



The voice for water consumers
Llais defnyddwyr dŵr

**CCW's response to
Ofwat guidelines for water companies in
supporting customers to pay their bills,
access help and repay debts**

Date: July / 2021

1. Introduction

The Consumer Council for Water (CCW) is the independent voice for water consumers in England and Wales. Since 2005, we have helped thousands of consumers resolve complaints against their water company, while providing free advice and support. All of our work is informed by extensive research, which we use to champion the interests of consumers and influence water companies, governments and regulators.

- 1.2 We welcome the opportunity to provide input to Ofwat's guidelines for water companies in supporting customers to pay their bills, access help and repay debts.

2. Summary of CCW's response

- 2.1 We are in agreement with much of what Ofwat has proposed in the 'Ofwat guidelines for water companies in supporting customers to pay their bills, access help and repay debts' paper and have welcomed the openness with which Ofwat has been willing to share its early thinking with CCW.
- 2.2 In our [independent affordability review](#) recommended actions, we called for Ofwat to review its debt guidance to companies and that the guidance should reflect cross-sector best practice and include minimum standards. We therefore welcome the opportunity to respond to this consultation.
- 2.3 We are pleased to see that:
 - It contains minimum service expectations which were informed by our affordability review and also by the work of the UK Government's [Inclusive Economy Partnership \(IEP\)](#) to establish common debt management principles across different sectors.
 - There is reference to Fair By Design and Money Advice Trust's "inclusive design for essential services". This amplifies the messaging in our independent affordability review and also our [vulnerability manifesto](#).
 - It acknowledges the important role our cyclical debt assessments play and the value of our "water for all" reports.
- 2.4 What more can be done?

We support the proposed seven principles but consider there is an opportunity to introduce an eighth principle. Companies' should adhere to the principles of the "operating guidance principles for when using CRAs."

- 2.5 We wouldn't want to see Ofwat adopt a principle only approach until there is a licence condition in place as there will be nothing to compel companies to adopt the minimum standards
- 2.6 In addition to the revision of the debt guidelines, in order to deliver the improved outcomes we want to see for consumers who fall into debt we are keen to work with Ofwat to take forward the following actions from our affordability review:
- The introduction of a **customer-focused license condition** which includes measures to ensure *companies take into account a customer's ability to pay* and how it affects their customer journey.
 - We have called for the government to "make the Landlord and Tenant address Portal compulsory in England to raise the visibility of residents who may need help. We seek support from Ofwat in campaigning for this.

3. Response to specific questions

Q1: Do our guidelines strike the right balance between offering sufficient protection and support for individual customers, while allowing companies flexibility to recover revenue for the benefit of all customers?

Yes, we consider that they do.

Q2: What impact do you think our guidelines will have on customer experiences in terms of payment, help and debt?

We would expect to see an increase in the number of customers receiving support, and for support to be offered sooner. It is anticipated that this will reduce cost of debt and establish the customer as an active payee in the future.

We would also expect to see an increase in payments being made due to the flexibility of billing frequency, payment flexibility and flexible methods of payments. Additionally, referring customers for income maximisation checks and holistic debt advice will also result in an improved experience for the customer.

We anticipate that offering support for those who genuinely can't pay and taking appropriate action against those who won't pay will lead to an increase in revenue and reduced bad debt charges.

Q3: Are the minimum service expectations set out in the guidelines appropriate? Do any need to be added, removed or changed?

We note that Ofwat has advised that "where possible we will aim to move to a principles only approach based on company improvements in the experience they deliver to customers on billing, payment and support". We wouldn't want to see Ofwat adopt a principle only approach until there is a licence condition in place as there will be nothing

to compel companies to adopt the minimum standards. Companies are still able to go beyond this and innovate to provide better services.

There are some additions for the minimum service expectations which would result in improved outcomes for customers. These are included in our comments below:

Principle 1. Help make it easy for all customers to pay their water bill.

In action 2.4 of our independent affordability review recommendations we asked Ofwat to introduce a customer licence condition which includes measures to ensure companies take into account a customer's ability to pay and how it affects their customer journey. Ofwat have responded, not by introducing a licence condition but by putting it as a minimum service expectation in principle 1. We are pleased with this interim approach as it can be enacted more swiftly than a change to licence conditions. However, we would still want to see a licence condition (similar to condition 0 of the energy standard licence conditions) being introduced which will amplify the importance of treating customers fairly and means enforcement action can be taken by Ofwat should any company not do so.

In 1.2 of the minimum service expectations Ofwat asks companies to work with landlords –including make them aware of the Landlord and Tenant Address Portal (LTAP) – to establish tenant details, where tenants are expected to pay water charges. In action 10.4 of our independent affordability review recommendations we have called for the government to “make the Landlord and Tenant address Portal compulsory in England to raise the visibility of residents who may need help. We seek support from Ofwat in campaigning for this.

In 1.5 of the minimum service expectations we recommend that additional narrative of “If there is a charge then companies should be transparent to customers regarding what the charges for making cash payments are and which location options will make a charge”.

In 1.6 of the minimum service expectations, we recommend that the option to pay monthly has the additional narrative of “over 12 instalments” added as some companies spread monthly payments over a lesser period.

In action 1.2 of our independent affordability review recommendations we called for more flexibility for customers to help them manage periods of transient financial vulnerability and to help those with irregular incomes. We said “making use of self-service technologies, water companies should give customers the flexibility to manage the amount and frequency of their payments”. We consider that 1.8 of the minimum service expectations allows this.

In action 1.1 of our independent affordability review recommendations we said that “ A wide range of payment methods should be offered by water companies, retaining existing methods and making use of emerging technologies (for example apps and

electronic payment options) to allow customers to choose what works best for them". We consider that the wording in 1.11 & 1.12 of the minimum service expectations, reflects this.

We see 1.21 of the minimum service expectations as a welcome new addition. We have seen a significant increase of customer's understanding of bills when companies have adopted the plain numbers approach¹ to their bills and we encourage water companies to act on the findings.

Regarding minimum service expectations 1.24 we also consider that companies should use insight from their complaints and contact from customers (particularly those from customers in vulnerable circumstances) to monitor and help improve customer satisfaction with billing, payment and support. We would like to see this added into the minimum service expectations.

Principle 2. Make sure customers who are eligible for help receive it when it is needed

In action 2.1 of our independent affordability recommendations we also called for companies to offer holistic debt advice or an income maximisation review at the first indication that a customer is "struggling to pay". This point should be included in the minimum services expectations.

Customers tells us that it is difficult to access support from water companies in many cases the application process itself is a barrier. Therefore, we would like to see "support should be easy to access" added as a minimum service expectation.

Principle 3. Treat customers that have their accounts managed by agents as customers of the company

Customers should still receive all relevant information about their water charges together with details of how they can access financial support from the water company and other help to reduce their water bill such as installing a meter, social tariffs and charitable trust. We would like to see this reflected as a minimum service expectation.

Principle 4. Be proactive in contacting customers in debt

In our research with low income customers they majority of them felt that their relationship with the water company was distant. If the relationship is too distant it can lead to low awareness of available support, a lack of trust, and prevent some customers from feeling that they can ask for help. We are therefore pleased that the minimum service expectations under this principle reflect the findings from our affordability review.

Principle 5. Be clear, courteous and non-threatening to customers in debt

Design the content of communications around customers' information needs

¹ <https://plainnumbers.org.uk/phase-1-project-report>

Our research with low-income customers² provided insight into how to improve the help available to customers who may struggle to pay their water and sewerage bills. Few respondents were reading their water bill in any detail beyond the date and amount as it was considered boring and/or complicated. Some were burying their heads in the sand and not looking at their bills at all because they felt so anxious about their financial situation.

Consequently, communications about the help available such as social tariffs would be more likely to stand out via a separate, stand-alone communication and/or in a prominent position near the amount owed on the bill. We would therefore like to see information on financial support available should be prominent, placed near to the amount owed on the bill, and on the envelope included as a minimum service expectation.

In 5.7 of the minimum service expectations we would like to see “and plain numbers” added to the wording.

5.10 of the minimum service expectations would benefit from a fuller explanation.

Principle 6. Agree payments that are right for each customer in debt.

In action 3.1 of our independent affordability review recommendations we called for “a consistent means of assessing customer’s ability to pay to be established and a consistent approach to the actions taken as levels of debt increase”. We asked for this so that there would be no regional variations in how a consumer’s ability to pay is assessed nor any regional differences in approaches. Principle 6 of Ofwat’s guidelines only partially addresses this by saying that payments should be based on a customer’s ability to pay. Ofwat needs to work with the industry, CCW, and the third sector to establish a consistent means of assessing a customer’s ability to pay. This would then address the concern that without consistency there would be potential for regional variations in both assessing a consumer’s ability to pay and the approaches taken as levels of debt increase in order to negate any potential unfairness for some consumers and note this has been included as a separate question by Ofwat.

Principle 7. Treat customers facing debt recovery by debt recovery agents with care

In 7.3 of the minimum service expectations the wording should be clearer and suggest that “Where companies choose to engage external collection agents” is inserted at the beginning of the wording.

Principle 8. We consider there is an opportunity to introduce an eighth principle. **Companies’ should adhere to the principles of the “operating guidance principles for when using CRAs.”**

Q4: How can we encourage consistency of approach across the sector?

² <https://www.ccwater.org.uk/research/our-recommendations-to-end-water-poverty/>

We have seen the water sector work well to establish consistency in other areas and consider that a taskforce to look at consistency across the sector including a consistent means of establishing a customer's ability to pay would be most effective. Representatives from the third sector, Water UK, Water Companies, CCW and Ofwat should be on the task force.

We believe there is further discussion to be had regarding how companies' compliance with the guidelines will be measured and reported.

In addition to the cyclical debt assessments that CCW conduct, we also consider that there continues to be a role for companies to self-assess whether they are meeting the expected minimum service standards.

We would welcome the opportunity to be involved in further discussions around consistency.

Q5: Our expectations for companies to 'Show customers how their views on billing, payment and support are encouraging improvements to services' (see expectations 1.24 to 1.30) include companies reporting on the findings of their customer research. We would welcome views on whether this is appropriate – and (if so) the format and frequency.

Companies should use all their business as usual (BAU) intelligence available to understand the segment of their customer base who are in debt and those who struggle to pay. BAU intelligence would include records of contact made, complaints, service feedback and other available intelligence. By using insight from their BAU intelligence regarding billing, payment, debt recovery, and financial support companies should be able to show a clear thread on common issues, action taken to resolve the issues and whether the action has resulted in a reduction in complaints regarding the issue and an increase in satisfaction.

Understanding would come from asking questions of BAU data such as:

- How do people make contact about debt (do contact channels support this/have the capacity?),
- Why are customers making repeat contact?
- Do people in first time debt respond to or want different interventions to those in longer term debt (look at what help was given/offered and what lead to regular payments),
- Are there areas where there are many customers making contact about debt and has targeted support information been sent.

Research could then be used to answer the questions raised by BAU analysis to see how to improve services, better anticipate peoples' needs, and more specifically to explore views on proposed service changes, or include customers in the design of

service changes/communications where there is reasonable potential for them to be able to influence things.

Companies should look to target the research to customers who expressed dissatisfaction with debt support to better understand their experiences and the effectiveness of the company's service delivery in order to drive improvements.

A tracking survey with people who have come to them for help with payments/debt would enable companies to measure the effectiveness of their service delivery and improvements. The format of the research should ensure that it reaches through the barriers to engagement.

CCW's water matters tracking survey currently asks customers if they've made contact in the last 12 months and if so, why. The response categories for this currently include:

- To ask about schemes/help paying bills
- Help with paying bills (Covid/Coronavirus related)
- Billing enquiry

These could be tweaked to make sure we are identifying all the debt/financial support related contacts well enough. We are then able to compare their satisfaction with contact, communications and demographics with all other respondents.

Q6: We have had feedback and received customer testimonies that companies can sometimes quickly move from payment prompts to debt recovery action. Should companies give three prompts rather than two (see expectation 4.9) for customers to contact their company?

We would also welcome views on whether companies should send prompts by different means to avoid errors in contact details causing customers to fall into debt unnecessarily.

In our cyclical debt assessments we have seen much evidence of companies using only one method to contact the customer which repeatedly fails to invoke action from the customer. When another method is tried, we then see examples of the customer then engaging and a payment plan and/or support agreed. We know that there are barriers to engagement which include literacy, numeracy, digital exclusion, emotional barriers and physical barriers therefore it is imperative that companies use different methods to engage with and prompt engagement from customers. We recommend companies try at least two methods of contact. We also recommend that companies record each attempt at contact and the method of contact used and outcome. This data could then be used to establish which method of contact is most effective for that customer.

Our research with low income customers also provided insight into how both some mental health and some physical health conditions can reduce a person's ability to

provide an immediate response to a prompt. It is therefore important that “no response” is not automatically assumed to mean that the customer is unwilling to engage.

We therefore support an approach that provides more engagement opportunities for companies and their customers.

Enquiries

Enquiries about this consultation should be addressed to:

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