

Consultation response form

Please complete this form in full and return to futurepostaluso@ofcom.org.uk.

Consultation title	Call for input: Review of postal regulation – pricing and affordability
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Representing (delete as appropriate)	Organisation
Organisation name	Citizens Advice
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Confidentiality

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Your response: Please indicate how much of your response you want to keep confidential. Delete as appropriate.	None

Your response

Question	Your response
Question 2.1: Do you agree with our proposed objectives for this review? Please state your reasons and provide evidence to support your view.	Confidential? – N
Question 2.2: Do you agree with our planned approach to this review? Please state your reasons and provide evidence to support your view.	Confidential? – N
Question 3.1: Do you agree that our approach to assessing the affordability of universal postal services should be similar to the approach we have taken previously? Please state your reasons and provide evidence to support your view.	Confidential? – N
Question 3.2: Do you agree with our initial observations from our preliminary analysis of the latest ONS data and market research? Please state your reasons and provide evidence to support your view.	Confidential? – N
Question 4.1: Do you have any comments on whether a targeted discount scheme could be used to address affordability concerns in post?	Confidential? – N

<p>Question 4.2: Do you have any specific comments or evidence relating to the key elements and principles of a potential scheme set out in this section?</p>	Confidential? – N
<p>Question 5.1: Do you have any comments on our initial views set out in paragraphs 5.2-5.16 in Section 5 on whether there is a case for Ofcom to move away from its existing approach to price regulation of Royal Mail's letter services based on considerations other than affordability?</p>	Confidential? – N
<p>Question 5.2: Do you have any comments on Ofcom's plans to examine aspects of the margin squeeze rule for access prices?</p>	Confidential? – N

Call for input: Review of postal regulation - pricing and affordability

Citizens Advice submission

December 2025



**citizens
advice**

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1. Executive summary

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.

- 1.1 **The provision of an affordable postal service is a key principle of the postal Universal Service Obligation (USO) and a consistent priority for consumers.**¹ While affordability is a vital element across essential markets, an affordable postal service now increasingly provides a vital 'backstop' through which more vulnerable users, such as those who are digitally excluded or have restricted mobility, engage with services. As letters are a monopoly market, it is down to regulation to ensure the affordability principle is upheld.
- 1.2 Ofcom's role contains some key tensions, however. The regulator needs to ensure that the postal service is both affordable for those who rely on it *and* financially sustainable in terms of Royal Mail's profitability.² At present, Ofcom is not striking an effective balance between these responsibilities. **Its current review of the affordability and sustainability of the USO is overly focused on Royal Mail's bottom line, at the expense of necessary protection for the millions of people and businesses reliant on post.**

¹ Postal Services Act 2011, [Section 31](#); 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.

² Postal Services Act 2011, [Section 31](#) and [Section 29](#).

- 1.3 Up to now, Ofcom’s approach to securing affordability has involved very limited price control (restricted to 2nd class products), combined with monitoring. **This has provided minimal incentives for Royal Mail to control prices and operate efficiently.** The temptation has been for the company to fall back on price increases for monopoly products, with 1st class letter prices more than doubling in 5 years. This has increased affordability challenges - 1 in 3 UK adults would struggle to afford a book of 8 1st class stamps if they had to buy them next week.³ It also raises important questions about the value for money now offered by the letters service, with consumers facing half a decade of missed delivery targets on top of soaring prices.
- 1.4 Against this backdrop, Ofcom is now considering its approach ahead of the expiration of the 2nd class safeguard cap in April 2027.⁴ This Call for Input (CFI) suggests **clear opportunities to improve the current pricing regime, particularly in its willingness to consider new approaches to pricing regulation. But it also raises important risks.** A key focus of this CFI is the potential introduction of a ‘targeted discount scheme’ for stamps. This is framed as both an affordability protection for consumers and a financial sustainability measure for Royal Mail, in that the scheme may replace universal price caps.⁵ (The conflicting nature of these dual aims is not acknowledged).
- 1.5 **There are a number of reasons why a targeted discount scheme cannot substitute for price control and we are concerned to see a regulator framing it as such.** In any monopolised market for essential services, price caps are not solely an affordability measure. They are also a crucial efficiency incentive, preventing price rises on captive consumers replacing harder or more complex measures to create a genuinely good value service. Sectors such as energy, water and transportation run affordability schemes alongside general price protection for this reason. A

³ 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.

⁴ Ofcom: [Call for input: Review of postal regulation – pricing and affordability](#), 2025.

⁵ Ofcom: [Call for input: Review of postal regulation – pricing and affordability](#), 2025, paragraph 4.1 and 4.4

targeted discount scheme - particularly one designed and administered by the company who will subsidise it - also faces significant question marks over its potential effectiveness. This is already evident in the notably low take-up of provider-administered broadband social tariffs, for example.⁶

- 1.6 **The framing of Ofcom’s proposals also constitutes direct risks to the affordability provision of the postal USO.** First, it is based on untested assumptions: that, as a majority of consumers do not face affordability challenges in a price protected market, price caps can be removed and support drastically narrowed.⁷ We see no modelling of the likely affordability implications of the removal of safeguard caps. Second, given the specific nature of the postal market, these proposals would leave a relatively narrow pool of often more vulnerable households subject to both limited or non-existent price protection and paying to cross-subsidise the scheme.
- 1.7 On top of this, **the scheme Ofcom sets out faces a formidable array of practical challenges.** As we’ve seen in other markets, means-tested benefits are a blunt tool with which to capture need,⁸ awareness-raising will be a major challenge in a market with few direct interactions between consumer and provider, and there are many unanswered questions around eligibility checking and risks of fraud.
- 1.8 Ofcom’s second set of proposals are around options for its overall approach to pricing regulation. Of those explored, **we would strongly recommend an outcomes-based approach**, using price control to make ongoing price increases conditional on quality of service improvements.⁹ This provides an important opportunity to strike a more appropriate balance between Ofcom’s dual aims of sustainability and consumer protection - incentivising Royal Mail to invest the significant savings from

⁶ Citizens Advice, [Securing Life's Essentials: Building a plan for targeted bill support in regulated markets](#), 2024.

⁷ Ofcom: [Call for input: Review of postal regulation – pricing and affordability](#), 2025, paragraph 4.4.

⁸ IPPR, [Essential potential: Exploring the benefits and challenges of social tariffs across essential markets](#), 2025.

⁹ Citizens Advice, [Ofcom Consultation: Review of the universal postal service order and other postal regulation](#), 2025, paragraphs 6.13 - 6.14.

USO reform into meeting reduced quality of service targets and ensuring consumers - while they will see services cut- will no longer be forced into an ongoing cycle of price hikes and service failures.

2. Assessing affordability in a monopoly letters market

Section 2 engages with questions:

- 2.1: Do you agree with our proposed objectives for this review?
- 2.2: Do you agree with our planned approach to this review?
- 3.1: Do you agree that our approach to assessing the affordability of universal postal services should be similar to the approach we have taken previously?
- 3.2: Do you agree with our initial observations from our preliminary analysis of the latest ONS data and market research?

2.1 The Postal Services Act of 2011 requires that the postal service remains 'affordable'.¹⁰ This is linked to the fact that, even while letter volumes have declined, the service continues to be a vital communication channel and means of interacting with public services and support. It also acknowledges the fact that Royal Mail is a private company with a virtual monopoly over this essential service. With a profit incentive and without market competition to keep prices in check, consumers rely on the postal regulator, Ofcom, to secure and monitor affordability.

2.2 There are, however, some important tensions in Ofcom's regulatory remit. Significantly, the regulator is required to both maintain an affordable postal service *and* a sustainable service, meaning they are effectively tasked with protecting consumers from unfair price hikes, while also protecting Royal Mail's ability to make profit. This balance is a challenging one and - as we have set out previously - **we believe Ofcom's current approach to reviewing the affordability and sustainability of the USO is overly focused on Royal Mail's bottom line, at the expense of necessary protection for the millions of people and businesses reliant on post.** We set out some of the affordability questions this has raised about the current regime below.

¹⁰ Postal Services Act 2011, [Section 31](#).

Ofcom's current approach to securing affordability

- 2.3 Until now, Ofcom has approached its dual responsibilities around affordability and service sustainability by operating **very limited price control, combined with monitoring**. 2nd class services are subject to a 'safeguard cap', which currently runs until April 2027.¹¹ 1st class and parcel pricing is not capped, but the parcels market is a competitive one.
- 2.4 **We have long raised concerns that this very light touch regulatory regime offers minimal incentives for Royal Mail to control prices and operate efficiently.** Uncapped 1st class products have risen at many times the rate of inflation - the cost of a small 1st class lightweight letter has increased by 124% since 2020 and a large lightweight letter 174% (the Bank of England put CPI at 28% during this period).¹² The commercial incentives for Royal Mail are clearly to increase monopoly products as far as they can, which in turn supports the more competitive areas of the business. As Figure 1 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.**

¹¹ Ofcom: [Call for input: Review of postal regulation – pricing and affordability](#), 2025, paragraph 2.19.

¹² Citizens Advice, [Citizens Advice responds to Royal Mail stamp prices 2025](#), March 2025; Bank of England, [Inflation calculator](#). Goods and services costing £10 in 2020 cost £12.82 in October 2025, an increase of 28.2%.

Figure 1: 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	Oct-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	£1.70	124%	101%
		0-100g	£1.15	£1.29	£1.45	£1.60	£1.95	£2.10	£2.60	£3.15	£3.15	174%	
	Large Letter	101-250g	£1.64	£1.83	£2.05	£2.25	£2.70	£2.90	£3.50	£3.60	£3.60	120%	
		251-500g	£2.14	£2.39	£2.65	£2.95	£3.30	£3.50	£3.50	£3.60	£3.60	68%	
		501-750g	£2.95	£3.30	£3.30	£3.30	£3.30	£3.50	£3.50	£3.60	£3.60	22%	
Competitive	Small Parcel	0-1kg	£3.70	£3.85	£4.45	£4.19	£4.19	£4.59	£4.79	£4.99	£5.09	38%	-17%
		1-2kg	£5.57	£5.57	£4.45	£4.19	£4.19	£4.59	£4.79	£4.99	£5.09	-9%	
	Medium Parcel	0-1kg	£5.90	£6.00	£6.95	£6.29	£6.29	£6.69	£6.99	£7.19	£7.45	26%	
		1-2kg	£9.02	£9.02	£6.95	£6.29	£6.29	£6.69	£6.99	£7.19	£7.45	-17%	
		2-5kg	£15.85	£15.85	£7.95	£7.99	£7.99	£8.39	£8.69	£8.99	£9.35	-41%	
		5-10kg	£21.90	£21.90	£7.95	£7.99	£7.99	£8.39	£8.69	£8.99	£9.35	-57%	
		10-20kg	£33.40	£33.40	£12.95	£11.99	£11.99	£12.49	£13.19	£13.69	£14.25	-57%	

2nd Class Postage Rates		Weight	Mar-20	Jan-21	Apr-22	Apr-23	Oct-23	Apr-24	Oct-24	Apr-25	Oct-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	£0.87	34%	39%
		0-100g	£0.88	£0.96	£1.05	£1.15	£1.55	£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	£2.00	43%	
		251-500g	£1.83	£1.99	£2.15	£2.40	£2.70	£2.50	£2.50	£2.40	£2.40	31%	
		501-750g	£2.48	£2.70	£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	£3.99	29%	-2%
		1-2kg	£3.10	£3.20	£3.35	£3.49	£3.49	£3.69	£3.75	£3.90	£3.99	29%	
	Medium Parcel	0-1kg	£5.20	£5.30	£5.35	£5.49	£5.49	£5.89	£6.15	£6.29	£6.49	25%	
		1-2kg	£5.20	£5.30	£5.35	£5.49	£5.49	£5.89	£6.15	£6.29	£6.49	25%	
		2-5kg	£8.79	£8.99	£6.95	£6.99	£6.99	£7.39	£7.65	£7.89	£8.19	-7%	
		5-10kg	£20.25	£20.25	£6.95	£6.99	£6.99	£7.39	£7.65	£7.89	£8.19	-60%	
		10-20kg	£28.55	£28.55	£10.45	£10.49	£10.49	£10.99	£11.55	£11.89	£12.25	-57%	

2.5 This has implications for both **affordability and value for money**. We believe both elements should be of interest to the regulator: the 2011 Act contains commitments to an affordable service and requires Ofcom to assess the efficiency of Royal Mail’s service.¹³

2.6 **While there are now affordability challenges across the letters market, these are most pronounced in uncapped, 1st class products.** Our latest research, which was conducted prior to the stamp price increases in April 2025, found 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.¹⁴ This has increased from 1 in 5 in 2023,¹⁵ reflecting both the above-inflation growth of stamp prices and ongoing cost of living pressures on many households. This is also confirmed by Ofcom’s

¹³ Postal Services Act 2011, [Part 3, 29](#), 3 (a) and (b).

¹⁴ 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.

¹⁵ Online survey of 4,007 UK adults, Walnut, 25 May - 5 June 2023.

affordability tracker, which found no significant change in the proportion of people cutting back on other essentials to access 1st class services, despite slight falls in other areas as cost of living pressures reduced slightly in the last 3 years.¹⁶ Our research shows that the number of people in a negative budget - where their incomes are too low to cover the bare essentials each month - is down slightly from the peak we saw at the height of the cost of living, but remains well above levels 5 years ago.¹⁷

2.7 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.¹⁸ We speak to small businesses, services 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... It's just going up and up... 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 2024¹⁹

"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

¹⁶Ofcom, [Call for input: Review of postal regulation – pricing and affordability](#), 2025, paragraph 3.38.

¹⁷ Citizens Advice, [The National Red Index 2025: negative budget households face a debt crisis like quicksand](#), 2025.

¹⁸ 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.

¹⁹ Citizens Advice, interviews with 5 small businesses, 5-7 March 2024.

2.8 It should also be noted that affordability challenges are more significant for people and households most reliant on post. Infrequent internet users are both more dependent on post and significantly more likely to struggle even to buy a 2nd class stamp next week, compared to those using the internet daily (22% vs 8%).²⁰ Our research also 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.²¹ People with long term health conditions are also more likely to rely on post.²²

2.9 But, beyond the simple question of affordability in a relatively low spend market such as post, Ofcom also needs to consider the extent to which Royal Mail's service provides value for money. Without market competition, effective regulation needs to provide incentives for service efficiency - as the 2011 Act makes clear.²³ And increasingly, our research finds consumers do not believe this is happening. The price of a 1st class stamp has more than doubled in the last five years, during which time Royal Mail has failed to meet any of its quality of service targets for either 1st or 2nd class letters. More than two thirds (68%) of people believe this price increase is unfair.²⁴ As illustrated by Figure 2, consumers are consistently paying more for less.

²⁰ 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.

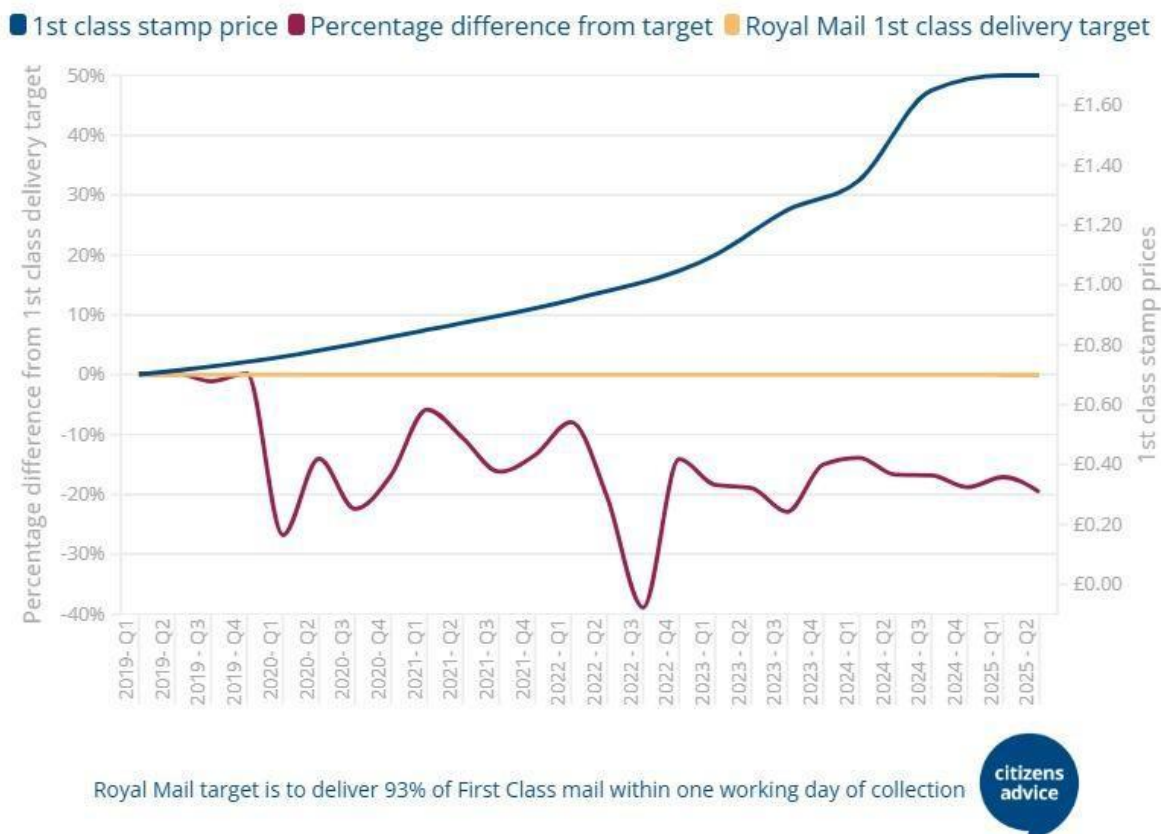
²¹ Survey of 3351 GB adults, Accent, 06 Feb - 26 Feb 2025. This consisted of an online survey of 3000 adults, 251 face-to-face interviews with digitally excluded adults and 100 telephone interviews with adults living in remote rural areas.

²² Citizens Advice, [The future of the Universal Service Obligation](#), 2023, p. 8.

²³ Postal Services Act 2011, [Part 3, 29](#), 3 (b).

²⁴ 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.

Figure 2: 1st class stamp price against 1st class delivery target



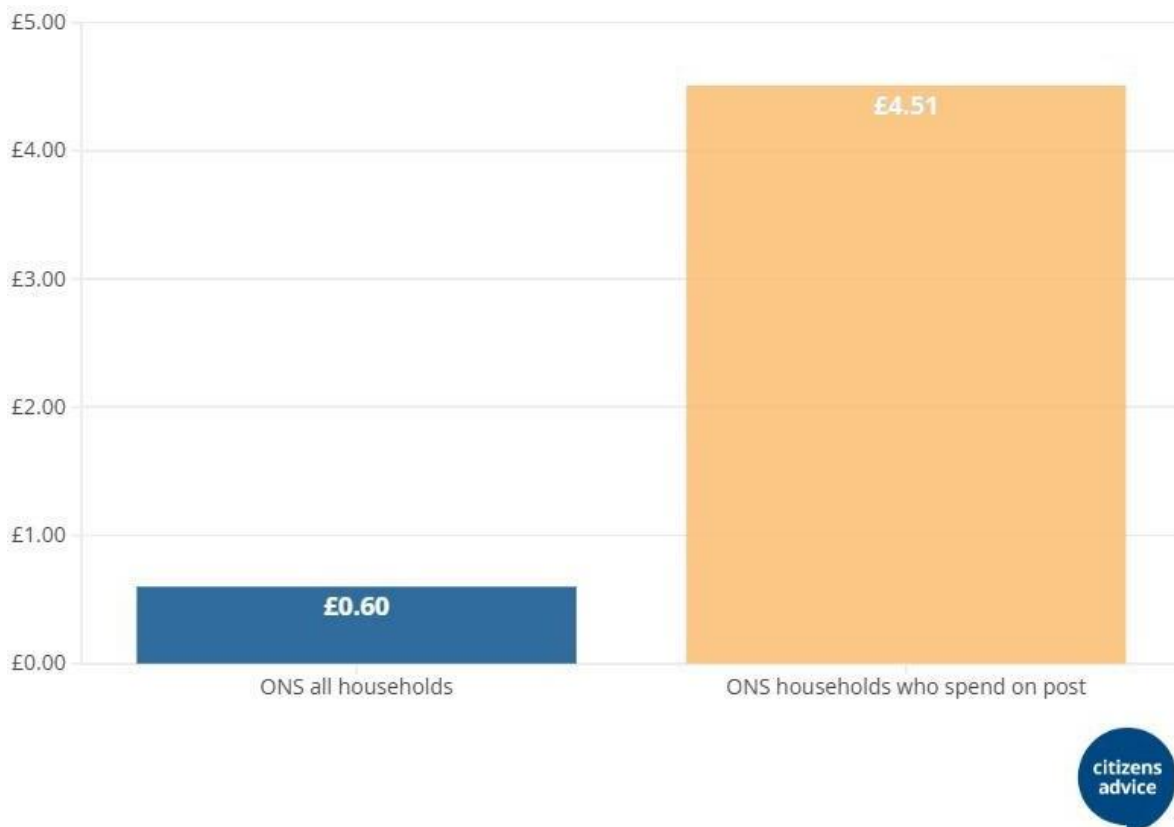
- 2.10 Alongside price caps, Ofcom also monitors affordability in the postal market. However, as we have raised before, **there are some serious shortfalls in the current affordability monitoring regime.**
- 2.11 Ofcom assesses affordability by using average spending on post to calculate expenditure as a percentage of disposable income.²⁵ But, as we have raised several times, this average is one for all households nationwide, including those who spend nothing on post. In declining markets, it becomes important to look at affordability for subsets of the population, rather than the population as a whole. When we considered only those households who spend money on post, we found that average spending was **7.5 times higher** than Ofcom had suggested in the financial year ending 2024.²⁶ This is illustrated in Figure 3. A discrepancy between

²⁵ 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.

²⁶ ONS all household data from [Family spending in the UK: April 2023 - April 2024](#) puts post spending for all households at £0.60 per week. The sample size was 4210. The number of recording households in the sample was 560. $(0.60 \times 4210) / 560 = £4.51 / 0.60 = 7.5$.

the average spending of all households and of those who spend on post is also reflected in Ofcom’s own Residential Postal Tracker data.²⁷ **We therefore urge Ofcom to adopt a more appropriate measure of affordability, looking specifically at households that continue to rely on post.**

Figure 3: Weekly spend on post from *Family Spending in the UK*²⁸



2.12 Finally, Ofcom’s affordability monitoring in other parts of the communications market is far more rigorous. The affordability of broadband, mobile phone packages, landline costs and pay TV services is assessed every six months under the Communications Affordability Tracker - but postal services are excluded.²⁹ Including postal services in this monitoring would offer a transparent and uniform approach to

²⁷ Ofcom: [Call for input: Review of postal regulation – pricing and affordability](#), 2025, footnote 58.

²⁸ ONS all household data from [Family spending in the UK: April 2023 - April 2024](#) puts post spending for all households at £0.60 per week. The sample size was 4210. The number of recording households in the sample was 560. $(0.60 \times 4210) / 560 = £4.51$.

²⁹ Ofcom [Communications Affordability Tracker](#).

understanding affordability across communications sectors, as well as provide more effective monitoring of the impact of price rises on the postal market.

3. The potential of a targeted discount scheme to improve postal affordability

Section 3 engages with questions:

- 2.1: Do you agree with our proposed objectives for this review?
- 2.2: Do you agree with our planned approach to this review?
- 4.1: Do you have any comments on whether a targeted discount scheme could be used to address affordability concerns in post?
- 4.2: Do you have any specific comments or evidence relating to the key elements and principles of a potential scheme set out in this section?

3.1 Ofcom’s current safeguard cap expires in April 2027,³⁰ and the regulator is now looking at how the affordability regime will evolve after this point. A key focus of this call for input is the proposal - which has been raised a number of times in recent years - of a targeted discount scheme for stamps.

3.2 Ofcom outlines its proposal and thinking in the call for input document, but a number of points stand out:

3.2.1 Ofcom views a targeted discount scheme (TDS) as *both* an affordability protection for consumers and a financial sustainability measure for Royal Mail, offering the company “greater commercial freedom”.³¹

3.2.2 As such, Ofcom views the TDS as a potential *replacement* for price safeguard caps in a monopoly market and will “take account of the potential effectiveness of a targeted scheme” when considering “what (if any) price controls to impose”.³²

³⁰ Ofcom: [Call for input: Review of postal regulation – pricing and affordability](#), 2025, paragraph 2.19.

³¹ Ofcom: [Call for input: Review of postal regulation – pricing and affordability](#), 2025, paragraph 4.1.

³² Ofcom: [Call for input: Review of postal regulation – pricing and affordability](#), 2025, paragraph 4.4.

- 3.2.3 Ofcom’s justification for this view is that, currently, “most people do not experience significant detriment as a result of postal prices”, other than some vulnerable customers on low incomes.³³
- 3.2.4 Ofcom believes Royal Mail is “best placed to work out the detail” of a TDS.³⁴
- 3.3 Ofcom then sets out some principles and design choices it considers relevant for a TDS. Before looking at the practical questions and options related to a targeted scheme, we want to first set out our position on the appropriate role of such a scheme in the wider context of affordability protection.

A targeted stamp scheme cannot be a substitute for price protection in a monopoly market

- 3.4 We are happy to look at the practical considerations of any affordability measure, but **it is important to be clear that such a scheme cannot substitute for price control and we are concerned to see a regulator framing it as such**. At its most basic, the scheme proposed has two conflicting objectives: provision of potentially the only affordability protection for postal customers, and flexibility for Royal Mail to generate greater profits from postal prices. Such a scheme is likely to be effective only in one goal or another, and the fact that Ofcom believes Royal Mail should design and administer the scheme itself suggests the profitability motive will prevail. There are clear parallels with broadband social tariffs here - when companies who face commercial disincentives to high uptake design and promote affordability schemes, take-up is often low. Whilst broadband social tariffs (implemented by providers themselves) are technically available to millions of consumers, only a meagre 8.3% of those eligible actually benefit from the support.³⁵

³³ Ofcom: [Call for input: Review of postal regulation – pricing and affordability](#), 2025, paragraph 1.4.

³⁴ Ofcom: [Call for input: Review of postal regulation – pricing and affordability](#), 2025, paragraph 1.4.

³⁵ Ofcom, [Pricing trends for communications services in the UK](#), 2023, p. 4.

- 3.5 The distinct nature of affordability schemes - and the vital role of price caps for essential services - is widely recognised across other markets.** In energy, water and transportation, specific affordability measures for vulnerable consumers sit *alongside* price caps. Caps prevent companies extracting unfair prices for services that the vast majority of us rely on, in markets that are often monopolised. In addition to that, social tariffs or automated schemes like the Warm Homes Discount are there solely to protect access for the most vulnerable.
- 3.6 There are real risks of this framing to the affordability principle that should underpin the postal USO.** Ofcom's justification - that most people do not experience significant detriment - is based on monitoring of today's - albeit minimal - price control. To use this as reason for *removing* that price protection, with no modelling of the likely implications for uncapped prices, is unsound. This is a particular issue as it is likely that the 2nd class capped price provides a tethering mechanism for 1st class prices. To suggest the regulator will make decisions on the future of price controls from 2027, accounting for the *potential* effectiveness of an untested scheme is particularly concerning, not least as there are a huge number of practical challenges for such a scheme to overcome, as we set out below.³⁶
- 3.7 The cost recovery mechanism for the TDS proposed by Ofcom increases these affordability risks.** Ofcom states that the cost of setting up and running the scheme would be *recovered through prices for people and businesses not eligible for the scheme*.³⁷ This is in keeping with affordability measures in other essential markets like energy, water and broadband. However, there are three significant differences:
- 3.7.1 Cross-subsidation in these markets takes place across a far larger pool of households (see Figure 4).
- 3.7.2 Ineligible consumers in these markets continue to benefit from some form of price protection, either through price caps, market

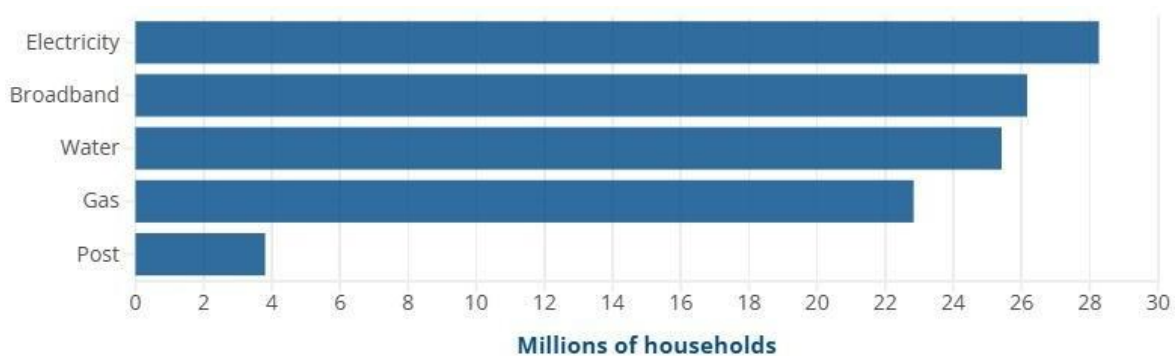
³⁶ Ofcom, [Call for input: Review of postal regulation - pricing and affordability](#), 2025, paragraph 4.4.

³⁷ Ofcom, [Call for input: Review of postal regulation - pricing and affordability](#), 2025, paragraph 4.14.

competition or a combination of both - under Ofcom's proposal, there is a risk ineligible postal consumers will not have this.

3.7.3 The changing nature of the postal market means many people in vulnerable circumstances are more reliant on the postal service and would be less able to opt for digital substitution were prices to rise. In the UK, 7.9 million adults lack the most basic digital skills and this is higher amongst older people and those on lower incomes.³⁸ 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, often due to the type of support and services they interact with.³⁹ If relaxed or removed price control led to further significant price hikes, many more affluent consumers would have the option to exit the postal market altogether, leaving costs to be borne by both a narrower, and more vulnerable, group of households.

Figure 4: Number of households in the UK who were spending on a particular essential service weekly in financial year 2023/24⁴⁰



3.8 **Finally, price caps are not only an affordability measure, but a vital incentive for Royal Mail to focus on its service efficiency in the absence of market competition.** There is a risk that it is much easier for

³⁸ Lloyds Bank, [2024 Consumer Digital Index](#), 2024, p. 32; 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.

³⁹ Citizens Advice, [The future of the Universal Service Obligation](#), 2023, p. 8.

⁴⁰ ONS, [Family Spending workbook 1: detailed expenditure and trends](#), 2025.

a company with a virtual monopoly over an essential market and very relaxed or non-existent price controls to simply fall back on price rises, rather than take the often harder steps needed to deliver a high quality and efficient service. This is a particular risk when Royal Mail also operates in a competitive parcels market, creating the temptation to cross-subsidise parcel prices at the expense of captive letter consumers. There is already evidence of this trend (see Figure 1), with prices increasing most dramatically in the areas of the market, such as low weight letters, where Royal Mail has a monopoly or is by far the most dominant player.

- 3.9 **For all these reasons, Citizens Advice remains of the view that price safeguard caps are vital to underpinning the affordable and efficient service Ofcom is tasked with safeguarding under the USO.** Any more targeted affordability measure should only supplement the price control principle, as we see across other essential markets.

A targeted stamp scheme raises a number of practical considerations

- 3.10 Affordability measures are now widespread across essential markets, but they pose a number of practical challenges. A targeted stamp scheme has been explored several times previously, and each time practical considerations have ruled it out. We are happy to share our insights, based on our experience of supporting a wide range of people through our frontline advice, as well as our insights into the efficacy of these measures in other sectors. However, there are a range of obstacles to realising an effective scheme in practice and such a scheme on its own is highly unlikely to reach all or even most of those who face affordability challenges. We set these out in more detail below:

- 3.10.1 **Cliff edges and affordability:** The receipt of means-tested benefits is the most widely-used eligibility criteria for social tariffs. This is largely down to the fact it is easiest to operationalise, rather than the most accurate means of capturing need. Almost 1 in 5 middle income households (19%) are eligible for support under a

means-tested benefit criterion, whilst around a third (32%) of households in the lowest 10% of the income distribution would miss out.⁴¹ This group is specifically identified by Ofcom as facing some of the greatest postal affordability challenges.⁴² We estimate that 1.6m adults who live in a household that is not in receipt of any means-tested benefits are in a negative budget (meaning their income does not cover outgoings on essentials).⁴³ The blunt nature of this criterion for accurately capturing need is combined with the fact that those who are ineligible will both pay to cross-subsidise the scheme and lose some or all of the stamp price protection they currently benefit from.

3.10.2 The need to apply in advance creates barriers to access. Ofcom states that an initial application process encourages people to be self-selecting based on need.⁴⁴ But the letters market poses particular challenges in this respect. Unlike other essential services, post is often used in a more sporadic and unpredictable way, unlike the regular monthly bills associated with water or mobile. Many people are likely to only find out about the scheme when they need to send something urgent or expensive, but - at this point - the consumer would then need to apply to the scheme, confirm eligibility and wait for their application to be processed. This will take time and is likely to lead to eligible consumers buying full priced stamps in order to make sure that their post arrives on time.

3.10.3 Awareness raising is an even greater challenge in post than it is in other sectors. Raising awareness of affordability schemes is a widespread challenge, particularly with harder to reach consumers most likely to be eligible. In other markets, however, mechanisms can be used to target those likely to benefit, as they are normally in some form of contract with their provider. This allows water or

⁴¹ IPPR, [Essential potential: Exploring the benefits and challenges of social tariffs across essential markets](#), 2025.

⁴² Ofcom, [Call for input: Review of postal regulation - pricing and affordability](#), 2025, paragraph 3.34.

⁴³ Citizens Advice client data for England and Wales, 2025, based on our [National Red Index](#).

⁴⁴ Ofcom, [Call for input: Review of postal regulation - pricing and affordability](#), 2025, paragraph 4.31.

broadband companies, for example, to directly contact customers who might be eligible or who fall into arrears. Royal Mail lacks these options for targeted promotion. The commercial considerations may act as further disincentives for awareness-raising. Where we've seen companies themselves responsible for administering affordability schemes, like social tariffs in the telecoms market for example, awareness is often low. Ofcom has found over half of eligible households remain unaware of broadband social tariffs.⁴⁵

3.11 We're already aware that Royal Mail has a poor record in promoting other products designed to support low income consumers. Royal Mail's concessionary redirection scheme offers discounted redirections to consumers who are in receipt of means-tested benefit - the same group who would be eligible for the targeted stamp scheme.⁴⁶ Yet, our research found that only **15%** of eligible consumers were aware of the scheme.⁴⁷ Of those who were aware, Royal Mail's promotion of the product was rarely a factor. The most common means of finding the scheme were via word of mouth (27%) or proactively searching for information online (28%).⁴⁸ Less than 1 in 5 (18%) found out about it via Royal Mail's advertising.⁴⁹ The application process for this product is also poorly accessible, requiring either completion of an online form followed by a phone consultation, or a postal application involving original or certified copies of benefit and/or bank statements.

3.12 Given the range of challenges around awareness raising, any scheme will need to consider the role of third parties. Although Ofcom proposes the scheme be administered by Royal Mail, few people buy postage from Royal Mail directly. As such, Post Offices, cornershops, supermarkets and other outlets for the sale of stamps will need to be engaged in raising awareness and customer support - if in-person

⁴⁵ Ofcom, [Pricing trends for communications services in the UK](#), 2023, p.4.

⁴⁶ Ofcom, [Call for input: Review of postal regulation – pricing and affordability](#), 2025, paragraph 4.22.

⁴⁷ Online survey of 2003 UK adults in receipt of one or more of the eligible means-tested benefits, Yonder Data Solutions, 02 Jul - 14 Jul 2025.

⁴⁸ Online survey of 2003 UK adults in receipt of one or more of the eligible means-tested benefits, Yonder Data Solutions, 02 Jul - 14 Jul 2025.

⁴⁹ Ibid.

applications are allowed for those who are digitally excluded for example, Post Offices may be involved in administering the scheme.⁵⁰ This may raise questions around remuneration for Post Office, potentially adding to the cost of a more fully accessible scheme.

- 3.13 **Beyond solely awareness raising, Ofcom fails to consider the wider challenges of the support landscape for those on means-tested benefits.** People we help already need to find out about, apply to, gather evidence for and manage a wide array of services and support offers. Claiming Universal Credit, health-related benefits, other social tariffs, Child Benefit, Pension Credit, or Carer's Allowance will all require distinct application processes and evidence requirements. For people who are often in very challenging circumstances - facing unemployment, debts, ill health, caring responsibilities, often combined with issues like digital exclusion - the burden is frequently overwhelming. Unsurprisingly, our evidence finds that every step where consumers have to take proactive action to access support means lower uptake overall.⁵¹ Some of the requirements around documentation can be reduced for consumers in cases where a company has a data-sharing 'API' with DWP, but it is unclear if Royal Mail could access this.
- 3.14 What this scheme proposes is adding yet another scheme and process to the already formidable administration and evidence requirements facing this group. It is likely that - as with other application-based social tariffs - we will see eligible people missing out simply because of the sheer demands on their capacities. We estimate that **£1.9 billion of support goes unclaimed in broadband and water alone.**⁵²
- 3.15 **Questions around demonstration of eligibility and the risk of fraud remain unanswered.** If Royal Mail lacks an API to confirm eligibility with DWP, it will need to consider the evidence requirements applicants would need to demonstrate. In our experience, there are significant and often

⁵⁰ Ofcom, [Call for input: Review of postal regulation - pricing and affordability](#), 2025, paragraphs 4.27 and 4.32.

⁵¹ Citizens Advice, [Barriers to Access: Why broadband and water social tariffs aren't reaching struggling households](#), 2025.

⁵² Citizens Advice, [Securing Life's Essentials: Building a plan for targeted bill support in regulated markets](#), 2024

insurmountable challenges to the aim of an application process with “minimum barriers possible” when people also need to produce and verify documentation for access, particularly for people with additional vulnerabilities such as digital exclusion or mental and physical health issues.⁵³ Ofcom also acknowledges the scheme “could be open to risk of fraud and misuse”, such as the selling on of stamps, and suggests Royal Mail needs “effective safeguards” that minimise this risk, but at the same time guard against “added complexity”.⁵⁴ All of these issues suggest significant practical questions have not yet been addressed - and there are clear risks that they cannot be tackled in a way which meets the basic affordability aims of the scheme.

⁵³ Citizens Advice, [Barriers to Access: Why broadband and water social tariffs aren't reaching struggling households](#), 2025.

⁵⁴ Ofcom, [Call for input: Review of postal regulation – pricing and affordability](#), 2025, paragraph 4.45.

4. Broader questions around pricing regulation

Section 4 engages with questions:

- 2.2: Do you agree with our planned approach to this review?
- 5.1: Do you have any comments on our initial views set out in paragraphs 5.2-5.16 in Section 5 on whether there is a case for Ofcom to move away from its existing approach to price regulation of Royal Mail's letter services based on considerations other than affordability?

- 4.1 Prior to Ofcom assuming control of postal regulation in 2012, Royal Mail was subject to price controls on all its major USO products. This included outcomes incentives - i.e., an intervention that ties Royal Mail's ability to change prices directly to their quality of service outcomes.⁵⁵ 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'.
- 4.2 Ofcom now recognises that half a decade of missed quality of service targets, above inflation price rises and a lack of efficiency gains have led to increasing dissatisfaction with Royal Mail's letters service and plans to explore whether alternative pricing approaches could be more effective.⁵⁶
Citizens Advice welcomes Ofcom's commitment to explore alternative remedies.
- 4.3 Ofcom's call for input sets out a range of possible alternative approaches, including a cap on profits for a defined set of Royal Mail services, a more direct link between pricing and cost of service provision, a requirement for Ofcom to approve price increases before they take effect and increased links between pricing and quality of service outcomes.⁵⁷

⁵⁵ Ofcom, [Call for input: Review of postal regulation – pricing and affordability](#), 2025, paragraph 5.16.

⁵⁶ Ofcom, [Call for input: Review of postal regulation – pricing and affordability](#), 2025, paragraph 5.5.

⁵⁷ Ofcom, [Call for input: Review of postal regulation – pricing and affordability](#), 2025, paragraph 5.7.

4.4 As we have previously set out, **Citizens Advice would recommend an outcomes-based approach, strengthening the link between price increases and quality of service improvements.**⁵⁸ This would build on the approaches already in place in other monopoly sectors such as water. It would involve:

1. A commitment to retain the 2nd class price safeguard cap and to extend price protection to 1st class products.
2. Using price controls to more meaningfully incentivise quality of service, by making Royal Mail's ability to raise prices conditional on meeting their now reduced quality of service and tail of mail targets.

4.5 We believe this approach offers a range of advantages, both on the current approach and on alternative models:

4.5.1 **It strikes a fairer balance between Ofcom's dual aims of protecting affordability for consumers in a monopoly market and ensuring a sustainable Royal Mail.** Ofcom has recently granted Royal Mail a range of reductions to its delivery requirements and quality of service targets, estimated to save the company up to £425 million per year.⁵⁹ Consumers, on the other hand, have seen half a decade of missed delivery targets, rendering them almost meaningless, combined with 1st class prices more than doubling. Extending price protection and making increases conditional on these reforms - requested by Royal Mail themselves - generating much-needed quality of service improvements, allows Ofcom to offer some reciprocal guarantees to consumers that a reduced service will also meet their priorities for a more reliable and affordable service.

4.5.2 **It provides far stronger commercial incentives for Royal Mail to invest in improving service standards in the absence of market competition.** Ofcom has investigated Royal Mail for quality of

⁵⁸ Citizens Advice, [Ofcom Consultation: Review of the universal postal service order and other postal regulation](#), 2025, paragraphs 6.13 - 6.14.

⁵⁹ Ofcom, [Statement - Review of the universal postal service and other postal regulation](#), 2025, paragraph 1.13.

service failures 7 times since 2015 (and has chosen not to investigate in several other years where targets were missed).⁶⁰ Yet, the regulator has only issued fines on four occasions. The most recent and largest penalty amounts to just 0.16% of the group's revenue for that financial year.⁶¹ These sporadic, minimal fines are clearly offering few incentives for Royal Mail to improve and could be seen as simply the cost of doing business for the company.

4.5.3 It offers a clear incentive for Royal Mail to consider its efficiency. A challenge of the current, minimally controlled, pricing regime - and one that would increase significantly were controls relaxed or removed - is the temptation for Royal Mail to fall back on price increases for monopoly products, rather than considering more challenging efficiency or improvement measures. While Royal Mail has blamed many of its financial struggles on falling letter volumes, this is not the full picture. 2024's half year financial report acknowledges that declining letter volumes are being "more than offset by price increases."⁶² What's more, the 2024 half yearly results suggest that post consumers are subsidising Royal Mail's competitive parcel service. Despite parcel volumes increasing by 9%, parcel revenue only increased by 8.9%.⁶³ On the other hand, total letter post volumes fell by 5%, whilst revenue increased by 7.2%.⁶⁴ Making this ongoing cycle of price increases more conditional on genuine service improvement will be key to the sustainability of the universal service in future.

4.5.4 It offers consumers compensation - in the form of reduced or frozen prices - if they suffer poor service. The need for consumer compensation for poor service is accepted as standard in most essential industries - people now expect it if their energy or water

⁶⁰ Ofcom, [Enforcement](#).

⁶¹ Ofcom, [Ofcom fines Royal Mail £21m for missing its 2024/25 targets](#). Royal Mail, [Financial Report for the full year ended 30 March 2025](#). Reported Group revenue for the year ending March 2025 was £13,100m. $(£21m / £13,100m) * 100 = 0.16\%$.

⁶² International Distribution Services PLC, [Results for the 26 weeks ended 29 September 2024](#), November 2024.

⁶³ International Distribution Services PLC, [Results for the 26 weeks ended 29 September 2024](#), November 2024.

⁶⁴ Ibid.

supply is interrupted, or their train arrives late.⁶⁵ 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.⁶⁶ Rather than any penalty going directly to the Treasury, reduced or frozen price caps mean the penalty levied is effectively shared between the consumers affected, with the greatest benefits going to those most reliant on post.

4.5.5 It avoids some of the complexities of alternative price control models, such forecasting of future volumes or attribution of network costs to particular services.

⁶⁵ Citizens Advice, [Get compensation if you have a power cut](#); Citizens Advice, [Claiming compensation from water companies](#); Citizens Advice, [Getting a refund for a cancelled or delayed train](#).

⁶⁶ Ofcom, [Automatic compensation: What you need to know](#), 2025.

5. Next steps for more effective affordability measures

- 5.1 **It is vital that price protection continues in a monopoly postal market.** Its removal or even significant relaxation would leave the postal market an outlier compared to other essential services, at a point the government is focused on challenges with the rising cost of living. It also plays a significant role in incentivising service efficiencies - something that is vital to the prospect of a sustainable postal service in the longer term.
- 5.2 Reviewing the form price regulation should take presents an opportunity to more fairly balance consumer needs with financial sustainability in the postal sector. **Citizens Advice recommends an outcomes-based approach, using price control to make ongoing price increases conditional on quality of service improvements.**⁶⁷ This provides stronger commercial incentives for Royal Mail to invest in improving service standards, while also offering a form of compensation to consumers if they suffer poor service.
- 5.3 As it stands, there are significant risks around the affordability proposals put forward in this CFI. Affordability schemes now exist in many essential markets and we are happy to explore options for the postal sector. But, given the practical hurdles inherent in these schemes and difficulties in capturing need, **an affordability scheme can never take the place of price caps in a monopoly market and have not done so elsewhere.** These measures would pose a direct threat to the affordability principles set out under the postal USO.
- 5.4 **The form of targeted discount scheme outlined in this CFI is likely to see very low take-up and suffer from a range of practical challenges.** It is notable that, in proposing to end the automated nature of price protection and replace it with an application-based scheme, the CFI lacks any acknowledgment of the support context into which this scheme would be introduced. For those on means-tested benefits - many of whom

⁶⁷ Citizens Advice, [Ofcom Consultation: Review of the universal postal service order and other postal regulation](#), 2025, paragraphs 6.13 - 6.14.

are facing health issues, caring responsibilities, unemployment and financial challenges - the multitude of different benefits and social tariffs they are required to navigate is all too often overwhelming. The result is eligible people missing out simply as yet another application process can place too great a demand on their capacities. If Ofcom is serious about such a scheme as an effective affordability support, there needs to be a much fuller exploration of alternative options, such as slower service 'economy' stamps. We are happy to support further in the development of any alternative affordability measures.

- 5.5 Finally, we would question the timing of these proposals. It has been less than six months since Ofcom granted Royal Mail the range of USO relaxations it had requested, including significantly scaled-back 2nd class delivery requirements and reduced quality of service targets.⁶⁸ The regulator estimates that this will save the company up to £425 million per year.⁶⁹ Royal Mail also announced it had returned to profit in the 2024-25 financial year.⁷⁰ In this context, **the justification for the reduction or removal of price control off the back of a discount scheme which faces so many practical challenges is unclear at best.**

⁶⁸ Ofcom, [Statement - Review of the universal postal service and other postal regulation](#), 2025, pp. 3-4.

⁶⁹ Ofcom, [Statement - Review of the universal postal service and other postal regulation](#), 2025, paragraph 1.13.

⁷⁰ International Distribution Services, [International Distribution Services plc 2024 - 25 results](#), 2025.

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Published December 2025

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

Registered charity number 279057.