

# Ofcom review of alternative dispute resolution (ADR) schemes

A plain English summary of Ofcom's review and draft  
recommendations

**Consultation**

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## Section 1

# Disputes: giving customers an alternative

Ofcom is the independent regulator for the UK communications industries. Our role is to look after television, radio, telecommunications (telecoms) and wireless communication services.

The Communications Act 2003 makes various demands on communications providers such as the phone and internet companies. (For simplicity, we'll call them all 'providers' in this summary.)

One of those demands is that these providers must have a method of sorting out or resolving disputes with their customers, if their own processes fail to do so. The Act also says that we must:

- check that the providers offer their customers access to an independent alternative dispute resolution (ADR) scheme; and
- approve the scheme.

From time to time, we must also review these schemes to make sure they are working as they should.

This summary of our first review briefly explains what we've found so far, and what we think should be improved.

We hope you'll take a few minutes to read through our thoughts and conclusions. Importantly, this is also your invitation to give us your opinions. You will find details of how to respond to us at the end of this summary.

## What is an alternative dispute resolution (ADR) scheme?

Many thousands of disputes crop up each year between customers and their providers. Happily, almost all are settled by simply talking the problem through.

However, now and again a dispute ends in deadlock with both sides feeling they're in the right, or the provider fails to resolve the complaint within the 12 weeks that we allow. This is where an ADR scheme can be useful.

The communications providers meet the costs of providing an independent dispute resolution service. The ADR schemes themselves must:

- be independent from the providers, and from us;
- be easy to use, with clear and effective methods;
- be available free of charge to customers;
- be able to award compensation if appropriate; and
- have powers to make sure that providers pay the compensation.

## **The schemes open to customers**

All communications providers must have a complaints code of practice that we have approved. This should tell customers how the provider handles complaints, and give details of how to contact an ADR scheme if the provider fails to resolve the problem.

## **We have approved the following two ADR schemes.**

- The Office of the Telecommunications Ombudsman (Otelo), which opened in January 2003. Its members offer fixed-line, mobile and internet services to homes and small businesses. You can visit Otelo's website at: [www.otelo.org.uk](http://www.otelo.org.uk)
- The Communication and Internet Services Adjudication Scheme (CISAS), which began work in October 2003. Many of its members are internet service providers (ISPs). You can visit CISAS's website at: [www.cisas.org.uk](http://www.cisas.org.uk)

Both these websites show a full list of members.

## **What our review covered**

Our review focused on the period between January and December 2004, and we had three main aims.

- To see how effective the two ADR schemes actually were.
- To find out how we, the providers and the ADR schemes work together.
- To see whether people were satisfied with the schemes.

To carry out the review, we collected information from the following sources.

- The schemes themselves, including:
  - how they were run and staffed;
  - how easy they were to use;
  - how many complaints they received; and
  - how they handled disputes.
- Fifty companies that are members of the schemes and chosen at random.
- Independent research, including in-depth interviews with customers who had made complaints.

## **What our review found**

Since we approved the two ADR schemes in 2003, their membership lists have greatly increased. CISAS has grown from 49 to 144 members, while Otelo has grown from 7 to 165 members.

Even so, very few customer complaints ever get as far as needing ADR. We chose 50 members of the schemes at random and found that only 0.5% of the one million or so

complaints they received in 2004 went to ADR. However, we also found that there was no agreed definition between the providers of what a 'complaint' is, and that the way providers recorded complaints often varied.

### **Why, how and where people complain**

Almost all complaints received were about bills or customer services, and sometimes both.

In 2004, Otelo accepted more cases for investigation than CISAS (4,593 compared with 233). Otelo also handled many more enquiries than CISAS – over 50,000 in total – although 15,000 of those were outside Otelo's area of responsibility. This volume of enquiries caused a backlog of cases and Otelo was only meeting its target (of resolving disputes within six weeks) 15% of the time. Otelo has since caught up, and is now meeting its target over 80% of the time.

Independent research tells us that customers are starting the complaints process in the right place, which is with the providers themselves. However, very few customers receive any information from the providers about ADR, and we seem to be popular as the next point of contact. We also found that around 40% of customer complaints were about the same companies that we included at random in this review.

If customers did know about ADR, they often approached an ADR scheme too soon. This was largely because they didn't know how their provider handled complaints, and felt they needed help. This tells us that many providers are not open enough about their complaints procedures, or don't always give progress reports to their customers.

Of the complaints that did reach the ADR stage, very few led to a full investigation. Similarly, very few customers chose to take their dispute to the small claims court.

### **The quality of the service**

Although it's the providers themselves who have to pay for ADR, we found nothing to suggest that the schemes were biased towards them.

With both schemes, the awards they made were fairly small, and often didn't involve paying out money. Instead, customers received a free product or a service, or even a simple apology where appropriate.

But were the customers satisfied? Around 80% of the decisions made by the ADR schemes were accepted by the people who had complained.

However, our research tells us that most customers are far from happy about the way in which communications providers handled their complaints in the first place.

Two-thirds of the customers surveyed who had complained to a provider said they were very unhappy with the way staff handled their case.

As for their views on the ADR schemes themselves, opinion was divided. Half the customers praised them for being efficient, professional and knowledgeable, while the other half found too much red tape, slow progress and not enough power to get things done.

## What we're recommending

Following our review, we are proposing the following improvements.

- Communications providers must improve the way they handle complaints, and tell their customers about the ADR schemes. As soon as they receive a complaint, they should explain their complaints procedure. They should also make sure that it is easy for customers to find their codes of practice, ideally on their website and on customer bills.
- Communications providers should use a standard meaning, which we will provide, of what a 'complaint' is. This should make sure that each complaint is accurately recorded and checked for progress. The staff who handle complaints should be properly trained to do so. They should not tell customers to contact us, or suggest the ADR scheme too early in the process.
- We will work with the ADR schemes to make sure that our recommendations are actually put into practice. We will help to develop a system of 'best practice', which providers must agree to as members of an ADR scheme.
- The ADR schemes should publish 'key performance indicators'. These will measure the ability of their staff, how quickly decisions are made and whether customers are satisfied. The schemes should also publish regular reports, with a breakdown of the complaints they receive.
- The schemes should work with the providers to make sure ADR becomes better known. They should focus on people or groups in society who don't use the scheme, and make sure that it is clear and open to all.
- ADR schemes should consider bringing in an independent person to handle complaints about their own processes.
- ADR schemes should take action against providers who don't obey their rules. This includes those who fail to handle complaints properly, or who don't accept a scheme's final decisions. The schemes should also tell us about anything that may be unfair to customers.

## We want your comments on ADR

Almost all of us depend on phone and internet services, and we at Ofcom want to be sure that your complaints will be dealt with quickly and fairly. Whether you are a home customer, a business user or a representative of a telecoms provider or consumer group, please tell us what you think.

Our actions will affect many people and organisations across the UK. As a result, it is very important that we make our decisions at the right time and in the right way. This is why we have published this summary. You can see our full consultation document on our website: [www.ofcom.org.uk](http://www.ofcom.org.uk).

Rosalind Stevens-Strohmann is leading this consultation. Please e-mail your response to [Rosalind.Stevens-Strohmann@ofcom.org.uk](mailto:Rosalind.Stevens-Strohmann@ofcom.org.uk) and mark it 'ADR – consultation'.

If possible, please send us your responses as e-mail attachments, in Microsoft Word format. Please also attach our cover sheet, which you can download separately from the 'Consultations' section of our website.

You can also post or fax your response to:

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To simplify the process, we do not usually acknowledge the responses we receive.

The closing date for responses is **5pm on 5 October 2005**.

We think it is important that anyone interested in the review can see the views we have received, on our website: [www.ofcom.org.uk](http://www.ofcom.org.uk). As a result, we will only treat your contribution as confidential if you ask us to. We will put all responses on the website when the consultation period has ended.

### **Any general comments?**

We also welcome your comments on how we have organised this consultation process. Please contact:

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