



**Money &
Pensions
Service**

Payment, help and debt guidelines consultation 2021

OFWAT

Centre City Tower

7 Hill Street

Birmingham

B5 4UA

27 July 2021

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

Dear all

The Money and Pensions Service (MaPS) welcomes this consultation and believes that the changes will improve the experience and support for water customers with problem debts.

MaPS is an arms-length body of the Department for Work and Pensions (DWP) and was created under the Financial Guidance and Claims Act 2018. Our broad strategic aims and remit is underpinned by our UK Strategy for Financial Wellbeing. Our vision is of “Everyone making the most of their money and pensions” by ensuring that people throughout the UK have guidance and access to the information they need to make effective financial decisions over their lifetime. On 30 June 2021, we launched our new consumer facing brand MoneyHelper which replaces our legacy brands of the Money Advice Service, The Pensions Advisory Service and Pensions Wise.

MaPs is also the commissioner of government sponsored debt advice provision for England and has a statutory role to provide leadership and coordination for the debt advice sector. This includes an ongoing objective to influence creditor support for those in financial difficulty and increased collaboration with the debt advice sector.

With that in mind we have responded to four of the six consultation questions and the answers are below. If you require further detail on any of the information included, I trust that you will not hesitate to contact me directly.

Yours sincerely

Kevin Shaw

(Senior Creditor Strategy Manager)

Money and Pensions Service

120 Holborn, London EC1N 2TD t: +44 (0)115 9659570 w: [MoneyAndPensionsService.org.uk](https://www.MoneyAndPensionsService.org.uk)



Response from the Money & Pensions Service

Question 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 customer's?

- 1.1 MaPs can see the value of a principle-based approach to regulation as it allows water firms the flexibility to respond to new sector challenges and innovate which can often lead to best practice ways of working. That said, we believe that more operational guidance to supportive debt recovery practices has its place, and we look forward to supporting the Consumer Council for Water (CCW) on their work to highlight best practice on water company debt collection practices.
- 1.2 We agree that creditor engagement with customers just before they miss payments is difficult and acknowledge that this a particular issue for the water sector who often have little interaction with customers unless there is a problem. The consultation gives little suggestion on how water companies should go about engaging with 'pre-arrear's customers in practice. Our MoneyHelper consumer brand offers free and impartial money guidance backed by government via a website, helpline, webchat and WhatsApp and we would be delighted to support the water sector to develop customer referral strategies for pre-arrears customers.
- 1.3 The consultation makes frequent reference to customers that 'won't pay' and OFWAT should provide a definition of this group of customers to avoid assumptive and over-zealous debt recovery action. We believe that 'won't pay' is an outdated term as it assumes that customers that have not engaged with the creditor are willfully refusing to pay what is owed. Problem debt can often be triggered by a financial life event such as a bereavement or relationship breakdown therefore it is common that customers with a complex debt situation may not have the capacity to deal with their debt situation and therefore disengage with the organisation's they owe money to. We believe that the minimum service expectations to increase customer contact at an early arrears stage will reduce the size of this customer group.
- 1.4 It is encouraging to see that minimum service expectations include a requirement to increase early pro-active customer contact for those in early arrears. However, we think the term 'multiple means' is too vague and should make clear that water firms should make pro-active attempts to contact the customer at different times of the day and by methods beyond letter strategies such as outbound calling, text

message campaigns and email. More detail could be set out in the CCW guidance however there should be clear signposting from the minimum service expectations.

- 1.5 MaPs accepts the deletion of guidelines on company debt collection practices given the planned work by CCW in this area.
- 1.6 We agree that a segmented approach to debt recovery is best practice. There is no such thing as an 'average customer in debt' as financial lives, capability, personal pressures or vulnerabilities, payment method preferences can all be incredibly complex. Water companies should tailor their approach to give customers the best opportunity to engage with the support that is available.
- 1.7 MaPS agrees that water companies should have strong policies on affordability although there is little detail on how this should be done. 'Affordability' can also mean different things in different creditor sectors so the minimum service expectations should define whether affordability policies refer to a customer's ability to maintain their contractual payments or an ability to repay arrears. For affordability strategies for repayment of debt, we recommend that water companies adopt the Standard Financial Statement (SFS), which is a consistent methodology promoted by MaPS. We set out more detail on the SFS in our response to question 3.

Question 2

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

- 2.1 The requirement to increase customer contact with those at pre or early arrears should lead to increased customer engagement provided customer preferences on channel and contact times are used.
- 2.2 A more consistent approach to affordability should lead to more sustainable repayment plans however some customers may take longer to repay. However, water suppliers should align with The Standard Financial Statement because creating their own methodology will lead to a poor customer journey and conflict with other creditors or the advice sector due to differences of opinion on the amount of disposable income the customer has to repay multiple debts.
- 2.3 Increased customer engagement and a more consistent approach to affordability should lead to reduced enforcement action, improved company reputation and customer loyalty.



Question 3

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

Below, we set out some suggestions for improvement which includes ways that MaPS can support the spirit of what is intended with the updates to the guidelines.

Help make it easy for customers to pay their water bill

- 3.1 We recommend inserting a clarification which places more responsibility on water companies to maintain up to date customer contact details and preferred contact times, giving customers the opportunity to engage at the times that are best for them, which may be outside of their working hours, or caring responsibilities.
- 3.2 The expectation that firms should 'respond efficiently to customer requests to change payment arrangements' is too vague and should be clarified.

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

- 3.3 The expectation to 'Offer customers the option for their account to be managed by an 'authorised third party' should be expanded to specifically refer to free and independent debt advisers.
- 3.4 The expectation of 'Supporting customers that at risk of falling into debt' should include signposting to free and independent money guidance which may include the government backed MoneyHelper.

Be pro-active in contacting customers in debt

- 3.5 This expectation should include a requirement to take reasonable steps to record a customers preferred contact method and time of day.
- 3.6 This expectation should be clearer that pro-active contact strategies beyond letters are required which may include outbound calling, text messages or email.
- 3.7 MaPS would also recommend that an informal hold should be put on collections activity when a referral is made to a debt adviser (informal breathing space), which would go above and beyond the statutory requirement when breathing space is triggered.

Agree payments that are right for each customer in debt

3.8 MaPs is pleased to see a minimum expectation that customer payments should be based on a consistent approach for assessing a customer's ability to repay. However, we are disappointed to see that there is not a specific reference to adopting the Standard Financial Statement (SFS) which is a methodology promoted by MaPS and used by the debt advice sector. We provide more details on the SFS in our response to question 4.

3.9 The expectation should also stipulate that third party supplier of debt collection services should adopt the SFS 'Refer customers to local advice agencies, charities or voluntary services' should be reworded to say 'water companies should have pro-active debt advice referral strategies in place that go beyond simple signposting which may include transferring customers to debt advice agencies. In our response to question 4 we set out how water companies can do this using the Money Adviser Network.

Question 4

How can we encourage consistency of approach across the sector?

4.1 Water suppliers should adopt **The Standard Financial Statement (SFS)** ¹

4.1.1 The Standard Financial Statement (SFS), an initiative led by MaPs, sets out a consistent format for creditors and debt advice agencies to assess an individual's income and expenditure when considering debt repayments. The SFS is underpinned by household spending guidelines for flexible or discretionary spending, which we revise and publish on an annual basis to truly reflect affordability for any debt repayment arrangements for an individual.

4.1.2 The SFS now has 1691 members and has been adopted by 90 per cent of the debt advice sector in England and Wales and by many creditors in the public and private sector. We have significant membership of the SFS within Financial Services creditors and local authorities but so far interest from utilities has been low. This means that utilities firms are falling behind best practice approach to affordability in other creditor sectors.

4.1.3 In practice we are asking water suppliers to do two things:

¹ <https://sfs.moneyadviceservice.org.uk/en/>

- register for membership of the SFS ²which provides all creditors with access to the SFS household spending guidelines that are used by debt advisers. We would encourage all creditors to accept payment offers from debt advisers where the SFS has been used as a budgeting tool.

- also, that water companies identify any existing processes where they use an ‘income and expenditure’ form to assess a customer’s ability to repay utility debt. Those processes should be updated and aligned to the framework and spending guidelines of the SFS. This may involve some systematic changes where income and expenditure forms are embedded in billing or collections software.

4.2 Water suppliers should have ‘**Pro-active debt advice referral strategies in place**’. Water suppliers that do not have processes in place, should be considered joining the **Money Adviser Network** as a creditor referral partner.

4.2.1 It is a good start that OFWATS proposed minimum service expectations include a requirement for water companies to refer customers to local advice agencies or charities. However, we would suggest that the principles are strengthened to require suppliers to implement a more robust debt advice referral strategy for all customer contact channels that goes beyond simple signposting. We can help suppliers take a more pro-active approach and are interested in speaking with water suppliers that are interested in referring customers to debt advice via The Money Adviser Network (MAN).

4.2.2 The (MAN) went live in April 2020 and is a free, government sponsored partnership opportunity for creditors in the public and private sector. The MAN is a technology focused pilot which simplifies how the debt recovery sector refers customers in financial difficulty to free regulated debt advice. The MAN has four referral options:

- ‘*Immediate call back*’ This is where a creditor agent sends our VCC notification of a referral via a web-based referral form. Our VCC immediately calls the customer and transfers them to the first available debt adviser. We are delighted with engagement levels from the immediate call back with 85% of referrals going on to speak to a debt adviser.

‘*Scheduled call back*’ If the customer is not immediately available, creditor agents can send our VCC notification of a call-back request. Our VCC will allocate the call back to a debt adviser who will call the customer back within the allocated timeslot.

² <https://sfs.moneyadviceservice.org.uk/en/apply-to-use-the-sfs>



- 4.2.3 *‘Digital debt advice referral’* If the customer prefers to self-help on-line, creditor agents can send our VCC notification of a referral, and we will connect the customer with an online debt self-help tool. The customer can complete an SFS financial statement themselves and receive web-based advice on negotiating with creditors. If the customer finds the process difficult, the on-line tool will offer a telephone transfer to a debt adviser.
- 4.2.4 *‘Customer self-referral option.’* This self-referral option can be added to provider websites or used strategically within debt collection reminder letters or text messages. This option allows customers to self-refer themselves for an immediate or scheduled call-back from a debt adviser or to be connected with an online self-help tool.

We would be happy to talk to suppliers that are interested in joining the MAN as a referral partner Money Adviser Network (MAN) – new shared infrastructure for the debt advice sector.

- 4.3 The minimum service expectations should include reference to signpost pre-arrears customers to the website, helpline, webchat, and WhatsApp channels of MoneyHelper³ which provides free and impartial money and pensions guidance, backed by the UK government.

END

³ <https://www.moneyhelper.org.uk/en>



**Money &
Pensions
Service**