



**Dealing with household customers in debt
- Guidelines -**

March 2007

Introduction

In April 1992, we first issued guidance to the water companies in England and Wales covering procedures for dealing with domestic customers in debt.

The Water Industry Act 1999 made it illegal for any water company in England or Wales to disconnect for non-payment of charges any dwelling occupied by a person as their only or principal home. Following the change in legislation, water companies had to review and adapt or expand their range of debt recovery procedures in order to make sure that they were maximising their ability to collect debt from customers.

A seminar held by WaterVoice (predecessor to the Consumer Council for Water – CCWater) and us in May 2001 acknowledged that the guidelines needed to be revised to reflect the change in legislation and subsequent operating practices.

Following consultation, the updated ‘Guidelines on dealing with customers in debt’ were issued in October 2002. A less prescriptive approach was adopted to give companies the flexibility to tailor their practices to fit individual customers’ circumstances.

These guidelines were reviewed in 2006-07. A stakeholder workshop held in May 2006 invited early comments from interested parties as to how the guidelines should be updated to reflect current operating practices and to make sure that an appropriate balance was reflected between protecting customers and the industry’s need to recover revenue.

Following a formal consultation, the guidelines have been updated and are set out below.

Purpose of the guidelines

It is for companies to decide how revenue can be collected in the most cost-effective way. All customers must pay for the services received and we support fully the right of companies to collect this revenue. However, there is a balance to be struck between recovering debt, in the interest of all customers, and dealing sensitively with those customers who genuinely find themselves in financial difficulty.

The purpose of these guidelines is to set out how companies’ policies and procedures might best take account of customers’ needs. They are not intended to provide advice on effective debt recovery, although many of the recommendations on ways of dealing effectively with customers in financial difficulty will help with overall revenue collection.

The guidelines cover what we consider to be the main issues for indebted customers, with reference to the various approaches which companies currently employ. They also set out our expectations. They attempt to draw a reasonable balance between allowing companies sufficient flexibility to devise and manage effective revenue collection systems while setting out as clearly as possible what we believe to be reasonable protection for customers.

CCWater committees will continue to audit companies' handling of customers in debt and report to us on companies' policies and practice. The committees will wish to be satisfied that the company can show that it acts according to its policies and takes account of these guidelines. The assessments will continue to be taken into account in our overall performance assessment of companies. We accept that it is important for companies to be assessed on a comparable basis. We will continue to work with CCWater committees to promote consistency. We will also continue to encourage companies to discuss with their CCWater committee and us any proposals to alter substantively their approach to debt management.

Application of the guidelines

Whilst the guidelines were initially intended to safeguard the interests of those household customers vulnerable to debt, it is generally accepted that it is difficult to define or identify these customers.

Therefore, the guidelines should be applied to all indebted household and mixed-use¹ customers in the first instance. Where a company has accurately identified that a customer will not pay rather than cannot pay, or they have information on customers' circumstances to show why an alternative approach is more suitable, then the company is entitled to take an alternative approach provided they can clearly demonstrate their reason for departing from the guidelines.

¹ Mixed-use properties are those with a shared supply that include a dwelling (that is occupied by a person as their only or principal home), but which are also used for a non-domestic purpose. Examples include farmhouses which make up part of a larger premise or public houses with residential quarters.

Principle 1

Companies should be proactive in attempting to contact customers who fall into debt as early as possible and at all stages of the debt management process.

Current practice

Companies report that their main problem in obtaining payments is making contact with the customer. Once they have made contact, it can be relatively easy to agree a payment arrangement.

Most companies have developed computerised billing systems which identify customers who have a record of late payment. They use these systems to contact the customer if payment is not made promptly, to attempt to arrange payment rather than progress to other stages of their debt recovery processes, such as issuing a claim.

Systems have been developed to analyse customers' payment habits and tailor the type of correspondence sent to customers. For example, if the customer normally pays once a solicitor's letter has been received, the company can omit one or more of the items of correspondence which it would send before that letter. Alternatively, the time between letters may be shortened, as the customer is unlikely to respond to them.

Reasonable time should be allowed between bills and reminders in order to allow payments received to be processed. Unnecessary reminders can cause confusion and stress. A period of between 14 and 21 days after the date the bill was due for payment has been suggested as a reasonable period in the first instance.

However, there is evidence to suggest that shorter periods between contacts can be particularly helpful for customers on frequent payment arrangements. Too long an interval may suggest to customers that payment is not a priority. This reduces the incentive and urgency to contact the company. A longer interval may also allow customers who intend to pay all or part of their bill to build up additional debt. For customers who pay regularly and are on a fixed low income too long a period could affect their ability to budget and pay their bill. Companies can also be flexible in what time period they allow customers to pay their bill. This could be shortened or lengthened depending on a customer's previous payment habit.

Timing can also be a factor in achieving contact. Companies that attempt to contact customers outside normal office hours (in the evenings or at weekends) and vary the times at which they try to contact any one customer have reported improved contact

rates. However, care is needed to make sure that the frequency or timing of contacts does not constitute harassment as set out under the Office of Fair Trading's guidance on debt collection.

Some companies have freephone debt helplines for customers to contact them. These are sometimes operated outside office hours. Companies should be aware, however, that many mobile phone users will not be able to take advantage of freephone numbers and therefore access to standard or "local rate" (0845) numbers should also be retained.

Water company experience suggests that in some cases innovative approaches to debt recovery can be effective as they are not expected by the customer. Once customers have become used to a set procedure, it becomes less effective and they are more likely to ignore reminders or letters. Customers are more likely to open a letter they receive outside of the usual recovery timetable, or to respond to an unexpected telephone call or visit. However, other evidence shows that in some cases customers respond well to more established forms of communication as these are found to be less threatening.

Companies should also consider whether they can use new technology alongside more traditional methods in order to maximise the opportunities for contacting customers. This could include the use of telemessages, faxes, e-mails or mobile phone text message facilities. Again, care is needed to make sure that customers do not feel harassed by companies who employ a multitude of methods to make contact with the customer.

A strategy which can incorporate changes in the ways in which customers are contacted may be more effective in the longer term than one which remains static.

Customers who are in debt may be reluctant to open mail which appears to have been sent by the water company. Companies report that customers may be more likely to open correspondence which is sent in an unmarked (ie, no company logo), or hand-written envelope.

A number of companies have set up in-house debt collection agencies, which operate under names not directly linked to the water company and use separate headed stationery. Other companies use doorstep collection (the use of home visits can be particularly important for customers who cannot be contacted by phone) or set up collection arrangements with local authorities or housing associations in certain areas. Companies report that these can be successful in establishing contact with customers.

Expectations

Generally we expect to see companies adhere to the following.

1. At least two prompts (including the bill) for the customer to contact the company before progressing to debt recovery action.
2. Customers should be given reasonable time to pay their bill before a reminder is issued (this is especially important if using second-class post). Good practice would be to allow a minimum of 14 days following the date the bill was due for payment before issuing a reminder.
3. Each reminder should set out what will happen and when action will be taken if the customer fails to respond. The various actions the customer can take should be set out along with a clearly signed contact number.
4. To encourage contact, companies should consider offering freephone debt helplines in addition to their standard telephone numbers.
5. A variety of communication methods should be considered to establish contact (telephone, mail, visiting and so on). The timing of attempted repeat visits and telephone calls should be varied where possible. Communication methods and timing should take account of any special requirements for those customers who are registered for special assistance and should comply with the provisions of the Disability Discrimination Act 1995.
6. The timing, frequency and manner of contacts should not be oppressive, misleading or threatening, and should conform to accepted good practice, including that set out in the Credit Services Association's code of practice. Companies should not adopt any business practices defined as 'unfair' under the Office of Fair Trading's debt collection guidance.
7. Companies should make sure that sufficient resources are available to handle any contacts received, particularly at times of bulk debt related mailings. Companies should also document all contact attempts made, regardless of whether or not the contact was successful.
8. Debt recovery strategies should be reviewed on a regular basis. The results of such reviews should be shared with us and CCWater.
9. Billing systems and incoming calls should be used, wherever possible, to identify customers in difficulty. This would include, for example, recording customer

details that might indicate that the customer is vulnerable to falling into debt or flagging up where regular payers suddenly default.

10. Segmentation of customers should be used wherever practicable, to tailor debt recovery to particular debtor groups. This is particularly useful in the absence of knowledge of individual customers' circumstances.

11. Any new approaches or systems should not reduce opportunities for customers to approach the company and literature should encourage customers to communicate effectively with their supplier or collection agency.

12. CCWater will wish to be assured that the water company has made a reasonable number of attempts to contact customers whilst at the same time adhering to the Credit Services Association² and Office of Fair Trading guidance³. In order to demonstrate good performance to CCWater, companies will need to keep records showing how many times they have tried to telephone or visit individual customers (whether attempts were successful or not), and the dates of reminders and notices, along with any actions occurring as a result.

² Available at www.csa-uk.com/csa/code-of-practice.php

³ Available at www.offt.gov.uk/advice_and_resources/publications/guidance/consumer_credit_act/oft664

Principle 2

Companies should provide a reasonable range of payment frequencies and methods, for all customers. The entire range of options should be properly and widely advertised to ensure that customers can select the arrangement which best suits their circumstances.

Current practice

Companies currently advertise the range of payment options in a variety of ways. Each company sets out the range of payment options it offers in its charges scheme, which we approve every year. This includes the methods by which customers can make payments and at which locations, as well as the frequency of instalments which the company will arrange. Companies are also required to include this information in their code of practice on debt, which is approved at least once every three years. The information in the charges scheme and code of practice on debt should be consistent. Most companies also set out payment information on their website and all include details on the back of bills or in accompanying billing literature. Clear and readily available information about various payment options will make it easier for customers to access the method best suited to their circumstances.

All companies offer a variety of options, although the range available varies across the industry. Each company will decide on the exact range it offers. Much may depend on the characteristics of the customer base (for example, many companies offer frequent payment options only to those who would find this helpful) and cost-effectiveness of each method (a company's ability to provide particular options at an acceptable price may be dependent on other organisations). Through our approval of charges schemes, we make sure that all companies offer a satisfactory range of payment options. Every company is required to offer accessible means for customers to make frequent payments in cash at no extra cost.

It is important that companies offer instalments for customers who prefer to pay more frequently, such as fortnightly or weekly. Options are now available for swipe card payments run through local shop networks (such as PayPoint and Payzone) where the customer can pay as frequently as they wish, deciding on the amounts themselves, but with set amounts to be paid off by certain dates. These options tend to be more popular among customers who need to budget for shorter periods of time, often those on lower incomes or state benefits.

Customers are more likely to make regular payments if the locations for payment are easily accessible. Companies have traditionally offered customers the choice to pay

at banks and post offices, although the continuing closure of isolated and small branches in recent years has reduced the number of available locations for payment.

Many companies offer payment options where the transaction cost is subsidised or free at selected locations.

Some companies also keep an open mind to other possibilities for payment, outside of the usual range offered. Where a customer offers to pay by a method which the company does not usually offer, the company will consider accepting the offer, in the interests of establishing a payment habit for the customer.

For customers who are in debt and in receipt of certain benefits it is possible in some circumstances to arrange for payments to be deducted direct from the benefit using the Third Party Deduction Scheme (known as 'Water Direct'). Either the customer or the company can apply to have deductions made.

There is evidence that use of the scheme can be increased significantly where a company proactively places customers on it. However, the ultimate decision on whether the customer is accepted onto the scheme will be made by the relevant decision-maker at the JobCentre Plus or Pension Service office. Those companies that have worked to build effective working relationships with local offices have found this to be productive.

Expectations

To meet this principle, we would generally expect companies to do the following.

1. Review their network of payment locations at least once every two years to make sure that all customers have reasonable access to make payments. Companies will need to take account of the number and geographical distribution of locations and the demographic and social profile of their region. The network of available locations at which the customer can pay must accommodate both rural and urban customers.
2. Review the charges, if any, for making payments at the network of locations offered and offer a reasonable range of locations at which customers can make payments free of charge. This should include frequent payments, in cash, for customers who would benefit by paying weekly or fortnightly.
3. Offer all customers at least the following payment frequencies:
 - annual/half yearly/quarterly as appropriate on receipt of the bill;
 - monthly; and

- fortnightly/weekly (where felt to be beneficial to the customer).
4. Offer instalment payments by at least the following methods:
- cheque;
 - cash;
 - direct debit; and
 - payment booklet / card

Companies should, where possible, be flexible about the date on which direct debits or standing orders are taken.

5. Offer or accept non-standard flexible payment arrangements where appropriate in order to encourage payment.
6. Proactively offer customers who are in debt and in receipt of eligible benefits the option to pay using the 'Water Direct' scheme. Where companies themselves wish to apply for 'Water Direct' on behalf of the customer they must make reasonable efforts to inform the customer of their actions before doing so. Companies should also work with local JobCentre Plus and Pension Service offices to build effective working relationships. Once a customer has been placed onto Water Direct, other debt collection activities should be frozen.
7. Advertise the available payment options on or with the initial bill so that the customer can choose the option which best suits their circumstances. Companies should clearly set out the payment methods not incurring a transaction charge, and the option to pay on a frequent basis and, where possible, tailor these to individual customers' needs. Companies should also take advantage of further opportunities to draw customers' attention to the range of options available. They should flag options again in further correspondence sent to customers in debt, either in the text of letters or enclosing a separate leaflet or their code of practice on debt.
8. Where companies become aware that a different instalment option may suit a customer better than the one they currently use, they should proactively offer the option. Where a customer wishes to switch payment method or frequency, the company should try to accommodate any reasonable request as quickly as possible.
9. Review payment methods periodically so that any advances in technology which widen the range offered are considered. Where the company is offering new payment methods, these should be advertised in billing literature at the earliest opportunity.

Principle 3

All correspondence sent to customers should be written in plain language, be courteous and non-threatening but should clearly set out the action which the water company will take if the customer fails to make payment or contact the company, along with the possible consequences for the customer.

Current practice

Water companies typically use standard letters and notices to advise customers that they have missed an instalment or failed to pay their bill. Notices set out what action the company will take if the customer does not pay within a specified time, and invite the customer to contact the company to discuss options available to assist the customer in making payment. Letters should be written using appropriate wording and tone to encourage the customer to contact the company.

Some customers may not understand the meaning of certain legal terms and need a simple explanation of the process and consequences of the action the company proposes to instigate. They may not be aware, for example, that court action could jeopardise their credit rating in the future or that some actions may involve contacting their employer. Any explanation should not be misleading. Companies should not falsely imply, for example, that court judgment will automatically be granted or has already been obtained, or use documents made to resemble court claims.

Standard letters are usually available for each stage of the process. Most companies have developed a suite of letters or notices applying only to household or commercial customers.

All companies are required under their license conditions to have a code of practice on debt which we approve, available to household customers. It sets out how the company deals with customers who fall into debt. Companies typically produce their code in the form of a customer-friendly leaflet which can be used to advise or remind customers of their options.

Water companies make literature and correspondence available to customers in formats which they are able to use. Companies are usually able to offer customers with sight impairments large print or Braille bills where appropriate so that they are able to read their bills and notices. This is in line with our guidance to companies on services to customers with disabilities¹. Some companies also have systems in place so that customers who do not speak English can communicate with the company.

¹ Services for Disabled or Elderly Customers -Guidance To Companies (March 2001) available from Ofwat Library.

Companies will typically work with CCWater when designing new literature in order to give them an opportunity to comment. Some companies also involve other agencies in this process, for example, Citizens' Advice or the Plain English Campaign.

Expectations

We will generally expect companies to meet this principle in the following ways.

1. Letters and reminders to customers who have fallen behind with payment should be clear about when payment is due and what will happen if the customer does not pay. We would expect letters which previously could be applied to either household or commercial customers to have now been replaced by more tailored correspondence.
2. The code of practice on debt must be enclosed with reminders or details given on how a copy can be obtained. To be constructive, it is also important that any correspondence encourages the customer to contact the company and if necessary to seek appropriate expert advice. For example, reference could be included to organisations such as the National Debtline, Advice UK, CLS Direct, Consumer Credit Counselling Service or their local Citizens' Advice Bureau. Where one is available, the customer should be advised of the charitable trust or restart scheme.
3. The customer should be given a clear indication of the length of time they have in which to act and a contact number to use in the event of requiring further information.
4. Letters and literature should be written in plain language, although the tone and style of the letter may need to vary according to the individual debtor. Companies should consider the appropriate format for customers requiring special assistance or those who do not use English as their first language.
5. Companies must not threaten to disconnect (whether directly or by implication) for non-payment any property in which someone has their only or principal home. Particular care is needed when dealing with mixed-use premises so that customers' rights are respected.
6. Void property notices should not be used as a debt collection tool by companies or by debt collection agencies.

7. If the customer is at risk of enforcement action after a judgment has been obtained in the county court, the company should explain the implications of such action simply and fully but without being misleading. Many companies are now taking enforcement action in relation to judgments obtained by applying third party debt orders, charges on property, order to obtain information, warrants of execution or attachment of earnings (see appendix 1 for details of these procedures). In these cases, the company should explain the terms and processes and advise the customer that processes are subject to a court judgment first being made. The consequences of such action should also be clearly set out along with a contact telephone number for where further information can be obtained.
8. Any enforcement action taken or charges added should be proportionate and reasonable in relation to the circumstances of the customer and the size of the debt.
9. If notices or letters themselves do not list the customer's options for payment arrangements, they should be accompanied by literature which does, or should clearly detail where the customer can obtain this information.
10. Where debts are queried or disputed, the company should respond promptly, fully and appropriately to the customer's enquiries. Collection activity should be put on hold whilst investigating a reasonably queried or disputed debt.
11. Companies should give CCWater an opportunity to comment on the design and text of any substantive changes to debt recovery literature, and be required to outline all changes during debt audits.
12. Companies should make sure that the debt code which we approve is kept up to date and reflects operating practices. This may require approval more frequently than the maximum three-year interval.

Principle 4

When agreeing payment arrangements with customers, the customer's circumstances should be taken into account wherever possible.

Current practice

A payment arrangement which takes account of the customer's circumstances, including their ability to pay is more likely to be effective in securing regular payments and hence future bill payments than one which aims to recover more money more quickly through instalments which are unsustainable. Companies report that customers can be inclined to agree to payments set higher than they can reasonably afford, believing that this is more likely to satisfy the company. Arranging payments at too high a level will not be sustainable in the long term and may lead to increased stress for the customer and increased problems for the company.

When estimating the customer's ability to pay, it is important that all the customer's circumstances are looked at where possible – not just their income. This would include looking at all a customer's outgoings in order to assess their ability to pay. Companies advise that many customers who are in debt to the water company will also be in debt to other utilities and third parties. The level, nature and implications of a customer's commitments to other creditors may affect their ability to pay the water company.

We recognise that finances are a personal issue and that some customers will not wish to reveal their circumstances to water company staff. However, it is important that companies make an attempt to take account of the customer's ability to pay. This could be through a telephone enquiry, if contact has been made by telephone, or an invitation in correspondence to talk through how much the customer can afford. Companies need trained staff to make these enquiries appropriately, or alternatively, if trained staff are not available, companies should advise the customer to contact a trained debt advisor. Customers should be entitled to receive independent advice about a reasonable and sustainable level of payment relative to income. In all cases, it should be made clear that any information provided will not be divulged to any other person or used for any other purpose.

Water companies often set up payment arrangements to cover current charges and work towards reducing the debt. It is not always possible to eliminate within one year the debt of someone who has had payment difficulties for some time. In these circumstances, the company may need to take a long-term view in the light of the customer's ability to pay. The level at which payments from benefit are set can be a useful guide to setting an appropriate payment arrangement for some customers' arrears.

Where the customer has multiple debts companies can advise that it may benefit the customer to talk through their situation and review their payment obligations with a money advisor. A number of companies have established links with local Citizens' Advice Bureaux and Money Advice Centres and will refer customers who appear to be in multiple debt to them for advice. Some have set up arrangements to subsidise these local offices and will communicate with them about the level of a customer's payment arrangement. They will also accept recommendations on the level of instalment plan payments.

Some customers may choose to take debt advice from a fee-charging debt management agencies. These agencies will typically make a charge for their services which will reduce the amount available to creditors and increase the amount of time it will take to pay the debt.

One of the aims of a payment arrangement is to enable the customer to get into the habit of making regular payments. Some companies have set up incentive schemes which enable the customer to do this. These generally involve arrangements whereby the company will either match payments that the customer makes or discount part of the debt if agreed regular payments are maintained.

Where the customer is clearly unable to pay, a referral to a charitable trust may help if one is available.

When a number of instalments have been missed, many companies cancel the payment arrangement and take action to recover the full amount due. This may not always be the best approach, for example customers on benefits could be transferred to Water Direct, the Third Party Deduction Scheme.

Expectations

To meet this principle, companies will generally be expected to adhere to the following.

1. Make reasonable enquiries as to the customer's ability to pay when setting up instalment arrangements and take account of the information given. This may involve using some kind of 'income and expenditure' form or 'common financial statement' (as published by the Money Advice Trust and the British Bankers' Association) completed by the customer or a debt advisor to use in assessing realistic payment options. Companies and their agents should retain an appropriate record of enquiries made.

2. Set repayment levels which are realistic and sustainable given the customer's circumstances including taking into account all outgoings. Customers should not be pressurised into paying the debt in full or in unreasonably large payments. Action taken when instalments are missed should be appropriate. Companies are not expected to provide financial advice, but should make it clear to customers whether payments received will be used to pay current charges or towards arrears.
3. Companies should be able to demonstrate that consideration has been given to whether the customer would benefit from measures such as switching to a water meter, applying for the vulnerable group tariff or implementing some water efficiency measures. Where relevant, the company should advise the customer that they may be able to reduce their future charges and offer information about these options.
4. Try to agree an instalment plan with the customer at a level which recovers the level of the current year's charges and wherever possible also pays towards the previous years' arrears (accepting that in most cases payments received will be used to pay off the arrears). This is so that the level of debt does not get progressively worse. However, companies may need to take a long-term view of the period over which customers can clear their debt, based on their knowledge of the customer's circumstances. Wherever possible, they should try to avoid allowing the debt to increase unless they are convinced that in the customer's situation it is appropriate to accept any small amount in order to encourage a payment habit.
5. Accept any realistic offer of payment that a customer or by the customer's authorised money advisor makes. Call operators should have the authority to agree payment plans with customers over the phone. Any agreements made should then be confirmed in writing to remind the customer of the commitment made. The level at which direct payments from benefit are set can be a useful guide to setting an appropriate payment arrangement for some customers. However, in cases where the customer has multiple debts, liaison with or referring customers to local advice agencies can be useful.
6. Establish and maintain good relationships with local advice agencies, charities or voluntary organisations (for example, by offering a dedicated helpline number or direct access for such agencies) and recommend customers consult these agencies where appropriate. If the customer agrees, arranging direct contact with a suitable advice agency could be helpful. This is particularly important where a company's staff are not trained in debt counselling. Where a customer advises a company of their intention to approach a fee-charging company, the company

should advise the customer of the existence of similar services that do not make a charge.

7. Signpost customers to independent, non-charging debt advice agencies, and give full consideration to payment plans that such agencies offer. Where a customer has formally authorised a debt advice agency to negotiate on their behalf, the company should agree to this and should not bypass the agency by contacting the debtor directly.
8. Where a charitable trust or a restart scheme is in place, companies should, where appropriate, tell customers about them or refer customers to a relevant contact. Companies which do not have such schemes should consider the value of establishing them independently or jointly with other companies or utilities.

Principle 5

Customers whose accounts are managed by debt recovery agents or some other form of billing agent should wherever practicable receive the same level of service and care as those whose accounts remain with the water company. The potential consequences of having their debt managed by a third party should be no more severe than if the service was provided directly by the company.

Current practice

It is common practice for companies to refer the accounts of indebted customers to debt collection agencies (or a similar form of agent). From this point on (which may be at any stage of the debt collection process depending on company practice and individual customer circumstances), the customer may no longer have direct contact with the water company, but will deal instead with the agency. The agent, rather than the water company, will now send out literature and correspondence.

Agencies usually work on a commission basis and it is in their interests to arrange payment instalments which the customer can maintain. Any payments made to the debt collection agent will be paid back to the water company. Some debt collection agencies offer doorstep collection services to encourage customers to make the agreed payments.

Debt collection agents should work under a service agreement governing the level of service customers will receive and setting out the agent's relationship with the water company. Reputable companies will be members of a recognised trade association, operate under a code of practice such as that approved by the Credit Services Association² and take account of the Office of Fair Trading's Debt Collection Guidance³. This states that agents should be accountable for the actions of third parties who in turn must adhere to the debt collection guidance and that if consumer credit license holders choose to do business or continue to do business with third parties engaged in questionable behaviour, their own fitness will also be called into question.

The level of access the company retains to records of contact with customers and their accounts will vary according to the service agreement between the company and the agent. Good practice allows the water company to monitor how customers'

² Available at www.csa-uk.com/csa/code-of-practice.php

³ Available at www.oft.gov.uk/advice_and_resources/publications/guidance/consumer_credit_act/oft664

accounts are handled and to know what payment arrangements have been made. In these circumstances companies and CCWater can audit individual cases handled by the debt collection agents.

Some companies will sell customer debt in its entirety to an independent third party, typically when all other debt recovery activities have been exhausted. The third party will pay the company to purchase this “debt” and will then pursue the debt, but unlike the agents discussed above will not pass monies received back to the water company.

However, like the debt collection agents working on behalf of the water company, reputable companies should operate under the same type of code of practice or industry guidance. However, it is acknowledged that these agents will tend to be collecting debts from customers who have expressly chosen not to pay or who may have absconded. Therefore, it might not be possible for them to deal with all customers in exactly the same way as the water company would.

Finally, some companies use local authorities or housing associations as a form of billing agent, although the exact arrangements will vary from company to company. The local authority becomes responsible for billing and recovering revenue from customers, typically in return for a commission payment. In some cases, the customer is unlikely to have direct contact with the water company. The local authority will agree standards to work to with the company in relation to billing or payment matters. Some companies have also produced leaflets specifically for customers billed by their LA explaining the level of service they can expect from the LA and setting out what rights they retain as a water company customer.

Expectations

To meet this principle, companies who use debt collection agents are generally expected to adhere to the following.

1. Make sure that they engage a reputable company licensed by the Office of Fair Trading to engage in debt collection and who abides by industry codes of practice such as that of the Credit Services Association and by the guidance on debt collection issued by the Office of Fair Trading. The agent should also operate under the water company’s own code of practice on debt recovery and where practicable follow the expectations outlined in this guidance.
2. Be able to verify on a regular basis that customers whose debt is managed by a debt collection agency are sensitively dealt with through a robust audit process. This may include regular reports from the agent on the progress of customers’ accounts and payments. To satisfy themselves that their customers are receiving

the appropriate level of service, water companies are expected to hold copies of standard correspondence and literature sent by debt collection agents and make sure that these conform to the standards expected of the water companies themselves.

3. Make sure that customers whose accounts have been passed to debt collection agents are kept informed of this action. Customers should not find themselves in a position where it is harder to agree payments than if they were dealing direct with the water company. The debt collection agent should offer the same range of payment options as the company wherever it is practical to do so.
4. Retain access to the management of the customer's account, should the need arise, as the debtor will typically remain the customer of the water company. Good practice will allow water companies to be able to obtain access to the customer's account and details such as the amount which a customer has agreed or has been asked to pay, should they be approached directly by the customer or by third parties acting on behalf of the customer, such as debt advisers. Regular and effective communication systems should be in place between the company and agent to share information regarding payments made or other activity on the account when necessary.
5. Make sure that a full and accurate history of the debt is passed to the debt collection agent.
6. Make sure that customers who are unhappy with the way the agent has dealt with them are able to raise their concerns directly with the water company.
7. Those customers registered by companies as requiring special assistance should not have their accounts passed to debt collection agencies where an agent is not able to provide the service which the customer requires. Where a debt is passed to an agent and it becomes apparent that the customer requires special assistance which the agent cannot provide, the account should be returned to the water company.
8. In some cases, it may be necessary to treat a customer's current charges separately from any arrears. The company may wish to agree payment terms for the current bill direct with the customer while leaving the collection of debt in the hands of the agent. If this is the case, it is important to make sure that the customer fully understands that payments are due to both parties. Ideally, all charges should be collected together in order to avoid confusion for the customer.

9. Show CCWater that customers whose accounts have been placed with agents are not receiving a lower level of service than customers whose accounts remain with the water company. CCWater will also wish to confirm that companies have effective quality control arrangements in place. At audits it is desirable for CCWater to have access to the agent and their documentation, including copies of standard literature, and the option to meet the agent, visit the agent's premises or look at individual cases as part of their regular assessments of companies' debt recovery operations. The code of practice under which the agent operates and the service agreement or equivalent document should also be made available, provided there are no confidentiality concerns.
10. Make sure that individual accounts are passed to one debt collection agent at a time. This will avoid confusion for the customer and potential duplication of effort by agencies.
11. **Third party debt agents purchasing debt from a water company:** Companies that choose to sell debt to a third party should only do so when all other debt recovery activities have been attempted and should take care when selecting agents. A reputable agent will be licensed by the Office of Fair Trading⁴ to engage in debt collection and will abide by an industry code of practice such as that of the Credit Services Association.
12. **Local authorities:** Companies that have agreements in place with local authorities or housing associations should ensure that agreements are drafted in a sensible and well-managed way.
13. All customers billed by their LA should be made aware of their legal status in terms of which organisation they are the 'customer' of and the implications in relation to the rights they are entitled to when compared to directly billed water customers. This may be in the form of a leaflet specifically designed for customers billed by their LA.
14. Where it is proposed that water charges are collected as part of a LA tenancy agreement (and not simply as a billing agreement) a full and effective legal consultation with tenants must take place before any agreement commences.
15. Where eviction for the non-payment of water charges is a possibility, companies should have effective channels of communication in place with LAs to make sure that such cases are discussed with a view to alternative solutions being found.

⁴ Hold a consumer credit license.

Appendix 1: Court procedures used by water companies to enforce payment after judgment has been entered

Warrant of execution

The bailiff of the court may be ordered to seize property to the value of the amount owed by the customer to satisfy the debt.

Third party debt order

The court may order funds to be deducted directly from the customer's bank account to settle the debt.

Charging order

If the customer owns his own home the court may order that the debt is settled when the property is sold. Once a charge on the property has been awarded the creditor can ask for the property to be sold.

Order to obtain information in court

The customer may be ordered to attend court to give details of his finances.

Attachment of earnings order

The court may order that the customer's employer deducts an amount each week or month from the customer's earnings to settle the debt.

Bankruptcy

For debt in excess of a specified amount, a creditor may apply for a debtor to made bankrupt.

High court sheriffs

For debt in excess of a specified amount, debts may be transferred to high court sheriffs for enforcement.