

**Post Office Ltd response to Ofcom consultation
Automatic Compensation-Protecting Customers from quality of service problems**

Question 1: Do you agree with our framework for assessment?

POST OFFICE LTD RESPONSE

We agree that consumers are generally satisfied with their telecoms services and that in a minority of cases more could be done to ensure that service levels improve. It is, however, unclear to us that the options for intervention are as clear cut as outlined at 3.40.

We believe that there a range of options that could be considered to improve customer experience, this could be implemented through an industry voluntary framework, or through the regulator providing rules and guidance surrounding the minimum levels of compensation payable for service standards being breached. It may also be possible to improve the industry transparency on reporting these issues to give the regulator more tools to be able to take bespoke actions against the worst offenders.

We have found that in our experience a key mitigation surrounding quality of service problems is to ensure clear and regular communications to customers. We have found that keeping customers fully informed about delays and issues is a key factor in customer satisfaction rather than a demand for compensation amounts.

The regulatory assumption in this consultation is that the compulsion of automatic compensation will drive the market to improve standards. However, we believe this is an unproven assumption that could lead to unforeseen market consequences and reduced competition in the market. [3<]

In addition, Post Office and other telecoms providers are reliant on the performance of its third party suppliers to deliver performance (particularly Openreach). We would need to ensure that any compensation paid to consumers that is because of the fault of a third party provider is exactly compensated to Post Office through the third party.

Openreach should be included in these proposals so that there is clear automatic, pass-through contractual and process mechanisms where it is responsible for issues leading to compensation and for reimbursing retail providers. Ofcom must require Openreach (as a wholesale provider with significant market power) to offer wholesale automatic compensation that fully corresponds to the obligations imposed on the provider. Post Office should not bear any cost of Openreach's failure to deliver the required service quality, including service level guarantee ("SLG") compensation amounts and processes.

[3<]

Question 2: Do you agree that in landline and broadband markets consumers are insufficiently protected from poor quality of service and that intervention is required?

POST OFFICE LTD RESPONSE

We agree that in a minority of cases more should be done to protect customers from poor quality of service. At Post Office we aim to fix all faults to Care Level 2 standard (24 hours) and have EVP for vulnerable customers. At Post Office we have a compensation structure in place as part of a response

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to a fault or complaint regarding service. We already activate bill credits for loss of service with additional good will payments in a very small number of cases. Overall we believe the remedies proposed need to be carefully re-considered bearing in mind the responses given in question 1 above.

[Question 3: Do you agree that it is appropriate for automatic compensation to be introduced for landline and broadband consumers?](#)

POST OFFICE LTD RESPONSE

We disagree. Compensation doesn't need to be automatic, it is currently given on a case by case basis by Post Office using a thorough process. Automatic compensation could have some unintended market consequences for new connections or switches. For example, in some remote areas of the country we anticipate that the risk of automatic compensation could lead to some providers not providing coverage. A combination of dig work, landowner permission and other technical issues could make these type of customers too risky to take on because of the risk of automatic and uncapped compensation for delays. In our experience in these circumstances provided there is good communication, customers are prepared and fully understand the reasons for any delays. An automatic compensation culture could drive the wrong behaviour by providers which in turn is detrimental to the customer.

Similar issues may arise in areas that are already connected but are known to be problematic. Providers may decide to pull out from servicing these areas if the costs of compensation are too high leading to less competition.

As mentioned in our response to question 1 above we also believe that the system and MI changes will have a very significant cost that are likely to be disproportionate to any benefits. We are also concerned that we may not be able to compel third party providers to mirror the proposed compensation costs payable by Post Office.

[Question 4: Do you agree with our proposal to provide automatic compensation when a loss of service takes more than two full working days to be restored?](#)

POST OFFICE LTD RESPONSE

Whilst we agree that an appropriate timeline for compensation is after two full working days for most faults we cannot adopt a one size fits all approach for all faults and this compensation should not be automatic. There are some circumstances where the fault will take longer than two full working days to fix (such as a new build, required pole work) where we are reliant on our third party to fix. Any such time frame would need to be underpinned by a mirrored SLG and compensation by Openreach.

[Question 5: Do you agree with our proposal to provide automatic compensation when there are delays in provisioning a landline or fixed broadband service?](#)

POST OFFICE LTD RESPONSE

We disagree. As per our answer to question 3, automatic compensation could have some unintended market consequences for new connections or switches. For example, in some remote areas of the

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country we anticipate that the risk of automatic compensation could lead to some providers not providing coverage. A combination of dig work, landowner permission and other technical issues could make these type of customers too risky to take on because of the risk of automatic and uncapped compensation for delays. In our experience in these circumstances provided there is good communication, customers are prepared and fully understand the reasons for any delays.

We are also reliant on Openreach having 100% accurate data on each site to make operational assumptions about customer start dates. Errors with the site data could cause Post Office to be liable for customer compensation for these errors if these lead to late installations with no immediate recourse for compensation from Openreach, Post Office would be disadvantaged.

Further clarification is also required on whether a proposed customer that suffered a delay but either decided not to proceed or instead changed to another provider would be entitled to compensation as they did not become a customer of the original provider.

Question 6: Do you agree with our proposal to provide automatic compensation when missed appointments take place with less than 24 hours of prior notice?

We agree the customer should be compensated in these circumstances where Post Office is responsible or adequate notice has been given by the service provider; but disagree that it should be automatic. We think each case should be considered on its merits and compensation awarded based on a table of standard amounts determined by Ofcom.

We also think that there is an increased risk of 'moral hazard' and abuse of the compensation system to receive multiple amounts of credit as customers could seek to avoid making appointments to claim the compensation. We have had complaints for missed appointments disputed by customers even with date stamped photographs being taken to confirm the visit. These complaints could range from not knocking loud enough or not waiting long enough for the customer to answer.

Again we are reliant on third parties such as Openreach to fulfil these appointments on behalf of Post Office. We would be required to be liable for non-performance issues of the third party without identical recourse from these third parties for matching compensation.

Question 7. Do you agree with our proposals on transparency?

POST OFFICE LTD RESPONSE

We do not agree as we have concerns with the proposals as a whole. We also think that signposting this compensation could lead a small minority of customers to behave inappropriately to secure (uncapped) compensation.

Question 8. Do you agree with our proposals on the method and timing of payment?

POST OFFICE LTD RESPONSE

We agree with the timing of payment for a valid credit, but not the automatic compensation element. We should bring to Ofcom's attention that some of our customers have quarterly bills. So whilst a

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'credit' would be applied to the account within the timeframe the customer may not see this until receipt of their next quarterly bill.

[Question 9 .Do you agree with our proposal not to have a payment cap \(and our assessment of the reasons for and against it\)?- If you consider there should be a payment cap, what should it be and why?.](#)

POST OFFICE LTD RESPONSE

We disagree with not having a payment cap. We think this could drive moral hazard risks and it could cause providers to withdraw services. We have not yet assessed what this cap should be but a lack of a cap could lead to some circumstances where circumstances are engineered to rack up compensation payments eg deliberately tampering with external lines, or thwarting installation efforts.

We also believe that in areas where there are likely to be long term faults (eg. Difficult or long reaching), a provider is likely to assess the customer proposition and undertake a cost/benefit analysis and decide not to offer services because there is a risk of paying out significant uncapped compensation.

We find in these circumstances customers are highly appreciative of communication and information on how the issue is being addressed rather than seeking compensation.

[Question 10: Do you agree with our proposed exceptions?](#)

POST OFFICE LTD RESPONSE

We agree the exceptions but believe this is not an exhaustive list. Also included should be,

- faults with customer owned equipment eg damp related, rodent damage etc
- faults as a result of customer action eg gardening cutting through wires
- 'no fault found' and 'right when tested' incidents
- Where a customer complains about the quality of the line/internet connection but it is meeting industry standards eg SIN349

Ofcom need to stipulate a SIN standard that is sufficient to meet the requirements for Broadband as well as Voice as SIN 349 does not provide this.

[Question 11: Do you agree we should not allow for a blanket exception for force majeure-type events?](#)

POST OFFICE LTD RESPONSE

We do not agree. This approach is not aligned with the Centre for Effective Dispute Resolution's conclusions. This approach combined with unlimited compensation is disproportionate and unfair. We believe that customers understand and are generally accepting when kept fully informed about these type of events. However, there could be a rare but significant event that could lead to services being impacted for a very long time eg poisoning of an area or a major incident impacting an area. In those circumstances there is the potential of significant uncapped amounts being paid out almost indefinitely.

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As per our responses to questions 3 and 5 we believe there is a risk that service coverage could be withdrawn by providers in areas that are subject to these types of events particularly flooding because of the risk of uncapped compensation.

It is also unclear to us how we could compel our third party providers to pay Post Office compensation for these type of events to mirror the compensation given to customers. As per our previous answers there would need to be some kind of regulatory intervention needed to ensure that this was applied across the industry.

[Question 12: Do you agree with our proposal on complaints and disputes?](#)

POST OFFICE LTD RESPONSE

These appear to mirror the existing complaints requirements albeit in the context of automatic compensation. No comment on these. However, we anticipate a greater number of complaints and referrals to the Ombudsman as a result of this initiative see question 13 below.

[Question 13: Do you agree with the impacts we describe? Please wherever possible give reasoning and provide evidence for your views.](#)

POST OFFICE LTD RESPONSE

We believe the provisional conclusions at 9.3 are speculative at this stage. The impact on Post Office and other providers would depend on the pass through of the compensation costs which remains uncertain. [✂]

As per our response to question 1, we believe that the impact of these system changes should not be underestimated and could lead to market withdrawals.

At 9.19 we would dispute that automation would give some benefit to providers. In our view any change to a customer bill will drive greater traffic. This will include querying these refunds, the amounts and generate complaints about the application of automatic compensation.

At 9.31 we would disagree with the impact on competition. The significant system costs of these changes (and the potential for compensation asymmetries) is likely to hit smaller providers disproportionately and could lead to unintended market consequences. We assess that the market costs of implementation has been significantly underestimated.

[Question 14: Do you agree with our provisional conclusions on residential landline and broadband services?](#)

POST OFFICE LTD RESPONSE

We agree that customer should be compensated where we fail to deliver. Post Office has a structure in place of compensation for line rental and good will payments. We would consider signing up to a

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voluntary code but would need to be party to these discussions and to understand Openreach's requirements and responsibilities in respect of this.

If Ofcom decided to implement these measures as published it is key that the issues raised around Openreach are addressed first. Post Office and other telecoms providers are reliant on the performance of its third party suppliers to deliver performance (particularly Openreach). We would need to ensure that any compensation paid to consumers that is because of the fault of a third party provider is exactly compensated to Post Office through the third party. It is currently unclear from this proposal that we would be able to compel a third party to mirror these compensation requirements unless there is preliminary action to require this from Ofcom.

[Question 15: Do you agree with our proposal of 12 months to implement automatic compensation?](#)

No, we would need at least 24 months to agree such a solution with our partners and to re-negotiate where possible third party contracts. A solution would also be very much dependant on whether our suppliers would be able to provide the data on the compensation required (in the regulatory format) to drive the billing records.

[✕]

[Question 16: Do you agree with our proposal to monitor the impact of automatic compensation?](#)

POST OFFICE LTD RESPONSE

We have no comments at this stage.

[Question 17: Do you agree with our proposals for greater transparency regarding service quality and compensation for products targeted at SMEs?](#)

POST OFFICE LTD RESPONSE

None-we don't supply this market

[Question 18: Do you agree with our provisional conclusions not to introduce automatic compensation for delayed repair of mobile loss of service?](#)

POST OFFICE LTD RESPONSE

None-we don't supply this market

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None-we don't supply this market

[Question 19: Do you have any comments on the draft condition set out in Annex 14 to this document?](#)

POST OFFICE LTD RESPONSE

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No comment