

Dŵr Cymru response

Received by email

To Whom it May Concern

We welcome the opportunity to provide feedback on Ofwat's draft payment, help and debt guidelines. We have reviewed the document carefully and offer the following observations and suggestions. We also respond to the specific consultation questions on page 17 of the document below.

Overall, much of what is included in the guidelines reflects how we already operate and represents good practice. We continually work to identify and support our vulnerable customers, through direct contact with customers, through data sharing and working with partners across Wales.

The consultation describes the proposed guidelines as setting out a principle-based approach which we very much welcome, but in the detail it ranges from being highly prescriptive in some areas (such as the section on customer research) to more high-level guidance (as evidenced by the frequent use of the word 'consider'). This inconsistency may be something Ofwat wishes to address.

We welcome Ofwat's acknowledgement in the consultation document that an alternative approach may be taken to the guidelines where evidence supports it is appropriate to do so. This is because, as well as providing support and flexibility, we also have responsibilities to avoid putting customers in situations where they accumulate unnecessary debt, and to ensure that we minimise the cost of bad debt across our business for the benefit of our wider customer base. We do, however, believe that it is critical for this to be covered specifically in the principles to ensure this is fully understood and recognised.

We highlight below of some of the key areas of the consultation that in our view need further consideration

1. Section 1.8. The wording here could be interpreted as suggesting that customers should have the option to pay 'what they want, when they want'. In our view this goes too far and would not be in the interests of customers overall. While the consultation suggests this could be appropriate for certain classes of customers, such as those with irregular incomes, it would be very difficult in practice to determine who would qualify for a 'super flexible' approach, and on what timescales. There would also likely be additional costs in managing such cases.

There is ample evidence of potential harm from approaches which give customers too much flexibility, such as 'low start' mortgages, 'buy now pay later', and even credit cards, facilitating the build up of debt to unsustainable levels for some customers.

Our view therefore is that this clause needs to be reconsidered, and reversion to a higher level principle of offering 'suitably flexible' payment approaches would be appropriate.

2. Section 2.15. This section suggests carrying out reviews to maximise income. We proactively encourage customers to seek advice and help from appropriately qualified experts, signposting them to organisations who can help ensure all benefits are being claimed. However, we are not authorised to provide financial advice and could not be considered impartial in the advice given if the customer owes us money. Whilst we support the intention here, we believe this should be focused on signposting customers to the right support.

3. Sections 1.23 through to 1.30. We agree that it is important to understand the needs of vulnerable customers and those in difficult financial circumstances, and to reflect the findings of such research in the ways that we engage and offer services. There is also value in research on the specific issue of debt management, how best to engage with customers in debt, and what works best in terms of offering solutions and a way out of debt. These issues clearly go beyond the water sector, and useful research is done in this area by debt advice organisations, the Consumer Council for Water and many others.

We therefore think there is a risk of the guidelines as written setting too high an expectation on the research that companies are expected to do on an individual basis in this area. For example, the stipulation that companies "should publish annual updates on their research" (1.26) suggests a repeating annual programme of research by each company – this may not be an effective or cost efficient approach. What is important is that good quality information is available to companies, and that companies respond as relevant to the latest and best information, from whatever channel. Similarly, we think there should be flexibility for companies to publish research findings as and when appropriate and in the interests of customers.

Specific consultation questions:

1. 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?

As set out above, there is a delicate balance to strike for water companies between timely and cost-effective action to ensure they collect the cash required to run their business, and tailoring recovery action appropriately to each individual customer. The numbers of customers involved mean that it is not practical to 'case manage' each customer due to time, resource and cost, but it is appropriate to do so at key stages or where information is received that indicates a wider problem. Some principles (e.g. 6.2 checks on customers in debt) are quite prescriptive and if interpreted literally could add disproportionate cost or delay. These areas are already covered by other processes outside the 'debt journey'. Other examples would be 6.17 and 6.18. Whilst in principle these seem reasonable, they would in

practice be difficult to implement, time consuming and potentially very costly for water companies. Overall, these guidelines do not add significantly to the principles and could be re-worded or removed.

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

Many of the proposals are already in place across the sector, having been voluntarily adopted by companies. These proposals ensure that there is a firm commitment to good practice, and that the sector keeps pace with developments in technology and data.

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

See feedback above.

4. How can we encourage consistency of approach across the sector?

The water industry generally collaborates well and senior company representatives meet regularly through the WaterUK Debt Strategy Group to discuss performance in the sector, share ideas and understanding. This is evidenced by the response to the pandemic and the swift action taken by companies to agree a consistent approach to supporting customers. These sessions also allow companies to share good practice and provide challenge. However, each water company has unique challenges, with variations in customer behaviour and circumstances across the different regions of England and Wales, and each needs to be allowed to manage its billing and debt to address these challenges appropriately.

5. 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.

See feedback above

6. 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.

The appropriate moment to move from payment prompts to debt recovery needs to be carefully considered. Where there is clear evidence of ability to pay (e.g. through credit share data) it is statistically proven that taking action quickly can increase the prospect of recovering debt. This is likely to be particularly the case where customers are at risk of building up debt with multiple other services, which

will have their own debt recovery timelines. We therefore think the current guidelines of two payment prompts (rather than three) is appropriate. In terms of sending prompts by different means, in the absence of a formal contracting process, the amount of data held by companies is in some cases very limited (name of account holder and billing address may be all that is provided). Most water companies send reminders through a variety of channels – letter, texts and emails, depending on what contact information has been provided. At Welsh Water we are offering a reminder service by text or e-mail for our debt customers as the payment falls due, to help them avoid missing payments. Other water companies provide similar. An additional guideline on this would therefore seem to be unnecessary.

Yours,
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