
Towards inclusive service for all – Vulnerability focus report launch event Cathryn Ross, Chief Executive

Good morning everyone. It is great to see everyone here today to discuss **an issue that goes to the heart** of this sector's ability to maintain and build trust and confidence in the provision of its services. Namely, how the sector - a sector that provides vital public services - deals with those in our society who are vulnerable.

Today is particularly important to us at Ofwat because we are **publishing our Focus Report on Customer Vulnerability**. It is also important because today we are doing what I think we should be doing as a regulator and encouraging those in the sector we regulate to **share good practice and learn from each other** and from others beyond the sector.

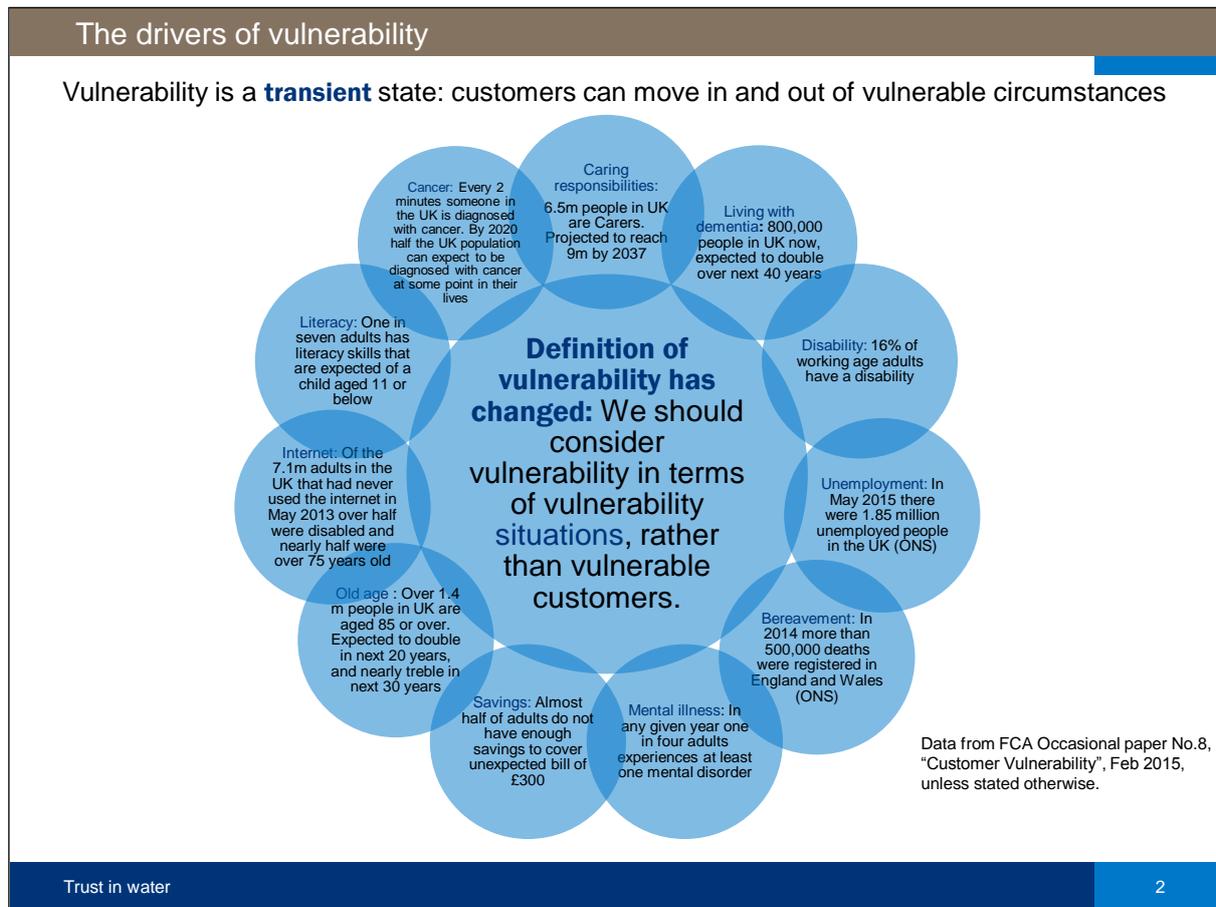
I am not going to go into the detailed findings of the report - that will be discussed in a later session today. But I do want to make a number of points about **Ofwat's changing approach to vulnerability**.

At Ofwat, **customers are at the centre of everything that we do**. We regulate a vital public service on which customers, and society more widely, truly depend. We have a statutory duty to protect the customer interest. Getting a good deal for customers - now and over the long term - goes to the very heart of our strategy.

We take a **specific interest in the experience of those who at some point in their lives may find themselves in a situation of vulnerability**, and are therefore in need of support from their water companies. We have been banging the drum about the issue of vulnerability for a while now, as have other organisations and regulators.

Vulnerability is a **complex** area. The drivers of vulnerability are many and varied, vulnerability is not a rigid or binary concept and there are no quick fixes.

The drivers of vulnerability



This brings me to the first key point I want to make today, and I need to make it early on. Note I just referred to **circumstances that make customers vulnerable and not vulnerable customers**. The way that Ofwat approaches customer vulnerability has changed. We are considering vulnerability in terms of the circumstances that make customers vulnerable. Our report focuses on the “transience of vulnerability”. In other words, **anyone of us can become vulnerable**.

Thinking about vulnerability in this way **avoids labelling** customers, which our study has shown can be detrimental in itself. Let’s face it, **customers do not want to be termed as ‘vulnerable’**. Labelling people like this could lead to customers becoming vulnerable by not seeking assistance.

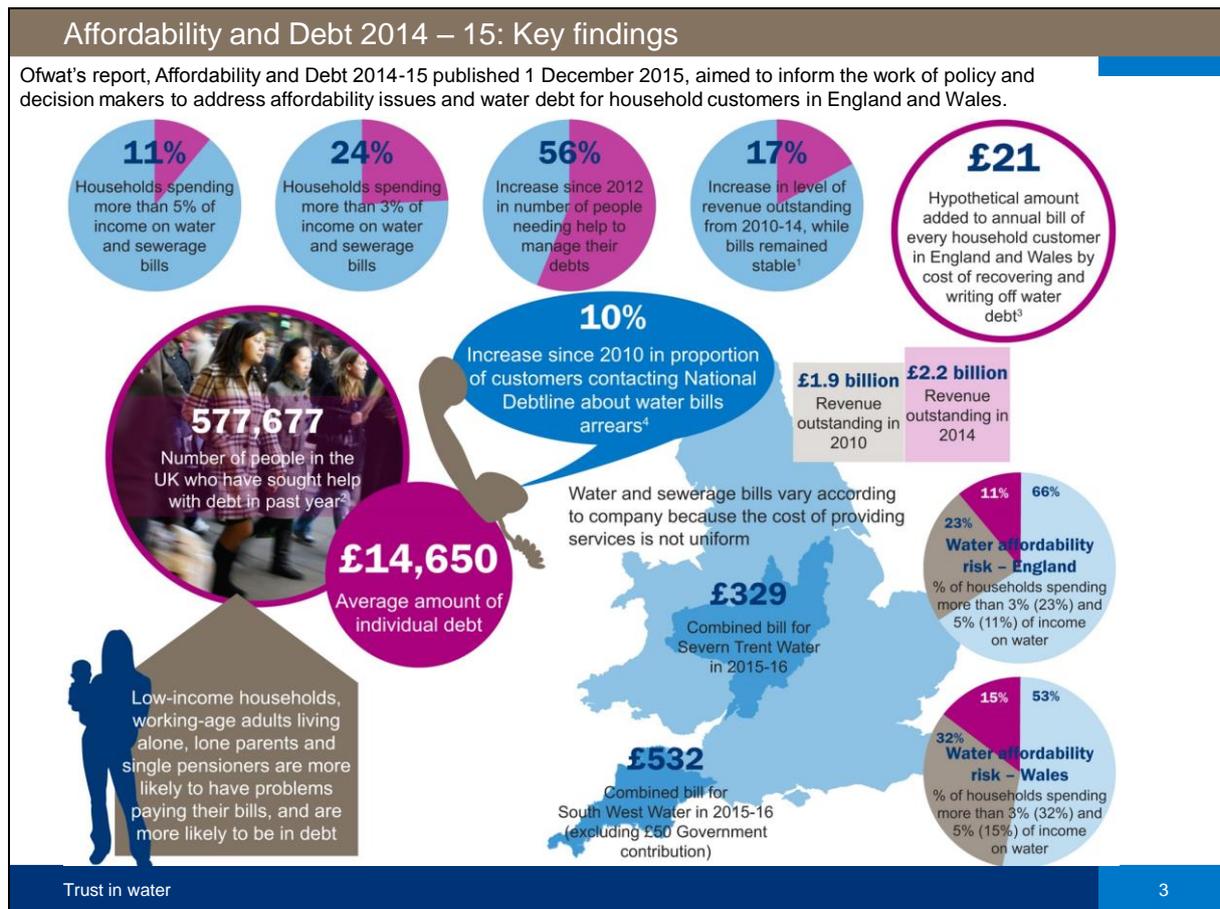
In developing our thinking we have been working with the Financial Conduct Authority through the UK Regulators' Network. They published **some statistics** last year that really pulled me up short, and I want to share them with you.

Over 1.4 million people in the UK are **over 85** and that number is projected to triple in the next 30 years. In 2013 it was estimated that 7.1 million adults had **never used**

the internet, and over half of those have a **disability**. 16 per cent of the population have a **reading age** under 11. And by 2020 half the UK population is expected have been diagnosed with **cancer**.

All of these are circumstances, just a few of many, which could lead a customer to become vulnerable.

Affordability and debt 2014-15: key findings



Similarly, I expect many of you will be familiar with the [Debt and affordability 2014-15](#) report that Ofwat published a few months ago. That report threw up some worrying trends and our vulnerability focus report is building on the positive response to that affordability report. The key findings are on the slide.

We know that **affordability risks emerge** when a household is spending more than 3% of their disposable income on water and sewerage bills. 24% of households in England and Wales fall into this category. And 11% of households in England and Wales spend more than 5% of their income on water.

Thinking about the customers of those companies operating wholly or mainly **in Wales**, this rises to 32% of households spending more than 3% of their income on water.

Our data reveals that the **total level of revenue outstanding** from customers' unpaid bills has increased from **£1.9 billion to £ 2.2 billion** in the four years between 2010-11 and 2014-15 (2014-15 prices). This is an **increase of about 17% over four years**. As stated above, during this period average water and sewerage bills in England and Wales have remained largely stable. But the amount of the **average bill**, which stands at **£385**, accounted for by **bad debt costs** has **risen from £15 to around £21**.

These factors, and you will hear about this more in detail from Hugh, tell us that affordability is likely to be a growing social and political issue and that vulnerability is here to stay.

Getting to know your customers

Getting to know your customers

	<p>A pro-active approach to building strong relationships will lead to an in-depth understanding of customer circumstances</p> <p>Understanding the drivers of vulnerability for your customer base</p>	
	<p>Vulnerable customers should not be treated as a separate group. Flexible, bespoke and inclusive service arrangements should be part of standard customer service for ALL customers.</p> <p>Innovative approaches and partnership</p>	
		

Trust in water

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So what can companies do?

The single most important thing that companies can do is to **get to know their customers** - develop an in-depth understanding of their customer base, the specific needs of each customer and their circumstances.

Companies **must then use this information to ensure that the vital services they provide are inclusive and accessible** to those who need them. This is essential if the water sector is to build and maintain trust and confidence – it will come as no surprise that customer satisfaction is directly linked to levels of trust. That greater **knowledge** of their customers will enable companies to **better identify** those who experience circumstances that lead to vulnerability. And by building **trust** with customers, companies will be **better able to help** them.

We have been very clear as we have set out our strategy and our regulatory model that it is for companies to own and take responsibility for the relationship with their customers. Which means that **each company must take responsibility for delivering for customers in circumstances that make them vulnerable.**

We placed a lot of emphasis during PR14 on companies listening to and engaging with their customers. In this respect, PR19 is going to feel very similar. But we are also being clear that we **expect companies to get know, engage with and respond to their customers day in day out**, not just around the build up to five year price reviews. We will also expect companies to provide **assurance** to us on how they are doing this. This will be **a factor in how we assess company business plans in PR19**. And of course, if we think companies are not acting in the best interests of their customers, we will step in.

We realise that identifying customers who are in situations of vulnerability and engaging with them effectively is **challenging**. All customers are not the same. The things that drive vulnerability are various and complex. Really understanding customers and the circumstances takes time, effort and a degree of sophistication. But there is **no doubt in our mind that companies are best placed** to do this – using all the intelligence at their fingertips from all the different interactions they have with their customers and their knowledge of the local areas they serve, so that they can best provide assistance.

This brings me to the final point I want to make this morning – and if there's one message you take away from today, please make it this one.

Ultimately, **all customers, regardless of their personal circumstances, age or postcode should be able to access the services they need – these vital public**

services – from their providers, including those customers who find themselves in circumstances that make them vulnerable.

Rather than creating an 'us' and 'them' approach, with some customers separately labelled for provision of specific services, companies should **provide excellent services that are inclusive** and that meet the needs of all customers, but that can be tailored to individual circumstances.

So what does excellent customer service look like?

Some suggestions are companies treating everyone as an individual; listening and responding to their individual needs; being flexible and responsive as customer circumstances change. I have spoken in the past about the need to assist the 'struggling silent'. By that I mean customers who don't ask for help and pay their bills, but struggle in the process.

We have seen some really **inspirational approaches by some water companies** both to identifying those in circumstances that lead to vulnerability and in providing assistance – I spoke about some last year at the Water UK Customer Vulnerability Innovation Hub.

I know that there are many companies who are seeking **partnership** working with third party organisations such as Citizens Advice, Age Concern and local organisations. All with the aim of improving and tailoring service for customers. Our focus report showcases some examples of this.

So... It is complex and challenging ... But it can be done.

The key is to **share experience** across the water sector and beyond, learn from what works - and maybe what hasn't worked.

Trust and confidence



Ofwat cannot deliver our vision of trust and confidence in water and waste water services alone. **We have an important role to play**, as regulator, in **informing, enabling and incentivising** the sector to do this. But it falls to **companies to own the relationships with their customers**, understand their circumstances and respond to their needs.

As I said at the start, **the acid test for the sector's ability to maintain and build trust and confidence must be how it deals with those in our society – who still depend on these vital public services – who are vulnerable.**

In that spirit, I very much hope you find our event today useful. I hope you will take away things – facts, examples, or even questions – that will enable you to help the sector step up and meet the challenge of delivering an excellent and inclusive service to all its customers.