

February 2016

Trust in water

Vulnerability focus report

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About this document

The purpose of this document is to broaden the understanding of customer vulnerability in the water sector in England and Wales, and to stimulate interest and debate around the issue.

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Acknowledgements

London Economics and Risk Solutions gratefully acknowledges the valuable input of stakeholders through interviews and focus groups. A full list of stakeholders who contributed to the study is set out in appendix 2.

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Foreword

Water customers are central to everything that Ofwat does. Ofwat was established to protect their interests, reflecting the vital nature of water and wastewater services and the fact that the vast majority of customers have no choice over their provider. For the same reason, 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 who are therefore in need of support from their water companies.

Customers, the environment and wider society must have trust and confidence in the provision of water and wastewater services. This is not something Ofwat can deliver alone – in particular, it requires the sector to step up, understand the outcomes that customers and society expect and deliver them in a way that is fair, open, honest and transparent. Ofwat has an important role to play in informing, enabling and incentivising the sector, so that it meets those expectations.

If the sector is to build and maintain trust and confidence, it is essential that water companies have an in-depth understanding of their customer base and the specific needs and requirements of different types of customers. Companies can use this information to ensure that the vital services they provide are inclusive and accessible to those who need them. Ultimately, all customers – regardless of their personal circumstances, age or postcode – should be able to access the services they need from their providers, including those customers who find themselves in circumstances that make them vulnerable.

Meeting these aims is not easy. Establishing which customers are in situations of vulnerability and engaging with them effectively is challenging, both for water companies and other providers of public services. We recognise the need to put specific emphasis on issues such as customer vulnerability – and that is why we included work on this topic in our forward programme for 2015-16. Specifically, we recognised the need to understand the different dimensions of customer vulnerability, their drivers, and what works and does not work in helping customers in circumstances that make them vulnerable.

Our 2014 price review (PR14) required water companies to focus on those outcomes that customers wanted and were willing to pay for and, as a result, there was more direct company engagement with customers than ever before. This focus on companies engaging with, understanding and responding to their customers' needs and requirements will continue through our next price review in 2019 (PR19). We are keen to see companies do more by building on their achievements to date and we are particularly keen to see evidence of companies understanding good practice, learning from experience and sharing that learning.

Against this backdrop, we commissioned London Economics, in association with Risk Solutions, to help us deliver this report on customer vulnerability.

With this report and accompanying practitioners' pack, we aim to stimulate interest in and inform the debate around customer vulnerability. The report seeks to improve understanding of what vulnerability means in the context of our sector, very much bearing in mind that customer vulnerability is not a rigid concept. It seeks to:

- help the sector to better identify and support customers in circumstances that make them vulnerable; and
- provide practical guidance on where companies could look and what they could think about when shaping their strategies and policies for customers in circumstances that make them vulnerable.



Cathryn Ross
Chief Executive

1. Regulatory background and key findings

1.1 Ofwat's role in protecting customers in circumstances that make them vulnerable

Ofwat is the economic regulator of the water and sewerage sector in England and Wales. Under section 2 (2A) (a) of the Water Industry Act 1991¹ (WIA91) Ofwat must exercise and perform relevant powers and duties in the manner which it considers is best calculated to, amongst other things, further the consumer objective. The consumer objective is to protect the interests of customers, wherever appropriate by promoting effective competition. When doing this,

“[...] the Authority shall have regard to the interests of—

- (a) individuals who are disabled or chronically sick;
- (b) individuals of pensionable age;
- (c) individuals with low incomes;
- (d) individuals residing in rural areas; and
- (e) customers, of companies holding an appointment under Chapter 1 of Part 2 of this Act, whose premises are not eligible to be supplied by a licensed water supplier,”

... but that is not to be taken as implying that regard may not be had to the interests of other descriptions of customer.

When carrying out our statutory duties and developing policy we must also take account of the relevant strategic guidance issued by the Department for Environment, Food and Rural Affairs (Defra) and the Welsh Government.

“Ofwat shall ... keep under review whether companies are taking sufficient action to have a measurable positive impact on the needs of those customers that may struggle to afford their charges.” – Defra²

¹ The Water Industry Act 1991 <http://www.legislation.gov.uk/ukpga/1991/56/contents>.

² Defra's strategic policy statement to Ofwat.

“... [Welsh Government] expects Ofwat to be supportive of [companies’] proposals for charges which are both fair and protect vulnerable and low income groups.”

“Where [companies] are considering the expansion of metering, Ofwat should encourage them to examine the potential impact on customer affordability and take mitigating actions to assist vulnerable customers who might experience bill increases as a result.” – Welsh Government³

We recognise that, in practice, the definition of customer vulnerability has been based on the particular types of customer expressly set out in section 2 (2C) (a) to (e). This is a rather restrictive approach. We think that applying such a narrow definition will not deliver the best outcomes for water customers in circumstances that make them vulnerable in a wider sense. As a result, in a way which is consistent to the general wording which follows the express examples in section 2 (2C) (a) to (e), our approach is based on a wider definition of customer vulnerability. We therefore consider that any individual may find themselves in a situation of vulnerability because of a variety of factors, such as significant life events or changes to the wider social and economic landscape. Based on our research and engagement with relevant stakeholders, in chapter 2 below we intend to propose a definition that would suit this approach.

1.2 Ofwat’s approach to regulation

Our approach to regulation has changed considerably since Ofwat was founded in 1989 and the WIA91 was enacted by Parliament. At that time, the most pressing need was to secure investment in the sector. This was primarily to:

- secure improved water and wastewater services for customers; and
- meet the demands of European law on environmental requirements.

³ Welsh Government’s [Social and Environmental guidance to Ofwat](#).

As such, the way we regulated at that time reflected our need to understand company data and monitor performance at a very detailed level.

We have since seen substantial progress across the sector, with investment in infrastructure delivering significant service improvements for customers and the environment. Compared with today, customers in the early 1990s were more than five times as likely to be at risk of an unplanned supply interruption and eight times more likely to be at risk of having their house flooded by sewage. They were also well over 100 times more likely to be at risk of low water pressure. In 2014, 99.96% of drinking water in England and Wales met European and national standards and leakage is currently about a third lower than at its peak in the mid-1990s. The sector has invested £120 billion, but the cost of a litre of tap water supplied and then taken away is less than half a penny. At the same time, more than 200 beaches have also gained Blue Flag or Seaside Award status across England and Wales.

But as times change, so do customers' expectations. They now expect more of their water companies and increasingly want to feel involved in the decisions that those companies make; decisions that will have consequences for their communities over many years to come.

In light of these shifting customer expectations, we introduced significant changes to the way we regulate during PR14. For example, we:

- placed a key emphasis on outcomes, focusing on the things that matter to customers and society, rather than the specifics of how the companies intend to deliver them; and
- took a less prescriptive approach, which gave companies the freedom to be more innovative and be significantly more responsive to their customers' changing needs.

To support this process, we required companies to set up customer challenge groups (CCGs), whose role was to challenge and assure the quality of the companies' customer engagement and the degree to which the results of this engagement were reflected in business plans.

Our approach has encouraged companies to place customers, not the regulator, at the heart of the business planning process. This has ensured that over the next five years (through to 2020), companies focus on meeting performance commitments that will deliver outcomes that their customers want and willing to pay for, as well as on delivering efficiencies that will mean the average bill in 2019 will be 5% lower in real terms than in 2014.

However, with more freedom comes more responsibility for delivery. In line with our statutory duty to protect customers, we continue to monitor company performance and resilience over the long term. This means that, where necessary, we can take action to address any issues that risk causing customers harm. We will also highlight those areas where companies can, and need, to do more to meet the expectations of their customers and the wider public.

PR14 was successful in achieving a step change in customer engagement as companies produced business plans that better reflected their customers' needs and requirements and the CCGs played an important role helping to achieve this. Going forward we would like to see companies further enhance the quality of their customer engagement. This will involve a deeper understanding of the needs and requirements of different types of customers, including the more vulnerable and hard to reach.

1.3 Looking forward to Water 2020, Retail Market Opening and PR19

As set out above, we must continue to monitor company performance and resilience over the long term. To help us do this, we have set out a framework for how water companies will report their performance and financial information to their customers and stakeholders. This framework comprises two complementary parts:

- one for the sector as a whole (the strategic dashboard); and
- one focused on how Ofwat itself is progressing (the Ofwat dashboard).

We expect the strategic dashboard to be a collaborative tool that the sector and those involved in its regulation own. Water UK, the body that represents UK water companies, will be taking this forward in collaboration with Ofwat and other stakeholders. We have played a vital role in stimulating this conversation, but we expect water companies to lead on it given its importance in showing stakeholders both inside and outside the sector how well it is performing.

With this in mind, we are currently working in collaboration with the sector and other key stakeholders through our Water 2020 programme to develop our regulatory framework further. In December, we published a consultation, which explains how we propose to inform, enable and incentivise further improvements to company customer engagement. A key aspect of this work considers the ongoing evolution of customer engagement and outcomes⁴. We are also looking at ways to encourage a greater focus on longer-term issues and reduce the focus on the periodic price review. The consultation also includes our proposals regarding the future role of the CCGs.

We propose to build on the successes achieved by companies and CCGs at PR14 and have set out our expectations about what we think good quality company customer engagement looks like for PR19. This will involve companies genuinely understanding – and responding to – the potentially distinct needs and requirements of different types of customers.

Delivering enhanced levels of customer engagement could mean that companies need to use new platforms to identify and interact with those types of customers who have not responded to traditional methods of engagement (complementing the more common methods such as surveys). This could include those customers whose circumstances make them vulnerable and who, for one reason or another, currently feel disengaged from their water company. This may lead companies to gain new insights as to what a good customer experience looks like for customers whose circumstances make them vulnerable, and how best to provide that experience.

Looking not so far into the future, from April 2017 eligible business and third sector customers⁵ will be able to choose their supplier of water and wastewater retail services. This means that these customers will be able to shop around and switch to a better deal, or negotiate a better deal with their existing provider. Investors and retailers will also have new opportunities for growth – for example, from the sale of services that help to reduce water bills. And where such services reduce water consumption, the environment will benefit too.

⁴ [Towards Water 2020 – policy issues: customer engagement and outcomes.](#)

⁵ Non-household customers of companies operating wholly or mainly in Wales using less than 50 million litres of water a year will not be eligible to choose a supplier.

However, we are aware that with the emergence of new opportunities may also come the emergence of new risks. So, a key consideration for us will be to ensure that customers are appropriately protected in the new retail market. As such, we are currently working with stakeholders to develop necessary protection measures to ensure that the new retail market operates effectively and in the best interests of customers. Although vulnerability issues are mainly considered in the context of residential customers, vulnerability may well be an issue for some business and third sector customers, perhaps especially among micro-businesses, which may share similar characteristics to residential customers and have a similar position in the market. Companies will need to consider these issues carefully, noting their importance for maintaining trust and confidence in the nascent retail market.

The UK Government has also asked us to review the costs and benefits for extending competition to residential customers. Before we finalise our assessment in September 2016 we will engage with a wide range of stakeholders including companies. The decision on what form of market and when this may be introduced will be a matter for the UK Government. Any market needs to consider what customer protections are necessary, and we will consider the particular needs of customers in circumstances that make them vulnerable and make it clear how we have taken this into account in our review.

1.4 Principles of good service and key findings

When we talk about ‘research’ throughout this report, we are referring to the study we commissioned London Economics and Risk Solutions to carry out. Further detail on the scope of the ‘research’ is available under section 1.5.1 – ‘Study approach’.

Based on the research and other evidence gathered from the sector, we have identified the following three principles of good service that water companies should consider when developing their approach to customer vulnerability:

- Companies should aspire to provide **excellent service to all customers**.
- **Effective use of data** will help companies to understand their customers and identify those in situations of vulnerability.
- **Partnership working** with other utilities and other third party organisations has been shown to be effective in identifying and assisting customers whose circumstances make them vulnerable.

We go on to explore these principles in more detail in section 4.2 below. In identifying these principles, we have based our thinking primarily on the following six key findings of the research.

1. Anybody can find themselves in circumstances that make them vulnerable and this situation may not be permanent.

The evidence gathered from the research indicates that there is a consensus that any customer, given a certain combination of factors, could find themselves in circumstances that make them vulnerable. They could find themselves in a position of vulnerability because of an unforeseen event occurring (such as an accident, or an illness) or wider changes to society that have a personal impact (such as redundancy, or a significant economic downturn).

Therefore, there is a need for companies to move away from just applying simplistic labels of vulnerability, and to listen to their customers and understand their circumstances. This intelligence will then allow companies to intervene at an early stage and assist the ‘struggling silent’, acting before a customer becomes more deeply entrenched in a situation that leaves them vulnerable.

So, in this report we have moved away from using the concept of a ‘vulnerable customer’. Instead, we use terms such as ‘customers in circumstances that make them vulnerable’. We consider that this change highlights the need to see vulnerability as relating to a set of circumstances, which may be transient, without labelling customers.

2. Water companies play a key role in supporting customers in circumstances that make them vulnerable – this is integral to good customer service.

The research and our experience suggest that water companies are in a strong position to identify and provide support to those customers who find themselves in situations of vulnerability given the vital nature of the services being provided. We also think it is possible for companies to help their customers out of circumstances that make them vulnerable, and so we encourage them to explore the key areas set out in the [Practitioners’ pack](#) to enable this.

Identifying and supporting customers in circumstances that make them vulnerable should be considered standard practice when delivering good customer service.

This includes, for example:

- providing well-trained staff that are able to empathise with and assist callers in distress;
- the availability of user-friendly websites;
- accessible, tailor-made and inclusive information resources for customers about support structures that companies provide; and
- the availability of flexible and bespoke payment arrangements.

All of these must be part of companies' standard customer service packages. Tellingly, we consider that these are all initiatives that will support customers regardless of whether they find themselves in vulnerable circumstances.

3. Partnership and adopting good practice is important, whether with other utilities or third party organisations.

Representatives of water companies stressed that it was very important to collaborate – or partner with – other utilities and third party organisations to identify and assist customers in vulnerable circumstances. For example, involving third party organisations in staff training helps to ensure that they respond knowledgeably and sensitively to those customers needing specific assistance. In addition, partnering with other utilities and third party organisations can help to identify accurately the assistance required and signpost available resources to ensure that the customer receives the most appropriate support. Experts and representatives of water companies also emphasised that our position as the sector's economic regulator allows us to challenge companies that do not respond to the needs of their customers in circumstances that make them vulnerable.

While companies are best placed to understand what works and what does not, as the regulator we have an important role to play in helping to highlight to others where a water company provides sensitive, well-designed and flexible support and services for those of its customers in a state of vulnerability.

4. Leadership and culture change.

There is acknowledgement that it is essential for leadership within a company to have an understanding of all its customers' needs. This understanding should then be reflected in corporate strategies and embedded in the companies' culture. Companies that have a clear vision from the top about what represents excellent customer service align their customer service strategy and priorities with their internal processes to embed a high standard of customer care into the overall company culture. This helps all customers, including those who are in circumstances that make them vulnerable.

5. Effective horizon scanning and impact assessments.

The research and our evidence shows that companies need to be more agile and proactive in:

- scanning the horizon;
- responding to eventual policy changes; conducting impact assessments; and
- being more responsive to customer needs.

Some companies have already recognised this and are leading on innovative ways to analyse potential impacts of external factors in responding to customers' changing needs. Such work needs to be commonplace across the sector.

6. Sharing of data, information and resources is helpful when supporting customers.

The research and our evidence suggests that data sharing between water companies and other organisations⁶ to support customers in need of assistance would help to ensure that such customers received the appropriate assistance swiftly and seamlessly. Most companies are making efforts to review, update and analyse their current databases to ensure that they have access to reliable qualitative and quantitative information about their customers.

⁶ Such as data collection agencies, charities, housing associations, landlord associations, debt management organisations, healthcare providers – including charities providing support in case of illness or mental health problems.

Others are considering new ways of gathering relevant data, such as entering into agreements with credit reference agencies, to ensure the robustness of their data management systems and to get a more complete picture of customers in vulnerable circumstances. However, as with any data-driven initiative, to prevent the possibility of customer detriment arising from the sharing of personal data, companies, and their partner organisations, should have regard to the principles laid down in the Data Protection Act 1998⁷.

1.5 Next steps – how to use this report

The sector has achieved a great deal in improving customer service and customer engagement in recent years, but there is more to do. This report is an important contribution to the debate. We want companies to understand what vulnerability means in general, what it means for their customers and for the companies themselves. We also need companies to understand the main points of learning, which will help them to offer a tailored and inclusive service for all customers, including those whose circumstances make them vulnerable.

We expect companies to offer a world-class service to all customers and this report is very much a milestone for us in terms of setting expectations for the approaching retail market opening in April 2017, as well as our customer engagement work for PR19.

So, we will encourage CCGs to use this document as a base from which companies and business plans could be, and should be, challenged when considering both customer service excellence and their company's approach to vulnerability.

⁷ The Information Commissioner's Office has issued a [guide to data protection](#) for organisations handling and sharing personal data (accessed on 2 February 2016).

This focus report, builds on our [2014-15 affordability and debt report](#), which highlighted that unpaid water bills are an increasing problem in England and Wales, with companies needing to do more to prevent it and help customers struggling to afford their water bills. As such, the topic of customer vulnerability is very much at the top of our agenda and will remain so for the next five years. This is why we are inviting companies to engage with us – and challenge their own policies and those of the wider sector when it comes to customers whose circumstances make them vulnerable – achieving truly inclusive and excellent customer outcomes for all.

1.5.1 Study approach

The research study was conducted by London Economics and Risk Solutions in a phased approach. It included stakeholder consultation with:

- 18 water and sewerage and water only companies;
- third party organisations, including customer protection groups and customer organisations (such as the Consumer Council for Water – CCWater);
- water industry associations;
- other regulators;
- government departments;
- representatives of water companies' CCGs; and
- water sector experts engaged in an advisory role for the study.

London Economics and Risk Solutions carried out face-to-face and phone interviews, and held a half-day long focus group meeting, where stakeholders helped to map various triggers, barriers and necessary actions around customer vulnerability⁸. Recognising the necessity of a co-ordinated approach within the sector, the study also draws upon the contributions from participants at the recent Water UK Consumer Vulnerability Innovation Hub event in November 2015⁹.

⁸ The list of stakeholders consulted is included in appendix 2. Please note that Ofwat directly invited water companies to participate in the study. London Economics then followed with an invitation for interview. London Economics also directly invited other stakeholders to the focus group or interview.
⁹ <http://www.waterukevents.co.uk/consumervulnerabilityinnovationhub.php> (accessed on 20 October 2015).

Phase one was an initial scoping phase, which was used to inform the subsequent phase of the study. It included a desk-based review of the academic and policy literature, and stakeholder views on the definitions and drivers of vulnerability, as well as existing tools supporting customers in situations of vulnerability for water and other essential service sectors¹⁰. This phase also collected examples of practices used by water companies to support customers whose circumstances make them vulnerable.

Phase two then ‘mapped’ the vulnerability drivers in the water sector. This phase drew upon evidence that stakeholders provided (based on both interviews and focus group outcomes), in combination with published literature on customer vulnerability. The aim of this phase was to identify the key influencing factors or ‘triggers’ that can help water companies to identify customers in circumstances that make them vulnerable, and the barriers that can arise in identifying and supporting these customers in the water sector.

1.5.2 Report structure

The report begins with a review of the definitions of customer vulnerability, both in the water sector and more broadly. The aim is to consider the evolution of the concept, and stakeholder understanding of what customer vulnerability in the water sector means. In light of the definitions, we present practical guidance – based on our strategic views and evidence collected during the study – which may help water companies identify customers that may be in, or at risk of entering, situations of vulnerability. We want to stress, however, that this document is a guide and not a prescriptive approach.

We then discuss the barriers to assisting these customers, and provide examples of practices that water companies and other stakeholders have reported during the course of this study as useful in assisting customers in circumstances that make them vulnerable. The report then presents a qualitative comparison of measures and practices used in the water, energy, telecommunications and the retail financial sectors to assist customers in situations of vulnerability.

¹⁰ The Essential Services Access Network (ESAN) defines essential services as water, energy, financial services and telecommunications.

2. What is vulnerability?

Although the WIA91 provides a definition of customer vulnerability, we recognise that that definition, has been based on the particular types of customer expressly set out in section 2 (2C) (a) to (e) and is a rather restrictive approach. It is not appropriate to limit the concept of customer vulnerability to something that only affects specific customer groups. We think that applying such a narrow definition will not deliver the best outcomes for water customers in circumstances that make them vulnerable in a wider sense. A better starting point is to consider how the definition of vulnerability has evolved, and what water companies, stakeholders and experts in the water sector understand vulnerability to mean.

“[A vulnerable consumer is] someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care.”

FCA (2015)

“Vulnerability is when a consumer’s personal circumstances and characteristics combine with aspects of the market to create situations where he or she is:

- **Significantly less able than a typical consumer to protect or represent his or her interests in the energy market; and/or**
- **Significantly more likely than a typical consumer to suffer detriment, or that detriment is likely to be more substantial.”**

Ofgem (2013)

Definitions of vulnerability should not be rigid, but a definition can help in developing guidance on how to identify customers at risk of harm because of their circumstances, and to reach out and assist these customers.

An overarching definition of vulnerability from the published literature refers to **the likelihood of a possible negative outcome for the customer**¹¹. This approach is based on definitions that focus on customers’ personal characteristics or specific customer groups; and, definitions that take into account **the customer’s overall situation**¹².

¹¹ Povel 2009, and the UK Financial Services Consumer Panel, 2012.

¹² The more detailed literature review completed as part of this study is set out in appendix 1.

Other UK regulators, such as Ofgem in its Consumer Vulnerability Strategy 2013¹³, and the Financial Conduct Authority¹⁴, recognise that vulnerability is about the situation or circumstances customers are in, and not just their personal characteristics. We have also recognised that a person could find themselves in situations of vulnerability for a number of reasons¹⁵. This evolution in the definition of vulnerability was also a key message from the water sector at the Water UK Consumer Vulnerability Innovation Hub event.

Third party organisations, customer bodies such as CCWater, water companies and water sector experts consulted as part of the study also expressed the view that vulnerability is about a customer's circumstance – and that a customer may find themselves in a situation of vulnerability because of an inability to participate fully in the market, whether as a result of personal characteristics, marketplace conditions or the broader economic and social policy environment.

Stakeholders also reinforced that rigid definitions are not useful, as they do not allow companies to address different situations that may arise.

This broader definition of vulnerability based on circumstances, as well as personal characteristics, also recognises that **people can move in and out of positions of vulnerability**.

The concept that customer vulnerability is dynamic, and that vulnerability can be a long-term and a short-term situation is supported in the published academic and policy literature. In other words, **“Vulnerability is a state, not a trait”** (FCA, 2015).

“A starting point could be a pre-defined list or needs that won't change over time ... but staff need to be trained to deal with customer needs as they arise.”

**Water company representative
(stakeholder interviews)**

¹³ Ofgem, Consumer Vulnerability Strategy, July 2013.

¹⁴ FCA Occasional paper No. 8: Consumer Vulnerability, 2015.

¹⁵ Ofwat 2015, 'Consumer Vulnerability – The regulatory landscape', presented at the Water UK Consumer Vulnerability Innovation Hub event on 11 November 2015.

“Given the ‘right’ circumstances, any customer could become vulnerable.”

Third party representatives and water company representatives (stakeholder interviews and focus groups)

Water UK’s Chief Executive emphasised this message at the Consumer Vulnerability Innovation Hub event – the water sector has moved from an approach to customer vulnerability based on defined customer groupings to recognising that peoples’ situations can change and customers can move in and out of circumstances of vulnerability.

It should also be noted that stakeholders stressed that **the term ‘vulnerability’ may be a ‘loaded’ one**. That is, customers do not want to be termed as vulnerable, and using the ‘label’ could lead to them feeling vulnerable and not seeking

assistance. So, when speaking about vulnerability, the terminology ‘customers whose circumstances make them vulnerable’ or ‘customer vulnerability’ is preferred.

Based on the above, **we would like to move the sector’s thinking away from using the concept of ‘vulnerable customer’ and replace it with ‘customers in circumstances that make them vulnerable’ or ‘situations of vulnerability’**. We encourage companies to have regard to the three principles of good service we identify in this report. We consider that this will provide a foundation for the sector to view vulnerability as a transient state without labelling customers, but also leaves room for companies to engage with their customers, develop agile, tailor made and inclusive services for their entire customer base.

“Vulnerability can be a transient state that affects people at different points in time, or it can have long-term effects. It may be triggered by events such as loss of a job, the onset of disability, or becoming a carer.”

Citizens Advice (2014)

Based on our research and engagement with relevant stakeholders and very much bearing in mind that customer vulnerability is not a rigid concept, we have concluded that a customer whose circumstances make them vulnerable can be defined as:

“A customer who due to personal characteristics, their overall life situation or due to broader market and economic factors, is not having reasonable opportunity to access and receive an inclusive service which may have a detrimental impact on their health, wellbeing or finances.”

3. Identifying and assisting customers whose circumstances make them vulnerable

As outlined in chapter 2 above, vulnerability is a complex concept, and has evolved over time. The understanding of vulnerability has changed from being relatively restrictive and based on defined customer groups, to an understanding that anyone could be in a situation of vulnerability given a combination of circumstances; and, that people can move in and out of vulnerability as their circumstances change.

The way the water sector views customer vulnerability is changing as well, and this is seen in the key messages of CCWater, of stakeholders consulted as part of the study and of participants at the Water UK Consumer Vulnerability Innovation Hub.

This broader approach to vulnerability may pose challenges to practitioners in the water sector when designing and implementing policies. As customers can move in and out of situations of vulnerability, policies need to be able to accommodate complex and variable customer needs.

This chapter addresses **how water companies can identify customers whose circumstances make them vulnerable**. It is not a prescriptive approach. Instead, based on consultations with the water sector and third party organisations, it provides guidance on **what to look for** when interacting with water customers. It also addresses **what barriers can arise** that can make it difficult for water companies **to identify customers in in situations of vulnerability**.

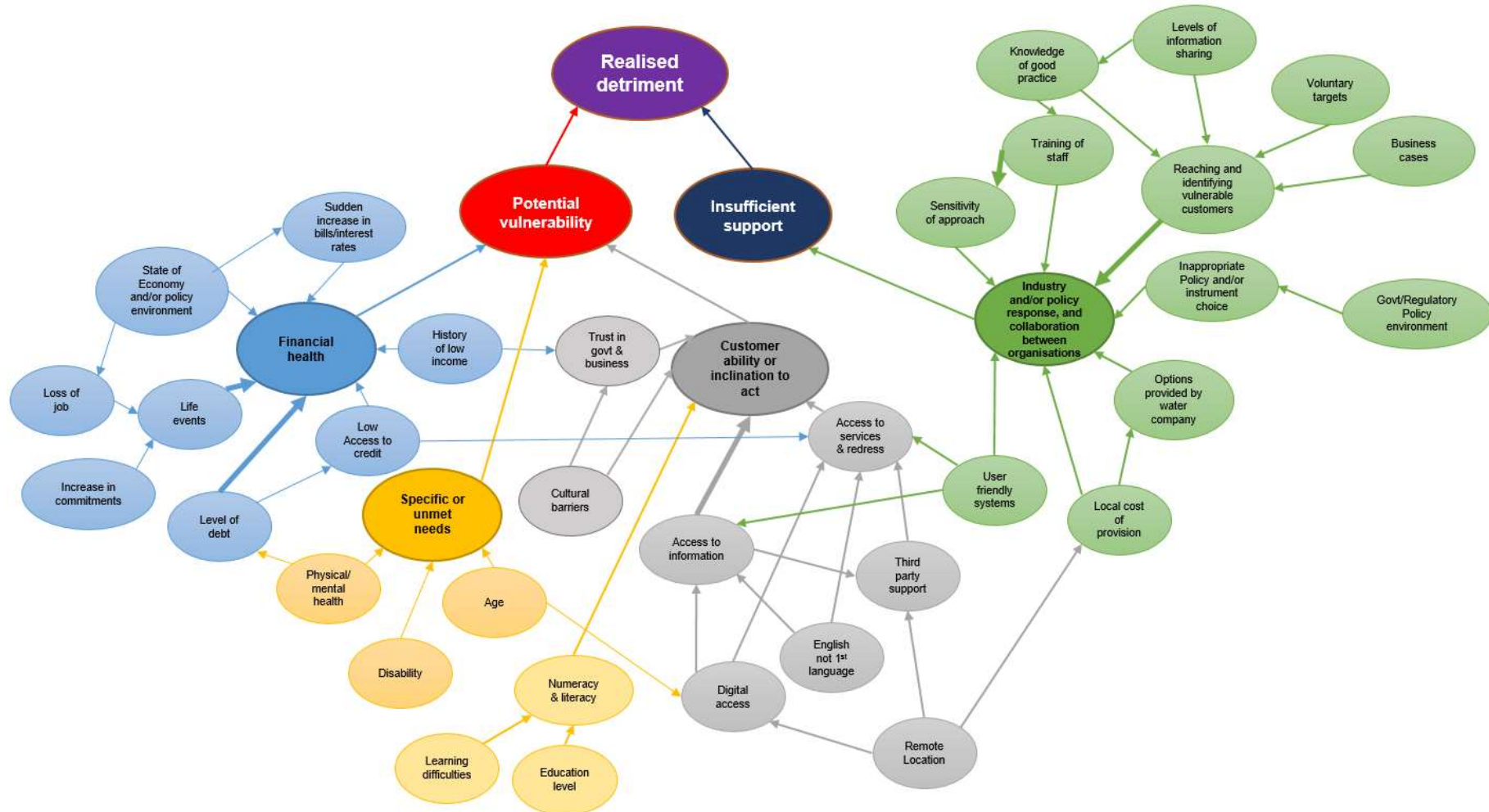
We have based the guidance in this chapter on the stakeholder interviews completed for the study and on mapping the drivers of customer vulnerability in the water sector, which was done by participants at the study focus groups¹⁶. Initially, these participants were presented with an initial vulnerability influence map that London Economics and Risk Solutions developed, in consultation with us. The influence map showed:

¹⁶ The approach to the focus groups is set out in appendix 2; a detailed summary of the focus group outcomes is set out in appendix 3.

- the triggers (signs) which may flag a customer whose circumstances make them vulnerable;
- the barriers that can make it difficult to identify these customers; and
- possible solutions to addressing vulnerability.

The groups then discussed the map and together, they added to and refined it (see figure 1 below).

Figure 1: Influence map – drivers of vulnerability



Note: The drivers listed here were arrived at by consensus across participants. Thick arrows indicate connections that participants thought to be particularly strong.

Source: London Economics and Risk Solutions focus group sessions.

3.1 Key issues when identifying customers whose circumstances make them vulnerable – a trigger point-based approach

The first step to helping customers in circumstances that make them vulnerable is identifying that a customer may be in need of assistance. Research collected as part of the study suggests that there are a number of key influencing factors or 'triggers' that may be a sign that a customer is in a situation of vulnerability (or at risk of entering this situation).

However, we should stress that **these triggers are a guide and do not mean that customers who show these signals are necessarily in a situation of vulnerability**. The triggers include:

- a **customer's personal characteristics** – for example, their age, income, health, numeracy/literacy;
- **changes in personal circumstances** – for example, losing a job, an accident or illness, an increase in caring responsibilities, or changes to domestic situations; and
- triggers that can signal a customer may be at risk of harm because of **a combination of personal characteristics and circumstances**.

These triggers can be associated with a number of potential risks of harm for the customer. These risks include:

- a customer's **financial health**, which could put them at risk of either financial difficulty (including issues of affordability and indebtedness), and non-financial difficulty – for example, if financial difficulty has an impact on the customer's physical or mental health;
- a customer's **specific or unmet needs** – for example, because of health conditions that mean the customer has to use high volumes of water;
- a customer's **ability or inclination to access or act on information or advice**, which could lead to that customer not receiving the support they may need – for example, customers with low digital literacy may be unable to access online resources or support; and
- **responses to the customer's needs from industry and/or policy**, as well as third party organisations – for example, if information or resources are not user-friendly, that may have an impact on customers' ability or willingness to access support.

Based on these triggers and the risks of harm, table 1 suggests questions that customer-facing staff can ask to help identify customers in, or at risk of entering, situations of vulnerability.

Some triggers are related to changes in economic conditions (for example, increases in bills/interest rates), or changes in the policy environment (for example, changes in entitlements), which may have an effect on customers’ ability to pay bills, or cope with life changes.

Stakeholders that contributed to the study pointed out that **these ‘triggers’ are not rigid or definitive**: that, given the right circumstances, any customer could be vulnerable. In addition, companies may find some of these questions more useful than others, or find others that may be useful in specific cases. The table below provides a point from which companies may explore the ‘triggers’ that they may find particularly useful for their staff and customers.

Table 1: Triggers helping to identify customers whose circumstances make them vulnerable

Trigger	What risk of harm could this trigger indicate?
Triggers primarily relating to the customer’s personal characteristics	
Is the customer receiving income assistance?	Financial vulnerability. <ul style="list-style-type: none"> • Customers on lower incomes may (although not always) be in a position where they cannot put aside savings to cushion themselves against sudden cost increases, policy changes, life events or supply interruptions. • Customers on lower incomes are also more likely to have issues with affordability. • Customers on lower incomes may also have access issues relating to digital access, access to ‘digital authentication’ (by which a customer cannot adequately prove identity or credit history), which in turn leads to a lack of access to mainstream credit.
Is the customer over a certain age – for example, over the age of 60?	Many stakeholders pointed out that age in and of itself does not mean that a customer is in a situation of vulnerability. <p>However:</p> <ul style="list-style-type: none"> • age may be related to specific needs – for example, health issues, potentially requiring additional consumption of water; and

Trigger	What risk of harm could this trigger indicate?
	<ul style="list-style-type: none"> older customers may also find it difficult to access information, resources or assistance – for example, electronic information and resources¹⁷.
<p>Has the customer reported a health condition (especially one requiring them to use high volumes of water)?</p>	<ul style="list-style-type: none"> This could be a trigger of not only specific needs, but could also suggest that a customer may find themselves in financial difficulties.
<p>Has the customer reported a disability?</p>	<ul style="list-style-type: none"> Customers with a disability may have difficulty asking for, or accessing, information, advice or resources. Disability could also affect the customer’s domestic situation or job. They may also find themselves in a position of financial difficulty. Depending on the nature of the disability, arrangements may need to be made with a carer or nominated third party.
<p>Triggers relating to changes in life events</p>	
<p>Has the customer been recently hospitalised?</p>	<ul style="list-style-type: none"> This could be a signal of long-term health issues (which may also related to a situation of employment, domestic or financial difficulty). Depending on the nature of the health issue, the customer could also find it difficult to access and act on information, advice and resources, or arrangements may need to be made with a carer or nominated third party.
<p>Has the customer reported a change in employment status – for example, loss of a job?</p>	<ul style="list-style-type: none"> This could be a signal of potential financial difficulty. It could also affect other areas of the customer’s life – for example, job loss could affect a customer’s domestic situation or physical/mental health.
<p>Has the customer reported a change in domestic situation – for example, divorce/separation or moving from another country?</p>	<ul style="list-style-type: none"> A change in domestic situation could affect other areas of the customer’s life (such as employment, physical or mental health) which in turn could also signal potential financial difficulty. A change in domestic situation could also signal safeguarding issues (such as abuse). Non-UK homeowners may not be used to paying utility bills in accordance with the systems in England and Wales, or may not be familiar with water efficiency and metering messaging.

¹⁷ Older customers are less likely to be internet users. Eurostat figures show that individuals aged between 55 and 75 are less likely to use the internet on a regular basis. See http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Internet_use_statistics_-_individuals (accessed on 21 January 2016).

Trigger	What risk of harm could this trigger indicate?
	<ul style="list-style-type: none"> New customers and homeowners can be vulnerable when it comes to understanding and managing their new responsibilities and budgets.
<p>Has the customer reported an increase in caring responsibilities?</p>	<ul style="list-style-type: none"> This could signal changes in other areas of the customer's life (such as employment, physical or mental health, potential financial difficulty). The company may need to work out arrangements on behalf of the person for whom the customer is caring.
<p>Have there been changes in economic conditions that may affect customers – for example, sudden increases in bills/interest rates, layoffs/closures across the country, or in the region served by the company, or other changes affecting access to credit for customers?</p>	<ul style="list-style-type: none"> Changes in economic conditions could put customers at risk of financial difficulty either directly (for example, inflation may affect customers' savings, especially customers on fixed incomes), or indirectly (for example, through unemployment).
<p>Have there been any policy changes that may affect customers whose circumstances make them vulnerable, or put customers at risk of difficulty – for example, changes to benefits entitlements?</p>	<ul style="list-style-type: none"> Policy changes could put customers at risk of financial difficulty, and/or may affect other areas of customers' lives and put them in need of specific assistance.
<p>Triggers of multiple potential risks</p>	
<p>Does the customer systematically miss payments?</p>	<ul style="list-style-type: none"> This may be a trigger of financial vulnerability, as well as a potential sign of social isolation or mental health problems (as pointed out by third party representatives in the focus groups).
<p>Has the customer who normally pays on time stopped paying, or become irregular in paying?</p>	<ul style="list-style-type: none"> This could signal a change in the customer's life situation (such as illness, hospitalisation, unemployment or separation/divorce). It could also signal mental health problems, which can make it difficult for the customer to engage.
<p>Does the customer seem to have difficulty in understanding or accessing information – for example, "I can't understand all these bills and numbers", or "I don't like these number menus"?</p>	<ul style="list-style-type: none"> If a customer reports difficulty understanding information, this could be a signal that they may have limited literacy (including financial literacy) or numeracy, or learning difficulties. If a customer finds it difficult to access information in particular formats, this could be a sign that they may have access or understanding issues in other areas – because of age, learning difficulties or mental health problems, for example. Depending on the nature of the condition, the company may need to make arrangements with a carer or nominated third party.
<p>Is the customer confused by and forgetful of details?</p>	<ul style="list-style-type: none"> This could be a sign of either anxiety or a potential physical or mental health problem. Forgetfulness in an elderly customer could be a sign of dementia, for example.

Trigger	What risk of harm could this trigger indicate?
<p>Are there signs that a customer is struggling with their life circumstances? Does the customer sound worried or stressed over the phone?</p>	<ul style="list-style-type: none"> • These could be signals that a customer may be in financial difficulty (such as losing a job), or that changes in life situations have put the customer at risk of financial or non-financial harm – because of an increase in family size or caring responsibilities, for example).

Source: London Economics stakeholder interviews, focus groups and desk-based review.

3.2 Barriers to identifying customers whose circumstances make them vulnerable

Stakeholders who contributed to the study stressed that it is often **difficult to identify customers in situations of vulnerability**. The previous section, based on the focus group influence map, suggests some triggers that may signal customers whose circumstances make them vulnerable and at risk of harm. In this section, we consider what the barriers may be in identifying these customers.

“This shame, denial and/or feelings of helplessness [that customers in vulnerable circumstances may feel] can lead to [them] questioning what is the point in contacting an organisation for help.”

Third party organisation representatives (focus groups)

Signs of vulnerability can often be very subtle, and hard to spot.

Water companies indicated that they need to **rely on customers volunteering information about themselves** and asking for support. But, in many cases, customers do not do this. Various stakeholders pointed out that customers whose circumstances make them vulnerable may be prevented from asking for help because of a combination of **pride, denial or not thinking**

that they are in a situation of vulnerability. There may also be socio-demographic characteristics that mean customers in situations of vulnerability may be less willing to seek support from companies, third party organisations or the government. For example, some older customers may be too proud to seek assistance as they have an ethos of solving their own problems.

Many representatives of CCGs and third party organisations identified a related barrier that may prevent customers from seeking support, is **a lack of trust in institutions** – whether these are companies or the government. This suggests that companies need to do more work to strengthen relationships with these customers – for example, through partnering with trusted third party intermediaries – finding ways to engage with customers whose first language is not English, so these customers have greater trust and confidence in their engagement with service providers.

Third party organisations also pointed out that customers whose circumstances make them vulnerable **may not want to be classified in such a way**, because they fear the consequences (including personal impacts and access to other services). However, by listening to customers and understanding their circumstances, companies are in a strong position to develop relationships with them and mitigate against these barriers.

“Many customers do not want to be identified [as being in vulnerable circumstances] because they’re afraid of the consequences ... these could be personal impacts, or access to services.”

Third party organisation representatives (focus groups)

A related issue, which water companies raised, is that it is sometimes **hard to physically reach customers in situations of vulnerability**. In some cases, this is because they are geographically isolated or the customer may be physically isolated because of mobility issues. Customers may also be socially isolated – because of where they live or because of their own personal circumstances (including mental health, age, poverty or other factors). It is for companies to take ownership of these issues and apply innovative solutions to ensure inclusive customer care.

“Data sharing would provide an ideal way of identifying vulnerable customers, enabling water companies to be more proactive in approaching customers at risk. However ... this may not be a viable option.”

Water company representative (stakeholder interviews)

Almost all water company representatives highlighted that it would be easier to identify and support customers in situations of vulnerability if there were more **uniform data sharing**. Several companies noted that data protection issues mean that companies have to ‘reinvent the wheel’ to identify customers in need of assistance, when the Department of Work and Pensions (DWP) and HM Revenue and Customs (HMRC) already collect data that can identify customers in financial need, or those who receive assistance through the benefits system.

A related issue is data sharing between utilities and/or third party organisations. Many companies noted that if a customer has water debt, they are likely to have other debts. **If there were better data sharing, there could be signposting between agencies** enabling companies to be aware that the customer is in difficulty sooner. This would mean they were better able to assist such customers, or direct them to agencies such as the Money Advice Trust or Citizens Advice who could provide help. Some stakeholders raised the issue that good practice was not always shared effectively either among water companies, or from other sectors.

Water companies reported that another potential barrier to addressing issues of financial vulnerability is the difficulty to secure sufficient customer **cross-subsidy for social-tariff schemes** (that is, accept higher bills in order to support lower bills for customers whose circumstances make them vulnerable). However, we note that most companies have their customers' support for cross-subsidies. We also consider that social tariffs are just one of many measures available to support customers in situations of vulnerability.

Stakeholders also raised the issue that there may be regulatory barriers, or possible opportunities for Ofwat to use its regulatory instruments to further support and encourage good practice by water companies. This resonates with a view raised at the Water UK Consumer Vulnerability Innovation Hub, which noted potential interactions with the Service Incentive Mechanism (SIM)¹⁸ and its future development.

¹⁸ The service incentive mechanism (SIM) is an incentive mechanism designed to encourage water companies in England and Wales to provide better customer service. It also allows comparison of company performance, and is based on: measuring the instances where customers have made contact when something has gone wrong – for example, a billing error or water supply problem; and analysis of a customer survey that captures how well companies have handled all types of customer contacts.

4. Supporting customers whose circumstances make them vulnerable

As we have already noted in chapter 2, vulnerability is a broad concept that takes into account both a customer's personal characteristics and the wider situation in which they find themselves. Customers can move in and out of situations of vulnerability over time and as personal and wider economic conditions change. The water sector is changing its understanding of customer vulnerability – and how it responds. Based on the influence mapping that the focus groups carried out and interviews with stakeholders, we outlined in chapter 3 a series of triggers or signals that stakeholders have suggested as a guide to how companies can identify customers in, or at risk of entering, situations of vulnerability, and the barriers to identifying and assisting these customers.

“It’s the water companies’ problem, and water companies are best placed to handle it.”

Water company representatives (stakeholder interviews)

From the engagement that was carried out as part of this research, we noted a general feeling that **water companies are in the best position to understand their customers’ needs and direct appropriate assistance.**

This is in line with our regulatory approach, which has moved towards being more collaborative, and creating an environment in which companies are encouraged to find the solution most appropriate to their customers and local contexts¹⁹.

However, with due regard to our duty to protect customers we also explored with stakeholders the role we could play in the area of customer vulnerability. We summarise these views in section 4.1 below. In the rest of this chapter, we present information collected through the consultation process, and through the Water UK Consumer Vulnerability Innovation Hub, about how water companies and regulators can help customers whose circumstances make them vulnerable. This includes:

¹⁹ Cathryn Ross, ‘The evolution of the regulatory model in water’, Beesley Lecture, 15 October 2015.

- some general **principles of good practice** for water companies when supporting customers who are in a situation of vulnerability, as raised by stakeholders and the direction of travel in the water sector discussed at the Water UK Consumer Vulnerability Innovation Hub;
- how those principles have been translated into action, in the form of **examples** that water companies have reported to work well; and
- **cross-sectoral insights** to help customers in situations of vulnerability. We present these in the form of a qualitative comparison of approaches across the water, energy, telecommunications and retail financial sectors.

4.1 Summary of views on the existing regulatory framework

One of the ways in which stakeholders thought that we could foster an encouraging environment for water companies is to ensure a **clear, transparent regulatory framework**.

This is something that we implemented in our methodology for PR14. Transparency remains at the heart of how we are working (particularly looking forward to PR19), and it is an approach that we are encouraging the water sector in England and Wales to embrace.

Having information that is easy to understand and navigate provides transparency and helps everyone build trust and confidence in water.

Information forms the basis for conversations so that water companies can listen to their customers and deliver the outcomes they, the environment and wider society want and willing to pay for. Information also reveals excellence within the sector, provoking all companies to lift their game and deliver the best for their customers.

“...the regulator must leverage expertise elsewhere and signpost best practice in other areas. There is lots of cross sectoral learning potential because if a customer has water issues they are likely to have issues with other organisations such as their energy supplier.”

Expert in consumer policy (stakeholder interviews)

We also noted that some stakeholders think that we have a role to play in **clearly identifying and communicating good practice**, both within the water sector and through transferrable lessons from other sectors. By way of example, within our [2014-15 affordability and debt report](#) we set out some recommendations and identified examples of good practice that were intended to address the challenges companies faced. In an effort to help policy and decision-makers from across the sector in assisting customers in situations of vulnerability, we have provided similar examples of good practice and recommendations within this report. But we are aware that this is something that we cannot do in isolation. So we will continue to work closely with other customer representative organisations (such as CCWater) to identify where good (and not so good) practice exists in the water sector.

Finally, stakeholders in a number of groups (including water company representatives and government) indicated that we **could create an environment where companies are encouraged to identify and assist customers whose circumstances make them vulnerable**. Earlier in this report, we referred to our Water 2020 programme, which is currently working in collaboration with the sector and other key stakeholders to develop our regulatory framework further.

One ambition of this programme is to encourage companies to explore ways of better understanding – and responding to - the potentially distinct needs and requirements of different types of customers. We recognise that this will mean that some companies need to find new ways to identify and interact with customers, including those whose circumstances make them vulnerable. But it is important that companies understand what a good experience looks like for a customer in a situation of vulnerability. Establishing this understanding will inform companies how best to cater their services for such customers.

4.2 Principles of good practice – what ‘good’ can look like

When considering what good practice looks like, we have identified three key principles or categories of action from the consultations conducted.

- Working to ensure excellent care for **all** customers.
- Using data effectively to understand customers, and identify and support those customers whose circumstances make them vulnerable.
- Partnering with other utilities and other third party organisations to identify and assist customers in situations of vulnerability.

Stakeholders also pointed out that there is often an overlap between these categories. For example, providing excellent customer care may also include using data to know your customers, and/or partnering with other organisations to reach and support customers whose circumstances make them vulnerable. Below, we discuss stakeholders' views of these principles of good practice in more detail.

4.2.1 Working to ensure excellent care for all customers

Many representatives from water companies and third party organisations pointed out that assisting customers in a situation of vulnerability could frequently be addressed by working to ensure excellent outcomes for all customers. Stakeholders reported that excellent, inclusive customer care could include a combination of the following.

- Many stakeholders emphasised the importance of having a **culture** of excellent customer care from top to bottom, with buy-in from senior management.
- **Training** staff to watch for and recognise customers in difficulty, and ways of providing an empathetic listening ear, and tailored assistance.
- **Empowering and incentivising frontline staff** to use their judgement when identifying or assisting customers whose circumstances make them vulnerable, or referring the customer to the appropriate person/organisation. Many stakeholders pointed out that this involved having policies and systems in place to support frontline staff and reward them for 'quality, not speed'.
- **Sensitivity** of approach.
- **Reaching out** to customers. As the CCG representative of a water company said: "You can't wait for vulnerable customers to come to you. You have to go out to them."

"If we have the right channels, support, staff empowerment etc, we should be able to deal with a whole range of customers with a whole range of needs. We could drop the vulnerable label altogether."

Water UK Innovation Hub (2015)

"Clear communication is imperative. Our campaign 'Be Waterwise' attracted less attention than the simply phrased 'Save money off your water bills'."

Water company representative, evidence submitted to Ofwat (2015)

- **Clear, transparent communication** to customers, without corporate jargon. This experience was also reflected in water companies' submissions to us for our affordability and debt report.
- Offering a **tailored approach** to customers. Focus group participants agreed that water companies could do more to understand and segment customers to better their inform policies, services and approaches, and to tailor responses more effectively. But they agreed that customers in situations of vulnerability should not be seen as, and treated as a different group;
- Offering **flexibility** in channels of communication (post, webchat, phone), payment options and access to information (online, in person, through intermediaries).

4.2.2 Using data to identify, understand and support customers whose circumstances make them vulnerable

Representatives from regulators and water companies highlighted how important it was to understand their customers in order to support them. Many water company representatives reported that a lack of data sharing was a barrier to identifying and assisting customers whose circumstances make them vulnerable (as discussed in chapter 3), but many companies have also adopted work-arounds, using multiple data sources to build a profile of their customers and the regions that they serve. In addition, many stakeholders pointed out the value of 'prevention, rather than cure' when assisting customers in situations of vulnerability. Using data to understand and profile customers may also help companies to use affordability strategies to prevent indebtedness, rather than to assist customers who are already in debt.

“The single most important thing that water companies can do is get to know their customers and understand their circumstances.”

Cathryn Ross, Water UK Innovation Hub (2015)

“Many companies may put policies in place based on what is easiest, rather than what their customers need.”

Third party representative (focus groups)

The need for improved data sharing was also a message from the Water UK Consumer Vulnerability Innovation Hub, and while some companies have pursued data sharing initiatives, practical obstacles arise – such as different organisations having different vulnerable customer codes, varying data quality, different project lead times.

4.2.3 Partnering with other utilities and third party organisations to identify and assist customers whose circumstances make them vulnerable

Several stakeholders have highlighted the need for partnership, especially with expert third party intermediaries. One of the reasons, highlighted by representatives of companies and CCGs, is that some customers whose circumstances make them vulnerable frequently **do not trust government or businesses**, but may trust third party organisations with whom they have a prior relationship. Several companies have identified organisations such as the Money Advice Trust and Citizens Advice as expert advisors and partners in companies’ attempts to reach out to customers in situations of vulnerability.

“[Water companies] should involve all those who have an interest and expertise in the problems they work on, and encourage a more collaborative approach.”

CCG representative (stakeholder interviews)

There is also a need to **train staff** to identify and offer sensitive support to customers in situations of vulnerability. One company has identified StepChange as a partner to help them with recognising and supporting customers with mental health issues.

In some cases, third party organisations may work with companies to **assess the help that companies can provide**, such as flexible payment arrangements or social tariffs.

In other cases, organisations such as debt advice agencies may be better placed to support the customer. Some companies are working with third party organisations to ‘hotkey’ customers who may be struggling financially, so that they

are transferred seamlessly to a debt advice organisation that may provide assistance that is more appropriate.

Partnership with other utilities may also help to **signpost** customers who are struggling with more than one utility bill. Companies can then work together with the customer (perhaps through an expert intermediary) to arrive at a solution.

CCG representatives have also highlighted the need to **involve third party organisations** in the development of strategies and tools to address vulnerability.

In section 4.3.3 below, we set out examples of companies' experiences of partnering with third party organisations, as well as with other utilities or governmental bodies.

4.3 From policy to action – good practice reported to work well by companies

In this section, we present examples of practices that companies use to assist customers whose circumstances make them vulnerable within these three categories. Companies provided these examples in the interviews carried out for this study. Many of these practices were included in our recently published [2014-15 affordability and debt report](#), and were also raised at the Water UK Consumer Vulnerability Innovation Hub event in November 2015.

The examples presented here are not exhaustive or definitive – and many companies will have good practice in place that was not identified through the consultations carried out for this study.

Some of the schemes are in pilot stage, and for many it is too early to assess the concrete impacts they have on customers. The challenge in measuring success was raised at the Water UK Consumer Vulnerability Innovation Hub event, where delegates provided a number of suggestions for measuring satisfaction from customers in situations of vulnerability. But they recognised that this is not easy and there are no obvious answers on how to measure success precisely.

4.3.1 Case studies in good customer care

Some companies report that they have embedded good customer care into their company cultures, emphasising the importance of sensitivity, flexibility and a

tailored approach to finding and helping customers whose circumstances make them vulnerable. Below, we summarise four examples of customer care approaches that water companies have highlighted.

Wessex Water – ‘Go the Extra Mile’ and affordability action plan

Wessex Water has adopted a policy of ensuring excellent customer care to all customers, without rigidly defining groups for ‘vulnerable’ customers. In interviews, Wessex Water emphasised the importance of:

- “... having a service that is inclusive and accessible ... to all”;
- “... giving staff the tools and training to deal with ... situations they come across;
- “... encouraging staff to put themselves in the customer’s shoes and go the extra mile when they can”; and
- maximising opportunities for signposting and partnership working.

Flexibility and partnership is also embedded in the company’s affordability action plan, which focuses on:

- wider promotion through multiple channels, media and partners with community engagement at its heart;
- better information for customers using more engaging language;
- partnering with multiple customer and advice organisations; and
- improving referral and application processes (through online applications, hotkeys and funding structure).

Also, as part of its affordability action plan, Wessex Water carries out geographical mapping of areas of deprivation compared with take-up of social tariffs, and makes this available to Bristol Water through its Affordability Action Plan Steering Group. This enables both companies to better target the promotion of affordability assistance.

According to Wessex Water, this approach has resulted in:

- an increase of 25% in the take-up of its affordability schemes;
- the award of the British Standard for Inclusive Services (BS 18477);
- the award of a Louder than Words charter mark from Action on Hearing Loss;
- a Keep me Posted Best practice mark;
- a customer service excellence award; and
- compliance with our existing best practice guidance²⁰.

Source: Interview with Wessex Water, 25 November 2015.

²⁰ Wessex Water stakeholder interviews.

Southern Water – proactively finding and assisting customers in vulnerable circumstances

Southern Water is the first company in the water sector to provide specialist advisors to help customers complete application forms in their own homes. The service is aimed at customers with long-term debt issues. Traditionally, the sector’s approach has been to leave application forms for the customer to fill in on their own. But this can be a barrier to customers in situations of vulnerability receiving help – particularly for those with low-level literacy/numeracy skills or mental health problems. In 2015, Southern Water provided 14,000 households with this service.

The company also offers a free service to every customer who applies for a support tariff to check their benefits entitlement. Over the five years the service has been on offer, Southern Water has helped customers access an additional £3 million in benefits. And it provides a conditional payment match scheme for former customers who have moved out of the Southern Water region but who still owe money. While most companies offer a three-month repayment period to former customers, Southern Water does not limit the repayment period because it recognises that customers whose circumstances make them vulnerable may require a longer time frame.

Finally, Southern Water has introduced a billing innovation to educate customers about water efficiency, investing £13 million in improving its billing systems²¹. Using a simple ‘thumbs up’ or ‘thumbs down’ symbol, the company can show each customer how water efficient they are compared with other customers.

Source: Interview with Southern Water, 1 November 2015.

Anglian Water – ‘Know Your Customer’

Anglian Water emphasises:

- “... a range of payment options”; and
- “... matching payment methods to customer circumstances”.

The company has a questionnaire for frontline staff to identify customers in need of special assistance. It reviews and quality assures phone interactions, and has ongoing training of agents to spot customers whose circumstances make them vulnerable.

Source: Interview with Anglian Water, 24 November 2015.

²¹ <https://www.southernwater.co.uk/Media/Default/PDFs/final-business-plan-2015-20.pdf>.

Dŵr Cymru – ‘Face to Face’ home care visits

Dŵr Cymru recently piloted a scheme that involved staff making home visits to customers who had previously not engaged with it (such as those with low literacy and numeracy skills). The company reported that the success of this pilot has led to an extension of the trial in North Wales, using a third party organisation to engage with customers.

Dŵr Cymru indicated that one of the benefits of this pilot has been to identify customers who need even more support – for example, in the form of monthly home visits. Following the success of this scheme, the company is procuring the services of a partner to provide these visits on its behalf – possibly by a small core of directly employed ‘community agents’ who will visit customers with more complex circumstances that require a greater degree of ongoing support.

Source: Interview with Dŵr Cymru, 23 November 2015.

4.3.2 Case studies in using customer data to identify and support customers whose circumstances make them vulnerable

Some companies use new data sources to understand their customer base, and to find and assist customers in situations of vulnerability. In many cases, these schemes are piloting or in progress, and so it may be too early to determine the impact they have had on customer outcomes. However, in their interviews and in the evidence submitted for our affordability and debt report, many water companies have mentioned that they find data sharing to be a barrier to finding and assisting customers whose circumstances make them vulnerable. Some of the examples below may contain potentially useful areas to explore when addressing this barrier.

United Utilities – using multiple data sources to understand and spot customers who do not engage

United Utilities carries out a demographic analysis of housing areas to determine which householders are most likely to be in situations of vulnerability. It also subscribes to Equifax to get insights into the household finances of its customers²². The company then uses the data as a cross-reference to determine the most appropriate debt recovery paths for customers, depending on whether they cannot pay ('can't pay') because of reduced financial circumstances, or will not pay ('won't pay') despite having the financial means to do so.

United Utilities also uses Acorn consumer classification data²³ (which is used mainly by the retail industry) as another potential identifier of customer vulnerability²⁴. The company stressed that many data sets are required to identify customers who do not engage, so external data is very important.

Source: Interview with United Utilities, 20 November 2015.

Yorkshire Water – using customer data to prevent indebtedness

Yorkshire Water has an affordability strategy that models different customer groups in order to offer social tariffs whenever appropriate²⁵. When customers phone for help, the company has placed a trigger in its data system, which can indicate eligibility for a social tariff. It then uses credit reference agencies to verify the customer's financial situation^{26 27}. Yorkshire Water offers social tariffs as a preventative measure if profiling shows that a customer might otherwise default on payment.

Source: Interview with Yorkshire Water, 18 November 2015.

²² <http://www.unitedutilities.com/personaldetails.aspx>.

²³ <http://acorn.caci.co.uk/>.

²⁴ http://corporate.unitedutilities.com/documents/B8_-_Customer_Bills_Tariffs.pdf.

²⁵

https://www.yorkshirewater.com/sites/default/files/24496%20Customer%20Strategy%20WEB%20v2_0.pdf.

²⁶ <http://www.experian.co.uk/assets/decision-analytics/case-studies/case-study-yorkshire-water.pdf>.

²⁷ <https://www.yorkshirewater.com/watersure>.

Bournemouth Water - using customer data to profile 'at risk' households

Bournemouth Water uses credit reference data to identify customers who are in financial difficulty and cannot pay their bills because they are in circumstances that make them vulnerable, to separate them from customers without visible financial difficulties who are not paying their bills (that is, they 'won't pay'). The company also builds a geographical profile to identify 'at risk' households.

One way of adding to a richer understanding of customer vulnerability is to use data on leading indicators of vulnerability. Bournemouth Water monitors local statistics for measures such as unemployment, on a quarterly basis. It also monitors national policy movements regarding benefits and taxation changes.

Source: Interview with Bournemouth Water, 20 November 2015.

4.3.3 Case studies in partnership

Companies stressed in interviews and focus group sessions that partnership was key to training staff, reaching and assisting customers whose circumstances make them vulnerable. Some companies have involved government agencies, third party intermediaries and other utilities to support customers in situations of vulnerability.

Northumbrian Water – partnering with other utilities and third party organisations

Northumbrian Water is a member of Infrastructure North (<http://infrastructurenorth.co.uk/safewarmincontrol/>), a coalition of Northern Powergrid, Yorkshire Water, Northern Gas Networks, and Northumbrian Water, which have joined forces to help tackle some of the key social issues affecting people in the north of England. The website provides an information hub, and downloadable resources.

The company also collaborates with third party organisations with expertise in reaching out to groups of customers whose circumstances make them vulnerable. For example, 'Know Your Money' (www.kymproject.com) is a service for 16-24 year olds in Middlesbrough, which provides financial life skills education.

Northumbrian Water gets involved with projects like this to listen to customers and to offer help. For example, when the SSI steelworks in Teesside closed down in October

2015 with the loss of 2,200 jobs, the company collaborated with local Citizens Advice Bureaux, and is currently exploring support options aimed specifically at SSI workers²⁸.

Source: Interview with Northumbrian Water, 27 November 2015.

Southern Water – partnering with third party organisations

Southern Water builds relationships with organisations including social housing providers, tenants' groups and advisory bodies. It also runs campaigns to engage local communities²⁹, such as a recent big drive on blocked drains in the Margate area. And it provides help with translation schemes for customer groups who may have a high incidence of water debt.

Southern Water has an ongoing relationship with organisations such as Citizens Advice, StepChange, and the local DWP office.

Source: Interview with Southern Water, 1 December 2015.

Wessex Water – reaching customers whose circumstances make them vulnerable without breaching data protection requirements (pilot)

Wessex Water is piloting a scheme with the DWP in which:

- the company gives DWP a list of post-codes in the region that it covers; and
- the DWP then contacts customers on benefits on the company's behalf, with information about the programmes that the company offers.

Although no sensitive information transfers to it, Wessex Water now has better targeting of information material than it would have had previously.

Source: Interview with Wessex Water, 25 November 2015.

²⁸ <https://www.nwl.co.uk/your-home/your-account/Difficulty-paying.aspx>.

²⁹ <http://waterfuture.southwestwater.co.uk/sites/default/files/Customer%20Summary%20FINAL.pdf>.

Dŵr Cymru – signposting to specialist help

Dŵr Cymru has a specialist team to whom customer care staff can refer customers with particular vulnerabilities. The company also works with organisations like StepChange on a mutual referral basis. And it has links with the Welsh Government energy efficiency scheme, NEST. When NEST agents identify customers who might need help with water payments in the course of performing energy assessments, they refer the customers to Dŵr Cymru.

Source: Interview with Dŵr Cymru, 23 November 2015.

Wessex Water and Bristol Water – joint billing for customers

Bristol Water and Wessex Water formed a joint billing company called 'Bristol Wessex Billing Services Limited' in 2001. It provides a seamless billing service for more than half a million customers that receive water services from Bristol Water and sewerage services from Wessex Water. The companies work closely together to harmonise their customer policies where they can to deliver a consistent customer experience for all.

This way of working enables customers to receive one bill and have one point of contact. This is particularly beneficial to those customers who are in circumstances that make them vulnerable.

The companies also work together to offer extensive support for customers in financial difficulty. Customers can access the same social tariff or debt repayment schemes from both companies. More recently, they worked together to develop and research a new social tariff that will offer pensioners on low incomes a discount on their bills from April 2016. The companies work collaboratively to raise awareness and increase take-up of their affordability assistance.

Source: Follow-up conversation with Wessex Water and Bristol Water, 26 January 2016.

4.4 Cross-sectoral insights

The water sector is changing in understanding how it identifies and engages with customers whose circumstances make them vulnerable. There is a recognition that approaching the issue of vulnerability using only a customer group approach can fail to identify customers in situations of vulnerability. Principles of good practice and categories of action suggested based on evidence collected in this study can help to guide companies in the types of actions that may help them to engage and assist these customers.

At the Water UK Consumer Vulnerability Innovation Hub event, the representative from the Money Advice Trust expressed the opinion that the retail financial services sector was out in front in terms of customer vulnerability practices, mainly because of its need to respond to the Financial Conduct Authority's work. Wessex Water expressed the opinion that the water sector is playing catch up; although the Money Advice Trust said there are leaders and laggards in all industries.

As part of this study, London Economics carried out a desk-based cross-sector review of practices and policies aimed at supporting customers in situations of vulnerability. The objective of this was to provide a high-level comparison across a defined group of sectors – water, energy, telecommunications and financial services (ESAN)³⁰.

As well as this desk-based review and consultations with stakeholders for this study, London Economics sought information on how we could contribute to supporting customers in situations of vulnerability in the water sector.

4.4.1 Programmes in the water sector and other essential services

To gather information on tools and measures relevant to customer vulnerability in essential services, London Economics searched information provided on the websites of the relevant regulatory agencies for reports and material relating to vulnerability, indebtedness or affordability. In addition, it reviewed water company business plans along with evidence that the water companies submitted for our affordability and debt report.

Water company business plans report a range of tools and measures that are in place to support customers whose circumstances make them vulnerable. These include:

- payment plans or arrangements designed to help customers pay their bills (for example, WaterDirect);
- tariffs aimed at customers seeking special assistance such as social tariffs;
- water efficiency measures to help customers better manage their water consumption; and

³⁰ <http://www.esan.org.uk/> (accessed 22 January 2016).

- resources for customers such as trust funds, donations to third party organisations and co-operating with third party organisations especially on debt advice

There is further information on the practices reported in company business plans in appendix 5, and in our affordability and debt report.

Water company submissions for our affordability and debt report show that the average number of customers on measures targeting affordability or vulnerability has generally increased since 2011-12. Companies and CCG Chairs interviewed for this study expressed the view that they expect this trend to continue. But the actual uptake of these schemes has been lower than water companies expected. The main cause for this is limited awareness among customers. We have recommended that one action to improve customers' awareness of such schemes is to draw on the insights from behavioural economics:

“... to ensure that their customer communications are received in the best possible way and with maximum effect.”

Appendix 6 provides an overview of the measures aimed at assisting customers in situations of vulnerability across the water, energy, telecommunications and retail financial services sectors. This is not exhaustive review of the practices across these sectors and should not be used to benchmark sectors against one another. It should be noted that London Economics did not interview companies in the energy, telecommunications and retail finance sector for this study.

The water and energy sectors have adopted similar approaches to protect customers whose circumstances make them vulnerable. These include:

- special assistance registers or priority services register
- financial assistance schemes to help with the cost of their bills;
- special tariffs linked to social welfare payments (such as WaterSure and the Affordable Warmth Obligation);
- energy and water efficiency measures to help customers manage their consumption; and
- direct debit schemes where customers receiving certain social benefits can arrange to have their bills directly debited on a weekly basis.

At the Water UK Consumer Vulnerability Innovation Hub event, British Gas reported that it has a five-person-strong vulnerability team with the aim of driving continuous improvement in its approach to customers whose circumstances make them vulnerable. The company has also developed a training module for staff to help them identify customers who may be in situations of vulnerability, even if they do not explicitly say so.

The retail financial services sector has seen a number of actions by the FCA to mitigate practices that give rise to customer detriment (assessed through their market studies), including measures targeting payday loans, and measures addressing add-on insurance.

Banks also have a number of measures aimed at different groups of customers, including debt management advice and information, and support for people caring for relatives who may be in situations of vulnerability or acting on their behalf. The British Banking Association has a Task Force on Vulnerability. Its aim is to examine the FCA's guidance on customer vulnerability, to identify any gaps, highlight good practice and make recommendations. Barclay's, for example, has been running a programme for customers whose circumstances make them vulnerable that has identified a number of key priority action areas. The bank shared its learnings from this programme at the Water UK Consumer Vulnerability Innovation Hub event in November 2015.

5. Conclusions

The purpose of this report is to broaden the understanding of customer vulnerability in the water sector, and to stimulate interest and debate around the issue.

We recognise that organisations' understanding of customer vulnerability is changing, both within the water sector as well as across a range of customer-facing sectors such as retail energy and finance. This change comes from a recognition that an understanding of vulnerability based on customer groups alone may be too simplistic, and risks marginalising some customers.

Vulnerability is complex, and can arise because of a customer's personal characteristics, their circumstances or a combination of the two. It also relates to marketplace conditions and/or the broader economic and social policy environment. As a result, customers can move in and out of vulnerability as their circumstances change. Vulnerability places the customer at risk of harm or detriment, and the risk and extent of this harm is greater for those customers who find themselves in situations of vulnerability compared with the average or typical customer.

Based on this guidance, we want companies to understand what vulnerability means in general and for their customers. We specifically want companies to consider what good service looks like to a customer in a situation of vulnerability. From this point, companies can develop their thinking on how to offer a tailored and inclusive service for all customers, including those whose circumstances make them vulnerable.

We expect companies to offer an inclusive, world-class service to all customers and this document is very much a milestone for us in terms of setting expectations for the approaching retail market, which opens in April 2017, as well as the sector's customer engagement work for PR19. We will encourage CCGs to use this document as a basis on which companies could and should challenge business plans regarding customer service excellence and vulnerability.

The message from stakeholders in general is that water companies are in the best position to know and understand their customers' needs and direct assistance to them as required. Stakeholders considered that our role is to ensure a clear and transparent regulatory framework that encourages an environment where companies share good practice relating to customers in vulnerable circumstances, and to identify and communicate good practice both from within the water sector and from other sectors.

This report, along with the accompanying Practitioners' pack, provides practical guidance that may help water companies identify customers who may be in, or at risk of entering, a situation of vulnerability. The guidance is not prescriptive, and we have developed it from the focus groups and interviews carried out for this study.

Evidence collected from this study highlights six key findings for the sector (see section 1.4) to consider. Based on these findings and other available evidence, we have identified the following three guiding principles of good practice for companies to consider when trying to address customer vulnerability.

1. Excellent and inclusive customer care for all customers.

This includes:

- training staff to watch for and recognise customers who may be in difficulty even if they do not say so;
- incentivising staff for quality in customer interactions;
- tailoring approaches to different customers (but not to segment customers into certain 'vulnerable' groups); and
- offering flexibility in channels of communication.

2. Using data to understand customers, and identify and support customers whose circumstances make them vulnerable.

Effective linked-up use of data between different organisations (such as debt management charities and agencies, housing associations, landlords, water companies and data providing agencies) can also help companies to assist customers before they enter into difficulty.

3. Creating further partnerships between water companies, with other utilities and third party organisations such as CCWater, Water UK, debt management and health charities.

This approach could include help to:

- train staff;
- assess the types of support that can be effective for customers in situations of vulnerability;
- signpost when customers are struggling with multiple bills; and
- build a collaborative approach to tackle the challenges facing the sector.

Appendix 1: Literature review – what is vulnerability

Defining vulnerability – moving from customer characteristics to customers' overall situation

In the literature, the term 'vulnerability' appears in a range of contexts. One general definition of vulnerability is an assessment of the likelihood of a possible negative outcome for the consumer (Povel 2009, UK Financial Services Consumer Panel, 2012). Using this lens, there are two broad categories of definitions of vulnerability in the literature. These are:

- definitions based on specific consumer groups or types and consumer personal characteristics; and
- definitions incorporating the consumer's overall situation.

The former category includes the following definitions.

- Definitions that focus on consumers' personal characteristics.
- Definitions that focus on consumers' ability to access, assess and act on information.

Definitions that focus on consumers' personal characteristics include the following.

Smith and Cooper-Martin (1997) see 'vulnerable consumers' as:

“more susceptible to economic, physical, or psychological harm in, or as a result of economic transactions because of characteristics that limit their ability to maximise their utility and well-being” (Smith and Cooper-Martin 1997 in Baker et al. 2005).

BIS (2011), following the European Commission (2011), identified the following categories of people who may lack empowerment.

- People who have **never used a computer** and those who have been **widowed**.
- People who have difficulties paying their bills, people low on the 'social staircase' and retired persons.

- The **over 55s** who may have limited basic consumer skills and difficulties obtaining redress.
- Young people in the **15-24 age range** who may have limited awareness of their consumer rights.
- The **least educated** who left school at the age of 15 or earlier.

In our affordability and debt report, we identified that low income households, working age adults, lone parents and single pensioners are more likely to have problem paying their bills and are more likely to be in debt.

Definitions that focus on a consumer’s capacity to access, assess or act on information include the following.

Ringold (1995) defines vulnerable consumers as individuals with:

“diminished capacity to understand the role of advertising, product effects, or both” (Ringold 1995 in Baker et al. 2005).

Burden (1998) sees vulnerability as having difficulty in accessing or assessing the information needed to make decisions about goods and services; and, as a loss of welfare because of not being able to buy the appropriate goods and services, or buying inappropriate goods or services.

Similarly, Overall (2004) defines vulnerability in informational terms, suggesting that some consumers may be vulnerable because they cannot incorporate information in their decision-making process (Overall 2004 in Brennan, Zevallos and Binney 2011).

This second category includes definitions that account for the interaction between consumers’ personal characteristics and external conditions. It focuses on the broader overall situation in which consumers find themselves. We can divide this category into the following sub-groups.

- Definitions that focus on the interaction between the characteristics of the consumer and supplier actions.
- Definitions that focus on interactions between internal and external factors more broadly.

Definitions that focus on the interaction between consumer characteristics and supplier actions include the following.

In Brenkert (1998), vulnerability refers to a combination of:

“consumers’ special characteristics and the means or techniques which marketers use that render them specially vulnerable” (Brenkert 1998 in Wolburg 2005).

Baker, Gentry and Rittenburg (2005) define consumer vulnerability as a:

“state of powerlessness that arises from an imbalance in marketplace interactions or from the consumption of marketing messages and products”.

According to this definition, it:

“occurs when control is not in an individual’s hands, creating a dependence on external factors (e.g., marketers) to create fairness in the marketplace”.

FCA (2015) defines a vulnerable consumer as:

“Someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care.”

Definitions that focus on broader interactions between internal and external factors include the following.

Andreasen and Maning (1990) define vulnerable consumers as those who:

“are at a disadvantage in exchange relationships where that disadvantage is attributable to characteristics that are largely not controllable by them” (Andreasen and Manning 1990 in Clifton et al. 1990).

Consumer Futures (2001) defines vulnerable consumers as:

“those whose circumstances make them vulnerable to suffering consumer disadvantage.”

Hill and Kozup (2007) in turn interpret the Baker, Gentry and Rittenburg definition as:

“existing in a state of powerlessness that occurs when control is abused by transaction partners and leads to an unhealthy dependence.”

Stearn (2012), while defining vulnerable consumers as:

“people who cannot choose or access essential products and services which are suitable for their needs or cannot do so without disproportionate effort/cost/time”,

provides a broader definition of vulnerability as:

“the condition in which a consumer is at greater risk of mis-selling, exploitation or being put at a disadvantage in terms of accessing or using a service, or in seeking redress”.

Ofgem (2013) defines vulnerable consumers as those who are less able to represent or protect their own interests, and/or those who suffer disproportionate detriment.

Vulnerability – a dynamic concept

Another important element in recent definitions of consumer vulnerability is that it is a **dynamic concept**. Griffiths and Harmon-Kizer 2011 observe that:

“consumers may move in and out of situations where they experience vulnerability or are at risk for a defined period of time”.

In other words:

“Vulnerability is a state, not a trait” (FCA, 2015).

At the same time, in some cases **vulnerability may be an abiding characteristic**. Vulnerability could be thought of as a combination of a consumer’s personal characteristics (which are permanent), as well as the consumer’s current situation, which may change over time (Commuri and Ekici 2008). Citizens Advice (2014) notes that:

“Vulnerable consumers do not form a static separate group in the population. Vulnerability can be a transient state that affects people at different points in time, or it can have long-term effects. It may be triggered by events such as loss of a job, the onset of disability, or becoming a carer.”

It should also be noted that **vulnerability may not be a binary concept** (that is, either being in situations of vulnerability or not). Harrison and Chalmers (2013) think of vulnerability as a spectrum and not a binary state, meaning that vulnerability need not be permanent, and could arise from a combination of factors.

Appendix 2: Study methodology

In line with our forward work programme³¹, and as part of our strategy and planning programme, we commissioned London Economics and Risk Solutions to carry out a study on the triggers, barriers and solutions to identifying and assisting customers in situations of vulnerability in the water sector. The study comprised the following phases.

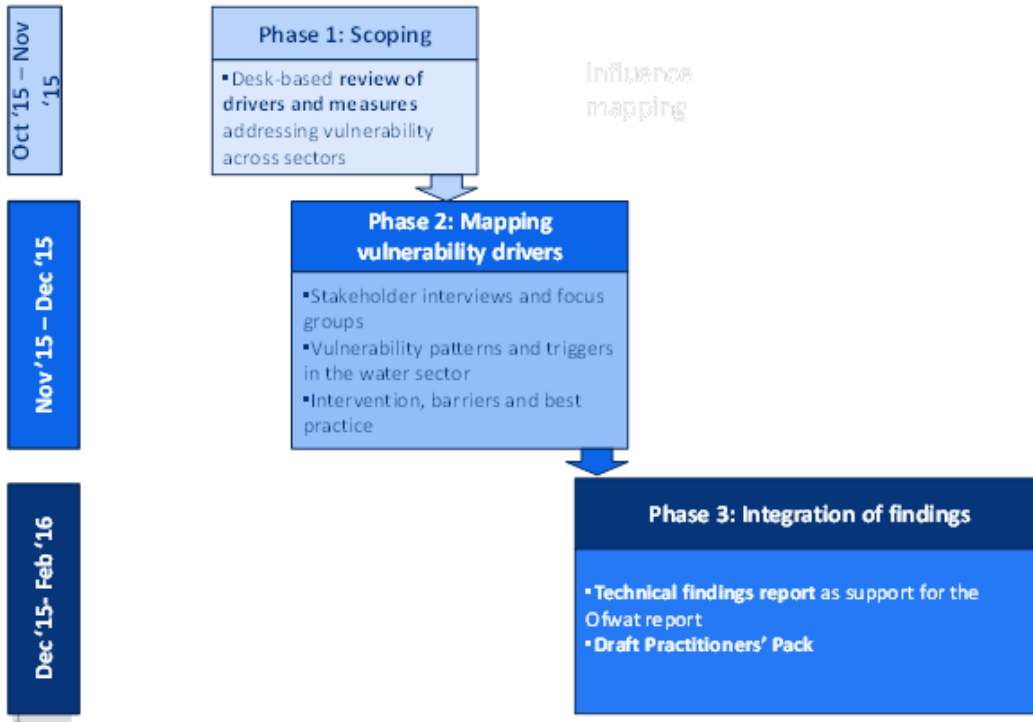
- **Phase one (scoping).** During this phase, the study team carried out a desk-based review of the academic and policy literature on the definitions and drivers of vulnerability, as well as the tools supporting vulnerable consumers in water and other essential sectors³². The outputs of this task fed into the next phase.
- **Phase two (mapping vulnerability drivers).** In this phase, the study team used inputs from water companies, experts and third party organisations to map the patterns of vulnerability in the water sector. The team collected input from stakeholders through interviews, focus groups, companies' business plans, and qualitative and quantitative evidence that water companies submitted to us in for our 2014-15 affordability and debt report.
- **Phase three (integrating the findings).** The study team drew together the findings of the first two phases to produce a:
 - technical findings report which fed into this focus report; and
 - draft practitioners' pack setting out practical guidance for water companies on identifying and assisting customers whose circumstances make them vulnerable.

³¹ <http://www.ofwat.gov.uk/about-us/plans/forward-programme/>.

³² The Essential Services Access Network (ESAN) defines essential services as water, energy, financial services and telecommunications.

Figure 2: Study phases

Project phases



Source: London Economics.

Desk-based review

Definitions and drivers of vulnerability

The desk-based review builds upon earlier work for the European Commission completed between 2013 and 2015³³, and complements this with additional sources identified within the course of this study. London Economics used the following sources.

³³ European Commission, 'Consumer Vulnerability in Key Markets in the EU, a study by London Economics, VVA Europe and Ipsos', (forthcoming).

- Academic and ‘grey’ (or unpublished literature) relating to the definition, drivers and practices relating to vulnerability.
- Official reports, regulator websites and regulator publications relating to vulnerability from key regulated sectors in the UK (that is, the utilities sector – particularly water and energy – and telecommunications).
- Stakeholder organisation websites and literature published by stakeholder organisations not covered above (including Citizens Advice, CCWater, Water UK and UKWIR).
- Field or experimental data published by stakeholder organisations relating to the water sector in the UK.

These sources were supplemented by literature arrived at during interviews or conversations with stakeholders.

Measures addressing customer vulnerability in essential services

The primary sources used for this task were the websites of the relevant regulatory agencies for water, energy, retail financial services and telecommunications. London Economics searched these websites for reports and material relating to vulnerability, indebtedness or affordability. In the case of the water sector, the measures that water companies carried out were found in:

- their business plans; and
- the qualitative and quantitative evidence submitted to us for our affordability and debt report.

In some cases, London Economics supplemented the material during interviews with water company representatives. In the case of other sectors, interventions carried out by companies and third party agency partnerships are identified if they are also mentioned on the regulator’s website, or if mentioned in interviews with representatives of third party organisations.

The measures identified include those targeted at specific groups of consumers who may be considered vulnerable, and measures that affect all consumers but may have a disproportionate (positive) impact on those who may be in situations of vulnerability.

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Stakeholder interviews and focus groups

Methodology of stakeholder engagement

London Economics employed the following steps when engaging stakeholders.

- First, it identified a list of relevant stakeholder organisations for each method of engagement (interviews, focus groups or both), and agreed this with us.
- It then used email to make an initial approach.
 - In the case of water companies, we sent out a letter of introduction to the relevant individuals in water companies, introducing the study and the role of London Economics and Risk Solutions, and helping to ensure stakeholder participation.
 - In the case of other stakeholders, London Economics made contact, using a letter of introduction on Ofwat letterhead paper, signed by a senior member of Ofwat. This set out the study, the involvement of London Economics and Risk Solutions, and helped to ensure 'buy-in' from stakeholders.

Identifying the initial list of stakeholders

Table 2 below sets out the list of stakeholder organisations identified, as well as the method of engagement. The broad categories of stakeholder groups are:

- water companies;
- industry associations (such as Water UK and Energy UK);
- government and regulators from relevant networked sectors;
- consumer groups (such as CCWater and Citizens Advice);
- third party organisations representing the rights of diverse consumer groups (such as the Joseph Rowntree Foundation and AgeUK);
- representatives of water companies' CCGs; and
- experts in consumer policy.

Table 2: Stakeholder organisations and organisation types – identified and invited to participate

Organisation name	Organisation type
Focus groups	
Affinity Water	CCG Chairs
Dee Valley Water	CCG Chairs
South Eastern Water	CCG Chairs
South West Water	CCG Chairs
United Utilities	CCG Chairs
AGE UK	Third party agencies
Alzheimer's Society UK	Third party agencies
British Standards institution	Third party agencies
Cancer Research UK	Third party agencies
CarersUK	Third party agencies
CCWater	Consumer groups
Christians Against Poverty	Third party agencies
CISAS	Consumer groups
Citizens Advice	Third party agencies
Citizens Advice Scotland	Third party agencies
Competition and Markets Authority	Regulators
Consumer Council for Northern Ireland	Third party agencies
Credit Service Association	Third party agencies
Defra	Government department
Disability Wales	Third party agencies
disabilityrights.org.uk	Third party agencies
Energy Networks	Industry associations
Energy UK	Industry associations
Environment Agency	Government and regulators
Essential Services Access Network	Consumer groups
MIND	Third party agencies
Money Advice Trust	Third party agencies
Natural Resources Wales	Government and regulators
Ofcom	Government and regulators
Ofgem	Government and regulators
Ofwat	Government and regulators

Organisation name	Organisation type
ORR	Government and regulators
StepChange	Third party agencies
The Artemis Charitable Trust	Third party agencies
The Department of Business, Innovation and Skills	Government and regulators
The Institute of Customer Service	Third party agencies
The Joseph Rowntree Foundation	Third party agencies
The Water Industry Commission for Scotland	Government and regulators
UK Water Industry Research	Water research
Utility Regulator Northern Ireland	Regulators
Water UK	Industry associations
Welsh Government	Government and regulators
Which?	Third party agencies
Interviews	
Affinity Water	CCG Chairs
Dee Valley Water	CCG Chairs
South East Water	CCG Chairs
South West Water	CCG Chairs
United Utilities	CCG Chairs
Affinity Water	Water company
Anglian Water	Water company
Bournemouth Water	Water company
Bristol Water	Water company
Centre for Competition Policy, Norwich Business School	Experts
Dee Valley Water	Water company
Dŵr Cymru	Water company
FCA	Regulators
Macmillan Cancer Support	Third party agencies
Northumbrian Water	Water company
Ofwat	Regulators
Portsmouth Water	Water company
Seven Trent Water	Water company
Sharon Darcy	Experts
South East Water	Water company
South Staffordshire Water	Water company

Organisation name	Organisation type
South West Water	Water company
Southern Water	Water company
Sutton and East Surrey Water	Water company
Thames Water	Water company
United Utilities	Water company
Wessex Water (Customer Service director)	Water company
Yorkshire Water	Water company
UK Consumer Protection Agency	Third Party agencies

Source: London Economics.

Initial approach by email – letter of introduction from Ofwat

As indicated above, it was important to ensure ‘buy-in’ from stakeholders by emphasising our engagement in the project, as well as the value that stakeholder insight would add. We have reproduced below the emails that we shared with stakeholders to:

- introduce the study;
- explain the role of London Economics and Risk Solutions; and
- indicated the nature of participation requested from stakeholders.

Figure 3: Copy of emailed letter of introduction to the study



Note: We sent this email directly to water companies. London Economics contacted other stakeholders, attaching a copy of this email.

Source: London Economics.

Initial contact and follow-up

London Economics emailed letters of invitation to stakeholders between 2 and 10 November 2015, and sent follow-up emails to non-responding organisations between 10 and 26 November. In some cases, organisations approached to participate in focus groups could not participate on the day that focus groups were held, but offered telephone interviews instead. We summarise below the response rates of organisations by type and method of engagement.

Table 3: Response rate of stakeholder organisations by organisation type

Organisation type	Number contacted	Method of engagement	Accepted focus group	Accepted interview/ offered interview in place of focus group	Declined to participate	Non responders
Water companies	18	Interviews	0	18	0	0
Water company CCG Chairs	5	Both interviews and focus groups	2	4	1	0
Industry associations/research organisations	5	Focus groups	5	0	1	0
Regulators or government in water and essential services	14	Focus groups	6	3	1	2
Third party agencies	21	Focus groups	10	4	0	5
Experts in consumer policy	2	Interviews	0	2	0	0
Total	65		22	29	3	9

Source: London Economics.

The response rate for interviews was higher than for focus groups. All the organisations approached where the primary engagement mode was interviews agreed to be interviewed. In the case of focus groups, three-quarters of the organisations engaged through focus groups agreed to participate either through interviews or through focus groups.

Table 4: Response rate of stakeholder organisations by method of engagement

Method of engagement	Response rate (%)
Interview	100%
Focus group	75%

Note: The response rate for focus groups includes organisations that could not attend focus groups but offered interviews instead.

Source: London Economics.

The table below presents the stakeholders who participated in the study.

Table 5: Stakeholder organisations and organisation types – final list of stakeholders engaged

Organisation name	Organisation type
Focus groups	
Affinity Water	CCG Chairs
South East Water	CCG Chairs
AgeUK	Third party agencies
Alzheimer’s Society UK	Third party agencies
CCWater	Consumer groups
Christians Against Poverty	Third party agencies
Citizens Advice	Third party agencies
Consumer Council for Northern Ireland	Third party agencies
Credit Service Association	Third party agencies
Energy UK	Industry associations
Environment Agency	Government and regulators
MIND	Third party agencies
Ofcom	Government and regulators
Ofwat	Government and regulators
ORR	Government and regulators

Organisation name	Organisation type
StepChange	Third party agencies
The Institute of Customer Service	Third party agencies
The Water Industry Commission for Scotland (WICS)	Government and regulators
UK Water Industry Research (UKWIR)	Water research
Water UK	Industry associations
Interviews	
Affinity Water	CCG Chairs
Dŵr Cymru	CCG Chairs
South East Water	CCG Chairs
United Utilities	CCG Chairs
Citizens Advice Scotland	Third party agencies
Affinity Water	Water company
Anglian Water	Water company
Bournemouth Water	Water company
Bristol Water	Water company
Centre for Competition Policy, Norwich Business School	Experts
Dee Valley Water	Water company
Dŵr Cymru	Water company
FCA	Government and regulators
Macmillan Cancer Support	Third party agencies
Northumbrian Water	Water company
Ofwat	Government and regulators
Portsmouth Water	Water company
Seven Trent Water	Water company
Sharon Darcy	Experts
South East Water	Water company
South Staffordshire Water	Water company
South West Water	Water company
Southern Water	Water company
Sutton and East Surrey Water	Water company
Thames Water	Water company
United Utilities	Water company
Wessex Water	Water company
Yorkshire Water	Water company

Organisation name	Organisation type
Welsh Government	Government and regulators

Source: London Economics.

Methodology for focus groups

The desired outcomes of the focus groups were as follows.

- Consensus on drivers of consumer vulnerability in the water sector.
- Identifying:
 - triggers;
 - barriers; and
 - solutions to addressing customer vulnerability.

With these outcomes in mind, the focus group activities were task based.

- Task 1 – refining the influence map of drivers of customer vulnerability.
- Task 2 – addressing vulnerability, including:
 - task 2A – the triggers with which a customer in situations of vulnerability can be identified;
 - task 2B – the barriers to identifying and supporting customers in situations of vulnerability; and
 - task 2C – the solutions (what is the appropriate solutions and who is the appropriate entity to intervene?).

Inputs from the desk-based review of academic and ‘grey’ literature went into the initial list of drivers of customer vulnerability. London Economics and Risk Solutions designed the ‘influence map’ – a pictorial representation of the various influences of customer vulnerability – in consultation with us. The influence map that focus group participants saw is set out in appendix 3.

We briefly summarise below the roles for different organisation types on the day of the focus groups.

Participants (detailed in table 6) were split into two groups (A and B). The aim was to achieve a balance, as far as possible, across the organisation types (industry associations, government and regulators, consumer groups, third party organisations, and water company CCG representatives).

The table below illustrates the split across groups of the organisation types.

Table 6: Split of organisation types across groups

Organisation type	Number in group A	Number in group B
Industry association representatives (such as Water UK and Energy UK)	3	3
Consumer protection groups	1	1
Government and regulators	2	2
Third party organisations	5	5
CCG representatives	1	1
Total	12	12

Source: London Economics-Risk Solutions focus groups.

Three of our people also participated in the focus groups, and the project lead for this work acted as an observer. A representative from London Economics and Risk Solutions facilitated each group. The rest of the study team at London Economics and Risk Solutions moved between groups, observing and acting as general facilitators, and capturing points raised by the group and areas for further follow-up with focus group participants (for example, if a participant referred to a particular example or case study relating to customers whose circumstances make them vulnerable).

Methodology for stakeholder interviews

In this section, we describe the methodology for conducting stakeholder interviews. We also provide more detail on the questionnaires used for different stakeholder groups.

London Economics conducted interviews with water company representatives, experts in consumer policy and water company CCGS to understand the:

- drivers of customer vulnerability;
- specific challenges that might be faced when identifying and assisting customers in situations of vulnerability; and
- role different parties (water companies, government or regulators, third party organisations or civil society) might play in assisting customers in situations of vulnerability.

In addition, a number of organisations that were invited to participate in the focus groups could not attend because of prior commitments. In many cases, these representatives participated through interviews.

As a result, a number of organisation types were covered through interviews. Table 7 below summarises the organisations approached for interviews. Most of the interviewees were representatives of the 18 regulated water companies. But a number of other perspectives were collected (including experts, regulators, third party agencies and the CCG Chairs of five large water companies).

Table 7: Stakeholder organisations and method of engagement

Organisation type	Number contacted
CCG Chairs	5
Water company	18
Experts	2
Government, regulators from relevant networked sectors and organisations relevant to consumer protection	4
Third party agencies	2
Total	31

Source: London Economics.

Procedure for designing interviews

London Economics followed the process outlined below when designing the interview.

- First, they detailed the objectives and desired outputs. For example, since one of the desired outputs of the study was an inventory of measures, best practice and an assessment of our position relative to best practice, the interviews invited stakeholders' assessment of good practice and our tools in relation to good practice. This objective informed question areas that the stakeholder interviews and focus groups should cover.

- Second, they mapped question areas to the appropriate interviewee group. For example, interviewees from water companies would be in the best position to respond to queries about challenges encountered when implementing policies addressing issues of consumer vulnerability, as well as the training opportunities suggested by these challenges.
- Next, they cross-referenced question areas against the qualitative and quantitative evidence water companies submitted to us between August and September 2015. They did this to avoid duplicating effort.
- The questions were then refined to ensure maximum clarity and ‘interviewee-friendliness.’ London Economics did this in consultation with us, and used the initial round of interviews as a ‘soft launch’ to test which questions presented ambiguity and needed modification. The initial interviews indicated that the questions could be retained almost intact. We have set out the questionnaire below. It should be noted that London Economics used the questionnaires to guide the conversation, not to structure the interview too rigidly. Occasionally, they asked additional questions if an answer to a question was especially detailed and informative or if the interviewee had special interest or expertise in a subject.

Procedure for conducting interviews

London Economics conducted the interviews in the following way.

- First, they made initial contact by email. We have described this procedure in more detail above.
- Next, they conducted the interviews either over the phone or face to face.
- During the interview, they asked interviewees for their consent to take notes during the interview.
- They shared interview notes with interviewees for their approval.
- If the interviewees suggested any correction during the interview, London Economics made these to the interview note.

- In cases where an interviewee mentioned an anecdote or a case study, London Economics asked if we could use this as a potential case study of best practice in the study.

Water company questionnaire

QDEF1. How does your organisation define vulnerability?

(For example, is vulnerability classified in terms of consumer characteristics (e.g. age, disability, income), life situation (e.g. unemployment, retirement, single parent) or a combination of the two?)

ADEF1. _____

QDEF2. In your opinion, how could the definition be improved?

ADEF2. _____

QDRIV1. What are risk factors that in your opinion, could indicate consumers in vulnerable circumstances? And can you think of risk factors specific to the water sector?

(For example, these could be consumer traits like age, long-term health issues or disability, or life events like unemployment etc.)

ADRIV1. _____

QLONG1. What, in your opinion, are indicators of long-term vulnerability (that is, being in a situation of vulnerability, or moving in and out of situations of vulnerability, over a period of more than a year)?

(As guidance,

these indicators could be primarily intrinsic (e.g. age, long term illness or disability) or external (e.g. economic conditions);
how do you think that consumers can move into positions of long-term vulnerability?)

ALONG1. _____

QLONG2. How do you think these patterns can be identified and addressed?

ALONG2. _____

QMEASURECOM2. What, in your opinion, is best practice when dealing with vulnerability issues in the water sector?

(As guidance,

these could include innovations in identifying or assisting consumers in vulnerable situations

measures could include information, advice on monitoring /reducing consumption, payment plans, special tariffs etc.

Measures could target specific groups or situations)

AMEASURECOM2. _____

QMEASURECOM4. In your opinion, are there specific gaps or training opportunities that would benefit water companies when addressing issues of consumer vulnerability?

AMEASURECOM4. _____

Experts on consumer policy questionnaire

Drivers of vulnerability

QDRIV1. What are risk factors that in your opinion, could indicate consumers in vulnerable circumstances? And can you think of risk factors specific to the water sector?

(For example, these could be consumer traits like age, long-term health issues or disability, or life events like unemployment etc.)

ADRIV1. _____

QDRIV2. What external factors do you believe are indicators of vulnerability/indebtedness/lack of affordability?

(These can include the state of the economy, or policy responses to vulnerability (for example, changing benefits schemes or taxation policy that affects consumers' economic stability))

ADRIV2. _____

QDRIV3. What are supplier practices that you believe may contribute to consumer vulnerability/indebtedness/affordability?

(For example, these can include lack of tariffs, difficulties for consumers to search tariffs and select the best one, lack of targeting tariffs meant for vulnerable consumers, selling/marketing practices, billing or payment methods, etc.)

ADRIV3. _____

Long term vulnerability

QLONG1. What, in your opinion, are indicators of long-term vulnerability (that is, being in a situation of vulnerability, or moving in and out of situations of vulnerability, over a period of more than a year)?

(As guidance,

these indicators could be primarily intrinsic (e.g. age, long term illness or disability) or external (e.g. economic conditions);
how do you think that consumers can move into positions of long-term vulnerability?)

ALONG1. _____

QLONG2. How do you think these patterns can be identified and addressed?

ALONG2. _____

Measures targeting vulnerability and best practice

QMEASURE1. What measures are you aware of that target vulnerability?
Examples include Ofwat's WaterSure scheme or the FCA's Guidance Document for vulnerable consumers, or schemes undertaken by companies.

(As guidance, this response could include:

Regulation, action undertaken by companies, or action taken by civil society;
Legislation, guidance documents, information materials;
Measures targeted at specific groups (e.g. the elderly, long-term sick or disabled);
Measures targeted at payment assistance, access, monitoring and reducing consumption etc.)

AMEASURE1. _____

QMEASURE2. What can 'good practice' look like when dealing with issues of consumer vulnerability?

(For example, based on the FCA's research, 'good' can mean having a tailored response to their situation, knowing that firms will proactively contact them if firms know that customers are having financial difficulties)

AMEASURE2. _____

QMEASURE3. What, in your opinion, is current best practice when dealing with vulnerability issues?

(As guidance, best practice could be a combination of regulatory instruments and action by companies in civil society)

AMEASURE3. _____

QMEASURE3a. And what, in your opinion, is best practice when dealing with vulnerability issues in the water sector?

AMEASURE3a. _____

QMEASURE4. What measures, in your opinion, would benefit consumers in the water sector that are not already under way?

(As guidance,

these could include regulatory measures, civil society action or measures undertaken by water companies
in addition, compared to best practice, what could Ofwat do to help vulnerable consumers, or to help companies assisting vulnerable consumers?)

AMEASURE4. _____

CCG Chairs questionnaire

Definitions and classifications of vulnerability

QDEF1. How does your organisation define vulnerability?

(For example, is vulnerability classified in terms of consumer characteristics (e.g. age, disability, income), life situation (e.g. unemployment, retirement, single parent) or a combination of the two?)

ADEF1. _____

QDEF2. In your opinion, how could the definition be improved?

ADEF2. _____

Drivers of vulnerability

QDRIV1. What are risk factors that in your opinion, could indicate consumers in vulnerable circumstances? And can you think of risk factors specific to the water sector?

(For example, these could be consumer traits like age, long-term health issues or disability, or life events like unemployment etc.)

ADRIV1. _____

QDRIV2. What external factors do you believe are indicators of vulnerability/indebtedness/lack of affordability? These can include the state of the economy, or policy responses to vulnerability (for example, changing benefits schemes or taxation policy that affects consumers' economic stability)

ADRIV2. _____

QDRIV3. What are supplier practices that you believe may contribute to consumer vulnerability/indebtedness/affordability?

(For example, these can include lack of tariffs, difficulties for consumers to search tariffs and select the best one, lack of targeting tariffs meant for vulnerable consumers, selling/marketing practices, billing or payment methods, etc.)

ADRIV3. _____

Long term vulnerability

QLONG1. What, in your opinion, are indicators of long-term vulnerability (that is, being in a situation of vulnerability, or moving in and out of situations of vulnerability, over a period of more than a year)?

(As guidance,

these indicators could be primarily intrinsic (e.g. age, long term illness or disability) or external (e.g. economic conditions);
how do you think that consumers can move into positions of long-term vulnerability?)

ALONG1. _____

QLONG2. How do you think these patterns can be identified and addressed?

ALONG2. _____

Measures targeting vulnerability and best practice

QMEASURE1. What measures are you aware of that target vulnerability?
Examples include Ofwat's WaterSure scheme or the FCA's Guidance Document for vulnerable consumers, or schemes undertaken by companies.

(As guidance, this response could include:

Regulation, action undertaken by companies, or action taken by civil society;
Legislation, guidance documents, information materials;
Measures targeted at specific groups (e.g. the elderly, long-term sick or disabled);
Measures targeted at payment assistance, access, monitoring and reducing consumption etc.)

AMEASURE1. _____

QMEASURE2. What can good look like when dealing with issues of consumer vulnerability?

(For example, based on the FCA's research, 'good' can mean having a tailored response to their situation, knowing that firms will proactively contact them if firms know that customers are having financial difficulties)

AMEASURE2. _____

QMEASURE3. What, in your opinion, is best practice when dealing with vulnerability issues?

(As guidance, best practice could be a combination of regulatory instruments and action by companies in civil society)

AMEASURE3. _____

QMEASURE3a. And what, in your opinion, is best practice when dealing with vulnerability issues in the water sector?

AMEASURE3a. _____

QMEASURE4. What measures, in your opinion, would benefit consumers in the water sector that are not already under way?

(As guidance,

these could include regulatory measures, civil society action or measures undertaken by water companies

in addition, compared to best practice, what could Ofwat do to help vulnerable consumers, or to help companies assisting vulnerable consumers?)

AMEASURE4. _____

Appendix 3: Summary of findings from the focus groups

Major themes that emerged

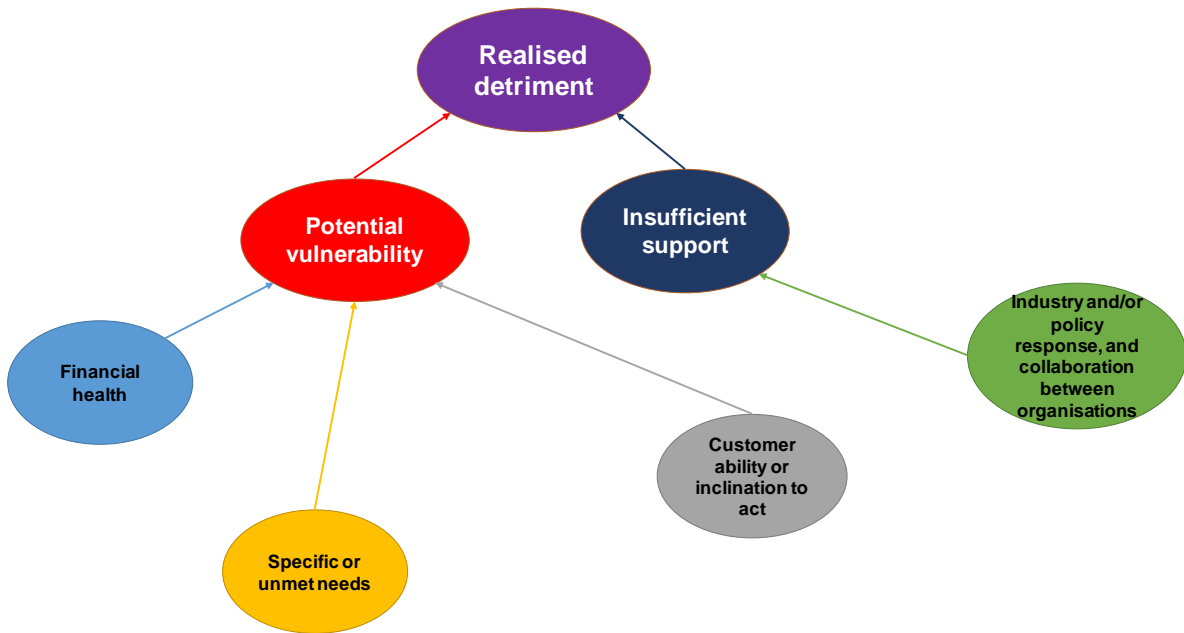
One of the key discussion points to emerge was about the definition of customer vulnerability, and how it needs to reflect the ‘transience of vulnerability’. As one participant said, vulnerability is a “state not a trait”, and that we should avoid using the label ‘vulnerable customer’.

The distinction between financial, and non-financial harm/detriment was important, with each having different causes and triggers. This was a particularly important consideration for the third party organisations, which help customers in matters that are primarily non-financial (such as mental health).

How do drivers of vulnerability link together?

We illustrate below how the drivers of vulnerability link together, using an ‘influence map’ to show the links between customers’ financial health, specific needs, ability/willingness to seek and act on support, and the response from industry, government and third party organisations, as well as their impacts on harm.

Figure 4: Influence map – broad categories of drivers of vulnerability



Source: London Economics and Risk Solutions focus group sessions.

These categories have further factors feeding into them (and linking to other drivers of vulnerability). Figure 5 below presents the influences that participants in the focus group identified as a consensus, with thicker arrows indicating drivers that participants thought were particularly important. It should be noted that stakeholder groups might have considered other factors to be important, but that a broad consensus across stakeholder groups noted the ones below.

Both groups considered customer indebtedness and life events (such as accident/illness, divorce or separation) to be strongly linked to a customer’s financial stability or health. In addition, a customer’s specific needs could also feed into his/her financial health. For example, a third party organisation representative pointed out that there were strong links between a customer’s physical and mental health and their financial health and stability. Customers with long-term illness face a drain on their finances, while those with mental health issues often have difficulties managing their finances.

Stakeholders thought that a customer's ability to access information was strongly linked to their ability or inclination to act. Drivers of financial health also linked to a customer's ability or willingness to act. For example:

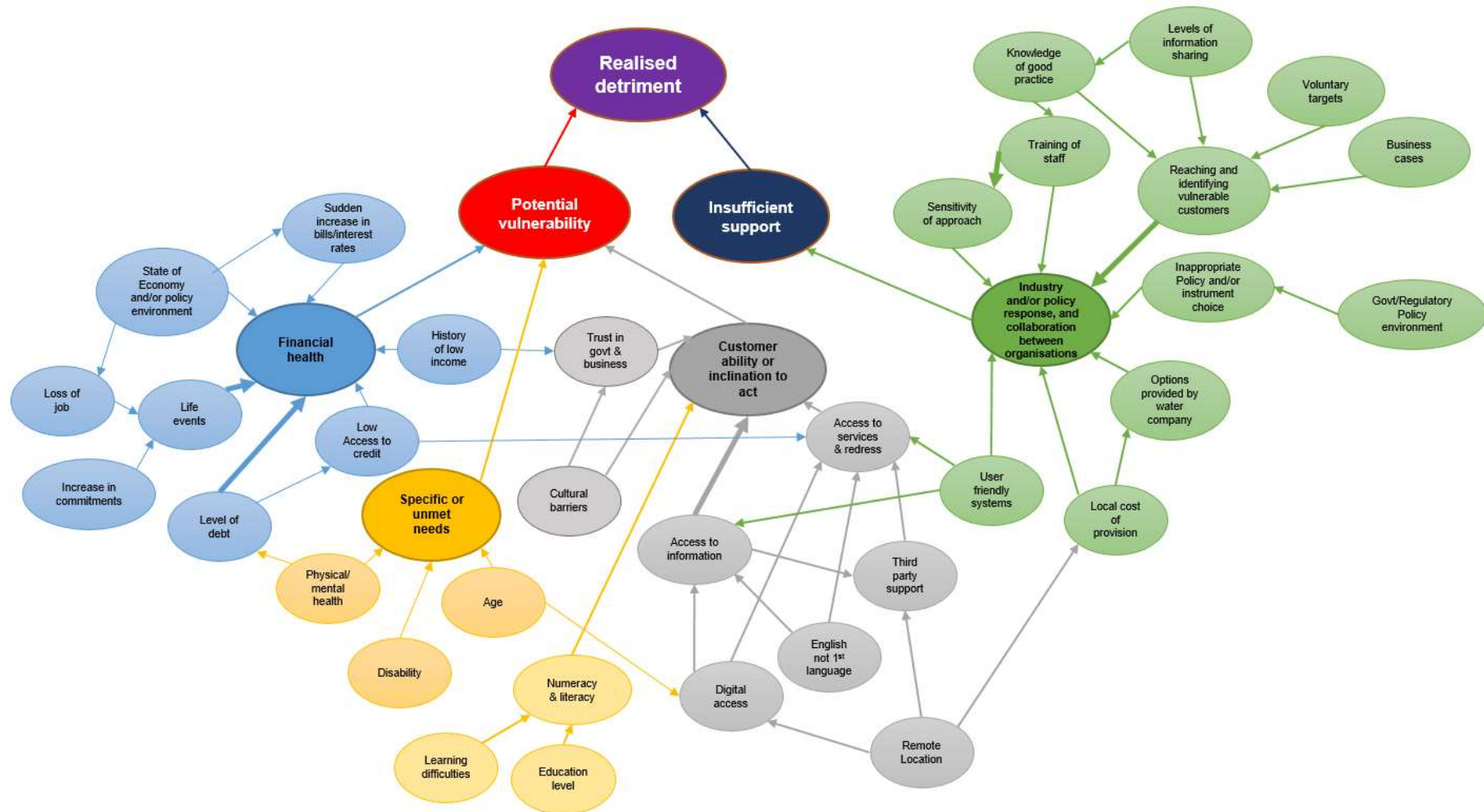
- customers with a history of low income frequently have a lack of trust in government or business, which in turn leads them to not seek support even when they need it;
- customers with low access to credit also have limited access to services;
- customers with limited numeracy and literacy have limited ability to represent their own interests or appoint appropriate individuals to do so;
- elderly customers frequently have limited digital literacy, which in turn limits their access to information and services; and
- the quality of support itself may affect a customer's ability or inclination to act: if systems are not transparent and user-friendly, a customer may not be able or willing to seek and act on support.

Finally, the response of government, business and third party organisations depends a great deal on:

- staff training;
- third party partnerships; and
- the ability to identify and reach customers whose circumstances make them vulnerable.

Several participants highlighted the difficulty of identifying customers in situations of vulnerability, which made it difficult to support them. This, in turn, is affected by drivers of access to information, services and third party support: customers who are geographically or socially isolated can be hard to reach and serve.

Figure 5: Influence map – drivers of vulnerability



Note: The drivers listed here were arrived at by consensus across participants. Thick arrows indicate connections that participants thought to be particularly strong.

Source: London Economics and Risk Solutions focus group sessions.

Triggers to identify vulnerability

The most straightforward trigger relates to payments of bills. Missed payments and late payments are the obvious signs of problems, but other important triggers related to payments include:

- customers in arrears with other companies or having repossession notices; and
- customers having contacted a debt advice agency or showing a general lack of understanding of budgeting.

A key trigger is a change in life circumstances, which includes, for example:

- a lost job;
- a change in name indicating divorce;
- a change of address to a B&B; or
- having a carer or family member handling communications on behalf of the bill payer or requesting power of attorney.

Receiving benefits is key driver, and participants agreed that the welfare reform agenda is one of the most important factors affecting all the trigger points identified on the influence map. As well as the overarching importance of welfare reform, stakeholders agreed that the state of the general economy was extremely important, with future increases to interest rates being a risk factor for many customers.

Stakeholders commented on the importance of age and mental health, with some participants thinking that these factors warranted a more granular examination, such as separating dementia from general mental health.

Another type of trigger is identifying that an individual has contacted another organisation, such as Citizens Advice or AgeUK, which could be identified by a comment such as “my support worker will contact you/has told me to contact you”. Comments such as “I’m feeling anxious/stressed”, or rapid speech could also be signs of emotional health issues relating to vulnerability.

Barriers to identifying/supporting customers in situations of vulnerability

One barrier to identifying and supporting customers in situations of vulnerability is a lack of co-operation and partnerships between different organisations that have a role to play in assisting such customers. Alongside this, is the concern that data sharing by DWP, HMRC and local authorities does not happen. Stakeholders thought that access to credit records was important because, in some cases, there is no access to credit data to determine affordability, which makes the complex problem of assessing non-financial vulnerability worse.

There was consensus among stakeholders about organisations' absence of culture or focus on the issue of vulnerability, which could range from a lack of appropriate vulnerable customer strategy to thinking about vulnerability too narrowly. They highlighted staff training as a concern, as there are many cases when frontline staff do not have the confidence to engage with customers in difficult circumstance. But there is also an issue of targeting training on frontline staff when it should be more important to ensure the thinking about the problem is embedded within the entire organisation (with the same being said for policymakers). Call centre handlers can also be incentivised in a way that which drives the wrong outcomes, and using scripts that can take out the human element of interaction with customers.

Stakeholders also highlighted that companies lack the right skills and processes to identify and record the fact that a customer may be in a situation of vulnerability, and are unable to utilise company resources effectively. In other words, stakeholders raised the point that sometimes companies think they know how to identify a customer in vulnerable circumstances; but in fact, they do not have the processes in place to do this accurately. As such, they should take care to consider how they identify these customers before developing approaches to deal with these customers' problems.

Being identified as vulnerable is a big problem – many do not want to be identified for fear of the adverse consequences on their lives of being classed as such (which includes personal impacts but also the consequences it could have for other services). This shame or denial, and/or feelings of helplessness can lead to customers in circumstances that make them vulnerable questioning what the point is in contacting an organisation for help.

Solutions to addressing vulnerability

Stakeholders agreed that collaboration between all parties was key to dealing with vulnerability issues. They also considered that sharing data and best practice were also important. Stakeholders thought that water companies should communicate with third party organisations such as debt advisory and support bodies, and suggested sharing debt management plans so that they do not deal with water debt in isolation. When an organisation identifies risks, they should flag these to other organisations, as someone who has issues with their water bills are very likely to have other problems with other organisations. Stakeholders agreed that data sharing needs to happen between Defra, DWP and local authorities, and the acknowledged that the problem of protection and privacy means this does not happen as effectively as people would like.

A central issue when addressing vulnerability is to understand the customer. So, if a customer misses a bill payment, the company should immediately follow it up sensitively to identify why this happened and see if there are any underlying vulnerabilities as well as a simple financial problem that needs addressing. Stakeholders thought that identifying missed bill payments early (and even before bills are missed) to prevent a build-up of debt and the associated stress and mental health impacts was particularly important. They considered that water companies should do more to better understand and segment customers to inform their policies, services and approaches, and tailor their responses more effectively. However, stakeholders agreed that customer in situations of vulnerability should not be seen and treated as a different group.

Stakeholders agreed that there was a need for better training for frontline staff to enable them to identify, understand and be empowered to respond to vulnerability risk factors. There was consensus that this training needs to be for staff at all levels of the organisation and not just frontline staff. This is to ensure that thinking about customer vulnerability is embedded properly within the organisation. Stakeholders thought that the way people are measured and trained on things like attitude, behaviour and sensitivity will influence the outcome of the interaction, and one participant thought that there should be refresher as well as induction training on vulnerability. It was also suggested that cross-party training (for example, between water companies and Citizens Advice) could be a way to ensure a joined-up approach to dealing with vulnerability. And some stakeholders thought that companies should take a step back to clarify their customers' needs in order to develop the right response, through measures such as focus groups with customers with disabilities.

Stakeholders suggested the need for more integration when it comes to assisting with funding – and that there should be a ‘one stop shop’ or trust funds to simplify the process for customers, and for the bodies which may be involved in assisting them with their particular circumstances.

Stakeholders also suggested producing ‘help packs’ for customers, and about using third party organisations to target information more effectively. And they discussed third parties assessing customer situations and passing this along to other organisations.

Stakeholders agreed that our role was to drive the framework forward, and to influence companies’ activities by sharing information on what is best practice in the area. They considered that we should be a leader that promotes, but does not impose prescriptive rules. One participant noted that if businesses followed BSI 18477: 2010 it would solve many of the issues related to companies’ conduct.

There was general agreement on the interplay between policy factors and factors related to a customer’s ability or inclination to act, and that solving many issues relating to the former would have immediate beneficial impacts on the latter.

Appendix 4: Summary of stakeholder interviews

In appendix 2, we described in detail the methodology London Economics used for the stakeholder interviews. This appendix summarises the responses received from the different stakeholder groups about:

- definitions of customers in situations of vulnerability;
- triggers to identify customers in circumstances that make them vulnerable;
- barriers to identifying and supporting customers in circumstances that make them vulnerable;
- solutions/good practice when supporting customers in situations of vulnerability (what can water companies do to assist these);
- how does the water sector compare to others; and
- what Ofwat can do.

It should be noted that some stakeholder groups might have had more to say in certain areas than others. For example, when asked about their experiences implementing affordability/vulnerability programmes, water companies would have information about triggers and barriers when implementing these programmes. Third party organisations, on the other hand, may have more to say about areas where water companies/regulators may wish to explore, to better support customers whose circumstances make them vulnerable. It should also be noted that the summaries below represent a synthesis of stakeholders' views, and not statements of fact.

In general, stakeholders agreed with the following statements.

- Rigid definitions of customers whose circumstances make them vulnerable are not helpful, and that it is important to be able to be flexible and adaptive when responding to customer needs.
- Triggers of financial vulnerability, physical or mental health problems and changes in life circumstances could point to a customer being at risk of financial or non-financial difficulty.
- It is often difficult to identify customers in circumstances that make them vulnerable since they may not wish to identify themselves as such (for a combination of reasons including pride, denial or not understanding that they are in a position of vulnerability).

- Helping customers in situations of vulnerability is often a matter of:
 - general good customer care: embedding a culture of good customer care into the organisation, offering flexible, sensitive, tailored support to the customer with trained staff, clear communication and engaging with customers using a variety of communication options and payment arrangements;
 - using data to understand customers; and
 - partnering with third party organisations to train staff, and reach and support customers in situations of vulnerability.
- The water sector has not been identified as having significant problems in dealing with customers whose circumstances make them vulnerable. But there are some areas for water companies and the regulator to explore. Some have been identified under the principles of good practice.
- In general, stakeholder across groups consider that water companies should take the lead in providing solutions to customers in situations of vulnerability. And that we have a role in identifying and disseminating good practice.

Stakeholder groups tended to agree on most points. Representatives of some groups tended to raise some schemes more than others. For example, water companies and third party representatives considered water efficiency schemes as a means of increasing water affordability, while a CCG representative expressed some scepticism about the effectiveness of such measures. Similarly, some CCG representatives raised the issue of educating water company customers about the true cost of taking water from the environment, supplying and treating it, which other groups did not raise to the same extent.

Table 8: Summary of stakeholder interviews

Water companies	
Definitions of customers in situations of vulnerability	<p>In general, water companies tended to not have institutional definitions of customers in situations of vulnerability. Some said that they thought rigid definitions were unhelpful and that it was important to be flexible and adaptive since customers could move in and out of vulnerability.</p> <p>But there were certain characteristics/changes in customers' circumstances that could signal whether a customer may be at risk of difficulty (covered under 'triggers').</p> <p>Some companies also pointed out that the term 'vulnerable' was problematic, and that they preferred terms such as 'customers with difficulty paying bills' or 'customers with specific needs' or 'Priority Service'.</p>
Triggers	<p>Is the customer in financial difficulty, which suggests they may not be able to afford their bills? Are they receiving income assistance?</p> <p>Is the customer a pensioner (though this may not necessarily be a sign that the customer is in a position of vulnerability)?</p> <p>Is the customer a parent and are there other signs that the customer may not be able to cope with caring responsibilities (for example, a single parent receiving income assistance)?</p> <p>Does the customer have a physical health condition (short- or long-term), especially one that will put them at disproportionate risk of harm because of high water use or unexpected service interruptions? Or does the customer have non-standard billing requirements (such as Braille)?</p> <p>Does the customer have mental health problems?</p> <p>Has the customer changed her payment habits? Have their payments become irregular or have they stopped altogether?</p> <p>Has the customer changed their communication patterns? Have they stopped communicating, or has their communication become more aggressive?</p> <p>Is the customer living in a region of social deprivation (measured by indicators such as the Index of Multiple Deprivation, or the presence of food banks in the area), or an area where costs of providing water and sewerage services are high?</p> <p>Has the customer's life circumstances changed (for example, because of unemployment, hospitalisation, illness, divorce/separation, or bereavements, which may also increase caring responsibilities)?</p> <p>Is the customer unaccustomed to paying utilities bills (for example, students or customers who are new to the region/country)?</p> <p>Are there economic indicators/changes in conditions that might suggest customers may be at risk (such as changes in benefits entitlements/welfare reform agenda or the rise in local unemployment)?</p> <p>Some companies also said that it may be useful to consider:</p> <ul style="list-style-type: none"> • low educational capability; and

	<ul style="list-style-type: none"> customers who may be struggling financially but who are not in debt, as sudden bill increases may push these customers into positions of difficulty.
<p>Barriers</p>	<p>London Economics did not ask water companies this question, since we have already captured this information in the evidence they submitted to us for our affordability and debt report.</p> <p>But some companies volunteered information about barriers they had encountered, which included:</p> <ul style="list-style-type: none"> the unwillingness of customers in vulnerable circumstances to characterise themselves as such, or not recognising themselves as vulnerable (because of pride, denial or an inability/unwillingness to access advice or resources); lack of data sharing or integrated data; and the fact that customers are frequently not willing to cross-subsidise (although this was also sometimes represented as an opportunity for water companies to get buy-in from customers to subsidise customers in vulnerable circumstances).
<p>Solutions/good practice (what can water companies do?)</p>	<p>Good, inclusive customer care, with a culture of good customer care across the whole company.</p> <p>Active engagement with customers using a number of different channels.</p> <p>Understanding the customer and the customer's overall situation.</p> <p>Tailoring responses to suit the customer's needs.</p> <p>Being actively engaged in the community (for example, through partnering with trusted third party intermediaries).</p> <p>Tight, joined-up systems (including company policies and IT systems) on identifying/assisting customers in vulnerable circumstances.</p> <p>Training staff to identify signs that the customer is in vulnerable circumstances, and offer advice on most appropriate solutions (for example, different tariffs or payment plans).</p> <p>Sensitive, empathetic approach.</p> <p>Clear accessible tariffs, and 'plain English' communication about tariff options and other support (such as WaterDirect).</p> <p>Information about metering and water consumption measures.</p> <p>Wide variety and flexibility of payment options/communication channels and support options (for example, funding, debt write-offs, advice and signposting to assistance).</p> <p>Use data to understand customers and find innovative solutions to data sharing issues (for example, using external data sources such as credit reference agencies, population analytics data or regional data to build a profile of customers and separate the 'can't pays' from 'won't pays').</p> <p>Look to other sectors/organisations for best practice/useful areas to explore (such as disability organisations, or the DWP).</p> <p>Partnering with third party organisations, DWP and other utilities to find and support customers in vulnerable circumstances.</p>

<p>How is the water sector compared with others?</p>	<p>One water company representative pointed out that the energy sector offers pre-payment options to customers in vulnerable circumstances, which the water sector does not.</p> <p>Another held the view that in the financial sector, banks were beginning to adopt a culture shift and emphasise a moral responsibility to engage proactively with customers in vulnerable circumstances.</p>
<p>What can Ofwat do?</p>	<p>Water companies considered that they were best placed to take the lead when dealing with customers in vulnerable circumstances.</p> <p>But some thought that we had a role to play in:</p> <ul style="list-style-type: none"> • identifying and communicating good practice and useful areas to explore for companies; • maintaining an open dialogue with other utilities, emphasising the benefits to all involved; • provide a framework which encourages water companies to innovate in creating vulnerability strategies or policies to identify/support customers in vulnerable circumstances; and • encouraging collaborative approach with and across water companies. <p>One company representative reported thought there could be government support for water efficiency schemes.</p>
<p>Government and regulators</p>	
<p>Definitions of customers in situations of vulnerability</p>	<p>Vulnerability was defined in terms of:</p> <ul style="list-style-type: none"> • being prevented (because of a customer’s characteristics – for example, illness, reading age or language skills) or circumstances (for example, lack of access to communication channels or caring responsibilities) from interacting in a transaction (such as paying a bill), or being unable to understand the transaction; and • customers suffering harm (because of their characteristics or circumstances) especially when firms were not exercising proper care.
<p>Triggers</p>	<p>Is the customer/does the customer have:</p> <ul style="list-style-type: none"> • low literacy, numeracy or financial capability; • illness; • physical disability; • caring responsibilities; • low income and/or indebtedness; • lack of English language skills; • elderly single householders; or • in a socially deprived area? <p>Have there been changes in the economy/benefits system that could put the customer at risk of difficulty?</p> <p>One stakeholder also pointed out that travellers on mobile sites can also be at risk since these sites are often not fit for purpose but travellers do not qualify for social tariffs.</p>

	A stakeholder also reported that many customers in situations of vulnerability do not have water meters, and may be paying too much when they are disproportionately at risk of financial difficulty.
Barriers	Some customers in vulnerable circumstances may be unable or unwilling to get or act on support from – for example – third party organisations.
Solutions/good practice (what can water companies do?)	<p>See the Practitioners’ pack.</p> <p>Engaging proactively customers.</p> <p>Having a policy in place for customer vulnerability that the company has bought into and embedded into the organisation.</p> <p>Having empathy.</p> <p>Assisting as many customers as possible, and communicating with customers clearly how and where companies can or cannot help.</p> <p>Differentiating between ‘can’t pay’ and ‘won’t pay’ customers.</p> <p>Communicating in ‘plain English’.</p> <p>Know the customer base and adapt policies to them.</p> <p>Water companies to have a presence at advice services and food banks to reach out to customers in vulnerable circumstances.</p>
How is the water sector compared with others?	<p>One regulator thought that other sectors were “more advanced in the issue of customer vulnerability” – for example, debt collectors and other financial services.</p> <p>Other sectors include credit agencies, mental health organisations, (see the Royal College of Psychiatrists’ and Money Advice Service’s guidance) and the BBA Taskforce.</p>
What can Ofwat do?	<p>Stakeholders agreed that the best approach was proactive, rather than regulatory. One regulator observed that regulation implies moving to “the lowest common denominator” or “a ‘one-size-fits-all’ approach”.</p> <p>One stakeholder thought that we ought to encourage companies when developing customer vulnerability policies, as some may risk penalising companies whose experiments with social tariffs could – for example – reduce their projected revenue.</p>
Third party organisations	
Definitions of customers in situations of vulnerability	<p>Vulnerability is a complex concept and consumers can move in or out of situations of vulnerability, over short or long periods.</p> <p>Definitions should take customers’ circumstances into account (organisations should recognise that categories might not be flexible enough to deal with customers’ changing needs).</p>

Triggers	<p>Does the customer have a sudden or continuing health issue? This could relate to a customer needing more water at a time when their expenses are increasing in other areas because of health problems.</p> <p>Has the customer experienced a change of circumstances (for example, unemployment, ill health, losing benefits, sudden increases in the need of the family? These changes, especially accounting for customers who may already be in debt, can push customers into situations of vulnerability.</p> <p>Have there been changes to the welfare/taxation system?</p> <p>Have there been changes to the debt recovery system whereby customers are not assessed on their ability to pay?</p>
Barriers	
Solutions/good practice (what can water companies do?)	<p>Third party organisations tended to stress the importance of offering a sensitive, flexible approach.</p> <p>Training for frontline staff.</p> <p>Pointing customers to water saving measures.</p> <p>Providing easy to understand tariff information.</p> <p>Allowing for different payment approaches (for example, some customers in vulnerable circumstances may not be able to access direct debit, putting them at a disadvantage with certain tariffs).</p> <p>Monitoring the ongoing circumstances of customers in vulnerable circumstances to offer flexible solutions rather than hard and fast rules.</p> <p>Being proactive in identifying early stages of customer vulnerability.</p> <p>Offering a sympathetic, respectful approach (which can include writing off debt – for example, in the case of terminally ill customers, or exercising forbearance in debt collection for customers in very poor health).</p> <p>More customer-focused debt management frameworks and systems (with examples given of punitive debt recovery systems, or contracts with third party debt collection agencies with no communication given to customers).</p> <p>Assess and identify customers’ ability to pay.</p> <p>Use best practice from other sectors (such as finance and energy).</p>
How is the water sector compared with others?	No specific view regarding the performance of the water sector compared with others. But one stakeholder reported that another organisation (StepChange) had had a positive impression of a water company.
Wat can Ofwat do?	No specific view about our regulatory tools.
CCG representatives	
Definitions of customers in situations of vulnerability	CCG representatives tended to not use definitions, quoting FCA (2015a) in saying that “vulnerability is a state, not a trait”. In addition, vulnerability could be permanent or transient.

	<p>One CCG representative pointed out that customers ought to be allowed to ‘opt out’ of the label of vulnerability, which could be a problematic term.</p> <p>Certain customer characteristics/signs of changes in circumstances could be used to indicate whether a customer may be at risk of harm (discussed under ‘triggers’).</p>
Triggers	<p>Does the customer come from a background of entrenched poverty? This may relate to access issues, or trust in institutions).</p> <p>Does the customer have low educational attainment, literacy or numeracy?</p> <p>Does the customer have difficulty speaking English? This may mean they do not have access to certain information resources, and communication should be targeted and done with sensitivity.</p> <p>Is the customer a pensioner relying on pension assistance? These customers may, though not necessarily, need additional support.</p> <p>Is the customer not in education, employment or training?</p> <p>Do frontline staff observe signs of neglect/abuse/other safeguarding issues?</p> <p>Have there been changes in life circumstances (such as unemployment or an accident)?</p> <p>Have payments become irregular or stopped?</p> <p>Is the customer hard to reach?</p> <p>External triggers include:</p> <ul style="list-style-type: none"> • changes to the welfare reform agenda and structural economic changes; or • increases in bills/interest rates.
Barriers	<p>Customers in vulnerable circumstances may not identify themselves as such, either because of pride, denial, lack of understanding of the situation or because of a lack of trust in institutions.</p> <p>Lack of data sharing.</p> <p>Customers only contact water companies when there is a problem. But this is also an opportunity to improve relationships and boost trust.</p> <p>There may be a concern that customers may have a limited willingness to subsidise customers in vulnerable circumstances.</p>
Solutions/good practice (what can water companies do?)	<p>Improve customer service more generally.</p> <p>Embed customer care into the company culture.</p> <p>Use clear, plain English communication without corporate jargon.</p> <p>Build better systems.</p> <p>Embed customer experts into boards to energise customer focus.</p> <p>Be sensitive to customers’ needs and circumstances.</p>

	<p>Have a holistic understanding of the customer’s circumstances.</p> <p>Flexibility of arrangements.</p> <p>A personalised approach.</p> <p>Training staff.</p> <p>Share best practice across the sector</p> <p>Design clear, easy to understand and administer schemes.</p> <p>Encourage customers to pay what they can (incentivise this with use of debt write-off and other schemes).</p> <p>Communicate clearly benefits to customers.</p> <p>Educate customers on the true costs of obtaining water.</p> <p>Capture and use data better.</p> <p>Being smart about targeting tools to help customers in vulnerable circumstances to have maximum impact.</p> <p>Partnering with third party organisations and using them to develop policies at the beginning.</p>
How is the water sector compared with others?	<p>CCG representatives tended to have a positive view of the water sector, describing it as “more responsive to best practice”, and having a relatively light touch with customers in vulnerable circumstances. But there are still opportunities for water companies, and us as the regulator, to strengthen their support of customers in vulnerable circumstances (discussed under ‘Solutions and good practice’ and ‘What can Ofwat do?’), respectively).</p> <p>One CCG representative indicated that utilities in general could have an attitude that was not customer focused.</p>
What can Ofwat do?	<p>Some CCG representatives indicated that we could refine the SIM to encourage companies to develop policies to identify and assist customers in vulnerable circumstances. Others suggested that we had a role as disseminator of good practice.</p>
Experts	
Definitions of customers in situations of vulnerability	<p>Definitions could be linked to whether a customer’s resources (such as their financial resources) could give them the freedom to meet their commitments and live life ‘freely.</p> <p>Whether the customer was unable to participate fully in the market, because of their characteristics, or circumstances that means that they cannot access, assess or act on information.</p>
Triggers	<p>Does the customer have low income?</p> <p>Is the customer a lone parent?</p> <p>Is the customer living in a region where there is social deprivation?</p> <p>Is the customer a pensioner who is living alone? (Although age is not necessarily an indicator of vulnerability.)</p> <p>Does the customer have learning difficulties?</p> <p>Does the customer have low educational attainment?</p>

	<p>Is the customer not paying their bills?</p> <p>Have there been changes that will increase customer's income relative to costs – for example, living wage, prices of other services/interest rates/housing costs?</p> <p>One expert also noted that customers who rent accommodation and who may move around a lot, or share accommodation, may not have an incentive to install water saving devices, and so may use more water than they should.</p>
Barriers	
Solutions/good practice (what can water companies do?)	<p>Experts thought that water companies were best placed to deal with customers, and that there was a case for them being proactive in dealing with customers in vulnerable circumstances in that customer satisfaction would go up. Companies also have an obligation to manage bad debt.</p> <p>Tailored solutions.</p> <p>Work with third party organisations to reach out to customers (and distinguish between 'can't pay'/'won't pay' and tailor support).</p> <p>Having good data systems to spot triggers.</p> <p>Having good staff.</p> <p>Being an integral part of the community in which the water company operates.</p> <p>Have an industry-level response to the welfare reform agenda.</p> <p>One expert reported that they thought that it was worth understanding why, by 2020, three water companies were reportedly expected to not offer social tariffs.</p>
How is the water sector compared with others?	
What can Ofwat do?	<p>By and large, the experts thought that “regulation should be considered a second-best solution”, and that regulatory instruments should be used in a proportionate way.</p> <p>Experts also reported that we were well placed to share information/identify and share good practice, with one expert pointing out that we could identify transferrable lessons from other sectors.</p> <p>One expert indicated that water companies would benefit from clear and transparent regulatory frameworks.</p>

Note: Summaries all represent a synthesis of stakeholders' opinions, unless they are quoting a specific reference. In these cases, the reference will be noted.

Source: London Economics stakeholder interviews.

Appendix 5: Water companies' business plans and submissions to Ofwat's affordability survey 2014-15

We note that water companies use a variety of different tools and measures to support customers in vulnerable circumstances. We summarise below the tools and measures that we have identified.

- **Payment assistance** (that is, arrangements designed to help customers pay their water bills), including:
 - payment plans;
 - WaterDirect (a third party deduction scheme);
 - write-off-schemes;
 - prices to include below inflation; and
 - prices to include at inflation rates.
- **Tariffs directed at customers needing specific assistance**, including:
 - social tariffs;
 - other assistance and/or reduced tariffs;
 - tariffs for customers in need of assistance who use more than average volumes or water who do not qualify for WaterSure, or a register of customers needing specific assistance; and
 - single occupant tariffs.
- **Water efficiency measures**, including free meter installations.
- **Resources for customers**, including:
 - trust funds;
 - donations to third party organisations;
 - investment into debt recovery and debt advice; and
 - co-operating with third party organisations, especially debt advice.
- **Identifying, or reaching out to, customers in vulnerable circumstances**, including:
 - training frontline staff in identifying/supporting customers in need; and
 - promoting enhanced assistance schemes through partnerships or directing customers with specific needs to customer service.

“Clear communication is imperative. Our campaign ‘Be Waterwise’ attracted less attention than the simply phrased ‘Save money off your water bills’.”

South West Water, evidence submitted for Ofwat's affordability and debt report (2014-15)

As seen in the table below, all 18 water companies whose business plans were reviewed for the study³⁴ reported offering payment assistance, and more than half offer some form of other measures. In addition, approximately one-third of all companies offer all types of assistance.

Table 9: Water companies’ schemes assisting customers in vulnerable circumstances

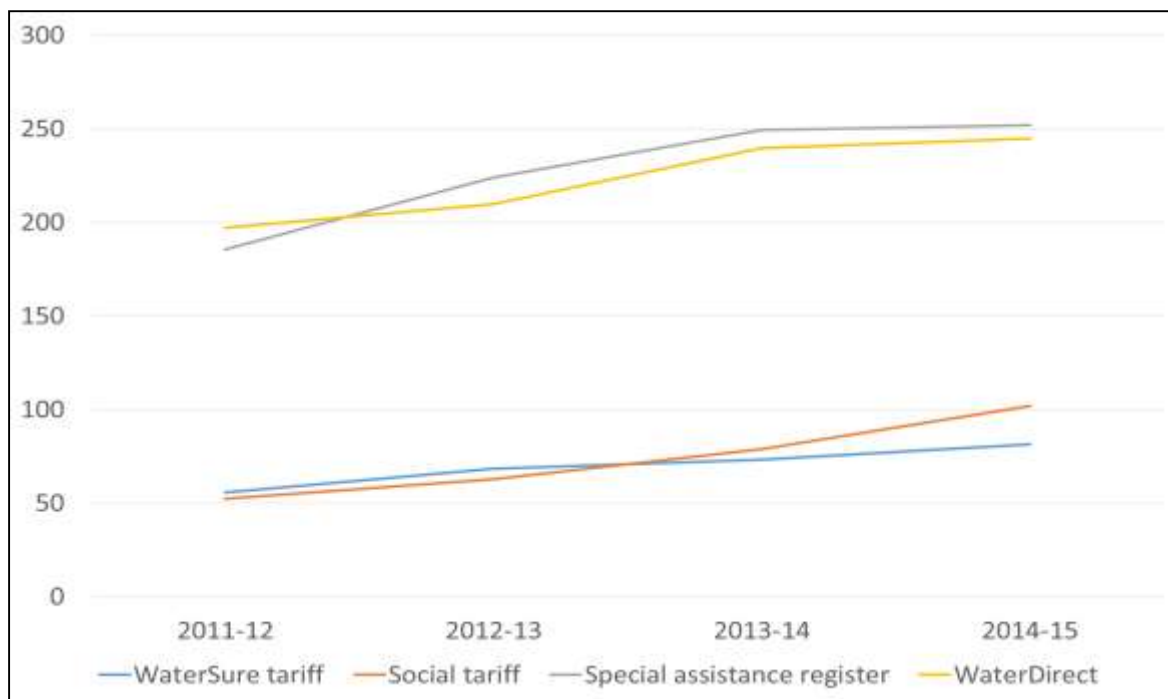
Scheme type	Number of companies offering scheme
Payment assistance	18
Tariffs directed at customers needing specific assistance	14
Water efficiency measures	12
Resources, including trust funds and debt advice	15
Identifying, or reaching out to, customers in vulnerable circumstances	14

Source: London Economics’ analysis of water companies’ business plans and qualitative and quantitative evidence submitted to us for our affordability and debt report.

Companies reported an increase in the average number of customers on tariffs targeting vulnerability and lack of affordability, as well as those on special assistance registers, as seen in figure 6 below. In interviews, representatives of water companies and CCGs said that they expect this trend to continue.

³⁴ The list of water companies included in this study is set out in appendix 2.

Figure 6: Average number of customers on measures targeting affordability or vulnerability (thousands)



Note: Some firms have missing data for some schemes. There is missing data for Dŵr Cymru for WaterSure; missing data for Dee Valley Water, Southern Water, Severn Trent Water, Anglian Water and Yorkshire Water for social tariffs; and missing data for Bristol Water, Sutton and East Surrey Water and Wessex Water for WaterDirect.

Source: London Economics' analysis of water companies submissions between August and September 2015 for the Ofwat Affordability and Debt report.

However, actual take-up of these schemes has been lower than expected for many companies, as illustrated in the table below. The main cause for this is limited awareness of the schemes among customers. Many water companies have not yet started to advertise their social tariffs proactively, because they wanted to gain some experience in administering the tariffs beforehand. Other reasons relate to water companies' difficulties in identifying customers in need (also identified as a concern during the focus groups and stakeholder interviews). This is a particular challenge in deprived areas.

Table 10: Estimated take-up of social tariffs compared to actual take-up

Water company	Actual take-up (at present)	Anticipated take-up		Take-up – faster/ slower/as expected	Take-up of other assistance measures offered by companies to help customers in situations of vulnerability
		Present	Future		
Affinity Water	21,000	13,500	30,000 by March 2017	Faster	16,500 non-standard payment plans. 39,000 pay cash end of year. 27,000 pay cash every month and build up a budget to smooth spending in months with high bills.
Anglian Water	n/a	7,000 to 9,000 a year		Slower	67,600 on budget payment plans.
Bristol Water	2,593	4,000		Slower	4,262 on restart plans. 403 on short-term payment plans.
Bournemouth Water	n/a	n/a		n/a	3.5% of fixed payment plans. 60 on write-off scheme.
Dŵr Cymru	n/a	10,000 by 2020		Too soon to tell as date social tariff started was April 2015	3,000 on Assistance Fund.
Dee Valley Water	n/a	n/a		n/a	14,000 on flexible payment plans.
Northumbrian Water	194	2,500		Slower	4,800 free plumber visits for domestic retrofits. 13,778 have affordability issues – the company has offered payment plans.
Portsmouth Water	n/a	n/a		n/a	100 on write-off scheme. 3,500 on flexible payment plans.
Severn Trent Water	n/a	n/a		Slower	3,200 on Trust Fund. 31,000 on personal payment concession plans.
South East Water	n/a	3,000 a year		As expected	7,085 single occupant tariffs.

Water company	Actual take-up (at present)	Anticipated take-up		Take-up – faster/ slower/as expected	Take-up of other assistance measures offered by companies to help customers in situations of vulnerability
		Present	Future		
					19,570 on flexible payment plans.
South Staffordshire Water	n/a	n/a		n/a	184 on Trust Fund. 7,784 on non-standard plans. 361 on write-off/new start schemes.
South West Water	2,677	2,800	10,000 in total	Slower at first, now on target	3,000 water efficiency audits run. 11,500 restart schemes. 1,300 on Fresh Start Fund since 2010.
Southern Water	1,700	12,700 by 2016		Slower	3,000 water efficiency audits run. 400 benefit entitlements checked. 5,400 on write-off schemes. 27,000 on flexible payment plans.
Sutton and East Surrey Water		2,500 in 2013-14	5,000 in 2015-16	As expected	300 on write-off scheme.
Thames Water	2,682	n/a		As expected	4,700 on Customer Assistance Fund. 104,000 on non-standard payment plans. 6,000 retrofits.
United Utilities	n/a	8,000 over first year, then increase roll out		Too soon to tell as date social tariff started was April 2015	5,293 on Trust Fund. 5,147 on Support Tariff. 18,095 on Arrears Allowance Scheme.
Wessex Water	n/a	n/a		Slower	18,845 on 'tap' assistance programme. 7,588 on write-off scheme. 945 on short-term flexi-plans.

Water company	Actual take-up (at present)	Anticipated take-up		Take-up – faster/ slower/as expected	Take-up of other assistance measures offered by companies to help customers in situations of vulnerability
		Present	Future		
Yorkshire Water	7,500	10,000 by 2016		Slightly slower	8,700 on Trust Fund. 5,500 on write-off schemes. 1,845 debt advice referrals.

Note: 'n/a' means either that no social tariff has yet been introduced or that the company did not report any numbers.

Source: London Economics' analysis of water companies submissions between August and September 2015 for our affordability and debt report.

Appendix 6: Measures assisting customers in situations of vulnerability in essential services

Water sector	
Payment assistance for customers in financial difficulties, over a certain age limit or with ill health or disability	WaterSure (price cap for eligible customers receiving certain benefits, and with caring responsibilities/specific water needs) ³⁵ . Water companies' plans – for example, payment plans and debt write-off schemes. (For more detail, see appendix 5.)
Tariffs directed at customers needing specific assistance	WaterSure. Water companies' social tariffs or specific tariffs. (For more detail, see appendix 5.)
Measures targeted at consumption efficiency	Water companies' water efficiency measures. (For more detail, see appendix 5.)
Resources, including: <ul style="list-style-type: none"> • trust funds; • debt management; and • debt advice 	Water Direct ³⁶ (customers receiving certain benefits get their water bills debited from benefits) ³⁷ . Water companies' measures – for example, trust funds, investment into debt recovery and debt advice. (For more detail, see appendix 5.)
Identifying, or reaching out to, customers whose circumstances make them vulnerable	Water companies' measures – for example, partnership with third party organisations. (For more detail, see appendix 5.)

³⁵ <http://www.ofwat.gov.uk/households/your-water-bill/watersure/>.

³⁶ Although we appreciate that WaterDirect is a third party deduction scheme and a company collection tool, for the purposes of this report we have referred to it as an assistance scheme. For more information about our definition of financial detriment and non-financial detriment related assistance, please see chapter 2.

³⁷ <http://www.unitedutilities.com/Water-Direct-Scheme-home.aspx>.

Services ensuring that customers in vulnerable circumstances have access to information, resources or assistance	Water companies' schemes – for example, making sure those customers in need of assistance can be directed to customer services and partnering with third party organisations. (For more detail, see appendix 5).
Services protecting customers in vulnerable circumstances from problematic supplier practices/supply discontinuity	Customers cannot be disconnected even in the event that they do not pay their bills ³⁸ . Water companies' measures – for example, password protection, more frequent meter reads and relocating a meter for convenience and access.
Energy sector	
Payment assistance for customers in financial difficulties, over a certain age limit or with ill health or disability	Warm Home Discount Scheme (discount for low-income customers) ³⁹ . Winter Fuel Payments (payment assistance for eligible low-income customers born on or before 5 July 1953) ⁴⁰ . Cold Weather Payments (payment assistance for eligible elder customers) ⁴¹ . Energy companies' flexible debt repayment schemes – for example, Macmillan–Npower collaboration helping customers with a cancer diagnosis ⁴² .
Tariffs directed at customers needing specific assistance	Affordable Warmth Obligation (suppliers may provide financial assistance to certain eligible households receiving State benefits wanting to make their homes more energy efficient) ⁴³ .
Measures targeted at consumption efficiency	Affordable Warmth Obligation. NEST (advice and assistance from the Welsh Government to low income customers on energy saving, tariffs, resources and sometimes free home improvements) ⁴⁴ . Energy companies' energy efficiency education and advice.

³⁸ http://www.ofwat.gov.uk/wp-content/uploads/2015/11/gud_pro_wslelig.pdf.

³⁹ <https://www.gov.uk/the-warm-home-discount-scheme/eligibility>.

⁴⁰ <https://www.gov.uk/winter-fuel-payment>.

⁴¹ <https://www.gov.uk/cold-weather-payment/further-information>.

⁴² http://www.macmillan.org.uk/Aboutus/News/Latest_News/InnovativeMacmillanandnpowerinitiativewinsmajorbusinesscharityaward.aspx.

⁴³ <https://www.gov.uk/energy-company-obligation>.

⁴⁴ <http://www.nestwales.org.uk/>.

Resources, including: <ul style="list-style-type: none"> • trust funds; • debt management; and • debt advice 	Fuel Direct (customers receiving certain benefits get their energy bills directly debited from weekly benefits) ⁴⁵ . Pre-payment meters. NEST.
Identifying, or reaching out to, customers whose circumstances make them vulnerable	Ofgem’s Consumer Vulnerability Strategy has a range of measures aimed at helping vulnerable consumers choose, switch, pay for energy, ensure service continuity and obtain redress ⁴⁶ .
Services ensuring that customers in vulnerable circumstances have access to information, resources or assistance	Priority Service Register (priority information, supply, protection schemes) ⁴⁷ . NEST. goenergyshopping.co.uk (price comparison websites, switching information) ⁴⁸ . Brochures on ‘How to save money and use less energy’ ⁴⁹ and ‘How to make the most of government energy programmes’ ⁵⁰ . Home Heat Helpline (free national helpline for customers in situations of vulnerability who have difficulty paying bills) ⁵¹ . Money Advice Trust partnering with Npower to refer customers in financial difficulties to the Money Advice Trust ⁵² .
Services protecting customers in vulnerable circumstances from problematic supplier practices/supply discontinuity	Priority Service Register. Energy Retail Association ‘Safety Net’ (supply continuity for customers in situations of vulnerability;) ⁵³ .

⁴⁵ <https://www.gov.uk/bills-benefits>.

⁴⁶ https://www.ofgem.gov.uk/sites/default/files/docs/2015/09/cvs_progress_report_for_website_final.pdf.

⁴⁷ <https://www.ofgem.gov.uk/information-consumers/domestic-consumers/help-energy-bills>.

⁴⁸ <http://www.goenergyshopping.co.uk/en-gb>.

⁴⁹ https://www.ofgem.gov.uk/sites/default/files/docs/2014/08/ofg538_web_how_to_leaflet_6_0.pdf.

⁵⁰ https://www.ofgem.gov.uk/sites/default/files/docs/2014/08/ofg538_web_how_to_leaflet_1_0.pdf.

⁵¹ <http://www.homeheathelpline.org.uk/>.

⁵² <http://www.moneyadvicetrust.org/media/news/Pages/npower-and-business-debtline-win-award.aspx>.

⁵³ <http://www.energy-retail.org.uk/preventingdisconnection.html>.

Financial services sector	
<p>Payment assistance for customers in financial difficulties, over a certain age limit or with ill health or disability</p>	<p>A number of schemes to assist customers facing difficulty repaying loans – for example:</p> <ul style="list-style-type: none"> • temporary payment arrangements between the lender and borrower; • government schemes such as the Mortgage Rescue Scheme and Support for Mortgage Interest; and • help with mortgage payments under Universal Credit.
<p>Tariffs directed at customers needing specific assistance</p>	<p>The European Union Payment Accounts Directive, adopted in July 2014, seeks to ensure that all customers legally resident in the EU have access to basic bank services, whatever their financial situation⁵⁴.</p> <p>Fee-free basic bank accounts were established in January 2016, for people who “don’t already have a bank account and are ineligible for a standard bank account” or who “can’t use their bank account due to financial difficulties.” Banks offering these accounts include:</p> <ul style="list-style-type: none"> • Barclays; • Santander; • NatWest; • Ulster Bank (Northern Ireland); • Royal Bank of Scotland (Scotland as well as England and Wales); • HSBC; • Nationwide; • Co-operative bank; • Lloyd’s banking Group; • TSB; and • National Australia Bank Group⁵⁵.

⁵⁴ <https://www.fca.org.uk/firms/markets/international-markets/eu/pad> (accessed 2 February 2016).

⁵⁵ <https://www.moneyadviceservice.org.uk/en/articles/basic-bank-accounts> (accessed 2 February 2016).

Measures targeted at consumption efficiency	See resources on debt advice and services protecting customers in circumstances that make them vulnerable to problematic supplier practices – for example, measures targeting the use of ‘add-on’ products for general insurance may be thought of as helping customers to be more efficient both in use of and expenditure on ‘add-on’ products for general insurance products.
Resources, including: <ul style="list-style-type: none"> • trust funds; • debt management; and • debt advice 	Banks’ debt management advice – for example, RBS’ Specialist Support Teams, which are part of its debt management operations) ⁵⁶ . FCA’s review of the quality of debt management advice ⁵⁷ .
Identifying, or reaching out to, customers whose circumstances make them vulnerable	FCA’s research on the drivers of customer vulnerability in financial services and practical guidance to financial services suppliers on identifying and assisting customers whose circumstances make them vulnerable ⁵⁸ . FCA’s research on the detriment suffered by customers in vulnerable circumstances when using credit ⁵⁹ . Dementia-friendly financial services charter (Lloyd’s Bank and the Alzheimer’s Society) ⁶⁰ . Barclay’s programme for customers in circumstances that make them vulnerable.
Services ensuring that customers in vulnerable circumstances have access to information, resources or assistance	Banks’ websites with advice for those caring for vulnerable relatives, or acting on their behalf ⁶¹ . FCA’s review of literature on product disclosure, feeding into aims of making financial communications ‘smarter’ ⁶² .

⁵⁶ <http://www.rbs.com/news/2016/january/specialist-teams-help-vulnerable-customers-.html>.

⁵⁷ <https://www.fca.org.uk/your-fca/documents/thematic-reviews/tr15-8>.

⁵⁸ <http://www.fca.org.uk/your-fca/documents/occasional-papers/occasional-paper-8>.

⁵⁹ <https://www.fca.org.uk/static/documents/research-papers/consumer-credit-customers-vulnerable-circumstances.pdf>.

⁶⁰ https://www.alzheimers.org.uk/site/scripts/news_article.php?newsID=1839.

⁶¹ <http://personal.rbs.co.uk/personal/life-moments/caring-for-vulnerable-relatives.html>.

⁶² <http://www.fca.org.uk/your-fca/documents/research/review-of-literature-on-product-disclosure>.

Services protecting customers in vulnerable circumstances from problematic supplier practices/supply discontinuity	Protection measures. including: <ul style="list-style-type: none"> • package of measures targeting, for example, payday loans, industry advertising, price comparison websites and price caps⁶³; and • measures restricting the use of ‘add-on’ products for general insurance⁶⁴.
Telecommunications sector	
Payment assistance for customers in financial difficulties, over a certain age limit or with ill health or disability	Universal Services Obligation (landline access as affordable prices everywhere) ⁶⁵ . Affordability of Universal Postal Services (Postal Services Act 2011, EU Postal Services Directive) ⁶⁶ .
Tariffs directed at customers needing specific assistance	Under the Communications Act, Ofcom requires social tariffs to be available for low income customers ⁶⁷ . For example, BT Basic is a tariff available to specific customers on certain benefits (such as Income Support, Income-based Jobseekers’ Allowance, Pensions Credit, Employment and Support Allowance and universal Credit) ⁶⁸ .
Measures targeted at consumption efficiency	Not applicable.
Resources, including: <ul style="list-style-type: none"> • trust funds; • debt management; and • debt advice 	Information Portal on Managing Debt ⁶⁹ .

⁶³ <https://www.fca.org.uk/news/fca-confirms-price-cap-rules-for-payday-lenders>.

⁶⁴ <https://www.fca.org.uk/news/general-insurance-add-ons-market-study>.

⁶⁵ <http://www.ofwat.gov.uk/households/extra-care-services/watersure/>.

⁶⁶ <http://stakeholders.ofcom.org.uk/post/affordability/> (accessed 27 November 2015).

⁶⁷ <http://consumers.ofcom.org.uk/disability/consumer-vulnerability/> (accessed 21 January 2016).

⁶⁸ <http://www.btplc.com/Inclusion/ProductsAndServices/BTBasic/index.htm> (accessed 2 February 2016).

⁶⁹ <http://consumers.ofcom.org.uk/phone/mobile-phones/problems-and-complaints/disputing-a-bill/> (accessed 27 November 2015).

Identifying, or reaching out to, customers whose circumstances make them vulnerable	Initiatives gathering insight on issues around customer vulnerability ⁷⁰ .
Services ensuring that customers in vulnerable circumstances have access to information, resources or assistance	<p>Code on Television Access Services (accessibility for customers with disabilities)⁷¹.</p> <p>Code on Sports and Other Listed and Designated Events (access for all customers to key sporting events and other listed events)⁷².</p> <p>Providers must ensure that emergency services can be accessed irrespective of mobile credit, signal or roaming area⁷³.</p> <p>Letter templates for customers complaining, reporting a problem or switching⁷⁴.</p> <p>Ensuring that communication providers offer services such as text relay, subtitling, sign language and audio description so that customers with disabilities have access to services⁷⁵.</p>

⁷⁰ For more detail see the following pages and documents:

http://www.communicationsconsumerpanel.org.uk/downloads/Policy/Consumer%20InterestToolkit/Publications/capturing_the_consumer_interest%20a%20to%20olkit%20for%20regulators%20etc.pdf, <http://www.esan.org.uk/>, <http://consumers.ofcom.org.uk/disability/consumer-vulnerability/>, <http://consumers.ofcom.org.uk/disability/consumer-vulnerability/>, <http://stakeholders.ofcom.org.uk/market-data-research/media-literacy/> (all accessed 27 November 2015).

⁷¹ http://stakeholders.ofcom.org.uk/broadcasting/guidance/other-guidance/tv_access_serv/guidelines/.

⁷² <http://stakeholders.ofcom.org.uk/broadcasting/broadcast-codes/code-sports-events/>.

⁷³ <http://stakeholders.ofcom.org.uk/telecoms/ga-scheme/general-conditions/general-conditions-guidelines/>.

⁷⁴ <http://consumers.ofcom.org.uk/phone/problems-and-complaints/phone-letter-templates/> (accessed 27 November 2015).

⁷⁵ <http://consumers.ofcom.org.uk/disability/consumer-vulnerability/> (accessed 2 February 2016).

<p>Services protecting customers in vulnerable circumstances from problematic supplier practices/supply discontinuity</p>	<p>Broadcast Code of Conduct (including protection rules for under-18s, harm and offence, commercial references)⁷⁶. Code on the Scheduling of Television Advertising – COSTA (including rules on advertising and teleshopping)⁷⁷. UK Code of Broadcast Advertising – BCAP Code (regulating television where viewers may use call lines)⁷⁸. Mis-selling and other sales malpractice measures⁷⁹. Guidance document on nuisance calls, also setting out the roles and responsibilities of the legislator⁸⁰. Guidance document on complaints handling, particularly for customers with disabilities⁸¹.</p>
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Source: London Economics desk-based research.

⁷⁶ http://stakeholders.ofcom.org.uk/binaries/broadcast/code-july-15/Ofcom_Broadcast_Code_July_2015.pdf (accessed 27 November 2015).

⁷⁷ <http://stakeholders.ofcom.org.uk/broadcasting/broadcast-codes/advert-code/> (accessed 27 November 2015).

⁷⁸ <https://www.cap.org.uk/Advertising-Codes/Broadcast.aspx> (accessed 27 November 2015).

⁷⁹ <http://stakeholders.ofcom.org.uk/binaries/consultations/consumer-switching-review/statement/statement.pdf>,
<http://consumers.ofcom.org.uk/phone/problems-and-complaints/mis-selling-fixed-line/> (accessed 27 November 2015).

⁸⁰ <http://stakeholders.ofcom.org.uk/enforcement/nuisance-calls-guide> (accessed 27 November 2015).

⁸¹ <http://stakeholders.ofcom.org.uk/binaries/telecoms/ga/complaints-handling-guidance.pdf> (accessed 27 November 2015).

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