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Consumer Policy Team  
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SE1 9HA

selling

Our ref- Ofcom Response : Mis-

Dear Sirs,

This letter contains Post Office Limited's response to the Ofcom consultation: Protecting consumers from mis-selling of fixed-line telecommunications services.

Post Office Limited, a wholly owned subsidiary of Royal Mail Group, is the operator of the network of Post Office outlets. Post Office outlets provide a range of essential services including HomePhone® and Broadband for residential consumers, posting letters and postal packets, pension and benefit payments, banking facilities and bill payments. Many of these services provide essential support for the socially excluded.

Post Office HomePhone® and Broadband services are supplied on a fully managed basis; meaning that although Post Office Limited owns the customer relationships with subscribers, the underlying service delivery infrastructure is provided by a third party.

Post Office Limited welcomes the opportunity to respond to Ofcom's consultation regarding protecting consumers from mis-selling of fixed-line telecommunications services and agree that changes are required to strengthen the regulations in order to address ongoing consumer harm.

Post Office Limited welcomes any improvements or required changes that would improve customer experience and ensure confidence in the communications industry. Due to the size of our network and nature of our business, it is difficult to compare Post Office Limited to any other communications provider. By implementing controls processes and applicable training, Post Office Limited has demonstrated that it treats all regulatory obligations and compliance requirements very seriously against our full range of regulated products, not just telecommunications.

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Compliance is and remains an extremely high profile aspect of our business objectives, and Post Office Limited will always strive to encourage the use of best practice procedures wherever possible.

Questions from the consultation are answered below.

*Question 1 Based on our analysis of Ofcom's mis-selling complaints data, do you agree that further improvements are achievable, and that both absolute and relative numbers of mis-selling incidences can be reduced? Please provide an explanation to support your response.*

Post Office Limited agrees that improvements to the current process are achievable and can deliver a reduction in mis-selling allegations against communications providers. Post Office Limited have demonstrated through our business practices that proactive post sale processes, ensuring that customers understand the contract that they have entered into and following up with sales outlets where needed, do reduce mis-selling allegations.

*Question 2 Based on our experience of our enforcement activities, do you agree that the regulations should be further strengthened in order to better meet Ofcom's policy objectives and aims? Please provide an explanation to support your response.*

Post Office Limited agrees that regulations should be further strengthened in order to meet Ofcom's policy and aims. Post Office Limited suggests that where there are any allegations of mis-selling, then all communications providers must be in a position to investigate the allegation and establish the details of the sale. Post Office Limited has implemented a process that enables us to identify which sales channel was used down to which individual in which location made the sale under question. As Post Office Limited is currently able to do this with all of its 12,000 outlets, online sales and contact centres, it demonstrates that it is possible for communications providers with far fewer sales outlets to introduce such measures. The implementation of such a comprehensive process has proven to be cost effective given the benefits gained - a significant reduction in mis-sell allegations, and the ability to carry out the necessary corrective action in a timely manner.

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*Question 3 What are your views on appropriate implementation periods for each of the proposed measures we are consulting on as set out in sections, 5, 6, 7 and 8? Please provide an explanation to support your response.*

Ofcom have suggested an implementation period of 12 months to comply for the overall changes to general condition, which seems reasonable. However, given that like many other communications providers Post Office Limited communications services are provided on a fully managed basis, we would need to have assurance from our underlying provider that this is indeed feasible. Unfortunately, until Ofcom mandates the changes we will not be in a position to ascertain the full time required to make any necessary system changes.

*Question 4 To what extent do you consider our assessment of the potential costs and benefits outlined in the IA at Annex 5 is dependent on the implementation periods for each of the proposed measures we are consulting on as set out in sections, 5, 6, 7 and 8? Please provide an explanation to support your response*

Post office Ltd's view is that the benefits are inextricably linked to the implementation periods: the sooner any element of a programme to reduce mis-selling is introduced in the five year evaluation window, then the sooner it delivers benefit. However, care must be taken with regard to enforcing too short an implementation window on the communications provider, as this would drive a greater cost than has been factored into the economic analysis.

*Question 5 Do you agree that it is appropriate to modify, or remove, the July 2005 Cancel Other Direction (or any provision saving in effect this Direction) so that any changes take effect before the end of the implementation period for modifications to the General Conditions? Please provide an explanation to support your response.*

Post Office Limited suggests that the July 2005 Cancel Other Direction should be modified, but not removed. Post Office Limited believes that should the direction be removed, there would be potential for an increase of mis-selling, which should be avoided if at all possible. Moreover, there is still a requirement for a measurement to be in place prior to implementing modifications to the general conditions.

*Question 6 Do you agree with our preferred option on clarifying and simplifying the regulations, namely that we should:*

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*(i) improve clarity of the regulations by redrafting in order to aid understanding and*

*(ii) simplify the regulations by moving away from a code of practice (process-based) approach to an outcome driven approach based on absolute prohibitions of mis-selling?*

*Please provide an explanation to support your response.*

Post Office Limited believes that regulation should wherever possible be clear and minimise the possibility of misinterpretation. Post Office Limited therefore welcomes Ofcom's preferred option to clarify and simplify the regulations, as the current regulatory structure regarding mis-selling does not include clear enforcement action. Post Office Limited agrees that the preferred option would clarify to communications providers exactly what is expected, and what would happen should they fail to comply.

*Question 7 Do you consider there are other parts of the existing GC14.5 obligations where we could clarify and simplify the regulations, but have not proposed to do so? If so, please explain and set out the reasons for this.*

As stated above, Post Office Limited believes that regulations, where required, should be simple, clear and concise. Therefore, we suggest that Ofcom conducts a full review of the other parts of the obligations to ensure that they are still necessary, and are as clear and simple as possible.

*Question 8 Do you agree with our preferred option to provide better information to consumers on the potential consequences of switching? Please provide an explanation to support your response*

Post Office Limited believes that consumers should have all the information available that would help them make a fully informed choice in regard to switching suppliers. Therefore, the preferred option to provide better information to consumers on the potential consequences of switching would seem to be sensible. Post Office Limited believes that all communications providers have a responsibility to consumers to ensure they are willing and happy to switch to another provider. Ofcom's proposed option also accords with Post Office Limited's key values: to be fairer, easier, and better.

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*Question 9 Do you agree that Cancel Other should primarily only be permitted for reasons of slamming, as defined by Ofcom, or are there other circumstances where you feel use of Cancel Other should be permissible?*

Post Office Limited agrees that Cancel Other should be primarily permitted for reasons of slamming. However, care should be taken that the ability for customers to make choices between providers should be protected. Therefore, Cancel Other has to be available for communications providers to use if a consumer's attempt to cancel their order with the potential gaining provider has failed. All instances where Cancel Other is used, for whatever reason, have to be recorded and those records available to other communications providers, in order to incentivise proper use of Cancel Other in all cases, and to help providers improve their own performance.

*Question 10 Do you have any other suggestions for improvements to the reliability of the Cancel Other data and, in particular, the existing reason codes?*

Post Office Limited suggests that a working party should be gathered to review the existing reason codes, and seek improvements to the Cancel Other data.

*Question 11 Do you agree with Ofcom's proposals not to transpose information sharing obligations relating to use of Cancel Other as part of the proposed new General Condition? Please provide an explanation to support your response.*

Post Office Limited strongly disagrees with Ofcom's proposals not to transpose information sharing obligations relating to use of Cancel Other as part of the proposed new General Condition. Post Office Limited suggests that all communications providers should have the right to obtain and share this information for investigation purposes, seek improvements and the right to challenge, and for reasons of transparency and openness. Ofcom could hold a list of relevant contacts within communications providers in order to facilitate the sharing of records. Post Office Limited does not believe that this would be unduly onerous as there are similar contact lists available for other purposes – for example to facilitate number portability arrangements. The availability of information to all would actively encourage best practices, and also help alleviate unnecessary investigations into misuse of Cancel Other by Ofcom.

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*Question 12 Do you agree with our preferred option on record keeping for sales? Please provide an explanation to support your response.*

Post Office Limited believes the preferred option on record keeping for sales is essential to engender appropriate behaviour within the industry. It is essential that all communications providers have access to sales calls for internal investigation purposes, and also to enable communications providers to provide evidence should another communications provider issue a challenge. However, due to consent issues and possible system failures, it may not always be possible to have the ability to retrieve 100% of calls. Clearly, record keeping is equally important in cases of face-to-face and online sales; and communications providers must ensure that there are robust processes in place to ensure effective record keeping across all sales channels.

*Question 13 Do you agree with our preferred option on record keeping where Cancel Other is used? Please provide an explanation to support your response.*

Post Office Limited believes record keeping where Cancel Other is used is, again, absolutely necessary. Post Office Limited urges Ofcom to mandate that all Cancel Other calls are recorded and accessible for internal investigation purposes and also as evidence to support challenges made by other communications providers. However, like sales calls, 100% retrieval may not always be possible because of consent issues and possible system failures.

*Question 14 What are your views in relation to consideration of other options described in section 9? Please provide an explanation to support your response.*

Post Office Limited currently uses a validation process on branch sales. This has proven to be very beneficial due to the reduction in number of mis-sells and also a better customer experience. This may be an option that other communications providers should consider where they employ face-to-face selling and we would be happy to share our validation process with providers to help them should they wish to do so. Furthermore, Post Office Limited suggests that Ofcom initiate an investigation or enforcement programme should mis-selling allegations by an individual communications provider reach a specific level; perhaps 2%.

*Question A5.1: Do you agree with our assessment of the likely magnitude of the costs and benefits of our preferred option?*

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*If not, please provide an explanation and evidence to support your response.*

Post Office Limited is of the opinion that the benefits of a robust mis-selling minimisation regime will outweigh any implementation cost. It is crucial to the long term future of a competitive communications market that consumer confidence is encouraged and maintained.

*Question A5.2: To what extent is it possible to assess the impact that this option might have on the current level of mis-selling in its own right? Please provide an explanation and evidence to support your response.*

Post Office Limited does not believe that this option would impact on current levels of mis-selling within our business. Post Office Limited currently expects staff, through best practice, to establish if consumers are already tied into contract, and to ask what (if any) early termination charge may be applicable. Ofcom's current enforcement and monitoring programme into communications providers' adoption of additional charges should result in greater clarity for consumers that will allow them to be better informed when deciding whether to change their communications provider.

*Question A5.3: Do you agree with our assessment of the likely magnitude of the costs and benefits of our preferred option? Please provide an explanation and evidence to support your response.*

Again, Post Office Limited is of the opinion that the benefits of a robust mis-selling minimisation regime will outweigh any implementation cost. It is key to the long term future of a competitive communications market that consumer confidence is encouraged and maintained.

*Question A5.4: Do you agree with our assessment of the likely magnitude of the costs and benefits of our preferred option? Please provide an explanation and evidence to support your response.*

As stated in answer to *Question 11*, Post Office Limited believes that all communications providers should have access to all other communications providers' Cancel Other records. This would ensure consistency throughout the industry, create a level playing field and incentivise appropriate behaviours. Post Office Limited believes that this can be achieved in a cost effective manner and would not be unduly burdensome to maintain.

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*Question A5.5: Do you agree that this option will not result in incremental costs to CPs? Please provide an explanation and evidence to support your response.*

It is clear that incremental costs are likely if this option is adopted, and Post Office Limited suggests that costs are dependant on what current systems and processes are in place. Should communications providers need to implement new systems or processes, then there will be costs accrued along with re-training.

*Question A5.6: Do you agree with this proposal in the light of the NPV estimate? Please provide an explanation and evidence to support your response.*

Post Office Limited agrees with this proposal in the light of the NPV estimate. Post Office Limited suggests that all communications providers should have the ability to record calls applicable to Cancel Other for internal reference and also the right to challenge.

*Question A5.7: Do you agree that orders are an appropriate proxy for sales? Please provide an explanation and evidence to support your response.*

Post Office Limited agrees that orders are an appropriate proxy for sales and feel that this would be the most appropriate option.

*Question A5.8: Do you agree with our assumption that volume of sales is a key driver of costs? If not, please provide an explanation and evidence to support your response.*

Volume of sales is a driver of costs, but it would not be the key driver in all instances. The systems deployed to deliver and manage sales are the key driver to sales costs. If system development is required, then this would incur the majority of costs.

*Question A5.9: Do you agree that it is reasonable to use a 5-year time period for our NPV analysis? Please provide an explanation and evidence to support your response.*

Post Office Limited considers a 5-year time period for NPV analysis to be a reasonable period of time to ascertain any implications of costs against benefits.





*Question A5.10: Do you consider that costs attributed to changing sales scripts are likely to be one-off in nature? Please provide an explanation and evidence to support your response.*

Post Office Limited regularly review call scripts in order to make improvements that benefit both business and consumer and the costs attributed to changing sales scripts can be attributed to business as usual expenses.

*Question A5.11: Do you consider that the options to clarify and simplify the existing regulations and to provide information at the point of sales would each reduce levels of mis-selling by around 1 percent per annum? Please provide an explanation and evidence to support any alternative assumptions.*

Post Office Limited is not in a position to determine projected figures and therefore cannot confirm that Ofcom's suggested reduction figure of around 1% per annum is viable. However, we do believe that if Ofcom were to implement the proposals as Post Office Limited suggests, there would be a significant reduction in mis-selling allegations.

*Question A5.12: Do you consider that the options on call recording for telesales and Cancel Other could reduce mis-selling and Cancel Other requests by 30% in Year 1 and by 50% in Year 2? Please provide an explanation and evidence to support any alternative assumptions.*

Again, Post Office Limited is not in a position to determine projected figures and therefore cannot confirm that Ofcom's suggested reduction figures are viable. However, we do believe that if Ofcom implement the proposals as Post Office Limited suggests, there would be a significant reduction in mis-selling allegations and Cancel Other requests.

*Question A5.13: Do you agree that it is reasonable to assume that adding such a sales prompt would increase the call length by an additional 20 seconds? Please provide an explanation and evidence to support your response.*

Adding a sales prompt to make a call more understandable may well increase the call length by an additional 20 seconds as additional, clear and concise wording would be required to be implemented into scripts. However, Post Office Limited do not believe that this would have a dramatic reduction in sales achieved, and Post Office Limited urges similar prompts to be deployed as appropriate for other sales channels.

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*Question A5.14: Do you feel these assumptions are appropriate? If not, please provide an explanation and evidence to support any alternative assumptions.*

Post Office Limited agrees these assumptions to be reasonable.

*Question A5.15: Do you agree that these other indirect costs are not significant? If not, please provide an explanation and evidence to support your response.*

Post Office Limited agrees that these other indirect costs are not significant.

*Question A5.16: Do you consider that one-off incremental costs per sale of £4.4 and ongoing incremental costs per sale of £0.6 are reasonable assumptions for the rest of the industry? Please provide an explanation and evidence to support any alternative assumptions*

Post Office Limited would assume that one-off incremental costs per sale of £4.4 and ongoing incremental costs per sale of £0.6 are reasonable assumptions for the rest of the industry; based on the evidence provided in the annex.

*Question A5.17: Do you agree that this option will not result in incremental costs to CPs? If not, please provide an explanation and evidence to support your response.*

Post Office Limited disagrees with Ofcom's assumption that this option will not result in incremental costs to communications providers, as it would depend on current systems used and any extra costs that may occur to implement required changes.

*Question A5.18: Do you consider that these estimates are reasonable? If not, please provide an explanation and evidence to support your response.*

Post Office Limited believes that processes and procedures already implemented throughout or network, along with any mitigation actions from this consultation, will contribute to required changes in order to strengthen regulations in the area of consumer protection. Post Office Limited is happy to share details of our currently used processes and procedures with other communications providers in order to improve industry standards and behaviours.

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Should you have any questions relating to any part of this response, please do not hesitate to get in touch.

Yours Sincerely,

Shirley Hailstones  
Telecoms Compliance Specialist  
Post Office Limited  
27<sup>th</sup> May 2009

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