

## **Covid-19 and the business retail market: Proposal to amend a Customer Protection Code Change Proposal – CP0009 – a consultation**

Thank you for the opportunity to comment on the proposed changes to the Customer Protection Code of Practice (CPCoP). Please see our responses below.

1. Do you think the amended change Proposal will achieve the following policy aims (and if not what changes would you suggest making to ensure that it does):

a) That those customers adversely affected by Covid-19 are provided with appropriate levels of support and protection.

The proposal will provide some support to customers who are impacted by COVID-19. It ensures Retailers take customers' individual circumstances into account before considering any enforcement action. However, it falls short of the relief that was provided for those customers most affected during the first wave, which we believe will result in increased levels of bad debt associated with businesses who cannot afford to pay.

The benefit of the publication requirement was unclear. While we support transparency, the proposed information to be published won't provide context to customers. For example, they will not have an appreciation of how many customers a Retailer serves, how many customers owe money nor for how long the balances have been outstanding. It will also add complexity to CCW's monitoring role, as searches of each Retailer's website will need to be undertaken. Our preferred solution would be for Retailers to send the required information to CCW on a monthly basis.

b) Customers who are able to pay should be incentivised to pay in a timely manner.

We agree that if a customer can pay they should be incentivised to do so. A COVID-19 repayment scheme helps to achieve this in addition to clear direction on what additional action may be taken and when it may occur. The proposal helps to achieve this aim.

c) Retailers should take the necessary steps to differentiate between those customers who genuinely need support and those who should be expected to pay.

The proposal does make it clear that a Retailer should take appropriate steps to understand the customer's position. However, it should be recognised that not all customers engage with Retailers even after repeated attempts to contact them and, therefore, it may not always be possible to differentiate or understand the customer's circumstances.

2. In addition, we would welcome the views of respondents on:

a) The costs and associated risks of implementing the amended change proposal within the proposed timeframe;

There will be no new implementation costs to Business Stream as we are already operating in a way commensurate with the proposed change.

b) The scope and operational impact of the amended change proposal;

There will be no immediate operational impact as Business Stream is already operating in a way commensurate with the proposed change. However, it should be recognised that given the numbers of customers affected, this level of pro-active contact has required an increase in the number of staff interacting with customers, as well as with data analysis.

Retailers are not immune to the financial impacts of COVID-19 and just like our customers we face major financial pressures.

While entry into the COVID-19 repayment scheme is currently due to end 31 March 2021, this doesn't mean that customers have repaid their outstanding balances by this date. Under the terms of our scheme the customer may take a further 15 months before the balance is repaid.

Since 1 August 2020, we have had no support on our wholesaler charges but with reduced collection on retail bills we face an unprecedented draw on working capital and cashflow uncertainty. Customer debt is increasing and we are concerned that bad debt will reach unsustainable levels in the coming months. We want to be able to continue to do the right thing for our customers but this can't be done unilaterally nor can it be sustained indefinitely.

c) Whether the respondents consider that the proposal is in line with the principles of the code and our statutory duties.

Yes, the proposal is not inconsistent with the principles of the code and Ofwat's statutory duties.

3. Do you have any comments on our proposed implementation date?

We have no comment about the implementation date. We are assuming that publication of stated data on our website will be required for the implementation date but clarity on the publication timetable (including the monthly refresh) would be beneficial.

4. Do you have any other comments on our proposed change to the CPCoP as set out in Appendix 1?

Although we want to do the right thing for customers who have been impacted by COVID-19, we cannot provide this support indefinitely if we are also obliged to pay wholesalers in full, regardless of our collection rates.

In the absence of a relief mechanism for customers, payment deferral simply pushes the problem into the future, increasing debt that customers cannot afford to pay, nor retailers afford to finance.

We note from the Ofwat CFI on Bad Debt issued last week that Ofwat does not envisage any bad debt recovery mechanism to start until 2022. By the time it is collected, Retailers could be sitting with up to 3 years' worth of debt for a significant proportion of their customer base. This is not sustainable. We would urge Ofwat to consider how the cost of supporting customers through this difficult time can be shared with Wholesalers, given that more than 90% of the debt relates to wholesale charges. We will provide further thoughts in our response to the CFI.