delivery Reductions](#), January 2025.

<sup>117</sup> [Postal Services Order 2012](#), Section 6; [Designated Universal Service Provider Condition 1](#), 1.9; [Universal Service Provider Access Condition](#).

<sup>118</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation 2025](#), paragraph 9.6.

existing legal requirements, which we believe raises questions about Ofcom's approach to USO reform. We would also note that Ofcom and Royal Mail failed to consult statutory advocacy bodies effectively before going ahead with the pilots. We raised concerns about adequate notification for consumers involved, a clearer statement of how pilots interact with current USO provisions, and a plan for evaluating any pilots that did take place. We feel none of these issues received an effective response from either Royal Mail or Ofcom.

## 6. There are a number of important gaps in Ofcom's proposals and a variety of options for addressing these

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Section 6 engages with questions:

- 2.1: Do you agree with the provisional conclusions set out in our Equality Impact Assessment?
- 3.1: Do you agree that we have identified the reasonable needs of post users?
- 3.2: Do you agree the market is meeting the reasonable needs of post users?
- 6.1: Do you agree with our proposal to set the First Class national D+1 performance target to 90%?
- 6.3: Do you agree with our proposal to introduce a new First Class 'tail of mail' target of 99.5% at D+3?
- 6.4: Do you agree with our proposal to set the Second Class D+3 performance target to 95%?
- 6.5 Do you agree with our proposal to introduce a new Second Class 'tail of mail' target of 99.5% at D+5?

- 6.1 Citizens Advice recognises the need to consider financial sustainability as part of any decisions around reforming the USO. We have so far addressed Ofcom's proposals in this regard, and some of our concerns about the approach taken to reaching them. However, there are also a number of gaps - issues highly relevant to postal consumers - left unaddressed by the consultation paper.
- 6.2 It is unclear whether and how these will be dealt with under Phase 2 - the consultation paper does not specify. Regardless, these are the key issues we would like to see the regulator address to ensure a future USO fairly

balances a sustainable service with its role in upholding consumer interests.

- 6.3 They focus on: more effective regulatory enforcement, properly accounting for Royal Mail's relative efficiency, affordability questions, and the issues facing consumers in vulnerable circumstances.

## Effective regulatory enforcement

This subsection specifically addresses questions:

- 6.1: Do you agree with our proposal to set the First Class national D+1 performance target to 90%?
- 6.3: Do you agree with our proposal to introduce a new First Class 'tail of mail' target of 99.5% at D+3?
- 6.4: Do you agree with our proposal to set the Second Class D+3 performance target to 95%?
- 6.5 Do you agree with our proposal to introduce a new Second Class 'tail of mail' target of 99.5% at D+5?

- 6.4 In the consultation paper, Ofcom has proposed reducing the quality of service targets that Royal Mail are required to meet. While a potentially helpful addition, the addition of 'tail of mail' targets as currently proposed are unlikely to address the last half decade of service failures unless Ofcom is also prepared to re-think its approach to enforcement.
- 6.5 **No new measures have been put forward to ensure that Royal Mail actually meets these more lenient targets.** Against the backdrop of half a decade in which targets have been consistently missed, rendering them now almost meaningless to consumers, this is a crucial omission. The minimal, sporadic penalties Royal Mail has so far received have clearly become simply the cost of doing business. Reducing the service and relaxing targets without much clearer reciprocal requirements to meet them appears to be a reward for failure, creating perverse incentives that a regulator should look to avoid. With no clear sense of how more effective enforcement can make targets stick, the reductions to delivery

days also risk extending - in some cases significantly - the delays to vital post that people are already experiencing.

**6.6 For consumers, a revised USO that addresses the lack of reliability in Royal Mail's letters services is an overwhelming priority.**<sup>119</sup> There are a range of possibilities to address these issues, none of which are incompatible with the kind of cost-saving measures Ofcom is proposing for Royal Mail. Below we set out a number of practical options to achieve a more effective enforcement approach:

**6.7 Routine and transparent assessment and reporting of Royal Mail's efficiency - an area Ofcom is legally required to assess as regulator.** This could take the form of an annual independent report, or a requirement that the company periodically reports on its efficiency performance to the Business Select Committee. This would allow Ofcom to fairly distinguish losses associated with unsustainable service requirements, from those related to the relative effectiveness and efficient management of Royal Mail.

**6.8 Improved quality of service reporting.** Royal Mail publishes quarterly quality of service reports.<sup>120</sup> Yet Citizens Advice has called for more granular quality of service reports since 2021.<sup>121</sup> As it stands, there are many things which matter to consumers that aren't currently included:

**6.8.1 *Parcels vs. letters breakdown.*** The Business Select Committee considered that Royal Mail's prioritisation of parcels over letters had led to a systemic failure to offer a 6 days per week letter delivery service.<sup>122</sup> Given these serious conclusions, it is right to give consumers certainty over whether prioritisation of parcels is driving letter delays. Our data indicates that a consistently higher percentage of customers experienced a delay to delivery of a letter

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<sup>119</sup> Five focus groups of 10 English and Welsh postal consumers, Savanta, Jul - Aug 2024.

<sup>120</sup> Royal Mail, [Quality of Service Reports](#), 2007/8 - 2023/4.

<sup>121</sup> Citizens Advice, [Ofcom's call for inputs: review of postal regulation](#), 2021, section 4.

<sup>122</sup> Business, Energy and Industrial Strategy Committee, [Royal Mail Seventh Report of Session 2022-23](#), 2023, p. 4.

than to delivery of a parcel.<sup>123</sup> But quality of service reports do not show how letter deliveries compare to tracked items, which were consistently treated as the highest priority.<sup>124</sup> This could be rectified. Ofcom could also look to implement some form of independent verification of quality of service results, given the ongoing discrepancies between whistleblowers' accounts of parcel prioritisation at the company and the limitations of Ofcom's investigation of the issue.

6.8.2 *A performance floor for the Christmas period.*<sup>125</sup> Royal Mail is exempt from quality of service targets for most of December. During this period, Ofcom monitors quality of service but doesn't take enforcement action on performance. However, this means there is no backstop, or floor, below which performance cannot fall. We don't agree that the current approach of effectively waiving targets entirely during this period is an appropriate way to secure good outcomes for consumers.

6.9 **Transparency on penalties to provide clearer incentives for Royal Mail to improve quality of service:** When Royal Mail fails to meet quality of service targets, Ofcom currently takes decisions on its response behind closed doors, with little clarity on how an appropriate penalty is determined - if one is applied at all. This stands in clear contrast to other regulators. Ofgem, for example, sets out the basic approach and formula it uses to enforce targets for energy network companies.<sup>126</sup> This means there is an assumption of a fine where targets are missed, and the regulator's approach to determining how this is set is transparent and open to scrutiny. A more transparent process is needed under any revised USO, with clearer benchmarks against which the scale of shortfall against

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<sup>123</sup> Citizens Advice, [Citizens Advice evidence on letter delays and parcel delays - 31/01/2023](#), 2023.

<sup>124</sup> Business, Energy and Industrial Strategy Committee, [Royal Mail Seventh Report of Session 2022-23](#), 2023, paragraph 28.

<sup>125</sup> Citizens Advice, [Citizens Advice response to Ofcom's consultation: Review of postal regulation](#), 2022, pp. 26 - 28.

<sup>126</sup> Ofgem, [RIIO-ED2 Final Determinations Core Methodology Document](#), 2022. See, for example, p. 108 on final determination of penalties on complaints metric.

targets can be assessed and guidance on how these translate into a meaningful penalty.

- 6.10 The introduction of 'tail of mail' targets makes the need for transparency on penalties even more important. There is a concern that 'tail of mail' targets will become de facto targets under the new regime. These concerns will be mitigated if Ofcom provides more clarity and transparency on how quality of service investigations will work under a revised targets regime, and how targets will feed into penalty decisions.
- 6.11 **A wider range of views included in quality of service failure investigations:** In 2023, the Business, Energy and Industrial Strategy Committee held an enquiry into Royal Mail's performance and called on Ofcom to include evidence from wider organisations when it investigates quality of service failures.<sup>127</sup> We strongly feel that Ofcom's quality of service investigations should include the voice of consumers and businesses, to balance Royal Mail's representation. The current approach where Royal Mail, the subject of the investigation, is also the only organisation in a position to provide context - with no requirement to independently consider the impact of service failures on consumers - isn't tenable.
- 6.12 **Include Quality of Service for Access mail within Ofcom's regulatory oversight:** More than two thirds of post now sits outside USO, with bulk mail covered by Access contracts not directly regulated by Ofcom.<sup>128</sup> However, Access post uses the same overall pipeline as USO mail - meaning changes to the USO have knock-on consequences for Access mail - and Access providers entering contracts with Royal Mail has little leverage to guarantee service quality (given they cannot shop around for

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<sup>127</sup> Business, Energy and Industrial Strategy Committee, [Royal Mail Seventh Report of Session 2022-23](#), 2023, paragraph 31.

<sup>128</sup> Ofcom, [Post monitoring report: Postal services in the financial year 2023-24](#), October 2024, p. 3. Access mail is the main form of competition in the letters market in the UK and is facilitated by access to Royal Mail's postal network. This means other bulk mail providers collect mail from businesses and other organisations, sort it, and then insert it into Royal Mail's network for delivery.

last mile delivery). Ofcom should therefore look to bring this mail into its regulatory remit, to better protect consumers.

- 6.13 **Delivery failures should be linked to compensation for consumers:** Regulators across essential services have re-considered their approach to consumer protection in recent years, with the FCA bringing in a new Consumer Duty. Citizens Advice has called for such a Consumer Duty in all essential markets.<sup>129</sup> One area where Ofcom could consider this shift in other sectors is in looking to link regulatory penalties to consumer compensation in the postal sector. Consumer compensation for poor service is accepted as standard in most essential industries - people now expect it if their energy or water supply is interrupted, or their train arrives late.<sup>130</sup> Ofcom already enforces this in the broadband sector, where consumers have clear rights to money back if their service goes down, engineers miss appointments, or there's a delay to a new service.<sup>131</sup>
- 6.14 For postal services, however, financial penalties set by Ofcom currently go directly to the Treasury. We suggest exploring alternatives to this approach. One option would be a financial penalty taking the form of a small reduction in the following year's 2nd class stamp price cap.<sup>132</sup> This would mean the penalty levied was effectively shared between the consumers affected, rather than going to the government. This would follow the approach taken in the water sector, where Ofwat recently ordered water companies to pay back £114m to customers through lower bills after missing targets.<sup>133</sup> A second - though more complex - option would be auto-compensation. With the recent introduction of barcoded

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<sup>129</sup> Citizens Advice, [The Consumer Duty is here, but will it work?](#), 2023.

<sup>130</sup> Uswitch, [My broadband services are down, can I get money back?](#), 21 September 2023; Citizens Advice, [Get compensation if you have a power cut](#); Citizens Advice, [Claiming compensation from water companies](#).

<sup>131</sup> Ofcom, [Broadband and landline faults and problems](#).

<sup>132</sup> As an indication of what this might mean in practice, we've estimated the cost to Royal Mail of a 1p reduction in the price cap for 2nd class stamps to be around £3m. This is based on [figures from 2019](#), when Royal Mail was forced to repay £60,000 to Ofcom for breaching the price cap on 2nd class stamps by 1p for 1 week. Over 52 weeks, this would amount to 52 x £60,000 = £3,120,000.

<sup>133</sup> BBC, [Water firms forced to pay back customers for poor performance](#), 2023.

stamps, senders could opt in to register their details and thus get an automatic refund if their post is delivered late.

## Accounting for Royal Mail's relative efficiency

6.15 **Under the 2011 Act setting the principles of the universal postal service, Ofcom is required to have regard to the financial sustainability *and* the efficiency of the USO.** <sup>134</sup> Yet, while this consultation gives close attention to the financial sustainability, it makes no assessment on this vital question of whether Royal Mail is delivering an efficient service.

6.16 The omission leads to serious questions about Ofcom's calculations on the net cost of the USO, which informs much of its approach to the review. When it comes to assessing the costs, Ofcom is required to "*consider the extent to which the provider is complying with its universal service obligations in a cost-efficient manner*".<sup>135</sup> While Ofcom has an efficiency monitoring programme, according to their own assessment, this does not provide a credible disciplining incentive for Royal Mail to improve. Royal Mail's poor track record on efficiency gains is acknowledged in the consultation paper:

*In the last few years, we have remained of the view that Royal Mail has not made as much progress as we would expect towards improving efficiency.*<sup>136</sup>

6.17 Despite this, Ofcom's net cost model appears to make no adjustment to recognise Royal Mail's current inefficiency. This means that the net cost USO estimates are systematically overstated to the extent that Royal Mail is *not* operating efficiently. With service cuts and quality of service reductions proposed on this basis, there is a **real risk that Royal Mail is simply being allowed to pass inefficiency costs on to consumers and government - something the regulatory provisions in the 2011 Act clearly sought to avoid.**

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<sup>134</sup> Postal Services Act 2011, [Part 3, 29](#), 3 (a) and (b).

<sup>135</sup> Ofcom, [Our approach to the net cost calculation](#), 2024, paragraph A7.97.

<sup>136</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, paragraph 4.13.

6.18 It also appears that Ofcom has no plan to put in place an alternative approach for incentivising Royal Mail to improve its efficiency. In its forward looking assessment, Ofcom appears to factor in Royal Mail's planned efficiency targets, but does not appear to have made its own assessment as to whether these efficiency targets are realistic or appropriately challenging. This suggests the regulator is leaving Royal Mail to mark its own homework, which is wholly inappropriate for a monopolistic provider of an essential service.

6.19 **If Ofcom is to grant any reduction in the scope of the USO, it must make sure that it has reached a clear and considered view on the efficiency of Royal Mail's current operations before doing so.** In our view, before making changes to the USO, Ofcom must:

6.19.1 Commission its own independent analysis into Royal Mail's current efficiency levels, instead of relying on the company's own assessments of its performance. This a) would provide a robust assessment of Royal Mail's current levels of efficiency, allowing for meaningful net cost calculations, and b) could be used to decide whether Royal Mail's forward-looking efficiency targets are appropriately ambitious. In both exercises, the efficiency and performance of Royal Mail's USO services should be benchmarked against their other services that face competition (such as parcels) and that of universal service providers in comparable markets.

6.19.2 Put in place a system that establishes credible incentives for Royal Mail to deliver efficiency savings. Both Royal Mail and Ofcom should be publicly accountable for the provider's efficiency performance, potentially by being required to periodically report to the Business Select Committee.

## Securing an affordable service

This subsection specifically addresses questions:

- 3.1: Do you agree that we have identified the reasonable needs of post users?
- 3.2: Do you agree the market is meeting the reasonable needs of post users?

- 6.20 **The provision of an affordable postal service is intended to be a key principle of the USO, given letters are a monopoly market without price competition, and is consistently identified as a priority by consumers.**<sup>137</sup> The 2011 Act requires that USO products are affordable, but Ofcom does not make clear how it plans to ensure a future USO meets this requirement. In fact, the regulator has regularly suggested openness to lifting price control altogether, such as options set out in their Call for Input that the 2nd class price cap should be removed and replaced with a targeted stamp scheme.<sup>138</sup>
- 6.21 The proposal to remove the only remaining price control in the Universal Service raises important questions about Ofcom's approach to the regulation within a monopoly market. In areas like the letters market, where competition is minimal, the protections offered to consumers through safeguard caps are at the core of ensuring an affordable service - and of ensuring Royal Mail is operating efficiently. The use of price caps for this purpose is widespread by regulators across other essential markets. Ofgem's energy price cap, for example, limits the amount that energy suppliers can charge consumers on the standard variable tariff.<sup>139</sup> Similarly, Ofwat's price cap limits how much water companies can charge their customers.<sup>140</sup>

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<sup>137</sup> Ofcom, [Review of postal users' needs: An assessment of whether the minimum requirements of the universal postal service reflect the reasonable needs of the users of postal services in the United Kingdom](#), 2020, paragraph 4.41.

<sup>138</sup> Ofcom, [The future of the universal postal service](#), 2024, paragraph 9.92, a).

<sup>139</sup> Ofgem, [Energy price cap](#).

<sup>140</sup> Ofwat, [Price reviews](#).

6.22 **An affordable service is under pressure from steep price increases in recent years, and more proposed by this consultation.** This leaves the principle of affordability underpinning the USO under serious threat. Ofcom states there will be a need to shift volumes from 1st to 2nd class, with pricing proposed to achieve this.<sup>141</sup> Yet, this presents considerable risks to consumers. Ofcom’s research has made no attempt to assess these affordability questions, including the impact price increases might have on consumers’ behaviour, their ability to meet their needs, or absorb price increases (see paragraphs 5.13 -5.14).

6.23 Below, we set out steps which could be taken under a future model of the USO to secure affordability for consumers:

6.23.1 **A commitment to retain price safeguard caps on 2nd class and expand to cover 1st class.** Given Royal Mail’s history of increasing prices far above inflation (see Figure 2) and the fact it’s a monopoly provider of standard letters and a near-monopoly provider of large letters, safeguard caps continue to be a proportionate consumer protection. They are also the most practical and efficient way Ofcom can keep post affordable to all who rely on it. Price protection must be a key principle driving affordability in the USO - now and in the future.

Consumers value having the option of using the 1st class service. Our research found that 72% of people feel that it is important to have the option to either send letters 1st or 2nd class.<sup>142</sup> Yet, the price of the first class service is guaranteed to rise - potentially substantially - under Ofcom proposals, risking it becoming unaffordable for many consumers. This could force consumers to use a second class service that may be slower than it is currently, regardless of their needs.

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<sup>141</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, paragraph 5.46

<sup>142</sup> Survey of 3351 GB adults, Accent, 06 February - 26 February 2025. This consisted of an online survey of 3000 adults, 251 face-to-face interviews with digitally excluded adults and 100 telephone interviews with adults living in remote rural areas.

If Ofcom's proposal to make significant changes to the speed and delivery days for 2nd class letters are taken forward, we urge Ofcom to retain price safeguard caps on 2nd class and extend the safeguard cap to cover 1st class. Price safeguard caps are the best means to ensure an affordable service in a monopoly market, protect low-income consumers, and act as a spur to Royal Mail's efficiency, rather than allowing the company to fall back on price hikes.

6.23.2 **End discrepancies between online and offline pricing:** Despite the commitment to a uniform price structure under the current USO, the rise of online purchase options has allowed new penalties to creep into the system for those who are digitally excluded, with people now paying up to 27% more to buy products in person (see Figure 4). Any revised model for the USO must end the current development of a 2-tier system, where digitally excluded consumers have to pay a premium for postal services.

6.23.3 **Greater transparency around pricing decisions.** There is a general issue around transparency and scrutability when it comes to pricing decisions under the USO, with modelling often withheld from consumer advocates on the basis of commercial sensitivities. For example, we raised concerns about Ofcom's decision to merge a price cap on large and standard 2nd class letters into one 'basket cap' weighted by volume. This leaves the door open to above-inflation price increases for standard 2nd class mail.<sup>143</sup> But neither Ofcom nor Royal Mail are willing to share volume data which would help us determine this, reducing the accountability that Royal Mail faces for its pricing decisions. To combat this, there should be consumer representation in conversations between the regulator and Royal Mail about modelling pricing structures.

6.23.4 **An improved measure of affordability.** Ofcom should also develop a clearer approach to measure affordability. This must

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<sup>143</sup> Citizens Advice, [Review of the second class safeguard caps 2024: Citizens Advice's response to Ofcom's consultation](#), 2023, paragraph 51.

prioritise mitigating against consumer harm and must take into account the full range of evidence available on how low-income consumers engage with the postal market.<sup>144</sup> As part of this, Ofcom could bring postal services into their regular Communications Affordability Tracker to connect the common issues people face across communications markets.<sup>145</sup> This creates an opportunity to achieve a transparent and uniform approach to understanding affordability across sectors - both those that Ofcom regulates and those that are in the remit of other regulators such as the Financial Conduct Authority.<sup>146</sup>

In declining markets, it also becomes important to look at affordability for subsets of the population rather than the population as a whole. Ofcom currently uses average spending on post to calculate expenditure as a percentage of disposable income.<sup>147</sup> But, in doing so, they take an average of all households, including those who spend nothing on post. The figure for the average spend among households that use post is 6 times higher than the average for all households.<sup>148</sup> In measuring affordability, Ofcom should therefore look specifically at the experiences of those that continue to rely on post.

**6.23.5 Proactive regulation on affordability issues.** Ofcom should also be quicker to act when concerns around affordability arise. For example, the regulator could be more proactive in monitoring how

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<sup>144</sup> Citizens Advice, [Review of the second class safeguard caps 2024: Citizens Advice's response to Ofcom's consultation](#), 2023, addendum.

<sup>145</sup> Ofcom, [Communications Affordability Tracker](#), 2023.

<sup>146</sup> In order to understand how much available income different consumers are likely to have, it is important to consider a wide range of essential outgoings in order to reflect the lived experience of low-income consumers as accurately as possible. The FCA handbook outlines what expenditure should be considered essential in its recommendations to mortgage lenders. And the common financial statement trigger figures provide a guide for levels of monthly expenditure deemed reasonable depending on household size. These are operated by the Money and Pensions Service and recognised by the FCA. Figures are updated annually.

<sup>147</sup> Citizens Advice, [Review of the second class safeguard caps 2024: Citizens Advice's response to Ofcom's consultation](#), 2023, addendum.

<sup>148</sup> Citizens Advice, [Review of the second class safeguard caps 2024: Citizens Advice's response to Ofcom's consultation](#), 2023, addendum.

well Royal Mail's concessionary discount scheme for redirections is working - almost 3 years after Royal Mail re-launched the scheme, there are no official uptake figures from Ofcom by which to assess it. The regulator should also commit to reviewing the cost of all essential letter products where Royal Mail is the monopoly provider. Where Ofcom sees issues arise, it should act more swiftly to ensure that consumers are adequately protected.

## Issues affecting consumers in vulnerable circumstances

This subsection specifically addresses questions:

- 2.1: Do you agree with the provisional conclusions set out in our Equality Impact Assessment?
- 3.1: Do you agree that we have identified the reasonable needs of post users?
- 3.2: Do you agree that the market is meeting the reasonable needs of post users?

### 6.24 **Vulnerability should be a key concern for Ofcom in this consultation.**

Our latest research already shows that people in vulnerable circumstances rely more on post than the general population. 65% of unpaid carers and 63% of those on pension credit sent important documents in the post in the last 6 months, compared to 50% of consumers overall.<sup>149</sup> These groups are the most impacted by price rises and poor quality of service. 1 in 4 of those with a longstanding health condition would find it difficult to afford a 1st class stamp if they had to buy it next week compared to 16% of the general population.<sup>150</sup>

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<sup>149</sup> Survey of 3351 GB adults, Accent, 06 Feb - 26 Feb 2025. This consisted of an online survey of 3000 adults, 251 face-to-face interviews with digitally excluded adults and 100 telephone interviews with adults living in remote rural areas.

<sup>150</sup> Ibid.

- 6.25 Citizens Advice advisors see how postal problems impact vulnerable clients every day. They describe the importance of timely post in enabling clients to manage their own lives:

*"Digitally excluded clients, as well as older clients and those with learning difficulties, are most impacted by postal problems such as delays and increasing stamp prices. Some clients in these groups either can't or don't feel confident receiving electronic communication ... Postal delays and disruption have a detrimental effect on these clients' ability to manage their own affairs."*

*Citizens Advice case study, March 2025*

- 6.26 **The heavier reliance on post by consumers in vulnerable circumstances is likely to continue and intensify in future.**<sup>151</sup> As digital channels dominate social and economic interaction, post becomes a vital 'backstop,' allowing interaction with support and services for vulnerable groups such as those digitally excluded, living in remote areas or reliant on services which continue to use post as a standard method of communication.

- 6.27 Ofcom has acknowledged their proposals will have an impact on some consumers in vulnerable circumstances and has asked for responses to include proposals as to how they might mitigate these adverse impacts. However, the consultation paper does not adequately assess the impacts of the proposed changes on vulnerable consumers (see paragraphs 5.15 - 5.17):

*We also consider that our proposals may have adverse impacts on people in specific geographic areas, people who are digitally excluded, financially vulnerable people, and people who are more likely to use postal services for medical sampling and testing. However, we consider that, on balance, the potential*

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<sup>151</sup> European Commission (multiple authors), [Prospective study on the future of the postal sector – Final report](#), Publications Office of the European Union, 2024.

*adverse impacts on these groups are justified by the benefits arising from our proposals.*<sup>152</sup>

- 6.28 **The fact that letter services will be increasingly significant to vulnerable consumers in a digital economy also raises important questions about how we can best capitalise on the social value of post, set aside by this consultation.**<sup>153</sup> Other countries appear to be capitalising on this potential more effectively than we are in the UK. At the European level, various schemes have been established with the aim of supporting consumers in vulnerable circumstances via pre-existing postal services. Importantly, these schemes acknowledge the role both that post plays in society and that postal workers play in identifying and supporting consumers in vulnerable circumstances.<sup>154</sup> In France, for example, the postal services runs a service called 'Veiller Sur Mes Parents' (watch over my parents), whereby postal workers are paid a small fee to look in on elderly or vulnerable people. These models provide obvious benefits to consumers but they may also provide additional revenue streams for universal service providers.<sup>155</sup> The potential of our postal service to play a greater future role in social cohesion, particularly for rural and isolated communities and amongst older populations, is well worth exploring.
- 6.29 **One of the most significant gaps, particularly for a postal service branded 'universal', is the question of those whose lack of a secure address prevents them from reliably receiving post** (see paragraphs 3.26 -3.27). Citizens Advice has been working with industry, regulators, charities and people with lived experience of postal exclusion since 2018. We refer to our postal exclusion scheme as 'Address and Collect'. The scheme is a free and accessible service for people to collect their letters from a post office and share an address with services.

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<sup>152</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, paragraphs 2.64 - 2.65.

<sup>153</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, paragraph 3.12.

<sup>154</sup> European Commission (multiple authors), , [Prospective study on the future of the postal sector – Final report](#), Publications Office of the European Union, 2024.

<sup>155</sup> European Commission (multiple authors), [Prospective study on the future of the postal sector – Final report](#), Publications Office of the European Union, 2024.

6.30 **Ofcom has previously suggested that Royal Mail might choose to invest some of the savings it will generate from cuts to the USO in this kind of support for vulnerable consumers** (if moving to an alternative weekday model for non-priority letters, they predict Royal Mail is going to make in the range of £250 to £425 million in savings):<sup>156</sup>

*“Making changes to the letters USO specification would be likely to improve the financial sustainability of Royal Mail ... Royal Mail may also be able to place a greater focus on investing in innovation and **providing more support for vulnerable users.**”<sup>157</sup> [emphasis added]*

6.31 **Citizens Advice strongly disagrees with this assessment.** Royal Mail is a private company and all its incentives are to generate revenue - there is no evidence to indicate any change to the USO would lead to it voluntarily investing in support for consumers in vulnerable circumstances, and it appears naive to suggest Royal Mail would do this in the absence of a legal or regulatory requirement. As households have faced intense cost of living pressures, Royal Mail has simultaneously increased prices in its 1st class monopoly products by 101% (see Figure 2) while using revenue to cut costs on the parcels products in which it faces competition. Royal Mail has given every indication it would take the same approach to prioritising any savings it made through USO reform.<sup>158</sup>

6.32 **Reform of the USO presents the ideal opportunity to better match postal provision to the needs of consumers in vulnerable circumstances likely to be most reliant in future, rather than the unfounded assumption Royal Mail will take this on voluntarily.** Ofcom has recently taken welcome steps in this direction, and we are pleased to see the regulator taking a much more proactive approach to the question of postal exclusion, for example. This has included convening a roundtable to discuss a scheme like ‘Address and Collect’ and retaining oversight of ‘Address and Collect’ pilot discussions. However, there will

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<sup>156</sup> Ofcom, [Consultation: Review of the universal postal service and other postal regulation](#), 2025, paragraph 1.13.

<sup>157</sup> Ofcom, [The future of the universal postal service](#), 2024, paragraph 9.100.

<sup>158</sup> Citizens Advice, [Ofcom Call for Input: The future of the universal postal service](#), 2024, paragraph 49.

always be risks to the sustainability of the service if it is not protected via legal and/or regulatory mechanisms.

6.33 Below, we set out steps which could be taken under a future model of the USO to protect consumers in vulnerable circumstances:

6.33.1 **Ofcom should continue their support for setting up a pilot for Address & Collect and ensure that Address & Collect is enshrined in law.** This would ensure that the postal service is truly universal and meets the needs of people who do not have a fixed address. This could be achieved either by changing s31 of the Postal Services Act 2011 requiring Royal Mail to deliver to individuals rather than addresses.<sup>159</sup> Or, through amending the 2012 order - i.e., the same legislation that Ofcom has proposed to change in the consultation paper.

6.33.2 **Ofcom should shift to a consumer outcomes-focused regulatory mechanism to ensure consumers are treated fairly, while also reducing the regulatory burden and allowing Royal Mail to innovate.** This type of model is beneficial for regulators, providers and consumers. From the regulator's perspective, it allows for a more efficient process and reduces the need to go through lengthy policy processes to ensure consumer protection keeps up with changes in the market. From the perspective of providers, a consumer outcomes-focused model offers the chance for innovation and flexibility in regulation rather than tight and prescriptive rules that carry compliance costs every time they are updated. And finally, from the consumer perspective, it not only means faster action when things go wrong but, crucially, aims to drive a shift in culture which places the customer and their outcomes on par with profits.

6.33.3 **Ofcom should ensure that consumers in vulnerable circumstances are prioritised.** Consumers in vulnerable circumstances rely more heavily on post than the general

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<sup>159</sup> Postal Services Act 2011, [Section 31](#).

population, because they are more likely to be engaging with government services for support. Postal delays can cause significant detriment to consumers in vulnerable circumstances at present. This heavier reliance on post is likely to intensify in future. It is vital that consumers in vulnerable circumstances are prioritised in a declining market.

One option for doing this is to extend the NHS barcoded letter scheme to cover other vital communication. The NHS barcode allows Royal Mail to identify and prioritise NHS letters when there is service disruption. Yet, a huge number of other vital communications travel via letter. This includes benefits decisions (which often have a very limited timeframe for response), legal documents, financial correspondence - items which can have serious repercussions were they to be lost or delayed. The NHS barcoded letter scheme should be extended to include these vital communications.

A second option Ofcom and Royal Mail should consider is the feasibility of a priority services register (PSR) in post. PSRs are common in regulated markets, as they allow providers such as energy suppliers, electricity, gas and water networks to identify and then provide extra support to consumers in vulnerable circumstances. The electricity networks PSR, for example, allows grid operators to prioritise consumers in vulnerable circumstances when there is planned and/or unexpected service disruption. Similarly, a PSR in the letters market would allow Royal Mail to identify consumers in vulnerable circumstances and then appropriately accelerate their letters during periods of service disruption.

- 6.34 A future USO that more fully embodies these principles of reliability, affordability and genuine universality would not only more effectively serve the needs of the consumers it is there to protect. **It would also generate the best value service for government, tackling many of the**

**failures and knock-on costs within the current system and reducing the likelihood of demands for public subsidy of the service in future.**

## 7. We urge Ofcom to ensure phase 2 of the USO review much more effectively addresses consumer needs

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- 7.1 USO reform is necessary - the USO is not providing effective consumer protection in its current form, leaving people facing ongoing service failures combined with steeply rising prices. However, **there are both questions around the effectiveness of what Ofcom is proposing, and a number of gaps - regarding issues highly relevant to postal consumers - left unaddressed by the consultation paper.**
- 7.2 As we've set out, Ofcom's proposed cuts to 2nd class and Access services need much more consideration in terms of how they interact with quality of service targets. And additional 'tail of mail' targets, while welcome, do not address the wider question of more effective regulatory enforcement after half a decade of missed targets with minimal penalties. If Royal Mail and Ofcom cannot effectively address these issues, the proposed changes will fail to meet consumers' key priority from the USO - a more reliable service.<sup>160</sup> What's more, if consumers aren't taking up the revised 2nd class service in sufficient numbers, questions will be raised around whether Royal Mail can realise the savings the cuts were intended to create. **We urge Ofcom to provide information on how quality of service targets will be achieved under a revised USO as a matter of urgency.**
- 7.3 The proposals put forward focus primarily on improving the financial bottom line for Royal Mail. This also raises questions about the balance the Ofcom must strike between their roles of ensuring the financial

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<sup>160</sup> Five focus groups of 10 English and Welsh postal consumers, Savanta, Jul - Aug 2024.

sustainability of the service on the one hand, and protecting the interests of citizens and consumers on the other.<sup>161</sup>

- 7.4 We remain concerned that **Ofcom's review could represent a major missed opportunity to address the concerns of the consumers the USO should be designed to protect.** Ofcom has relegated consumer concerns to a '2nd phase' of the reform, without a timeline given for these discussions. Ofcom has also not adequately assessed whether their proposals meet reasonable user needs, meaning conclusions drawn cannot be used as an adequate basis for change. We also feel that the validity of the consultation process itself has been called into question by Ofcom allowing Royal Mail to begin rolling out the changes it has proposed prior to inputs being considered or decisions taken. This approach to regulation is legally highly questionable. **Ofcom should advise Parliament on a way forward, rather than push regulatory changes through the backdoor.**
- 7.5 We have identified three priority areas for consumers - reliability, affordability and universality. We believe a USO that embodies these principles would far more effectively serve the needs of the consumers it is there to protect. We have also put forward a range of proposals designed to ensure that the needs of consumers are met under a revised USO.
- 7.6 None of the measures we put forward would be incompatible with steps to support a more financially sustainable service, if Ofcom feels these are required. **But crucially, they also stand the best chance of generating a good value service, tackling many of the gaps and knock-on costs within the current system, and reducing the likelihood of consumers and government being asked to pick up the tab for service failures and inefficiencies in the future.**
- 7.7 These are the key issues that we would like Ofcom to address under Phase 2. This will ensure a future USO fairly balances a sustainable service with the needs and interests of consumers. At present, it is unclear how

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<sup>161</sup> Communications Act 2003, [section 3\(1\)](#).

Phase 2 will be run since the consultation paper does not specify. **We urge Ofcom to address the issues we have identified within Phase 2, in light of their regulatory duties to secure a sustainable and efficient service that works not just in the interests of Royal Mail, but for consumers and government.**

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Published April 2025.

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

Registered charity number 279057.