

9th December 2025

Submitted via email

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

About us

Consumer Scotland is the statutory body for consumers in Scotland. Established by the Consumer Scotland Act 2020, we are accountable to the Scottish Parliament. The Act defines consumers as individuals and small businesses that purchase, use or receive in Scotland goods or services supplied by a business, profession, not for profit enterprise, or public body.

Our purpose is to improve outcomes for current and future consumers, and our strategic objectives are:

- to enhance understanding and awareness of consumer issues by strengthening the evidence base
- to serve the needs and aspirations of current and future consumers by inspiring and influencing the public, private and third sectors
- to enable the active participation of consumers in a fairer economy by improving access to information and support

Consumer Scotland uses data, research and analysis to inform our work on the key issues facing consumers in Scotland. In conjunction with that evidence base we seek a consumer

perspective through the application of the consumer principles of access, choice, safety, information, fairness, representation, sustainability and redress.

Consumer Principles

The Consumer Principles are a set of principles developed by consumer organisations in the UK and overseas.

Consumer Scotland uses the Consumer Principles as a framework through which to analyse the evidence on markets and related issues from a consumer perspective.

The Consumer Principles are:

- Access: Can people get the goods or services they need or want?
- Choice: Is there any?
- Fairness: Are some or all consumers unfairly discriminated against?
- Representation: Do consumers have a say in how goods or services are provided?
- Redress: If things go wrong, is there a system for making things right?
- Sustainability: Are consumers enabled to make sustainable choices?

We have identified access, choice, and fairness as being particularly relevant to the consultation proposal that we are responding to.

Our response

Consumer Scotland welcomes the opportunity to respond to this review, which comes at a time of sustained cost-of-living pressures for consumers across the UK. The affordability of essential services, including postal services, is under increasing strain, particularly for low-income households and those who are digitally excluded.

Overview and Summary of Key Points

Background

Postal services continue to play a vital role in connecting consumers in Scotland with the wider economy and public services. They remain a critical channel for consumers to receive important communications such as medical appointments, benefits information, and utility bills. For consumers in rural areas or those without reliable internet access, affordable and dependable postal services can be essential. For many small businesses, access to affordable postal services is crucial to their ongoing business activities.

Consumer Scotland is concerned by the sharp rises in postal costs in recent years, particularly the significant increase in the price of First-Class stamps. Between 2021-2025, stamps increased in real terms by 59%, more than double the rate of CPI inflation of 26% for the same period. These price rises have coincided with Royal Mail's repeated failure to meet regulated delivery targets, undermining the value proposition for consumers.

Recent changes to the Universal Service Obligation, including the shift to alternate weekday deliveries for Second Class mail, will further reduced service levels for consumers when implemented.

Feedback on proposals set out in the Call for Input (Cfi)

Consumer Scotland recognises the potential that well-designed, well-targeted affordability or discount schemes can have for reducing cost pressures for low-income consumers in different markets.

However, we have very significant concerns about the potential direction of travel set out in the Call for Input, which suggests the potential introduction of a targeted discount scheme could lead to either the removal or relaxation of the existing safeguard cap for second class letters.

Earlier this year, Consumer Scotland commissioned qualitative research by Thinks Insight and Strategy with low-income consumers in rural Scotland to explore their views on reforms to the postal system. While the research focused predominantly on proposed changes to the universal service, it also gathered some evidence of consumers' views on the possible merits and drawbacks of a targeted discount scheme. The research found¹:

- Awareness of the safeguard cap for second class stamps was very low amongst research participants
- On learning more about the cap, participants regarded it very positively and saw it as making the postal service accessible and affordable.
- Given wider affordability concerns and price increases, participants were keen for reassurance that the cost of second-class stamps will be kept at an accessible price in future.
- With regards to a potential targeted scheme, participants had concerns about how eligibility for a scheme would be decided and had particular questions about how 'low-income' will be categorised.
- Some participants expressed concern that a targeted scheme aimed only at those on the very lowest incomes might include some consumers who have very little need for post but would miss out consumers who might have a slightly larger income but still face a significant struggle to pay for post that is essential.
- Many participants were concerned that having to prove eligibility for a targeted scheme might be stigmatising.
- Participants indicated that for any targeted scheme to be acceptable, specific attention would be required to ensure an accessible application process for those who are digitally excluded, older people or those living with a disability.

Consumer Scotland supports the exploration of a targeted discount scheme, if this can be made to operate effectively – but only if this is an additional consumer protection, not if it replaces or dilutes the existing safeguard price protection for second class letters.

Our reasons for this perspective are as follows:

- Our experience in other markets highlights that **targeted affordability schemes often encounter significant challenges** in reaching consumers who they are intended to benefit, and/or in ensuring that those consumers who could most benefit from the scheme can be effectively identified and included.
- There are **particularly difficult challenges to the design of a targeted discount scheme for the postal sector** that could adequately meet consumer needs. These challenges include the data sharing gateways required to target those who may benefit from a scheme, and the significant limitations that are proposed in the Cfl around scheme reach and generosity due to the regulator's concerns about Royal Mail's financial sustainability.
- **In other markets where targeted discount schemes are provided, these are not the only mechanisms in place to keep prices affordable for consumers. It does not**

appear feasible for a narrow-targeted scheme in the postal sector to be able to deliver sufficient consumer protections to meet the statutory requirement for an affordable postal service. Energy network companies and Scottish Water are subject to price control determinations over a number of years. The energy retail sector is subject to a regulated price cap although this is updated quarterly to reflect underlying cost and varies geographically. In telecoms, price caps exist in some sectors, while in other parts of the market competition between providers is a key mechanism for driving affordable prices.

- **The safeguard cap on second class letters provides an important affordability mechanism for all consumers to be able to access postal services.** This includes small businesses who provide a vital role in the UK economy and may be disadvantaged by high costs of postage. This is particularly important given the significant rise in First-Class stamp prices in recent years. Due to the safeguard cap, Second-Class stamp prices have risen much less steeply in this time. Ofcom observes in its Cfl a shift by consumers from First-Class stamps towards Second Class stamps in recent years.
- As the delivery of letters is a monopoly market, **a price control mechanism such as a safeguard cap is essential to protect captive consumers from paying for inefficiencies in the operating model of the monopoly service provider.** Without a price control, and with no competition, there is very limited incentive for a monopoly provider, such as Royal Mail, to maximise its efficiencies rather than simply passing on costs to consumers.
- The cost-of-living pressures that consumers have experienced across multiple markets in recent years mean that **many consumers, including those who would not be eligible for a targeted scheme, face challenges to their financial wellbeing,** including issues of debt and arrears, limited financial resilience, and ongoing exposure to higher prices across a range of markets and services. Ofcom has not provided any modelling in the Cfl of what the impact of removing or relaxing the second-class safeguard cap would mean in terms of price rises in future years, and what impact this would have on the affordability of services for different groups of consumers, with different levels of income and facing different cost pressures.
- In July 2025 Ofcom announced a range of changes to the universal postal service, which reduce the service offering for consumers and are intended to improve the financial sustainability of Royal Mail. These changes have not yet been implemented and therefore Royal Mail has not yet realised the savings that these will bring. **Introducing further changes to increase consumer costs, without having assessed Royal Mail's financial position following the implementation of the recently introduced reforms, appears premature.**

- **A targeted scheme would not support small businesses**, many of whom will use the postal service in different ways to domestic consumers and rely on the service for the successful operation of their business.

Given these issues, any proposal to reduce or remove the existing safeguard cap in favour or a targeted discount scheme only, would appear to be significantly flawed.

Next steps and recommendations

As it develops its pricing and affordability work further, Consumer Scotland recommends that Ofcom should:

- 1. Commit to maintaining a safeguard cap as a robust and effective price control regime for second class letters**, to protect all consumers and ensure efficiency, fairness and accountability.
- 2. Clarify its proposed objectives as set out in the Call for Input**, recognising the tension that exists between them. It would be helpful for Ofcom to set out:
 - The hierarchy between the different objectives
 - The data and processes it uses to reach a resolution when the objectives are in tension
 - A more detailed assessment of the proposals set out in the Call for Input in terms of their expected effectiveness against each of the four objectives for the Review. This should include a detailed assessment of the extent to which, the potential introduction of a targeted stamp scheme and the potential reduction or removal of the safeguard cap for second class letters, would deliver on the statutory requirement for an affordable postal service.
- 3. Publish more detailed analysis on the reasons it observes for the trend in consumer purchasing towards second class letters, away from first class, including an assessment of the impact of First-Class price rises on this trend during the past five years.**
- 4. Review the timescales for its approach to making any changes to existing affordability protections** given the recently announced but not yet implemented changes to the USO. Ofcom should make a further assessment of Royal Mail's financial sustainability following the full implementation of these USO changes and consider what other regulatory tools it can deploy to drive improved efficiency and sustainability within Royal Mail, rather than the removal or reduction of consumer affordability protections.

- 5. Publish detailed modelling on the real-world impact for consumers of any proposals** which further develop the potential relaxation or removal the second-class stamp safeguard cap as suggested in the Cfl. This modelling should include:
- details of the expected price rises that would occur for second class letters were the cap to be altered, and
 - a detailed assessment of the financial impact that these different price trajectories would have for different groups of consumers.

This should specifically include an assessment of the financial impact on those in vulnerable circumstances, those who are digitally excluded, those who are frequent users of postal services, and small businesses. Any such assessment should clearly identify the specific risks to different groups of consumers from any changes to the safeguard cap, in terms of affordable access to postal services.

- 6. Provide an assessment of the impact that it expects any changes to affordability and financial sustainability interventions will deliver in improving Royal Mail's performance against quality-of-service targets**, explaining in detail the linkages between the proposed change and potential quality of service impact.
- 7. Provide more detail to set out the rationale for the selection of countries highlighted in the Cfl for international comparison**, explaining why these countries in particular offer transferrable learning for the UK. Ofcom should consider whether additional countries, with cheaper postal services, may provide different learnings on balancing the trade-offs of affordability, sustainability and quality of service in a fair and proportionate way.
- 8. Provide further research and evidence into the nominal and real-term price increases across international USO providers** during the past five years.
- 9. Continue to draw further learning from other markets, such as telecommunications, water and energy, to identify the relevant insights in the design and implementation of social tariffs, targeted schemes, and mechanisms to protect vulnerable consumers while maintaining commercial viability.** Common challenges that we identify across markets include data-matching, digital exclusion, and the risk of regressive impacts. Applying these learnings can help ensure that any postal affordability measures are effective, equitable and proportionate.
- 10. Clarify some aspects of the Jigsaw research findings and ensure that the full range of perspectives from that work are included within the next steps.**
- 11. Review its assessment of affordability and develop a broader approach, which recognises the specific affordability challenges that may be encountered by those consumers most dependent on postal service and which recognises postal**

affordability challenges within wider cost of living pressures. Ofcom should consider options for extending its postal monitoring tracker to collect the data that would enable this more rounded approach.

12. Revisit its position related to affordability challenges for SMEs and their needs for fair and proportionate pricing of letters. Further consideration should be given to the impact of SME affordability challenges in access to postal services within any proposed changes to the second-class stamp safeguard cap and the wider implications of this for broader economic activity in the UK.

13. Consider, if taking forward any proposals for an additional targeted discount scheme, key factors in understanding consumer vulnerability, as follows:

- Consumer vulnerability can be **temporary, sporadic or permanent**. The circumstances encountered in everyday life can result in any person experiencing vulnerability
- Consumers can **move in and out of states of vulnerability** and they may be vulnerable in respect of some categories of transaction but not others
- Vulnerability can be **situation dependent** with consumers often experiencing vulnerability because of factors outside their control. This, and the inequalities that may result, can be caused by a failure of markets, regulators, the state and wider society rather than the individual or their circumstances
- Vulnerability can be **cumulative** and when different characteristics, life circumstances and **structural inequalities** combine, inequalities can be compounded.

14. Take the following development points into account in any ongoing work to consider the potential of an additional targeted discount scheme:

- The need for any targeted scheme to be well-publicised so that eligible consumers can access it with minimal barriers
- The need to avoid point-of-sale proof requirements to reduce stigma
- The importance of a well-designed mechanism for offline access to reach digitally excluded consumers who are at increased likelihood of using postal services

15. Provide more evidence to support its observation that the current arrangements are sufficiently delivering improved efficiencies at Royal Mail.

16. Develop its approach to future pricing regulation with a clearer and more explicit focus on delivering value for money for consumers.

Section 2: Introduction

Question 2.1: Do you agree with our proposed objectives for this review?

Consumer Scotland agrees with two of the proposed objectives for review:

- Ensure universal services are affordable, particularly for vulnerable customers;
- Provide protection to postal users where such protection is unlikely to be provided by the need to consider cost recovery and to ensure financial sustainability are statutory requirements for Ofcom, alongside the requirement on affordability competitive markets

However, we would highlight that the two other objectives may be in tension with the first two and Ofcom also recognises this challenge in the Call for Input document. These objectives, as set out in the Call for Input are:

- Ensure any safeguard cap or other interventions take into account cost recovery associated with the intervention;
- Minimise the impact of any safeguard cap or other intervention on the financial sustainability of the universal service, while retaining incentives for Royal Mail to operate efficiently.²

We recognise that striking the appropriate balance between the four objectives is a foundational task for the economic regulator and that it presents inherent challenges. **We would however welcome Ofcom providing further detail, going beyond the information in the Cfi document, on:**

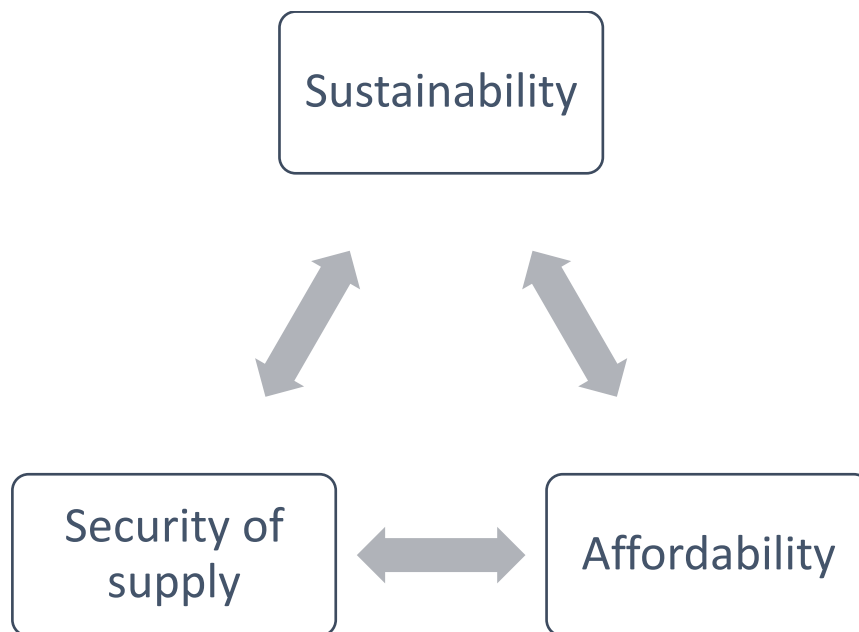
- **Whether it considers there to be a hierarchy between the objectives for the purposes of this review?**
- **What specific criteria, data and processes it will apply in order to make a *'judgement in the round'* on how to fulfil its statutory duties as they relate to the four objectives where these are in tension?**

Example from energy: balancing different objectives

The inherent tension between sustainability and affordability is an issue across markets. In the energy sector exists what is called the Energy Trilemma, which refers to the balancing of three dimensions of energy policy:³

- **Energy security** is the ensuring of a reliable and uninterrupted supply of energy,
- **Sustainability** is the minimisation of the environmental impact of energy production,
- **Affordability** means minimising the cost of energy for the population.⁴

Fig 1 shows the Energy Trilemma to understand the three objectives that policymakers need to balance⁵



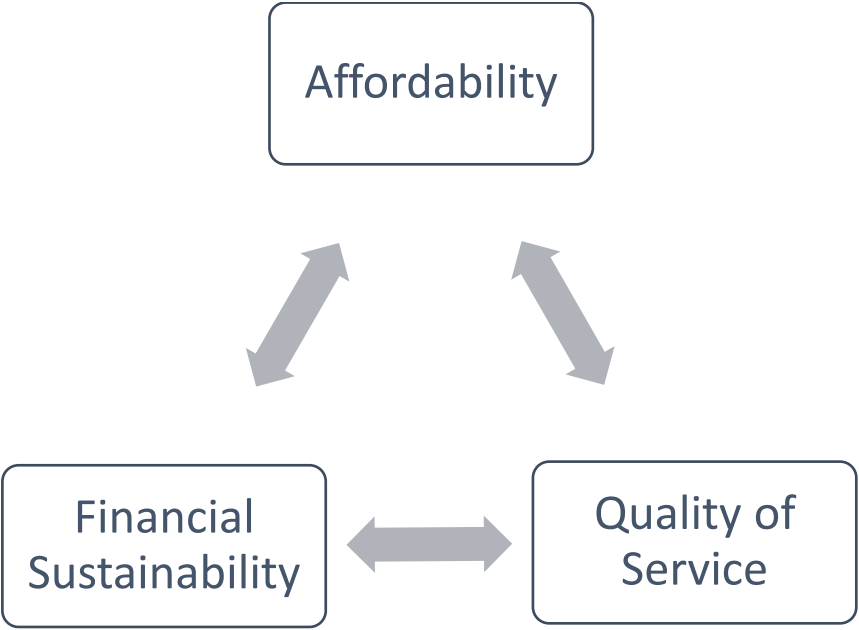
These competing demands need to be balanced in order to have energy systems that successfully manage competing trade-offs to deliver good consumer outcomes.

Understanding objectives within the postal sector

The postal service arguably has a similar trilemma, with the main considerations concerning:

- **Affordability:** the accessibility and affordability of postal services for consumers, especially vulnerable and low-income groups.
- **Financial sustainability of the USO:** financial sustainability refers to the ability of the USO provider to deliver postal services while still maintaining financial viability.
- **Quality of service:** the quality-of-service element is the ensuring of reliable and uninterrupted delivery to the standards set out by the regulator

Fig 2 shows a proposed 'trilemma' model for understanding the relationship and trade-offs between different policy objectives



As with the energy trilemma, these three dimensions need to be balanced but can often come into conflict with decisions made about how and when one is prioritised above the others.

Due to the possibility of tension between affordability, financial sustainability, and quality of service in any significant regulatory decision, we would encourage Ofcom to provide clarification of its main policy goal in this Call for Input. Although affordability is seemingly the priority, there is also a focus on Royal Mail’s financial viability and questions that remain over quality-of-service standards. We would encourage Ofcom to provide more detail on how these likely competing dimensions will be balanced through the review to create a postal market which delivers for consumers and achieves the right balance between each dimension.

We provide below further context on a number of key issues we identify for postal consumers in Scotland, which inform our response to the objectives and to the Call for Input more broadly. These issues are as follows:

- 1. Importance of postal services for consumers in Scotland
- 2. Current affordability and value for money of postal services
- 3. Quality of service targets and price increases
- 4. Concerns about lack of clarity and cost realisation from USO reform

1. Importance of postal services for consumers in Scotland

In considering the affordability of postal services, it is important to set this in the context of the ongoing importance of these services for consumers in Scotland. Postal services are vital for consumers in Scotland, providing an important communications channel and enabling access to a wide range of other markets and services.

In 2023 Consumer Scotland commissioned YouGov plc to survey a representative sample of adults in Scotland on their attitudes to postal services, see Box 1.⁶

Box 1: Key findings from the research include:

- Nearly two thirds of adults in Scotland had sent first (65%) and second-class letters (62%) in the last 12 months, while just over three quarters (77%) had sent parcels.
- The most common frequency for sending postal services a letter or parcel was less than once a month (50% sending first class letters, 48% second class letters and 57% parcels).
- Younger consumers were less likely to use postal services in the past 12 months.
- Letters remain important for consumers to communicate with each other, with birthday cards the most commonly sent form of letter (79% of those consumers who had sent a letter in the last year had sent these).
- The majority of those who send letters are writing to family (average of 63%, increasing with age from 47% for 16-24 year olds to 69% for 55+) and friends (average 54%, also rising with age from 47% for 16-24 year olds to 61% for 55+).
- For those communications which are not personal, sending letters to government departments, local authorities and banks remains important for consumers, with 31% of letters sent being identity documents.

Ofcom research also evidences the social value of post. More than half of consumers (57%) say they would feel isolated without the ability to send and receive letters and cards.⁷

Recent research by Citizens Advice further highlights the importance of postal services consumers.⁸ Findings include:

- More than 7 in 10 people had received a letter in the past month
- Over 24 million UK adults (46%) sent important 24 information, like benefits paperwork, court documents or ID in the post in the 6 months leading up to June 2023
- Black and minority ethnic consumers, those in receipt of Universal Credit and those aged 18 - 34 are all more likely to use post in this way.

Post can be particularly important for those who are not online. Ofcom's Connected Nations report (2025) shows that consumers in Scotland have the lowest access to residential full-fibre network coverage of all UK jurisdictions and joint lowest access, with Wales, to gigabit-capable network coverage although we note the improvements year-on-year.⁹

Moreover, sending non-essential post can have a positive impact on wellbeing, especially for those who are older or digitally excluded. This is noted in the qualitative research (Jigsaw, 2025) commissioned by Ofcom.¹⁰ Here, participants described sending non-essential post as a ‘valuable’ or ‘nice’ thing to do, allowing people to maintain contact with a ‘personal touch’ for birthdays and other special events.

In this context, it is important that all consumers across Scotland have access to affordable postal services that provide good value for money.

2. Current affordability and value for money of postal services

Consumer Scotland is concerned that there are currently insufficient protections for consumers with regards to the affordability and value for money of postal services. In particular, we note that the price of a first-class stamp has more than doubled during the past six years, from 70p in 2019 to £1.70 from April 2025. As Ofcom notes in the Call for Input, from 2021-2025 there has been a 100% increase in nominal terms, and a 59% increase in real terms.¹¹

Postal services can be particularly important for some groups of consumers who are more likely to be on low incomes, for example to send important documents and to engage with essential services. Research from Citizens Advice shows that a third (34%) of people surveyed said they would struggle to manage their finances without post. This rises to almost half for those on a low income (47%) and disabled people (46%).¹²

More broadly, Consumer Scotland analysis has highlighted the differing impact of the cost-of-living crisis for different groups of consumers in Scotland from 2022-2024, particularly:

- the fifth of households in Scotland with the lowest incomes experienced inflation at over 18% between January 2022 and January 2024
- the fifth of households with the highest incomes experienced inflation at less than 14% during the same period.

It is important therefore, that the cost of postal services is not considered in isolation, but that proper account is taken of the significant other financial pressures that consumers are experiencing.

3. Quality of Service Targets and Price Increases

The impact of recent price rises in postal services has been compounded for consumers by Royal Mail’s failure to meet regulatory delivery targets over much of the past decade. In the Call for Input, Ofcom notes that Royal Mail’s Quality of Service has been ‘unacceptable in recent years’ and that measures have been taken to ‘hold Royal Mail to account on its obligations.’ However, these measures have not, as of yet, improved the quality of service provided by Royal Mail. The overall impact of the trends in service provision in recent years is that consumers are paying considerably higher prices for a sub-standard service.

Ofcom notes that there is a 'trend of postal users moving away from using First Class all or most of the time that coincides with an upward trend in users using Second Class.' **We would encourage Ofcom to publish more detailed analysis on the reasons it observes for this trend.** One hypothesis that should be tested in this analysis is whether the sharp increase in the price of first-class stamps in recent years is driving consumers towards the more affordable second-class stamp option.

Whatever the reasons, **the current trend towards second class post indicates that a significant and growing number of consumers may be adversely affected by any decision to relax or remove the current safeguard cap for second class letters.**

4. Concerns about lack of clarity and cost realisation from USO reform

The changes made by Ofcom in July 2025 to the regulations for the Universal Service Obligation (USO) to support Royal Mail's (RM) financial sustainability and improve quality of service have not yet been delivered, as the permitted changes to service delivery models have still to be implemented by Royal Mail. When introduced, Royal Mail has estimated that these changes have the potential to save the company £300 million.¹³¹⁴

Prior to the introduction of these changes, we note that Royal Mail has returned to profitability according to its reporting of its full year's results, ending March 2025.¹⁵ In Royal Mail's annual report (2024-2025) they report that addressed letter revenue had increased by 6.4% during the previous year and that this was "*predominantly driven by price increases*". Addressed letter volume fell by 4% in the 12 months to March 2025, a significant improvement on the 9% decline the previous year.¹⁶

In this context, with increases in letter revenue and Royal Mail due to realise further savings from USO reform, the concerns set out by Ofcom in the Call for Input around Royal Mail's financial sustainability, and the potential need for imminent changes to affordability interventions to support this sustainability, are unclear.

Finally, we would note that if a factor in Ofcom's concerns about Royal Mail's financial sustainability is the limited progress made by Royal Mail to date in implementing USO changes, then it would be unreasonable for consumers to be exposed to greater risk through the relaxation of affordability protections in order to mitigate this lack of progress by the company. In such circumstances **we would encourage Ofcom to consider what other regulatory levers are available to it to incentivise Royal Mail to promptly deliver the permitted USO changes.**

Question 2.2: Do you agree with our planned approach to this review?

Overview

We set out below a number of challenges or concerns we identify with the planned approach to the review.

Limitations of a targeted scheme as a potential alternative to universal price control

Consumer Scotland has significant concerns about any proposals to relax or remove the second-class safeguard cap which have been suggested within the Cfl. We have previously recommended that a targeted scheme should only be introduced as an addition to general price protection, such as a safeguard cap. A key reason for this is due to the significant limitations and difficulties that we assess a targeted scheme for postal services would encounter in identifying and reaching low income and vulnerable consumers.

Targeted schemes generally offer relatively narrow definitions of affordability and vulnerability. For example, in the Call for Input (Cfl), Ofcom highlights these groups who could benefit from a targeted scheme:

- Older people;
- People on low incomes;
- People in rural areas;
- People without internet access/or poor digital skills;
- People with disabilities.¹⁷

This approach has some methodological drawbacks. In particular, not all consumers who may be vulnerable or who experience difficulties affording postal services will necessarily fall into one of these categories. It is highly likely that any approach to target specific groups of consumers will miss out other postal consumers who would likely require affordability support but who do not fit within a specified category. Therefore, any targeted scheme inevitably has certain weaknesses compared to a universal intervention, such as a safeguard cap, in that it will almost certainly exclude consumers who could benefit from support.¹⁸ Looking at other markets, in our work on energy affordability we found that '[e]ligibility criteria based on social security benefit receipt will inevitably leave some gaps in support because many low-income households are not in receipt of benefits.'¹⁹

The Cfl sets out analysis on how consumers experience the affordability of post within the current pricing arrangements, where there are price controls in place on second-class stamps. However, the document does not provide any detailed modelling of the potential impact of removing or relaxing this protection in favour of a targeted scheme. This appears to be a major gap, as for such a significant regulatory change, modelling of this nature would be essential, to examine the number and characteristics of consumers who may be affected by different price trajectories which may emerge if safeguards were relaxed or removed; and analyse the implications of these different trajectories on the ability of these consumers to access and use post. **To advance with the removal or relaxation of the safeguard cap without the provision of such detailed modelling, a sophisticated understanding of the implications and risks and a clear plan to mitigate these risks, would present a significant risk of unintended or unforeseen consumer harm.**

We also note that while Ofcom outlines the consumer groups that it identifies may be at risk of experiencing affordability challenges, its subsequent proposals around eligibility for a targeted scheme are narrower, focusing on consumers in receipt of Universal Credit or

Pension Credit. Ofcom has recognised that disabled consumers are amongst those likely to be more vulnerable to affordability concerns. We would ask Ofcom to outline why those on PIP/ADP would not be considered as potential recipients and for Ofcom to consider how it can ensure that those consumers who would most benefit from a targeted scheme - which may include disabled consumers - can be included.

Impact of a targeted scheme on quality of service

Ofcom notes in the Cfl:

We recognise that stakeholders' concerns with post pricing are not just about affordability but also reflect concerns about Royal Mail's poor financial and quality of service performance. Many have suggested we should impose broader price controls for universal services, and access services and some have suggested future price rises should be conditional on improvements in quality of service.²⁰

In considering a targeted scheme, and the subsequent potential removal or relaxation of the second-class safeguard cap, the Cfl provides limited detail on the extent to which such interventions, or combination of these, would improve Royal Mail's financial sustainability. It also provides little detail on precisely how such changes would help to achieve improvements in quality of service performance.

Poor quality of service performance can cause consumer detriment including missed hospital appointments, issues for SMEs, and loss of income.²¹ It is difficult however to understand at present the wider potential consumer benefits, such as improved quality of service performance, of any changes to current pricing and affordability arrangements as limited quantitative analysis of this relationship is provided in the Cfl. **Given that any easing of price controls would likely have a detrimental effect on prices for many consumers, it is vital that there is clarity about what positive outcomes, such as improved QoS, Ofcom would expect any such change to deliver for consumers.**

Small businesses

With regards to small businesses, Ofcom has set out an approach which considers both Small and Medium Enterprises (SMEs) in a broadly similar way to domestic consumers. However, this approach does not seem to take sufficient account of the different ways in which SMEs may use postal services or provide any modelling of the potential impact for different types of SMEs, were the safeguard cap to be relaxed or removed in favour of a targeted stamps scheme. As above, the absence of such modelling about the potential implications for SMEs of different price trajectories in these scenarios makes it difficult to have confidence that any significant changes to pricing and affordability arrangements would avoid causing detriment to SMEs.

International Comparisons

Consumer Scotland values the consideration in the Cfl of international price comparison as this provides an important broader context for interpreting affordability. As Ofcom rightly notes, these comparisons 'need to be treated with caution' as there are differences in

services, ownership of the universal provider and geography among other factors.²² Considering the use of international comparisons for pricing of postal products, it would be helpful for Ofcom to offer their reasoning for the countries used in the Cfl comparison, beyond their assurance that they consider them ‘comparable to some degree.’²³

The international pricing provided in the Cfl is to showcase that rising letter prices is a global issue, and in this context the UK is still providing postal services at a lower rate than other countries. However, there is additional data that would be useful to present a full and accurate picture of comparator countries.

Ofcom have noted that internationally, prices for postal services have risen, but the only example included in the Cfl in terms of the level of recent price rises is the UK, where first-class stamps have increased by 100% in nominal terms since April 2021, and 59% in real terms over the same period. Ofcom did not provide an international comparison to illustrate whether prices in the UK are rising at the same speed, more slowly or more quickly than elsewhere.

Consumer Scotland would welcome Ofcom providing further research and evidence into the nominal and real term price increases implemented by international USO providers during the past five years, as this will provide a fuller context to understand current pricing trajectories in the UK and the implications of this for future pricing and affordability policy.

Table 1: Price of non-priority and priority mail in other countries as of August 2025 (reproduced from Ofcom’s Call for Input.²⁴

Country	Non-priority mail (100g)	Priority Mail (100g)
Australia	£1.66	N/A
Denmark	£3.39	£4.55
France	£2.42	N/A
Italy	£2.57	£2.61
United Kingdom	£0.87	£1.70

Furthermore, as can be seen in the reproduced table above, the prices serve to suggest that the postal services in the UK are much more affordable than their international counterparts. However, it is not clear how directly comparable these prices are, as there is no context provided for why prices may differ between the selected jurisdictions. As noted above, there are significant differences between different countries in USO providers, geography, economic factors, and variances in how postage was calculated.

We would encourage Ofcom to make the reasoning behind choosing these countries clear, so that we can better understand the comparisons being made and how this relates to affordability in the UK.

To provide further context, we gathered data from a further ten countries and looked at how much they charge for priority and non-priority services, as can be seen below:

Table 2: Country-based comparison of mail prices, and price differential between priority and non-priority mail

Country	Non-priority	Priority	Differentials between non-priority and priority mail
Canada ²⁵	£0.77	£1.41	£0.64
Ireland ²⁶	£1.45	N/A	N/A
Belgium ²⁷	£2.70	£4.18	£1.48
Netherlands ²⁸	£3.61	N/A	N/A
Austria ²⁹	£2.73	£3.40	£0.67
United States of America	£0.59	N/A	N/A
Japan	£0.88	N/A	N/A
Germany	£1.58	N/A	N/A
Switzerland	£0.95	£1.14	£0.19
Norway ³⁰	£2.82	N/A	N/A

As noted above, there are several factors which influence postage costs and so international comparisons should be treated with caution. However, as can be seen from the data presented in Table 2, the prices to send a non-priority letter ranges from as low as £0.59 in the United States to as high £3.61 in the Netherlands.

Without additional context, these numbers provide only a superficial understanding of postal costs in an international setting. Nevertheless, when this wider group of comparator countries are considered, **prices in the UK do not appear to be as low as the international comparison included in the Cfl might suggest.** For example, the UK’s postal prices for sending non-priority letters are higher than Canada and the United States of America, and comparable to Japan. From this perspective, **there may be value in Ofcom further examining the mechanisms that have been used in these countries to manage postal prices and determine if there is any useful learning could be applied in the UK.**

Section 3: Assessing the affordability of universal postal services

Question 3.1: Do you agree that our approach to assessing affordability of universal postal services should be similar to previous methods?

While we acknowledge that assessing affordability for universal postal services is a difficult task, we do not agree with the approach taken in Ofcom's Call for Input, for a number of reasons.

Summary of Key Points:

- Definitions of affordability: there is a risk that the current definition, and underpinning data, masks the true affordability challenges due to the nature of postal spending. In this context, our assessment is that the current methodology has significant limitations.
- Affordability for postal services cannot be untethered from cost-of-living issues. Consideration of cost of living is the context in which pricing takes place. The role of the cost-of-living crisis remains pertinent to affordability across consumer markets, not only postal services.
- The current data we have from ONS is not robust enough to make decisions about postal affordability due to the seasonal and fluctuating spend of postal services
- The letters market is a monopoly, meaning customers don't have the option to shop about for a better deal and competition cannot be relied upon to manage pricing. Pricing controls are a fair and proportionate mechanism in a monopoly market.

Definitions of Affordability

Ofcom's approach to measuring postal affordability uses ONS data to work out the average household spend on post. However, we are concerned that this approach may underestimate affordability issues in postal services because of the way that ONS data is aggregated. ONS aggregates spending across all households, meaning it captures data from households who rarely need to engage with postal services to those who rely on them. This aggregation of data from all consumers creates difficulties in producing a clear picture on the affordability of postal services for those households who rely on postal services and need to use them regularly. These households may spend considerably more than the average on postal services, but there is a risk that any affordability challenges they experience may be masked within the 'average' figure, as they are contained within a larger dataset including households who rarely require the postal service and who have very low levels of spending on it. In addition, the current approach also does not take account of the potential for consumers' post spending to fluctuate week by week or month by month, which may have implications for affordability.

Affordability of essential services cannot be untethered from wider cost of living challenges

The CFI seeks to disentangle postal affordability from the cost-of-living. While Ofcom recognises that people reporting a reduction in spending on stamps may relate to wider economic pressures and ‘may not necessarily indicate an increase in postal affordability issues’, they note that ‘any regulatory intervention...must be led by the impact of changes in postal prices on affordability and not by the impact of prices of other items.’³¹

However, in our assessment, it is not possible to extricate wider cost-of-living pressures and the affordability of postal products from one another, as they are linked. By definition, ‘affordability’ requires an individual to have sufficient money to buy a product or service. Consumers who are struggling to with insufficient disposable income may have no choice but to spend less on stamps because stamps have become unaffordable for them, as can be seen in Box 2. The context for assessing the affordability of postal prices in the UK has shifted since the cost-of-living crisis, as the capacity of many consumers to afford some products may be different from what it was previously. At the same time, many consumers are now experiencing greater challenges to their wider financial resilience as a legacy of the crisis, such as accrued debt. In this context, the framing of affordability within wider cost of living challenges is critical to ensuring a proper assessment of the affordability of postal services.

Box 2: Our Research:

Consumer Scotland research found that ***even prior to four further price rises in 2023, 2024, and 2025***, some consumers in Scotland were experiencing significant challenges in the affordability or value for money of postal services:⁶

- 19% of consumers said they would find it difficult to afford to buy a book of second-class stamps (then costing £5.44) when thinking about the following week.
- Those in C2DE social grades would be more likely to find buying a book of second class stamps difficult than those in ABC1 social grades (25% vs 11%). Women would also be more likely to find this difficult than men (21% vs 16%).
- 15% of those who send letters or parcels said they had struggled to afford postal services in the last 12 months.
- 28% of those who struggled to afford postal services said they had to forgo paying for or using essentials, such as food or energy, in order to pay for postage.

These numbers indicate that a high proportion of consumers in Scotland require protection and support to ensure that postal services remain available and affordable for them.

Alternative Definitions of Affordability

To inform the next stages of Ofcom’s work on pricing and affordability, **we recommend that Ofcom examines the development of an alternative approach to defining affordability.** We

suggest that this definition assesses affordability based on households that regularly use post and calculates monthly expenditure on post as a proportion of disposable income, alongside other essential costs. Research undertaken by Citizens Advice, has shown that '[t]he figure for the average spend on post among households that use post is 6 times higher than the average for all households.'³² A definition of affordability which accounts for those consumers who are most dependent on the postal service would have the potential to provide a more accurate picture of the proportion of disposable income spent on post by regular service users; help to identify specific affordability challenges; and inform appropriate interventions to tackle these issues.

At present, the available data on postal usage is not sufficient to provide a robust analysis against this proposed definition. **We recommend that Ofcom considers extending its postal monitoring tracker to collect this specific data**, and we would be pleased to work with the regulator to develop this approach further.

The importance of price control in monopoly markets

Price caps have an important role to play across markets, but in a monopoly market they become even more vital to ensure affordability, fairness, and equity for consumers. In sectors where competition cannot effectively constrain prices, such as postal services, water or energy networks, regulatory intervention is necessary to prevent excessive charges. Ofgem's price control framework for energy pricing illustrates this principle: it sets out the basis on which network companies can earn a return, balancing fair value for consumers with a fair rate of return for companies.³³ This approach ensures that consumers are protected from monopoly pricing while allowing firms to recover efficient costs and invest in maintaining and improving infrastructure. Without such controls, monopoly providers could exploit their position, leading to unaffordable prices and consumer harm.

Price caps are essential in the postal sector because Royal Mail operates as a monopoly in the letters market. With no competition for the universal service obligation in letters delivery, consumers rely solely on Royal Mail to deliver letters. This lack of competitive pressure requires some form of price control as an important incentive to drive efficiency and service improvement. Without such a mechanism there is a risk that inefficiencies are passed on to consumers through rising prices, and consumers have limited power to respond to this as they do not have the option of switching provider. In the context of affordability, this creates particular risks for those on low incomes, those who are digitally excluded and those who rely on postal services, including small businesses.

Question 3.2: Do you agree with our initial observations from preliminary analysis of ONS data and market research?

Consumer Scotland partially agrees. As noted above, we have some concerns about the efficacy of the ONS data analysis as it may mask affordability issues by averaging spend on post across all households, including those who do not use postal services, and so has limitations as a reliable measure. In addition, while we welcome the market research

commissioned by Ofcom, we would again reiterate that across energy, water, and telecommunications markets, social tariffs and targeted schemes are used in conjunction with other mechanisms that limit price rises for all consumers.

Affordability and Detriment

In the Cfl, there is scepticism about the extent of detriment caused by affordability issues, with some suggesting that challenges are one-off rather than ongoing. However, even occasional affordability barriers can have significant consequences. While robust quantitative evidence is limited, our research indicates that concerns about cost have influenced consumer behaviour, suggesting that rising prices may be contributing to declining postal volumes.³⁴ This finding is reinforced by the Jigsaw report, where participants described sending postal items as a “luxury” they could scarcely afford – even when those items were essential.

Jigsaw Report: Queries

We welcome Ofcom’s research around the targeted stamp scheme. We have identified a number of questions relating to the research and its presentation in the Cfl that **we would seek clarification from Ofcom on:**

- **Potential target groups for a possible targeted stamp scheme** suggested to research participants included those on Universal Credit (UC), Personal Independence Payments (PIP), and Pension Credit. However, Scotland has devolved benefits and is currently switching people on PIP to Adult Disability Payment (ADP).³⁵ Although PIP/ADP seems currently excluded from eligibility, it is important to note that, if the scheme is broadened to this group, **Ofcom would need to consider how consumers in receipt of relevant devolved benefits would be taken account of in the design of any future targeted scheme.**
- As highlighted above, in Ofcom’s initial proposals for eligibility for a targeted scheme, PIP was not one of the listed benefits. Disabled people are frequent users of postal services (see Box 3) and are more likely to have broader issues with affordability due to poorer financial wellbeing.³⁶ As such, we would ask Ofcom to outline why those on PIP/ADP would not be considered as potential recipients and for Ofcom to consider how it can ensure that those consumers who would most benefit from a targeted scheme - which may include disabled consumers - would be included.
- **We would welcome Ofcom clarifying whether participants in the research knew that the targeted stamps scheme could be additional and that the safeguard cap on second-class does not have to be removed;** or whether they were asked to consider one as a replacement or alternative to the cap.
- There were a number of perspectives shared by participants in the research that did not appear to be fully reflected in the Cfl. For example:

- The researchers noted that ‘Participants felt strongly that the price of stamps has increased significantly over time, especially in the last five years’³⁷
- Due to these recent stamp price increases, research participants noted that post had become a ‘luxury’ because cost, especially for those on benefits, was ‘the most frequently mentioned barrier to not sending more letters’.³⁸
- Participants also pondered the idea that ‘other potentially deserving low-income groups not in receipt of benefits’ would miss out on the scheme, suggesting that participants did not think the scheme was broad enough.³⁹

Each of these points provide important context for considering postal affordability and the importance of broad affordability interventions and **we would encourage Ofcom to give these due consideration as it develops the next stages of its work.**

Box 3: Citizens Advice research on Disabled People and Postal Services:⁴⁰

Disabled consumers use postal services frequently:

- Disabled people are more likely to use the post as a means of contacting others than non-disabled people (62% v 52%).
- 28% of disabled people send items in the post at least once a week.
- 53% of disabled people receive online retail parcels through the post in the past 6 months.
- 77% of disabled people received letters or postcards through the post.
- 60% had a parcel, signed for letter or recorded item sent to their home.
- 37% collected a parcel, signed for letter or recorded item from a depot, Royal Mail delivery office or pick up location.

Concerns for small businesses

The Scottish Government’s small business report estimated that there are 352,000 small and micro businesses in Scotland representing 98% of all businesses and contributing to 27.3% of all turnover.⁴¹ As significant contributors to the UK economy, the impact of affordability on small businesses is critical to meeting the UK Government’s driving economic growth mission.⁴²

In the Cfi Ofcom indicates that it regards small businesses as being similar to domestic consumers, and if postal services are affordable for domestic consumers, then they would be affordable to small businesses.

We would highlight two challenges to that approach:

- Many small businesses rely on postal services to operate their business. If there was a significant rise in the costs of second class stamps due to relaxation or removal of the safeguard cap, then this could have a considerable impact on expenditure for small businesses that are frequent users of the postal service.

- If a targeted scheme were to be developed then it would not be available to SMEs, so while a scheme may help some domestic consumers with affordability challenges it will not support any small or micro businesses.

Section 4: Targeted discount scheme to improve post affordability

Questions 4.1 & 4.2: Could a targeted discount scheme address affordability concerns? Comments on key elements and principles?

No, Consumer Scotland does not agree that a targeted discount scheme could address affordability concerns if it were to be developed in conjunction with the removal or relaxation of a safeguard cap. We have outlined and expanded on the key elements of our feedback on this below. Consumer Scotland's learnings from other markets have shown that, in the specific instance of universal service obligation products for postal services, barriers to effective implementation of a targeted scheme are likely to be very high. From evidence provided to date, Consumer Scotland has not been persuaded that a targeted scheme, even if delivered effectively, would offer an appropriate affordability alternative to a robust safeguard cap for second class letters.

Key Points:

- Postal services operate fundamentally differently from utilities such as energy, water, or telecommunications. Unlike utilities, postal services are used occasionally, have digital alternatives, and are paid per item rather than as an ongoing essential supply, making affordability comparisons challenging.
- Similarly, consumer vulnerability can be hard to accurately determine due to the transient nature of the experience. Vulnerability can be **temporary, sporadic or permanent**.
- In all cross-market comparisons provided by Ofcom, any targeted affordability scheme is delivered in conjunction with price controls or other mechanisms which help to keep prices affordable for consumers.
- Targeted schemes can experience a range of challenges to effectively support those they are intended to help. These challenges can include issues relating to:
 - identification
 - eligibility
 - raising awareness
 - up-front costs
 - uptake
 - operational challenges
 - delivery
 - fragmented support
 - stigma
- Ofcom highlights in the CFI that it is not in Royal Mail's commercial interest for any targeted scheme to be both generous in the level of discount it provides and widespread in terms of the number of consumers it supports. It is noted that such a scheme would present challenges to the company's financial position. However, given these foundational design challenges,

Consumer Scotland is not persuaded that a targeted scheme, operated in place of a safeguard cap or alongside a relaxed cap, can offer an appropriate affordability alternative.

Lessons from other markets

Consumer Scotland has undertaken a range of work in recent years on the affordability for consumers of essential services such as energy, water, broadband, and postal services. Around one-third of Scottish households experience energy poverty and 10% were in water poverty in 2024/25.⁴³ In 2025 low-income households in Scotland spend up to 41% of disposable income on essential bills (energy, water, broadband, insurance), compared to 5% for higher-income households.⁴⁴

We recognise the potential of a targeted discount schemes as an additional lever that could help to tackle problems that some consumers experience with the affordability of postal services. We welcome Ofcom commissioning research into affordability measures in other markets to understand the learning that these may offer to postal services. We would emphasise however, that all other markets which have implemented a social tariff or targeted scheme have done so alongside a price cap or other mechanisms to maintain affordability for consumers. While telecoms do not have a universal retail price cap, there are caps on Mobile termination rates (MTR) and Fixed termination rates (FTR). Other than price caps, markets such as telecoms rely on competition to keep prices manageable for consumers.

It is important therefore that the lessons from other markets are applied appropriately to postal services. There are no examples of a monopoly market, with limited competition drivers, relying only on a narrowly targeted discount scheme, with no wider price controls, to ensure affordable services for consumers. **It is therefore difficult to identify any transferrable evidence or learning from other markets that would support a direction of travel in postal services that would lead to the introduction of a targeted discount scheme as an alternative to a robust safeguard cap for second class post.**

All markets use a variety of measures to ensure affordability and to mitigate detriment to vulnerable consumers. The affordability evidence in the CFI is based on evidence from price-protected markets. As highlighted above, to fully understand the impact of removing the second-class price cap Ofcom would have to model the potential affordability implications which would emerge if price protections were relaxed or removed. If the protections were removed, Royal Mail would be an outlier due to being a monopoly market for an essential service without price protections.

Additionally, while Ofcom has examined other markets, it is unclear how the lessons learned from those markets have been considered, especially regarding targeting and uptake of social tariffs. For example, Ofcom noted in the CFI that it envisages a discount scheme for postal services operating on an opt-in basis. While we understand the rationale behind this

approach, learning from the telecommunications sector shows that an opt-in scheme which relies on providers raising awareness amongst consumers can have very low take-up rates and can struggle to provide an effective affordability remedy for consumers.

Consumer Vulnerability

When considering consumer vulnerability, and therefore which consumers may require additional interventions and support in any given market, Consumer Scotland's approach is informed by the following factors:

- Consumer vulnerability can be **temporary, sporadic or permanent**. The circumstances encountered in everyday life can result in any person experiencing vulnerability.
- Consumers can **move in and out of states of vulnerability** and they may be vulnerable in respect of some categories of transaction but not others.
- Vulnerability can be **situation dependent** with consumers often experiencing vulnerability because of factors outside their control. This, and the inequalities that may result, can be caused by a failure of markets, regulators, the state and wider society rather than the individual or their circumstances.
- Vulnerability can be **cumulative** and when different characteristics, life circumstances and **structural inequalities** combine, inequalities can be compounded.

We would encourage Ofcom to consider how these factors would be taken into account in the design of an additional, targeted scheme for postal services, to ensure that such a scheme benefits consumers.

Achieving the appropriate balance in costs between consumer groups

When approaching any affordability intervention, it is important to consider the distribution of costs and benefits between different consumer groups:

1. The limited scope of a scheme to prevent high costs will limit its efficacy and reach.

We note that it would be unlikely to be in the commercial interest of Royal Mail to have a generous targeted discount scheme covering a large number of consumers. A broad targeted stamp discount scheme, offering significant discounts would risk eroding Royal Mail's revenue without reducing its fixed costs, undermining the financial sustainability of the Universal Service Obligation. As Ofcom note:

*'Therefore, the overall cost of the scheme will have to be limited to some extent to ensure the universal service remains sustainable for all postal users. For example, it will not be possible to have high take-up and large discounts which apply to a broad range of universal service products.'*⁴⁵

If a targeted scheme was to be introduced on specific postal products, then it would be important for this to be done in such a way that it avoids creating or exacerbating

affordability problems for other consumers. The CFI suggests that Ofcom would expect Royal Mail to increase prices to support the scheme operation and profitability:

*'We would expect that higher prices would lead to greater profits, as any lost revenue from volume losses resulting from higher prices would be outweighed by higher revenues from all remaining volumes.'*⁴⁶

2. **There is a risk that cross-subsidy between consumers creates higher costs for other consumers who may also be at risk of affordability challenges.**

Any scheme delivered through a market-based mechanism has a high likelihood that cross-subsidies will be required to deliver targeted scheme. This may create financial pressures for other consumers, as the cost burden shifts from the discounted group to other consumers. Lower income but non-eligible consumers, and those with limited digital access, may end up paying higher prices to support discounts for others. This type of 'cliff edge' in affordability support can be problematic with discount schemes in other markets and would be an issue that would need careful examination in the further development of any targeted scheme for postal services.

Service Inclusion

The Call for Input considers the potential for first class post to be included in any affordability scheme. If a targeted scheme were to be developed then we would recognise the case for inclusion of first-class mail within the scheme, to enable eligible consumers to access this service, which they may require. This is particularly important given the reductions in second class mail deliveries being introduced through USO reform. However, we recognise that this may bring cost implications and have consequences for costs elsewhere for non-eligible consumers which, as noted above, will require careful examination.

Challenges with Targeted Schemes

Consumer Scotland has significant expertise and experience with targeted affordability interventions across a number of markets. We highlight here a number of challenges that would need to be considered and addressed if a targeted scheme for postal services, to complement a general price control mechanism, were to be successfully developed:

- **Identification and eligibility:** Income verification processes can be complex and administratively burdensome, making it difficult for households to prove eligibility. In Ofcom's own commissioned research by Jigsaw, participants noted that there would have to be a simple and effective way to apply, which required little in the way of proof.⁴⁷
- **Targeting:** the availability of data to identify who is eligible to join a scheme and the existence of the appropriate legal gateways to enable this data to be shared with scheme administrators can pose significant hurdles to targeted affordability schemes

effectively reaching those who they wish to support. Social tariffs and targeted schemes often struggle with data-matching because eligibility information is fragmented across multiple government systems, making integration complex and costly, while frequent changes in benefit status can create a risk of inaccurate or outdated records. These challenges create administrative burdens and risk excluding eligible consumers, particularly those without digital access. Notwithstanding our position in relation to a targeted scheme for post, the UK and Scottish governments, and sectoral regulators, should prioritise improving consumer data-matching to improve our ability to target affordability support across different markets more broadly.

- **Coverage:** affordability schemes that rely on benefits-based targeting often exclude many other low-income households who do not receive qualifying benefits, leaving gaps in support. As we noted previously, participants in the Jigsaw research raised it as a concern that there were ‘deserving’ people who would not be eligible for the scheme.⁴⁸ Such issues can undermine affordability policy goals by reducing reach, increasing complexity, and creating inequities in access to support.
- **Take-up:** Another important factor is the risk of low uptake of both targeted discount schemes and other available social tariffs where these are not applied automatically. Eligible households can remain unaware of available schemes, and even when they are informed, participation can be hindered by stigma associated with seeking assistance. For example, in the Jigsaw findings, researchers noted that ‘[r]aising awareness is likely to be a significant challenge for any scheme...Few benefits recipients had heard of mobile and broadband social tariffs available.’⁴⁹ Ofcom data has shown that only around 9.6% of eligible consumers are on social tariffs for broadband.⁵⁰ As noted above, it is important that where businesses are responsible for administering affordability schemes that they are appropriately incentivised to promote take-up.
- **Consistency:** Affordability schemes can vary widely across sectors, with different eligibility criteria and application processes. This inconsistency can create confusion, reduce uptake, and undermine the overall effectiveness of targeted interventions. For example, in the energy sector, the Warm Homes Discount in Scotland operates a Core Group and a Broader Group.⁵¹ For the Broader Group, eligibility depends on which means-tested benefits the supplier includes as part of its criteria. Different energy providers can have different eligibility criteria for the scheme, which can be confusing for consumers. In addition, the core group are data-matched and automatically enrolled, whereas the broader group have to apply. (though note, Consumer Scotland have undertaken advocacy to move towards a more automated scheme).⁵² These barriers can impact the efficacy of affordability measures, even in markets where there are price caps in addition to targeted discount schemes or social tariffs.

- **Digital exclusion:** Digital exclusion can be a barrier to consumers accessing affordability support because online application processes inherently disadvantage individuals without reliable internet access, appropriate devices, or sufficient digital literacy. Those who are older, live in rural areas, or face socio-economic challenges are more likely to struggle with navigating complex online forms or uploading required documentation. This creates a risk that some consumers targeted for support—such as vulnerable or low-income consumers—may be unable to access the scheme, undermining its effectiveness and equity. From a regulatory perspective, this raises concerns about compliance with fairness and accessibility obligations, as schemes intended to improve affordability could inadvertently deepen inequality.
- **Stigma and trust:** These can be deeply ingrained issues which discourage consumers from engaging with providers. For example, in the Jigsaw (2025) research commissioned by Ofcom, respondents said they would prefer to apply for a targeted discount scheme online as it would be '[m]ore discreet...[with] no risk of Post Office queue hearing that the consumer receives benefits, which might be embarrassing.'⁵³

Cross Market Comparisons

To inform our response to the Cfl we have undertaken analysis of affordability measures across energy, water, telecommunications and postal markets and we have set this out in Table 3 below.

As can be seen below in Table 3, there are issues with data identifying the target population, and issues with take-up for eligible households. Although take-up is higher where there is data-matching or passporting of social tariffs, such as Water Charges Reduction Scheme (through Council Tax Reduction) or Warm Home Discount (through Guarantee Pension Credit), this does not mean that there are not affordability issues for those who are not part of either the core/wider groups. Across all markets, social tariffs and discounted schemes do not always manage to help those most in vulnerable or in need – a core concern we have with Ofcom’s proposed targeted stamp scheme.

In addition, as noted previously, the schemes discussed below all operate in markets with a price cap or market competition, whereas Ofcom is suggesting that a targeted stamps scheme could potentially operate in a postal market without a second-class price cap, or with a relaxation of this cap. Again, we would encourage Ofcom to consider the extent to which this would leave Royal Mail an outlier as a monopoly market for an essential service lacking price protection and the risks this would present to consumers being exposed to significant price rises.

Table 3: Cross-market Take-up for Targeted Schemes and Social Tariffs in Scotland

Market	Scheme	Target Demographic	Eligible population	Take-up rate
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Energy ⁵⁴	Warm homes discount in Scotland (Scheme Year 13)	<p>Core group: Guarantee Pension Credit</p> <p>Broader Group: Low-income households on means-tested benefits (supplier specific criteria)</p>	<p>Core group: 125,136¹</p> <p>Broader Group: Cannot be adequately identified due to different suppliers having different criteria.</p>	<p>In 2023/24 (Scheme Year 13)⁵⁵</p> <p>Core Group: 91,207 households (data matched with 95.8% success and received rebate automatically)</p> <p>Broader Group: 190,051 households</p>
Water	Water Charges Reduction Scheme	Households receiving 100% Council Tax Reduction, single person discount, and student discount	For 100% discount: 389,070 ⁵⁶	Core Group: 389,070 (automatic enrolment through Council Tax Reduction scheme)
Telecommunications ⁵⁷	Broadband social tariff	<p>Low-income households on means-tested benefits:</p> <ul style="list-style-type: none"> • Universal Credit • Pension Credit • Employment and Support Allowance • Jobseeker’s Allowance • Income Support • Personal Independence Payment (some) 	<p>15-20%</p> <p>(400,000-500,000 Scottish households)</p>	<p>Data for Scotland is not given here. For the entire UK only 9.6% of eligible households are on a social tariff.</p> <p>Ofcom and Citizens Advice Scotland note that awareness in Scotland is particularly low, meaning the Scottish figure is likely similar or lower than the UK average.⁵⁸</p>

Energy

There is much to be learned from energy market, specifically the Warm Home Discount (WHD) in Scotland, about the challenges in designing an effective targeted scheme. As outlined previously, there are two groups of consumers who are eligible for WHD in Scotland, which is not a social tariff but acts as a proxy for one in the energy market.⁵⁹ The

¹ Ofgem does not offer statistics on eligibility. This number is from Scottish government statistics on how many people in Scotland received Guarantee Pension Credit. Source: Department for Work and Pensions (2024) [Written questions and answers - Written questions, answers and statements - UK Parliament](#)

first group is those on Guaranteed Pension Credit, who make up the core group, and the second group is low-income households on means-tested benefits, who make up the broader group. Different energy suppliers have different eligibility criteria for the broader group.

In Scotland, those in the broader group must apply for the scheme, which adds barriers to the process as consumers may not be eligible dependent on specific supplier criteria, may be digitally excluded or may find the process of applying in itself to be a barrier for a range of reasons. Additionally, different energy suppliers decide when the scheme opens and closes for applications, which can add further complexity for those wanting to apply. While we can see from the above table that the uptake for the core group in the year 2023/2024 had a 95.8% success rate, even within that group it does mean that some consumers who were eligible missed out on support due to issues with data-matching.⁶⁰

However, it is important to note that passporting or data-matching is the most efficient way of making sure that a target group who is eligible can receive the discount. While Ofcom noted that 9 million people would potentially be eligible for a possible targeted discount scheme in post through Universal Credit, the nature of postal services, being irregular, on-demand purchases rather than a continuous service, as well as issues of data-matching and how this would be achieved, present very significant hurdles to any form of automatic enrolment for eligible consumers in a discount scheme for post.⁶¹

Further to this, Ofcom noted that of those 9 million people, not all of them would need the targeted scheme. This is a common theme across markets, that accessing a benefit, whether means-tested or not, does not mean that you necessarily require additional affordability support in specific markets. Conversely, there are those who are on lower incomes or part of vulnerable groups who are not in receipt of means-tested benefits and who may not be included within affordability schemes.

Water

In Scotland, the Water Charges Reduction Scheme (WCRS) provides a discount for consumers' water charges through the Council Tax Reduction Scheme.⁶² Similarly to the Warm Homes Discount, it is passported so that those who have a council tax reduction will also get a discount on their water charges.

One of the largest issues with WCRS is the challenges in aligning the scheme with water poverty rates. Consumer Scotland has estimated that around 10.6 per cent (275,000) households in Scotland are in water poverty in 2024-2025 and that 120,000 of those households are deemed as being in severe water poverty (4.6% of all households).⁶³ Despite this, only 'around one third of households in water poverty are in receipt of the Water Charges Reduction Scheme, whereas the majority of WCRS-recipient households are not in water poverty.⁶⁴

Again, we see that the eligibility and targeting of these schemes using means-tested benefits or, in this case, council tax reduction, is not necessarily an effective proxy for affordability in these markets. As such, we would recommend caution with Ofcom using Pension Credit and Universal Credit as a proxy for those who are in the most need of affordable postage.

Telecommunications

The experience of social tariffs in the telecommunications market provides useful insight into challenges around take-up of discounted schemes where these depend on consumer applications alone. As can be seen in the table, between 15-20% of Scottish households are estimated to be eligible to be on a broadband social tariff. Again, due to the limited data, it is not possible to track how many eligible Scottish households are on the social tariff but take up in the UK is only around 10% of all eligible households.⁶⁵ Both Citizens Advice and Ofcom have suggested that take-up in Scotland may be below the national average due to issues of raising awareness of the scheme.⁶⁶

The broadband social tariff scheme relies on suppliers raising awareness of the tariff amongst eligible customers, and there are questions about how effective this approach is, given the tension between a high take up of relatively low-cost social tariffs and providers' desire to maximise commercial returns.⁶⁷ If any postal services targeted scheme followed a similar design model, requiring the provider – in this case Royal Mail – to promote the scheme, and consumers to apply to participate, it is reasonable to anticipate that similar challenges around take up are likely to occur. This raises important questions about fairness, if only a relatively low proportion of eligible consumers have awareness of the scheme and are able to access it.

A recent paper by the Digital Poverty Alliance highlighted that for some consumers, even a lower cost social tariff for telecommunications may be too expensive.⁶⁸ A similar message appears to have been expressed by participants in the Jigsaw market research (2025) commissioned by Ofcom to explore a postal targeted scheme, where consumers noted that any discount scheme had to be worth it for recipients, in terms of its monetary value.⁶⁹

Section 5: Broader pricing concerns and access price regulation

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?

Consumer Scotland welcomes the opportunity to explore whether a revised approach to price regulation could deliver fairer pricing for postal products. Ofcom's own analysis confirms that the current framework has failed to achieve two critical objectives: driving efficiency within Royal Mail and protecting postal users from significant price increases.

When considering reform of pricing regulation, we could urge Ofcom to consider how any reformed approach meets the policy objectives outlined in the 'trilemma approach' set out earlier in our response.

In a monopoly market, proportionate and effective price controls are essential. Competition cannot be relied upon to provide price signals that incentivise efficiency, ensure cost recovery, and deliver value for money for consumers. Any future price control must strike the right balance – supporting cost recovery and operational efficiency for Royal Mail while safeguarding captive consumers from inefficient or ineffective business practices.

Given Royal Mail's status as a monopoly provider and its recent track record on efficiency, poor Quality of Service and rising prices, **Consumer Scotland urges Ofcom to maintain a robust and effective price control regime to protect consumers and ensure efficiency, fairness and accountability.**

Consumer Scotland, along with other stakeholders, has previously highlighted concerns that consumers may be being asked to pay higher prices for products such as first-class letters to offset inefficiencies in Royal Mail's operations. Ofcom highlights that in recent years Royal Mail has not made sufficient progress towards achieving efficiency gains. Ofcom notes that in response to this, it has required Royal Mail to be more transparent about its progress on this issue and to publish 5-year plan for efficiency targets, with an annual progress report against these targets, which began in 2023. However, the CFI also notes that for 2023-2024, Royal Mail's reported efficiencies fell significantly short of the improvements required in order to meet its published targets.

We would welcome Ofcom providing more evidence to support its observation that the current arrangements are sufficiently delivering improved efficiencies at Royal Mail. Given the challenges that Ofcom has previously identified in relation to this issue, we are not clear how removing or relaxing a key efficiency safeguard, in terms of the safeguard cap on second class mail, is likely to be beneficial for consumers in terms of protecting them from paying for inefficient operational delivery.

Value for money

Ofcom notes ‘consumers do not perceive that they are getting value for money nor feel the price increases have been justified’.

This Call for Input provides an opportunity to refresh how value for money is considered within Ofcom’s regulation of the USO and consider different approaches to tackle the persistent problems that consumers have experienced over a number of years, of rising prices combined with quality of service performance by Royal Mail that is consistently below regulatory targets.

With a lack of competition in a monopoly market, there is a clear role for Ofcom, as the regulator to take a robust approach to addressing this significant value for money challenge. **Any changes to Ofcom’s approach to price controls in the postal sector should have a clear focus on improving value for money, alongside affordability.**

There is strong useful precedent from other monopoly markets for considering for prioritising VfM in monopoly regulation. For example:

- **Energy Networks (RIIO Framework):** Ofgem’s five-year price control model aims to ensure costs are minimised while enabling investment for long-term sustainability. Value for money is a key consideration, balancing cost recovery with affordability for consumers.
- **Water and Sewerage in Scotland:** The regulator, the water Industry Commission for Scotland, sets a six-year determination for the monopoly provider Scottish Water. This sets out the maximum level of consumer charges during that period against the specific services that will be provided.

What is needed from existing or reformed price control?

To fully assess options, Consumer Scotland seeks clarity on the modelling underpinning each approach and whether it strengthens value for money for consumers.

Particular features that we would wish to see from future Ofcom work on price control include:

- **Scrutiny and transparency of cost allocation:** Clear cost allocation for all components of any price cap or alternative regime, similar to energy market price cap methodologies. This would likely be reflected in the cost-based charge control and could be integrated into the pre-authorisation regime.
- **Reporting of Royal Mail’s efficiency:** Transparent reporting of Royal Mail’s efficiency progress to ensure consumers are not paying for inefficiency. Ofcom’s current requirements should be integrated into any new framework.

- **Sufficient consumer challenge:** which is seen in other markets such as Customer Challenge Groups in water and energy markets (also monopoly markets). This would be viable in any presented option but is already seen in cost-based charge control and pre-authorisation regimes.
- **Adaptable to changing volume dynamics:** while also enabling consumers to use the postal service as they wish. Any price control based on review periods for a defined period of time would support the ability to adapt to changing market dynamics and volumes of letters.

Consumer Scotland will consider the merits of different approaches in due course but notes that a profitability cap may offer less transparency than cost-based models. Lessons from other markets (particularly monopoly markets) demonstrate how price controls can enable robust scrutiny and challenge.

Question 5.2: Do you have any comments on Ofcom's plans to examine aspects of the margin squeeze rule for access prices?

Not answered.

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- ⁴ ARUP (2017) [Five minute guide to the Energy Trilemma - Arup](#)
- ⁵ House of Commons Library (2023) [Tackling the energy trilemma](#)
- ⁶ Our research found that although the market is changing, postal services remain important to consumers in Scotland.
- ⁷ Ofcom, Residential Postal Tracker, 2022, Q3_5
- ⁸ Citizens Advice (2024) [Review of the Second Class Safeguard Caps 2024 - Citizens Advice response \(ctfassets.net\)](#)
- ⁹ Ofcom (2025) [Connected Nations UK Report 2025](#)
- ¹⁰ Jigsaw (2025) [Post affordability: benefits recipients’ perspective on a potential targeted discount scheme](#)
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- ¹² Citizens Advice (2020) [Lacking a fixed address or a safe place to receive mail will worsen Covid hardships, warns Citizens Advice - Citizens Advice](#)
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- ¹⁶ International Distribution Service (2025) [International Distribution Services plc 2024-25 results](#)
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- ¹⁸ Atlas of Public Management (2025) [Targeted vs. Universal Programs – Atlas of Public Management](#)
- ¹⁹ Consumer Scotland (2024) [Response to Ofgem call for input: Affordability and debt in the domestic retail market \(HTML\) | Consumer Scotland](#)
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- ²² Ofcom (2025) [Call for input: Review of postal regulation – pricing and affordability](#)
- ²³ Ofcom (2025) [Call for input: Review of postal regulation – pricing and affordability](#)
- ²⁴ Ofcom (2025) [Call for input: Review of postal regulation – pricing and affordability](#)
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- ²⁶ An Post (2025) [Calculate postage rates online | An Post](#)
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- ³⁰ Posten (2025) [Hvem sender brevet? - Digitalt frimerke](#)
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