

Citizens Advice response to Ofwat's consultation on GSS

This response primarily focuses on Questions 3, 5B, and 6.

Our position in this consultation is predominantly based on research from our upcoming report, *Automation for the Nation*, which examines the **current** and **potential** use of automatic compensation in essential services. We therefore ask that information isn't shared beyond the consultation team until the report is published.

Research method

Our research from our report used three research methodologies:

1. Extensive desk research, conducted by Lucerna Partners, which was used to compile a literature review, develop analytical frameworks, and conduct analysis of existing and potential schemes.
2. Additionally, Lucerna Partners conducted five industry specific interviews with Ofwat, Ofgem, Transport Focus, National Express and Megabus/Scottish Citylink/Stagecoach. These interviews were for information/understanding purposes only, and no material from the interviews will be published.
3. Finally, Ipsos Mori conducted a representative online omnibus survey of 2,000 British adults (England, Wales and Scotland) on behalf of Citizens Advice. This gathered evidence on consumers' **experience** and **perception** of claiming compensation in essential markets.¹

¹ By 'essential markets', we are referring to the water, energy, post, transport, broadband and telecoms markets.

In response to question 3

We believe that guaranteed standards should be expanded to other areas - including and beyond supply restrictions. Where there are recurring issues with demonstrable and quantifiable consumer harm within the water market, introducing guaranteed standards will help to reduce these issues and drive up service standards.

Introducing guaranteed standards for other service issues enables compensation processes to be much more easily automated. Whilst the water sector is already quite progressive in its use of automatic compensation in comparison to other essential markets,² guaranteed standards can be expanded to enable further automation. In particular, problems with installing new water meters, inaccurate bills or large scale billing errors (which are the most complained about issue by water customers) would help drive up standards in the sector. Furthermore, only for energy distribution companies is there currently automatic compensation for failure to meet standards for a substantive response to a (written) customer complaint, under the 'Guaranteed Service Standards'. There is potential scope to introduce automatic compensation for delays in handling complaints, which could also be incorporated into GSSs in the water sector.

In response to questions 5b & 6

There are various areas where we believe Ofwat's compensation processes could be automated, where they are currently not.

In addition to improving service standards for consumers, increased automatic compensation practice also helps to equalise access to compensation, as less engaged consumers receive compensation they otherwise would not. Often the least engaged consumers are those who can least afford to miss out on compensation, such as those on low incomes or are vulnerable, e.g. having a disability. For instance, we found that people with no educational qualifications are significantly more likely to not seek a refund because of the complexity of the process than those with a degree or higher.³

² Our research has examined the current compensation practices of the water, energy, transport (bus & coach, airlines, ferry, and train), telecoms and post market.

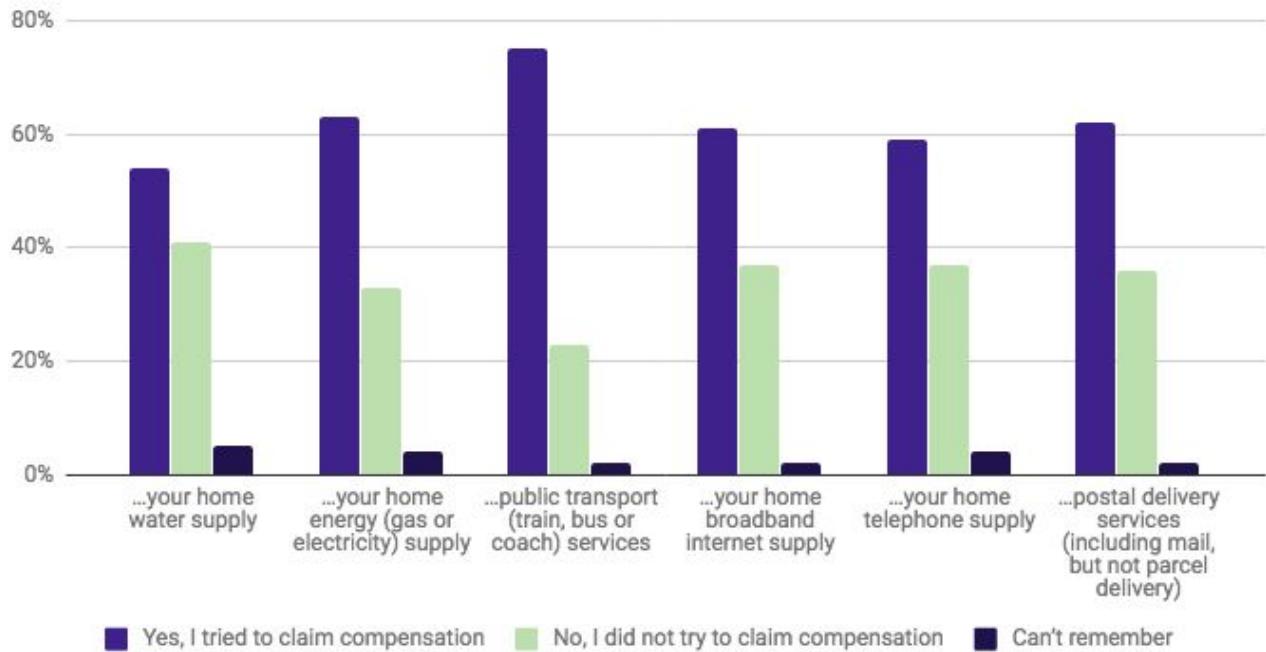
³ Citizens Advice, [Consumer detriment: Counting the cost of consumer problems](#), September 2016

Ofwat has already specified that automatic payments should be made for services covered by the Guaranteed Service Standards (GSSs) scheme. This provides reasonable coverage, however there are some gaps. We have listed these proposed areas of automation, and the prerequisites for these extensions to automatic compensation to be possible.

Service issues with scope for introducing automatic compensation	Further detail	Prerequisites and timing
Installation of new water meters	The installation of new services is specified to a greater degree in energy than water. Welsh water already automatically pays compensation if meters are not installed on time.	Further work would be needed to decide whether the roll out of water meters, and any problems reported by customers, justified additional regulation. Adding new items to GSS may require legislation (but this doesn't seem particularly problematic).
Poor water quality	Some firms do pay automatic compensation when they issue a restriction of use notice. Others do not, and just pay a 'run off' rebate if a customer contacts them.	Further work would be needed to examine whether more regulation is necessary, and would bring benefits.
Inaccurate bills, large scale billing errors	Currently not included in GSS – billing and charges is the most complained about issue by water customers.	It is not clear whether there is a widespread problem with inaccurate bills such that more regulation is justified.

Our research found that the proportion of consumers who claim compensation varies considerably by market. 41% of respondents in the water market did not try to claim compensation last time they had an issue, the highest of any sector. Our polling further explored the reasons for the high rate of non-claims, and found this was largely due to issues such as finding out eligibility, unhelpful providers and the complexity, length, or lack of information on the claiming process.

Chart 1: Did you try to claim compensation the last time you had an issue with...



Source: Survey conducted by Ipsos Mori, Base: 2000

This indicates that consumers in the water market may come up against more barriers to complaining / claiming compensation than other essential markets in some areas. We researched the reasons for this and - supported by polling - identified 4 key barriers to claiming:

1. Awareness of the initial problem, and their rights to compensation
2. Confidence in securing worthwhile compensation
3. Access to information on how to complain
4. Complexity of the customer journey when making a claim.

1. Lack of awareness of harm and of rights

In our survey of consumers, 37% of people who had claimed compensation for a water issue said that difficulty trying to find out whether they were actually eligible made the compensation process difficult. Of all the essential service sectors we examined in the polling, the water market had the worst results of consumers' experience trying to find out their eligibility.

2. Lack of confidence in securing worthwhile compensation

Our research found that consumers have low confidence in providers issuing meaningful compensation when things go wrong in the water market.

3. Lack of access to information on how to complain

Not understanding the practicalities the complaint process also puts off consumers. Our research found that the water sector may discourage claims that aren't covered by the Guaranteed Service Standards. Our researchers conducted a review of selected company websites from different essential service sectors, and examined the Thames Water website for the water sector. In comparison to the websites of the other essential service sectors, it was considerably better with more easily accessible information and a clear link to a dedicated claim form for use if automatic payment had failed. The information available was only about compensation available if Guaranteed Service Standards hadn't been met, however, and there wasn't any information clearly available for other issues not included under the GSSs.⁴

This was corroborated by our polling, which found that the water sector was particularly poor at advertising how to initiate complaints: more than half (52%) of consumers who complained about a water issue didn't know who to contact to start the complaints process. This is more than 3 times higher than any other sector. Also in the water sector, there is a lack of information or signposting to Alternative Dispute Resolution (ADR).

4. Difficulty of the claims process

When we asked about consumers' perception of ease in claiming compensation in each essential market, there was clear pessimism. Across **every** essential market, almost double the amount of respondents thought that claiming compensation would be either fairly or very difficult, in comparison to those who believed it would be very or fairly easy. People's perceptions are similar across the different markets examined in the polling.

When asked about people's most recent *actual* experience of claiming compensation, greater distinctions between market sectors become apparent. The claims process is considered particularly hard to understand in the postal

⁴On the Thames Water home page (visited on 24th January 2018) there was a drop-down menu from Help and Advice gave the option Consumer commitment which went to a page with an option: "Our commitment to you: Find out about our Guaranteed Standards Scheme and how to request a payment". This linked to page with clear, concise information on GSS standards and compensation levels in the web page itself, so that the consumer did not have to download a leaflet. At the bottom of the page was a clear button labelled "Request a Consumer Guarantee Scheme Payment" which went to a dedicated web form designed for claims. This was in spite of the fact that all water GSSs are paid automatically, thus recognising that failures could occur.

delivery (27%) and water (30%) markets, with around 3 in 10 consumers citing this as a barrier to claiming.

29% of consumers found it difficult to claim compensation in the water sector, and, there were two clear areas that contributed to this which were the same across every market. The majority of respondents found the key issue to be the **unhelpfulness** of the company or organisation. The other main issue raised was the company or organisation **taking a long time to get back to respondents**. In every market, over a third of respondents reported that this issue made claiming compensation difficult.

The claims process can also seem overly lengthy. Across energy networks, telecoms, water and letters, there are **3 or 4 stages** a consumer must complete before they can take their case to ADR or an ombudsman. This compounds the feeling of many consumers that the company takes too long to get back to them.

Recommendations:

We believe that Ofwat can and should take steps to simplify and improve their complaints processes - automating where possible. Overall we recommend that the following principles are followed;

- Guaranteed service standards should be expanded to other appropriate areas where there is measurable harm experienced by consumers from the fault of water suppliers. Without specified guaranteed standards, it can be difficult to establish the level of service problem required in order to gain compensation. We have highlighted areas that our initial analysis has indicated may be suitable for inclusion in GSSs.
- Where guaranteed service standards do exist, compensation schemes should be automated wherever possible. Where there are technological barriers in place, solutions should be sought in order to overcome these issues. We recognise that this may take time and investment, but believe that automating compensation should be a priority, where there is clear detriment to consumers.

- Where automation is not currently possible, or problems sit outside of the Guaranteed Service Standards, the claims process should be as seamless as possible from the point which a complaint is made. This should aim to remove the barriers to claims identified above.
- Whether automated or not, clear and accessible information on consumers' compensation rights and claims processes is essential. This would better enable consumers to submit claims for those service issues where compensation was not automatic, or where there had been a failure to pay automatic compensation. Practical changes such as providing links to dedicated claim forms and contact details would enhance consumers' ability to apply.

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