

June 2021

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

ofwat

About this document

This document sets out our consultation on guidelines for regional and small [water only and water and sewerage companies](#) in supporting residential customers in England and Wales pay their bill, access help and repay debts.

Our guidelines include principles and minimum service expectations for these companies in supporting:

- customers in debt; and
- customers in debt and facing debt recovery action by water companies and third parties.

The guidelines also include the principles and expectations for companies in supporting:

- all residential customers in England and Wales to pay their water, wastewater or combined bill;
- customers in vulnerable circumstances, including those at risk of falling into debt; and
- customers who have their accounts managed by agents such as local authorities and housing associations.

Our guidelines apply to all residential customers and mixed use customers in England and Wales. Mixed-use properties are those with a shared supply that include a dwelling (that is occupied by a person as their only

or principal home), but which are also used for a non-domestic purpose. Examples include farmhouses which make up part of a larger premise or public houses with residential quarters.

We last updated our guidelines in 2015. You can find [‘Dealing with household customers in debt: guidelines’](#) on our website.

We welcome responses to our consultation by Wednesday 28 July 2021. We plan to publish our final guidelines in autumn 2021.

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Please see our separate full guidelines:

[Appendix 1](#) sets out our minimum services expectations in full

[Appendix 2](#) sets out our reasons for introducing the new minimum service expectations

Responding to this consultation

We welcome your views on the questions in our consultation that we have set out below by Tuesday 27 July 2021.

We will then consider the responses to our consultation and intend to publish our finalised guidelines in autumn 2021.

Please email your response to ListenCareShare@ofwat.gov.uk with the subject 'Payment, help and debt guidelines consultation 2021'. Or write to 'Payment, help and debt guidelines consultation 2021' at Centre City Tower, 7 Hill Street, Birmingham, B5 4UA.

We intend to publish responses to this consultation on our website at www.ofwat.gov.uk. Subject to the following, by providing a response to this consultation you are deemed to consent to its publication.

If you think that any of the information in your response should not be disclosed (for example, because you consider it to be commercially sensitive), an automatic or generalised confidentiality disclaimer will not, of itself, be regarded as sufficient. You should identify specific information and explain in each case why it should not be disclosed and provide a redacted version of your response, which we will consider when deciding what information to publish. At a minimum, we would expect to publish the name of all organisations that

provide a written response, even where there are legitimate reasons why the contents of those written responses remain confidential.

In relation to personal data, you have the right to object to our publication of the personal information that you disclose to us in submitting your response (for example, your name or contact details). If you do not want us to publish specific personal information that would enable you to be identified, our [privacy policy](#) explains the basis on which you can object to its processing and provides further information on how we process personal data.

In addition to our ability to disclose information pursuant to the Water Industry Act 1991, information provided in response to this consultation, including personal data, may be published or disclosed in accordance with legislation on access to information – primarily the Freedom of Information Act 2000 (FoIA), the Environmental Information Regulations 2004 (EIR) and applicable data protection laws.

Please be aware that, under the FoIA and the EIR, there are statutory Codes of Practice which deal, among other things, with obligations of confidence. If we receive a request for disclosure of information which you have asked us not to disclose, we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances.

Introduction

Purpose of our payment, help and debt guidelines

We expect water companies to treat customers fairly and listen carefully to their needs in all that they do. Our payment, help and debt guidelines underline the importance of water companies supporting customers in financial difficulties and other vulnerable circumstances as we know these customers are at greater risk of harm.

It is for companies to decide how revenue can be collected in the most cost-effective way. All customers in England and Wales pay for services through their water bills and consequently the cost of bad debt is spread amongst the rest of the customer base. So, our aim with these guidelines is to encourage water companies to recover debt in the interest of all customers, but also to deal sensitively with customers who find themselves struggling to pay their bill.

We want companies to see this as an opportunity to:

- deliver better services to all customers;
- make it easier for everyone to pay their bills – particularly those struggling to pay, in debt or in other vulnerable circumstances; and
- put themselves in their customers' shoes –

recognising the diversity of customer experiences and circumstances. In particular, by applying the Fair by Design and Money Advice Trust's '[Inclusive by design for essential services practical guidance](#)' companies can reassess the services they offer based on the needs of customers that require the most help to access and pay for them. And, in doing this, companies can improve the services (and the underlying systems, processes and approaches) for all customers.

Our guidelines attempt to draw a reasonable balance between:

- allowing companies sufficient flexibility to devise, manage and improve the way they recover money for the benefit of all customers; and
- setting out as clearly as possible what we believe to be reasonable protection for individual customers – so that these customers receive outcomes that are as good as for other customers.

We do not intend our guidelines to provide advice to companies on effective debt recovery. While companies significantly altered their practices during the Covid-19 pandemic, in normal circumstances, they should have regard to best practice on revenue and debt recovery, including our 2017 report '[Debt management and other retail costs: research and recommendations](#)'. And we welcome regular feedback on whether our guidelines may need to change to improve experiences for all customers.

Companies may take an alternative approach to our guidelines where:

- they have accurately identified that a customer will not pay rather than cannot pay; or
- have information on customers' circumstances to show why an alternative approach is more suitable.

In these situations, companies must clearly demonstrate their reason for departing from the guidelines.

All companies are required under Condition G4 of their licence to have a code of practice on debt, which is available to residential customers. In practice, each company's code of practice:

- sets out what support is available to customers who find their bills unaffordable; and
- how the company deals with customers who fall into debt, including any arrangements to share data with credit reference agencies.

Companies typically produce their code in the form of a customer-friendly leaflet which can be used to advise or remind customers of their options. Companies are required to consult with CCW on changes to their Code of Practice and tell us about the changes.

CCW, the consumer body for water and wastewater customers in England and Wales, work closely with water and sewerage companies to ensure they follow good practice and comply with our guidelines. They also:

- carry out assessments of each company's debt management practices each year; and
- publish a '[Water for All – Affordability and vulnerability in the water sector](#)' report each year setting out their findings.

From 2021-22 onwards, CCW's report will include both recommendations for changes by companies and examples of best practice for the sector as a whole. Our guidelines provide a basis for CCW's annual assessment audits.

“

It was upsetting receiving the letters knowing you couldn't afford to pay the arrears and knowing it would increase every month. My direct debits kept failing. I telephoned them and ... the lady said to me about different options to help me, one was that they could take it from my benefit directly before my benefit was paid to me if it helped me and they'd also take a small amount for the arrears. I hadn't heard of this before but said I wanted her to do this. The result is now I know they're being paid so it's one less stress for me and no worrying about any letters from them”

– Customer, Money and Mental Health Policy Institute

Why revise our guidelines?

Our vision is to [improve life through water](#). An essential part of this is for water companies to develop a better understanding of the issues customers face and to be flexible to their evolving needs. This is particularly important on issues of affordability and for customers who may be in vulnerable circumstances.

We commissioned research to explore what support customers need, focused on customers struggling to pay and those dealing with mental health challenges. The main findings of our #ListenCareShare research, which we'll be publishing in July, are:

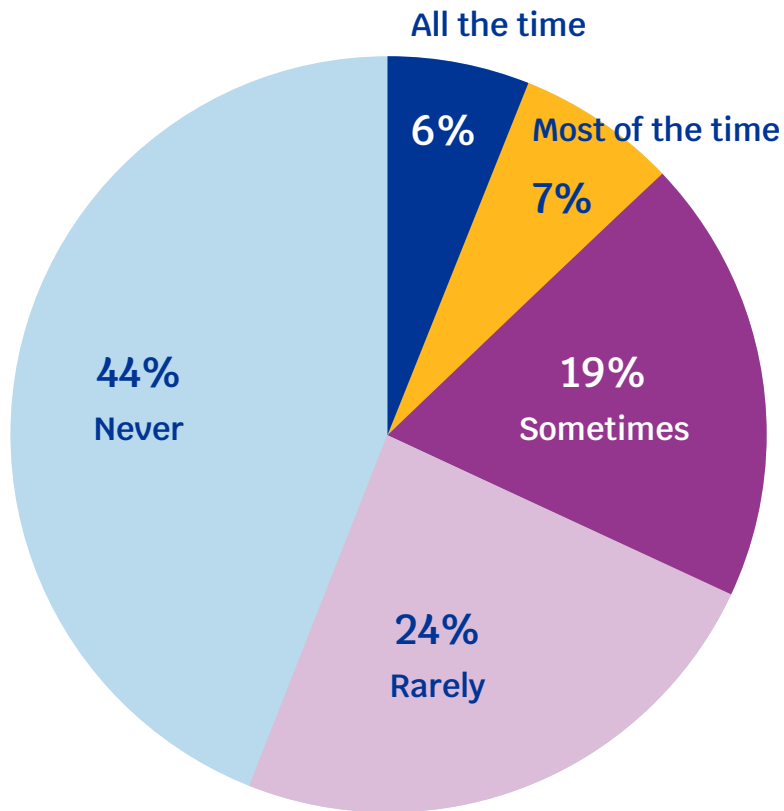
- many people have little to no interaction with their water company so few are aware of the support available;
- customers experiencing drastic, life changing situations need holistic support that takes account of their broader circumstances;
- companies need to be more proactive in letting people know what support is available – even engaging before people get to 'crisis point' and get into arrears; and
- many people face continuing financial uncertainty and may need help over the long term to support themselves and their families.

CCW made a number of recommendations in its [independent review of water affordability in England and Wales](#) to improve outcomes for customers, including asking us to review our guidelines to companies.

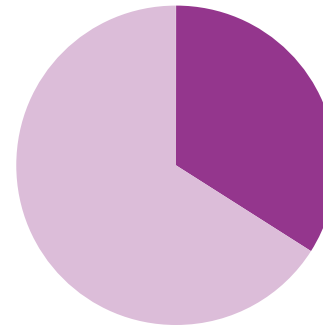
Companies' own customer insight will also inform the services they deliver. We want our guidelines to reflect the findings of our customer research, CCW's recommendations and companies' own insights.

This is particularly important at the moment with ongoing uncertainties about the longer term impacts of the Covid-19 pandemic on affordability. We know that the sector has stepped up during the pandemic by, for example, offering payment breaks and other means of support. We want to make sure companies have strong policies on affordability and managing debt on a longer term basis.

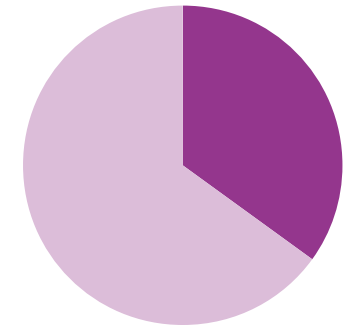
Struggling to pay: Our customer research shows one third of customers are struggling to pay their bills sometimes – and four in ten are worried about money over the next six months



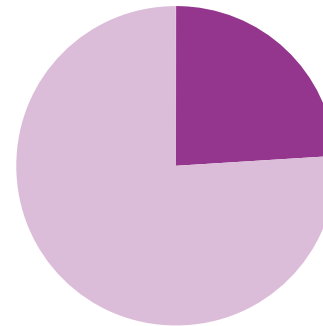
One third of bill payers are struggling to pay their bill at least 'sometimes'



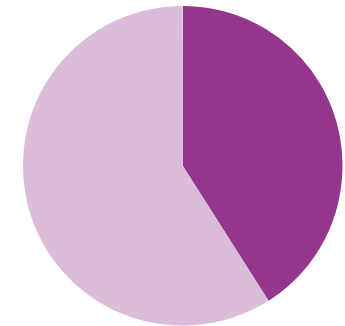
34% of bills payers say their financial situation has worsened over the past year. They are more likely to be struggling to pay bills



35% have taken some kind of action to seek financial support or delay payments



24% expect their financial situation to get worse over the next year



41% are worried about money over the next six months (53% of 18-34s)

Who are customers in vulnerable circumstances?

We define customers in vulnerable circumstances in our [vulnerability focus report](#) and [practitioners pack](#). We also set out in '[Services for disabled, chronically sick or elderly consumers – guidance for water companies](#)' the services we expect companies to deliver to disabled, chronically sick and elderly customers. Customers may be in vulnerable circumstances for financial reasons (such as loss of income), non-financial reasons (such as a disability or suffering a bereavement), or multiple reasons (both financial and non-financial).



A customer who due to personal characteristics, their overall life situation or due to broader market and economic factors, is not having reasonable opportunity to access and receive an inclusive service which may have a detrimental impact on their health, wellbeing or finances.”

– Ofwat definition of customers in vulnerable circumstances, Vulnerability focus report, 2016

Our six conclusions on vulnerability were as follows:

1. Anybody can find themselves in circumstances that make them vulnerable and this situation may not be permanent.
2. Water companies play a key role in supporting customers in circumstances that make them vulnerable – this is integral to good customer service.
3. Partnerships with other utilities and third party organisations and sharing good practice is vital to identify and assist customers in vulnerable circumstances.
4. It is essential for leadership within a company to understand all its customers' needs, reflect them in strategies and embed them in the company's culture.
5. Companies need to be more agile and proactive in anticipating and responding to customer needs.
6. Sharing of data, information and resources is helpful when supporting customers.

Summary of changes to our guidelines

We have:

- introduced a set of principles to guide and encourage companies as they seek to deliver better services to different customer groups;
 - kept a set of minimum service expectations to provide customers and their representatives with certainty of the protections that exist;
 - simplified and reorganised our guidelines into principles and minimum service expectations in serving different customer groups;
 - added new minimum service expectations to encourage companies to improve services and billing for customers;
 - introduced new expectations to encourage companies to proactively identify and contact customers that need help; and
 - made some minor changes to remove current practice and update terminology.
- our commissioned #ListenCareShare quantitative and qualitative research to explore what support customers need: focusing on customers struggling to pay and those dealing with mental health challenges;
 - best practice and guidance in other regulated sectors, such as financial services, energy and telecoms;
 - research and recommendations from published reports by customer organisations;
 - recommendations from [CCW's independent review of water affordability in England and Wales](#);
 - work by the UK Government's [Inclusive Economy Partnership \(IEP\)](#) to establish common debt management principles across different sectors; and
 - the [new statutory breathing space scheme](#) which commenced on 4 May 2021 across England and Wales.

In making changes to the guidelines we have considered (among other things):

Moving to principles-based regulation

We have reorganised our guidelines into:

- a set of principles to guide and encourage companies as they seek to deliver better services to different customer groups; and
- minimum service expectations for supporting those customers.

We want companies to really own the relationship with customers in debt, focus on the experience they deliver to customers and strive for best practice. We think a principles-based approach will best encourage this by giving flexibility to each company to innovate and provide better services. This builds on the approach taken by other sectors, such as energy and finance where there has also been a move to a principles-led approach for customer protection.

Organisations from a number of sectors have worked with the UK Government's [Inclusive Economy Partnership \(IEP\)](#) to establish some common debt management principles across different sectors. They establish a common commitment for how consumers can expect to be treated by creditors – and set out a consistent and responsible approach to collecting and recovering debt.

However, we recognise that customers and customer representatives currently value the clarity and consistency our minimum service expectations provide. These expectations are mainly drawn from our 2015 guidelines. We will continue to review this guidance and company performance. 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.

“

Over the years I ignored letters and bills from [water provider]. But as soon as I told them about my mental health problems they were great. They agreed to just speak to my wife and they are presently matching every £1 we pay towards water bills. There has been no pressure and they send me letters frequently setting out what we have paid. These letters are friendly and clear”

– Customer, Money and Mental Health Policy Institute

Targeted at different customer groups

We have simplified and reorganised our guidelines to make it easier for companies to identify our expectations for them in serving different customer groups – and for customers and their representatives to understand the protections that exist for them. We think that companies can reduce the resources needed to track and identify problem debtors by:

- making bills easier to pay, understand and plan for all customers; and
- identifying customers that need help earlier.

We have introduced new principles and minimum expectations for companies to:

- help make it easy for all customers to pay; and
- make sure customers who are eligible for help receive it, and do so quickly.

Making it easier for all customers to pay

We have added new expectations to encourage companies to make it easier for all customer groups to pay. These take account of the recommendations in CCW's independent review of water affordability in England and Wales, as well as previous Ofwat projects. For example, in '[Debt management and other retail costs: research and recommendations](#)' (2017) we recommended that companies:

- understand what will help different types of customer to pay;
- do more to proactively manage customer data – particularly in knowing who is moving in and out of properties they supply;
- make sure that customers eligible for help receive it;

- send out bills more frequently;
- encourage customers to pay in bitesize chunks; and
- give real consequences to those that can pay but won't.

In addition, our '[Putting things right: Household complaints practices in the England and Wales water industry](#)' report with CCW found that companies still receive a significant proportion of their complaints about billing and charging.

We also know the [business retail market has had market frictions](#) caused by poor quality consumption, customer and asset data. Similar issues could exist for residential customers meaning that customers may not be being billed correctly.

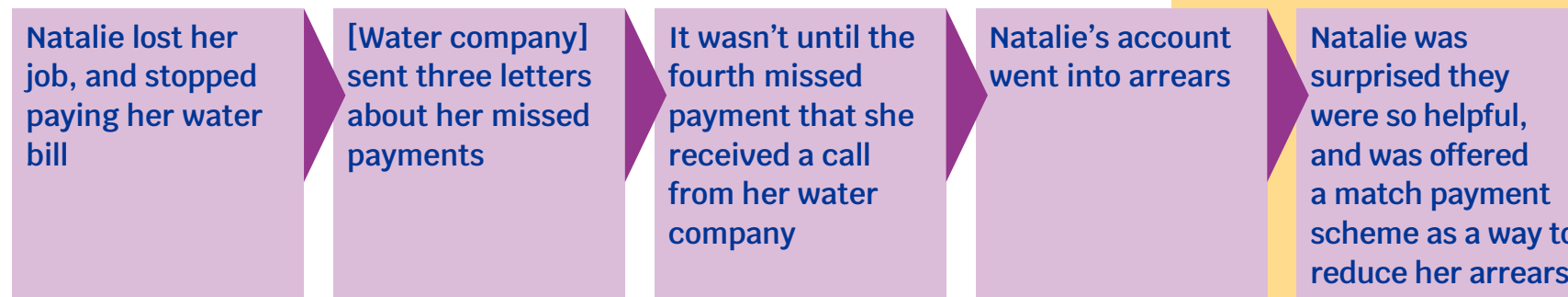
We do not think it is acceptable that any customer is potentially struggling to pay or is in debt because they are overpaying as a result of poor company information. And we expect companies to make sure customers' bills are correct and are as affordable as possible. By making it easier for all customers to pay, companies can make it easier to focus on those customers that won't pay.

Encouraging more proactive customer service

Our #ListenCareShare research found that many customers were unaware of the support that companies offer to those struggling to pay or access services. The experience of some customers also suggests earlier contact by their company would have been beneficial to them and the company. This highlights that companies can do more to identify and proactively contact customers who may need help.

Example: by being more proactive, companies could help more customers like Natalie

Case study: Natalie, a single mum, was only contacted by her water supplier after four missed water payments, meaning she had already accumulated a great deal of debt before getting any financial help.



Being more proactive: by engaging earlier and in different ways, companies could improve experiences for customers

“

It felt like [water company] was just going to ask me to pay it, and I didn't have the money to. I preferred to just miss the payments. I knew they couldn't cut your water off. When I received the call I found it very nerve wracking. I was expecting them to be quite aggressive in their approach and demanding an explanation”

– Natalie

Minor updates

We have also updated references, names and terms, and introduced updated technology references such as:

- ‘CCWater’ to ‘CCW’; and
- ‘special assistance’ to ‘priority services’; and
- ‘online chat’.

We have removed information about current practice from our guidelines given CCW’s planned work looking at the effectiveness of company action in this area. We welcome CCW’s plans to highlight best practice on companies’ debt management practices. We also think this is an area where companies can significantly improve customers’ experiences. This should include companies learning from best practice in other sectors, applying a consistent approach across the sector and looking to innovate.

Our guidelines in full – and reasons for introducing new minimum service expectations

[Appendix 1](#) sets out our minimum services expectations in full. We have highlighted new minimum service expectations in boxes and labelled them as ‘New’. The diagram below summarises the outcomes we think our revised guidelines will encourage companies to deliver.

[Appendix 2](#) sets out our reasons for introducing the new minimum service expectations.

“

I paid what I could, but I ignored letters as I couldn’t face talking to anyone, then a water company rep knocked at the door, but again I never answered, it was at this point I decided to email [water provider]. I’m so glad I did as they were so understanding. I did speak to them on the phone when they rang, they had emailed me to say they were going to. The lady was lovely. She said if I paid £21 for six months, they will wipe my debt, which was nearly £1,500. I cried with relief”

– Customer, Money and Mental Health Policy Institute

Our principles

Principles for supporting all customers	What it means	Minimum expectations – summary
<p>1. Help make it easy for all customers to pay their water bill</p>	<p>Companies should seek to understand what will make it easier for different groups of customers to pay. This includes providing a reasonable range of payment frequencies and methods, for all customers. The entire range of options should be properly and widely advertised to ensure that customers can select the arrangement which best suits their circumstances.</p>	<ul style="list-style-type: none"> • Ensure information about customers is correct and up to date • Make payments possible from different locations • Offer flexible payment and billing frequencies to match customers' circumstances • Offer choice and availability of payment methods to suit customers' needs and preferences • Encourage customers to use digital payment methods if they can • Advertise payment options to all customers in a variety of formats, languages and for those with specific communication needs • Use customer bills and payment transactions to improve customer understanding of options • Respond efficiently to customer requests to change payment arrangements • Seek better ways to engage with different customer groups • Show customers how their views on billing, payment and support are encouraging improvements to services • Make payment, help and debt services inclusive by design • Consider how customers' ability to pay affects their service experience
<p>2. Make sure customers who are eligible for help receive it when it is needed</p>	<p>Companies should establish and implement clear and effective policies, procedures and systems to identify customers in vulnerable circumstances, including customers at risk of falling into debt, and take proactive action to offer them support.</p>	<ul style="list-style-type: none"> • Use all reasonable efforts to predict and support customers at risk of falling into debt • Identify and support customers in vulnerable circumstances • Use data sharing arrangements to identify customers in vulnerable circumstances • Communicate effectively and sensitively with customers in vulnerable circumstances • Offer customers the option for their account to be managed by authorised third party individuals • Use approaches to debt management for customers in vulnerable circumstances that are appropriate to their circumstances • Make it easy for relatives to close or amend the accounts of a loved one who dies
<p>3. Treat customers that have their accounts managed by agents as customers of the company</p>	<p>Customers whose accounts are managed by local authorities, housing associations or some other form of billing agent should, wherever practicable, receive the same level of service and care as those whose accounts remain with the water company.</p>	<ul style="list-style-type: none"> • Have clear agreements with agents • Make customers aware of their rights • Consult tenants where charges are collected as part of the tenancy

Principles for supporting customers in debt	What it means	Minimum expectations – summary
<p>4. Be proactive in contacting customers in debt</p>	<p>Companies should be proactive in making contact with customers to identify whether they are in payment difficulty. Companies should regularly review their contact methods to make sure they meet the needs of customers. Companies should use every contact as an opportunity to listen, gain more information about the customer’s ability to pay and share ways they can be supported.</p>	<ul style="list-style-type: none"> • Be sympathetic to customers’ circumstances • Proactively offer other alternative payment options to customers in debt • Send clear reminders that provide advice and next steps • Contact customers using different methods and stop chasing them if they are getting debt advice • Make sure the company is accessible to the customer • Tailor debt recovery strategies and review them for suitability, fairness and empathy • Demonstrate quality service
<p>5. Be clear, courteous and non-threatening to customers in debt</p>	<p>All communications sent to customers in debt should be in plain language, be courteous and non-threatening. But the water company should clearly set out the action which they will take if the customer fails to make payment or contact the company, along with the possible consequences for the customer.</p>	<ul style="list-style-type: none"> • Design the content of communications around customers’ information needs • Tailor the language of communications to customer’s needs • Use fair tools for encouraging payment • Explain the implications for customers at risk of enforcement action • Use enforcement action as a last resort • Respond quickly, fully and appropriately to disputes or queries about debts • Regularly review and update debt communications learning from feedback and complaints from customers
<p>6. Agree payments that are right for each customer in debt</p>	<p>When agreeing payment arrangements with customers, the customer’s circumstances should be taken into account wherever possible. Payments should be based on a consistent approach for assessing a customer’s ability to pay. Repayments should be understandable to the customer – and regularly reviewed as their circumstances change to make sure repayments are sustainable. And the customer should be re-engaged if the payments fail.</p>	<ul style="list-style-type: none"> • Double check that the customer is in debt • Establish each customer’s ability to pay and allow customers to consider payment proposals • Refer customers to company’s charitable trusts or restart schemes for help • Help customers reduce future charges • Agree repayment levels that are realistic, understandable and regularly reviewed • Refer customers to local advice agencies, charities or voluntary organisations for further help • Re-engage with customers over missed instalments and make sure follow up action is proportionate

Principles for supporting customers facing debt recovery action	What it means	Minimum expectations – summary
<p>7. Treat customers facing debt recovery by debt recovery agents with care</p>	<p>Customers whose accounts are managed by debt recovery agents or some other form of billing agent should, wherever practicable, receive the same level of service and care as those whose accounts remain with the water company. 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.</p>	<ul style="list-style-type: none"> • Treat customers facing debt recovery action fairly • Ensure the needs of priority service register customers are met • Use reputable debt collection companies that treat customers fairly and in line with agreed levels of service • Regularly and robustly check customers facing debt recovery action are treated sensitively • Continue to communicate directly with customers facing debt recovery action • Retain access to the customer’s account • Allow customers to raise disputes involving the agent with the water company • Speak to local authorities to find alternatives to evictions where non-payment of water charges could result in evictions • Only sell debt to reputable parties and where other recovery activities have been exhausted • Demonstrate service levels to CCW

Consultation questions

We welcome all responses to our consultation and particularly answers to the following questions.

- 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?
- What impact do you think our guidelines will have on customer experiences in terms of payment, help and debt?
- Are the minimum service expectations set out in the guidelines appropriate? Do any need to be added, removed or changed?
- How can we encourage consistency of approach across the sector?
- 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.
- 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.

Next steps

We welcome responses to our consultation by Wednesday 28 July 2021.

Following this consultation we aim to publish our updated guidelines in autumn 2021.

We will be publishing our #ListenCareShare research in July.

CCW anticipate publishing their first new affordability and debt report in late June 2021. CCW will also be holding an event for companies to share learning and best practice in early July.

Subject to companies improving the experiences delivered to all customers, we will consider moving to a principles only approach when we next review these guidelines in the next few years.

**Ofwat (The Water Services Regulation Authority)
is a non-ministerial government department.
We regulate the water sector in England and Wales.**

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