

christians
against
poverty

CAP

Guidelines for water companies in supporting residential customers pay their bill, access help and repay debts

CAP's official response to Ofwat's consultation

July 2021

always hope.

Christians Against Poverty (CAP) welcomes this consultation from Ofwat providing guidelines for water companies. The overall aim of encouraging water companies to deal sensitively with customers who find themselves struggling to pay their bill is a strong foundation.

Summary response

- These guidelines are welcomed as a good minimum standard and ambitious enough to challenge the sector to support customers in debt.
- A lot is still open to interpretation by individual suppliers, given that these are guiding principles and not outright rules.
- CAP feels very strongly that the use of High Court Enforcement Officers (HCEOs) is disproportionate to the level and severity of collecting water debt, and believes the sector should shift away from their use.
- It is key that vulnerability is not simply segmented at a basic level; customers in vulnerable circumstances are almost never identical and should not be bracketed based on these influencing factors.
- Holding companies to account is a challenge, but there are useful examples to follow in other sectors that Ofwat could follow.
- Maintaining a culture of openness between suppliers is important, and sharing of ideas and good practice needs to be welcomed. Sharing of challenges faced should not be punished but supported.

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

Overall, CAP feels that the guidelines do strike a reasonable balance. However, as these are issued as guidelines this does leave them open to considerable interpretation by suppliers. As can be seen in other industries, this can eventually lead to imbalances as different suppliers offer their own responses. Consistency and simplicity are generally far more valuable to vulnerable consumers, so these elements should be given greater emphasis.

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

Generally this principle is a strong one, however there are some key points to draw particular attention to. Ensuring flexible payment and billing frequencies to match a customer's circumstances is something that may need expansion. It is vital that customers find it easier to pay the lowest amount possible when they are in problem debt situations. Furthermore, customers should be actively encouraged to seek ways to save money on water where appropriate, such as by moving on to a meter.

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

CAP feels that the guidelines in this section do not give enough attention to the complexity of vulnerability among customers. Vulnerable circumstances can be transient or lasting, scaling from mild to severe, and can have a significant impact on daily life or a minimal one. Proposing to segment vulnerable customers in a broad way presents a far greater risk of bracketing all vulnerabilities disproportionately. As Ofwat's guidelines suggest, all customers should be treated fairly, and so to generalise vulnerable groups may run counter to this approach.

Similarly, proposed data sharing between companies is welcomed but requires significantly joined-up thinking between suppliers and Ofwat in order to be effective. External sharing of information is an issue the debt advice sector would find valuable if implemented as currently the pathway into water companies for third party advice is unrefined and inconsistent despite some companies' efforts to work towards better openness.

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

The minimum expectations set out for treating customers in this section are broadly positive. CAP has some concerns over how suppliers can ensure the rights of consumers that pay their water bills indirectly, such as where it is included in their rent. Clarity may be needed to prescribe what the customer's best interest is when it comes to their rights, whether this includes informing them of all schemes and support offerings regardless of whether they are currently eligible or not.

4. Be proactive in contacting customers about debt

As a debt advice charity, CAP welcomes proactivity in providing information to customers in financial hardship across all sectors. The proposals in this section are an excellent minimum standard to try to meet, and CAP would encourage Ofwat to consider how best to monitor these standards between suppliers; the sharing of best practice is a relatively good start, but attention should be given to ensuring consistency of accessibility and quality service.

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

Ensuring the design of communication around customers' needs is key, and so the outcomes desired in this principle are positive. In particular, CAP suggests a lived experience approach to ensuring better communication design with consumers to fully understand their needs. It is also recommended that suppliers be required to signpost and refer to free independent debt advice at every stage of the collections journey.

Of particular concern to CAP is the continued use of HCEOs to recover water judgments, sometimes even after the customer has sought debt advice. HCEOs charge fees that are much higher than what is charged by County Court bailiffs. A £600 debt could double in value with the fees the HCEO charge by the second stage of enforcement, pushing customers further into unmanageable debt. It is more difficult to negotiate an affordable payment arrangement with a HCEO and often water companies are unwilling to discuss repayments, insisting that the customer makes the offer of payment to the HCEO.

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

CAP welcomes the Ofwat approach to this principle, in particular the focus on affordability and ability to pay. It is suggested that the summary principle around referring to local advice organisations be expanded to ensure that national services are also referenced.

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

As referenced above, the use of HCEOs is something CAP feels strongly the water industry should reconsider. Experience suggests that the use of FCA-regulated collection companies generally results in practice that protects customers well, while permitting collections action to proceed. Ofwat should consider making this a stronger recommendation for suppliers.

CAP agrees with the statement that 'the potential consequences of having their debt managed by a third party should be no more severe than if the service was provided directly by the company'. Passing a recovery case to a collections agent should not be a situation where the company can ignore ongoing responsibility for supporting their customer. It can be argued that when made aware of severe vulnerability any case should be withdrawn from third party collections and the customer protected by the supplier taking full responsibility for their care.

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

CAP broadly welcomes these guidelines as a minimum standard for suppliers, and believe that overall these principles will positively impact customer experiences. A small concern is that due to these principles being set out as guidelines, companies may choose to interpret them differently and so the end customer experience may differ between supplier.

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

The main question raised within the guidelines is around how frequently Ofwat expects to review them and to hold suppliers accountable; will the Consumer Council for Water (CCW) monitor any of these beyond normal service levels? As these are minimum standards, it is also worth noting that there will be an expectation on Ofwat to ensure that everything covered within the guidelines is met by all suppliers. CAP would encourage regular reviews to be held as well as sharing of good practice. It is notable that in the energy sector the trade body Energy UK has put together a vulnerability charter that reviews suppliers annually and ensures they are meeting a standard. This may be something Ofwat considers mirroring for water companies.

CAP would question whether the wording around ‘treating customers with care’ is as effective and clear as ‘treating customers fairly’, which is a standard expression used across industries and is easier to benchmark. This also takes into account how circumstances, particularly vulnerabilities, can affect households in very different ways.

How can we encourage consistency of approach across the sector?

As outlined above, regular reviews are key to ensure consistency, as well as prescribed areas on which suppliers will be monitored and expected to report back. The obvious approach would be in sharing of good practice and lessons learned; some firms publish their plans in advance, allowing critique from trusted stakeholders before putting them into practice. A sector-wide culture of openness would lend itself well to this, which is certainly more possible when companies are less likely to be in competition with one another.

Beyond monitoring of companies, CAP suggests regular consumer feedback is gathered, taking into account geographic areas, demographics and customer circumstances to adequately understand customer experience. Some suppliers are likely to have differing levels of affluence among customers, and this is a factor to take into account when monitoring.

Finally, CAP would advocate for more universally-established schemes, such as a unified social tariff, that remains the same regardless of supplier and location.

Having something that is nationally recognised would be easier to communicate and reduce the chances of a geographic lottery for consumers needing further support in paying their bills.

Our expectations for companies to 'Show customers how their views on billing, payment and support are encouraging improvements to services' 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.

As recognised in other sectors, a unified approach has generally been best in encouraging companies to engage well. Having a single responsible group (Ofwat, or another respected organisation/panel) is typically the best way to ensure fairness. The key thing is to ensure that reporting back these findings should not become an exercise in penalising companies, but rather used as a tool to support them in learning and developing existing plans to better serve customers.

One approach seen elsewhere has been for reporting to be semi-anonymised by the monitoring group, and feedback given individually to the company instead of widely published. This then gives them valuable insight to progress forward while overall learnings and examples of good practice can be shared across the sector.

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 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.

It is extremely important that Ofwat understands that when dealing with particularly vulnerable consumers there is no 'one-size-fits-all' approach to resolving their debt situation. Prescribing set ways of dealing with the consumer journey will not be suitable for every case, and many customers' circumstances are volatile and transient. CAP would advocate for multiple channels to be made available, taking the customer's circumstances into account as well as strongly leaning into the principle of treating customers fairly at all times. Hardship is not always visible to a call centre advisor or a debt recovery agent, and encouraging disclosure of vulnerability is not straightforward. Steps should be taken to protect those in difficult circumstances, who may not always be able to self-serve or follow expected customer behaviours.

About CAP

CAP is a nationally recognised charity that works across the UK in partnership with 580 local churches to restore hope for people in desperate need. Through a network of almost 300 CAP Debt Centres, CAP offers a free face-to-face debt counselling service, with advice and ongoing support provided from head office. CAP also runs the CAP Money Course, Job Clubs, and Life Skills groups to help people overcome unemployment and provide financial education, all with community and holistic support at their core. CAP's services are completely free and available to all regardless of age, gender, faith or background.

Further information

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