

# Credit Services Association

Response to Ofcom call for input  
on the future of the universal  
postal service

## 1. Background

- 1.1 The Credit Services Association (CSA) is the only national trade association in the UK for organisations active in the debt collection and purchase industry. The CSA, which has a history dating back to 1906, has around 300 member companies which represent 90% of the industry, and employ 11,000 people. The membership also comprises specialist tracing agencies, in-house collection departments of large banks and utility companies and law firms.
- 1.2 The clients of CSA members include major financial institutions (such as banks and building societies), credit grantors, government departments and local authorities, utility companies and mail order businesses.
- 1.3 At any one time, the CSA's members hold up to £60 billion for collection, returning around £4 billion in collections to the UK per annum. As the voice of the collections industry, our vision is to build confidence in debt collection by making the entire process clear, easy to understand and less stressful for all those involved. Further information on the CSA can be found at: <http://www.csa-uk.com>.
- 1.4 The functions performed by CSA members are vital to the operation of the various sectors in which they operate. Unpaid debts cause damage to lenders / suppliers and to borrowers by adding costs to the system which result in higher prices for credit or goods/services. Serious problems with unpaid debt may also lead to restrictions in the availability of credit, particularly to consumers who may otherwise find it difficult to obtain cost-effective credit and therefore have a detrimental impact on the overall growth of the economy.

## 2. Feedback

- 2.1 Given the reported decline in the sending of letters, we can understand why Ofcom is looking at reform of the universal postal service. However, CSA members are bulk users issuing frequently time-sensitive communications, including statutory notices, which gives us some cause for concern about Ofcom's proposals.

### Challenges of slower delivery

- 2.2 CSA members routinely send letters to customers who are indebted, or to their designated representatives. The nature of this correspondence can vary, but it is generally focused on alerting individuals to their outstanding arrears and the potential consequences of non-payment, as well as signposting them toward help and support, and encouraging them to make prompt return contact.
- 2.3 Correspondence from CSA members can also include statutory notices (for example, those required under the Consumer Credit Act) and, where legal action is being taken to enforce a debt, it can include correspondence required as part of Civil Procedure Rules and Pre-Action Protocols.
- 2.4 Much of the correspondence from CSA members is time-sensitive because failure by the recipient to respond or act on the correspondence can have legal and financial repercussions. For example, correspondence may be alerting a customer to a missed or failed payment, and

failure to remedy this in a timely manner could affect their credit file (and as a result, their ability to obtain credit). Or correspondence might inform them of a County Court Judgment and the timeframe within which they can put in a defence or even repay to avoid having the Judgment officially registered, opportunities they may miss out on if correspondence is not received promptly.

- 2.5 Correspondence issued under statutory requirements can also be subject to delivery requirements.
- 2.6 Consistency and reliability in timeframes and delivery are therefore critical for both firms and the recipients. Delays in outbound contact to the customer, or the customer's own return contact, can lead to poor outcomes which is counter to the principles underpinning the FCA's Consumer Duty.
- 2.7 Where possible, firms presently put in place processes to afford recipients ample time to receive, digest and respond to contact, allowing for current Royal Mail timeframes.
- 2.8 A slower service and fewer delivery days will require firms to make significant alterations to their existing processes and procedures, as well as those of any outsourcing providers or third-party partners, which is likely to be a costly exercise.
- 2.9 While CSA member firms could be impacted adversely if the service becomes slower, there is also potential consumer detriment in so far as the correspondence is an important conduit for assisting dialogue and information flows between creditors and customers. Any barriers that impede the flow of that engagement process could mean that consumers are less able to resolve their problem indebtedness in as timely a manner.

### **Limitations in switching to digital communications**

- 2.10 The transition to more digital communications is clear, as illustrated by the statistics, but it is worth noting that the flexibility to replace letters with digital communication does not always exist for bulk users, and this should be considered more closely before any changes are made, especially as this can often be driven by statutory requirements.
- 2.11 There are several reasons why certain letters cannot be replaced by digital communications. The key barrier is where statutory or regulatory requirements demand that a communication be delivered by a particular method (e.g. a notice of default is required by consumer credit law to be sent by post), prohibiting firms from using other methods, regardless of customer preference.
- 2.12 There are also cases where firms are acting on behalf of others, such as in the collection sector, where the outsourcing organisation imposes restrictions on communication methods that they consider to be higher risk. For example, some large banks and other financial institutions prohibit the use of email when engaging with their customers.
- 2.13 There is also a need to ensure that those who need postal contact are able to access it, e.g. those without access to digital services, or with vulnerabilities that necessitate written communications.
- 2.14 In the examples at 2.10 and 2.11, CSA members would welcome the flexibility to adapt their communications to the methods most convenient for the customer, but the reality is that this

flexibility does not always exist. Although the data shows a significant move toward digital communications replacing postal contact, it seems likely that the next drop in written contact will not be as swift as long as there remain legislative and regulatory barriers for bulk users. Reducing the postal service without removing those barriers will leave bulk users struggling to meet relevant requirements, which could have negative consequences for the bulk users and the recipients e.g. disinterest where a credit agreement becomes unenforceable; access to credit due to unresolved arrears.

- 2.15 We appreciate that Ofcom is not necessarily in a position to tackle those challenges. But we think it is essential that Ofcom engage with relevant stakeholders about those challenges before it makes any change.
- 2.16 We recommend that Ofcom engage closely with relevant government departments and regulators before it makes any changes. In particular, the Ministry of Justice, the Solicitors Regulation Authority and the Financial Conduct Authority should all provide input, as their regulated population and / or key stakeholders will be significantly impacted by the proposed changes, particularly if Ofcom adopts some of the more ambitious proposals.

### **Proportionate change**

- 2.17 While the changes will undoubtedly affect our members, we acknowledge the case for change. Subject to Ofcom liaison with key regulators and government departments about the challenges bulk users would face in meeting their requirements without legislative or regulatory change, as set out in 2.14 and 2.15, we would recommend that Ofcom introduces proportionate changes.
- 2.18 We believe that a delivery service that is reduced from 6 days to 5 days, alongside the retention of a two-tier delivery system which includes a slower option and a next-day service, would enable firms to continue meeting their obligations while providing the necessary savings Ofcom and Royal Mail are seeking.
- 2.19 We believe it is premature to introduce any of the other changes without better analysis of the impact on particular sectors, especially the legal sector, and any possible implications for access to justice.
- 2.20 Where changes are made, it will be critical to bulk users that there is certainty about the reliability and consistency of delivery, so that firms can confidently amend processes accordingly and set clear communication expectations for consumers and third parties.

### **Reduced service – assurance and cost**

- 2.21 Assuming some of the proposed reductions are brought in, we would welcome some clarity on how Royal Mail will provide assurance that the reforms will deliver an improved service, particularly in terms of consistency and reliability, which are presently a significant area of concern.
- 2.22 We would also welcome clarity on whether a reduced service (particularly, one that is slower than the current offering) will be accompanied by a reduction in unit price per posted item.

## Summary of recommendations

Issue	CSA recommendation
Impact on statutory notices, legal communications and access to justice	We recommend that Ofcom consult closely with Ministry of Justice, the Financial Conduct Authority and the legal sector before implementing any changes, as there will be significant repercussions for firms and individuals required to meet particular statutory deadlines, without accompanying legislative change
Changes to speed of delivery	Subject to the above recommendation and any consequential changes, we recommend that Ofcom retain a two-tier system offering a three-day and a next-day service.
Changes to frequency of delivery	Subject to the above recommendation and any consequential changes, we recommend that Ofcom reduce delivery days from a 6-day service to a 5-day service.
Reduced service = more reliable and consistent delivery	We would welcome clarity around how Royal Mail will provide assurance that a reduced service will be an improved service, especially in terms of reliability and consistency.
Reduced service = reduced cost	We would welcome clarity from Ofcom on whether a slower service is likely to result in reduced delivery costs for firms.

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