

United Utilities response to Ofwat consultation

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

Introduction

United Utilities welcomes the opportunity to comment on Ofwat's consultation on guidance for water companies in supporting residential customers to pay their bill, access help and repay debts consultation.

We are supportive of the principles, and the summary of minimum expectations set out in the primary consultation document and agree that companies should be acting in line with these principles to ensure all customers are treated fairly and can access help where needed. However, we also believe that it is important that the key role that effective revenue collection plays in keeping bills affordable for the totality of customers should be more clearly recognised and reflected in the final guidance.

In particular we suggest that:

- The overarching principles need to more directly recognise that companies have an important duty to recover revenue from customers where it is clear that the customers can afford to pay.
- The minimum service expectations need to recognise the wide range of later stage debt collection activities that are undertaken and the important role these can play in engaging hard to reach customers that need affordability support.
- The minimum service expectations need to be more generally restructured to make them less prescriptive about the way in which services are delivered. Guidelines should seek to ensure customers have access to key support, such as debt advice and convenient payment channels, but avoid prescribing the specific delivery mechanism companies use to provide these services.
- Expectations 1.24 to 1.30 on customer research should be removed from the guidance in favour of the underlying objectives being pursued via a more collaborative, principles based approach.

We have responded to each of the questions set out in the paper below, and have provided more detailed comments on specific service expectations in the attached appendix.

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?

We are supportive of the principles, and the summary of minimum expectations set out in the primary consultation document, but we believe that there needs to be more recognition of the important role effective revenue collection plays in keeping bills affordable for the totality of customers. We agree that companies should be acting in line with these principles to ensure all customers are treated fairly and can access help where needed. We believe that a move to a more principles based approach to regulation would have been desirable given that this would allow companies the scope to take a more adaptive and innovative approach to bill collection and customer support. Nevertheless we can understand that all stakeholders would need to be supportive of such a change and therefore recognise that a guidelines-based approach remains appropriate for the time being.

Supporting residential customers to pay their bill- UU response

However we believe that the minimum service expectations need to more actively recognise that companies have an important duty to recover revenue from customers where it is clear that the customers can afford to pay. Non-payment of water charges adds to all customers' bills. Companies should support customers to move onto an affordable tariff and payment plan, but equally should actively ensure that once an affordable plan is in place that customers keep up payment.

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

In practice United Utilities is already actively implementing, and in some cases exceeding the majority of recommended minimum service expectations. As such we believe that all customers will continue to benefit from our wide range of payment plans and channels, and to know that if they do face payment difficulties they will be treated in a kind and understanding manner. Our affordability offerings will continue to be offered to customers that data indicates are most likely to need support.

In our experience of dealing with customer payment issues, it is clear that there are some higher income customers who – despite having adequate means to pay – choose not to pay their bill. One consequence of this is that because they delay or completely avoiding paying water charges, charges for other customers are higher than they would otherwise be. **As drafted, we believe that the guidelines would tend to exacerbate this problem as they do not sufficiently acknowledge the need to continue to press such customers to make payments that they can clearly afford.**

Increasing data analytic capabilities mean we are better able than ever to confidently identify this group of customers that clearly have the means to pay. We combine insight into a customer's overall financial position coupled with property insights to identify customers who can pay but choose not to. We seek to engage these customers and confirm their financial position, but once we are confident that they have the means and ability to pay charges we will actively pursue these customers for payment through the most appropriate late stage collection strategies, reducing the cost of bad debt for all other customers.

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

We believe that the detailed definitions set out in appendix 1 should be modified in some areas. We have included a detailed list of comments against specific expectations in the appendix of this response.

In general we believe that the minimum service expectations should be reviewed with a view to enabling companies' greater flexibility in the way in which they deliver services. Guidelines should seek to ensure customers have access to key support, such as debt advice and convenient payment channels, but avoid prescribing the specific delivery mechanism companies use to provide these services. For example the guidelines, in their current form, state that companies should "carry out reviews to help customers maximise their incomes". Whilst access to income support advice is important, the current wording implies that water companies must offer this service directly, whereas currently many companies collaborate with expert money advice organisations to deliver this service. In the attached appendix we have sought to set out specific areas where guidelines can be amended to enable greater flexibility in the way services are provided.

Supporting residential customers to pay their bill- UU response

The minimum service expectations as currently specified do not adequately recognise the wide range of later stage debt collection activities that are undertaken, or the important role these can play in engaging hard to reach customers in affordability support. For example it can be beneficial to move quickly to actively engage customers, through for example a home visit, to help them access social tariff support and affordable structured payment plans.

United Utilities works proactively with customers that have difficulty paying their bill, providing lower bill tariffs and accelerated arrears clearance schemes, helping low income customers make manageable monthly payments towards their water and wastewater bills. Utilising CRA data and the new data share arrangement with the DWP we identify customers who qualify for lower bill support and proactively apply tariff discounts, we also reach out to customers using a variety of contact channels including dedicated affordability visits taking our support schemes direct to the doorstep of hard to reach customers.

Finally, in the attached appendix we recommend small changes in wording to generally aid understanding.

Q4. 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.

Whilst we are supportive of the intent behind these specific service expectations, we do not believe it is appropriate that they form part of minimum service expectations guidelines. Customer research has played a substantial role in United Utilities' recent improvements in the support we offer customers that are struggling to afford payments, but mandating in a highly prescriptive way how this research is conducted would have acted to constrain and slow our research programme.

For example the guidelines state that companies should *"Make sure the research is consistent with social research best practice standards and establish robust assurance of the quality of the research and use of findings to make improvements to customer services"*. Such standards are appropriate in some circumstances, but add considerable time and cost. Where immediate operational insight is needed quickly to address emerging issues, such as in the recent COVID pandemic, we often seek to gather customer insight in days, rather than months. This research has real value in helping us rapidly improve service, but it may not follow a highly structured approach which could take months to complete. We believe the guidelines should explicitly recognise that rapid research approaches such as this can be valid and that research methods should be appropriate to the circumstances under which they are being deployed and the use that will be made of the results.

As currently specified, the highly prescriptive nature of minimum service guidelines is not well suited to encouraging innovative or adaptive engagement with customers on their experience of our services, or understanding the way in which we can improve. There would appear a high probability that these requirements will act to constrain, rather than encourage meaningful customer research efforts by companies.

We instead recommend that these underlying objectives be pursued via a more collaborative engagement between Ofwat, CCW and companies, using a principles based approach. We suggest that guidelines simply state that companies should *"Show customers how their views on billing, payment*

Supporting residential customers to pay their bill- UU response

and support are encouraging improvements to services”, and then work with companies to develop a collective understanding of best practise in this area.

Q5. 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.

We believe that the number of payment prompts issued should be flexibly applied by companies, dependant on customer circumstance. A company which is properly applying the key principles set out in the wider guidance would not knowingly be overly quick to move to debt recovery action, and would be responsive to customer concerns once action has begun. Equally mandating three payment prompts will not offer customers any meaningful extra protection from a company that is not applying these guidelines appropriately. The best means of ensuring that debt recovery action is not initiated too quickly is to work with companies to ensure that the key principles set out within these guidelines are implemented.

For example, where a customer is falling behind on payments and there is evidence that they are likely to face considerable affordability challenges it can often be better to move quickly to actively engage customers, through for example a home visit, to help them access social tariff support and affordable structured payment plans. Overly restrictive requirements on the number of payment prompts are likely to impede, rather, than help many customers receiving timely support.

Similarly we are not convinced of the merit in mandating multiple prompts be by different communication channels. In many cases companies will not hold multiple contact options for hard to reach customers. A company acting in line with the overarching principles set out here will naturally consider the benefits of using multi-channel reminders where possible.

Our collection paths are tailored to a customer’s ability to pay and the subsequent treatment and message content aligns to the customer segment and past payment behaviour. We integrate digital prompts and outbound dialling alongside more traditional lettering to optimise the opportunity to reach customer. Customer communications provide choice and flexibility on how to pay or include information on how to engage with us or a 3rd party if they are experiencing financial difficulties.

Supporting residential customers to pay their bill- UU response

Appendix - comments on specific expectations

Below are a number of comments against specific minimum service expectations. We have only commented where we have a recommendation for change.

Sub section	UU comments
<p>1.4 Review their network of payment locations at least once every two years to make sure that all customers have reasonable access to make payments. Companies will need to take account of the number and geographical distribution of locations and the demographic and social profile of their region. The network of available locations at which the customer can pay must accommodate both rural and urban customers.</p>	<p>Clarify that these requirements relate to ‘Over The Counter’ payment channels.</p> <p>Since these requirements were first established the range and variety of payment options has increased substantially, and some clarification in text would be welcomed.</p>
<p>1.5 Review the charges, if any, for making payments at the network of locations offered and offer a reasonable range of locations at which customers can make payments free of charge. This should include frequent payments, in cash, for customers who would benefit from paying weekly or fortnightly.</p>	
<p>1.9 Offer or accept more frequent billing frequencies to encourage customers to pay and avoid unexpected and unaffordable increases in their bills (‘bill shock’). (NEW)</p>	<p>Recommend removing reference to billing and instead refer to more frequent payment frequencies.</p> <p>The key service is frequent and variable payment plans, the mention of ‘billing’ is not needed and may be overly prescriptive.</p>
<p>1.11 Offer instalment payments by at least the following methods</p> <ul style="list-style-type: none"> • mobile phone • cheque/debit card; • cash; • direct debit; • payment booklet / card 	<p>Clarify the reference to ‘mobile phone’ to include payment via a ‘mobile phone app’</p>
<p>1.13 Consider encouraging customers to use – and support them to use – digital payment methods. (NEW)</p>	<p>Clarify that “support them” means providing guidance on how to use digital payment methods.</p>
<p>1.18 Where companies become aware that a different tariff, payment level, location, frequency or method may suit a customer better than the one they currently use, they should proactively offer the option. (NEW)</p>	<p>Recommend that the guidance acknowledges that current social tariff offerings can be oversubscribed by stating “...should proactively offer the option where it is available”.</p>
<p>1.19 Consider encouraging customers to pay in bitesize instalments and offer more regular billing to customers, particularly those with low and variable incomes.</p>	<p>Recommend removing reference to billing.</p> <p>The key service is frequent and variable payment plans, the mention of ‘billing’ is not needed and may be overly prescriptive.</p>
<p>1.21 Consider ways to make information about services and bills more understandable for all customers and meets their needs. This includes, for example, considering ways to:</p> <ul style="list-style-type: none"> • improve customer understanding of bills; • help customers check bills are correct; and 	<p>Clarify that whilst all this information should be easily accessible to customers, it is up to companies to determine the most appropriate way to make it available.</p>

Supporting residential customers to pay their bill- UU response

<ul style="list-style-type: none"> • better explain in advance why the company is changing a customer’s direct debit, how it has calculated the new level of payment and how the customer can change the amount or spread payment. (NEW) 	<p>The current wording could be interpreted as implying all this additional information should be included on customer bills. However for some customers our research indicates that too much information can actually prove to be a barrier to their being able to understand their bill.</p>
<p>1.31 Consider a review of customer bill, payment, help and debt options and information based on 'Inclusive design in essential services' principles published by Fair by Design and the Money Advice Trust.</p> <p>Companies could apply these principles to different groups of customers, including customers:</p> <ul style="list-style-type: none"> • eligible for help • that have their accounts managed by third parties • in debt; and facing debt enforcement action. (NEW) 	<p>Recommend amending to ask companies to consider an inclusive approach to designing products and services so they anticipate and address the needs of vulnerable customers and to consider key guidance such as 'Inclusive design in essential services' principles published by Fair by Design and the Money Advice Trust.' to inform their considerations.</p> <p>As currently worded this requirement risks becoming out dated should new guidance be generated.</p>
<p>2.1 Make efforts to predict where customers might be at risk of falling into debt, and proactively contact these customers with a support offer to help prevent this where possible. For example using data on redundancies in particular areas or a customer indicating they are rationing their water use to keep cost down. A support offer could include:</p> <ul style="list-style-type: none"> • checking account and billing information are correct; • checking consumption for signs of leaks and (if relevant) offering a free supply pipe repair and leakage allowance; • targeted social tariffs; • tailored water efficiency home visits; • helping customers to do checks for financial and non-financial support provided by Government or others; • emergency social tariffs (supported by, for example, application for certain benefits); and • allowing customers to opt to receive reminder texts, e-mails or letters if they occasionally pay late). 	<p>Recommend removing the prescriptive list of possible support offerings, and instead adopt wording that is flexible to developing industry best practise.</p> <p>Setting out a prescriptive list limits incentives to innovate, whilst compelling companies to promote solutions that may not be effective or appropriate for some customers.</p> <p>Any list of this nature will quickly become outdated. The list as currently set out already fails to recognise many important support offerings, such as payment breaks and considering switching to a meter.</p>
<p>2.6 Consider putting data sharing arrangements in place with other bodies – for example, energy companies, charities or local authorities – to help identify people in vulnerable circumstances, including those at risk of falling into debt.</p> <p>We would expect this data sharing to meet high standards of ethical behaviour, rulings and code of practice guidance from the Information Commissioner’s Office and any legal requirements, such as the Data Protection Act 1998 and Data Protection Act 2018 (General Data Protection Regulations (GDPR)). (NEW)</p>	<p>Recommend this is removed.</p> <p>We are supportive of the customer benefits that data sharing offers but there is ongoing debate at to how this service standard would interact with GDPR, and other data protection legislation. We do not believe it is appropriate that regulatory guidelines include requirements with unclear legality. We suggest that this requirement is removed until such time as the legal position is clarified. Once legal clarity in this area is in place we would be supportive of minimum service standards.</p>
<p>2.15 Carry out reviews to help customers maximise their incomes and make them aware of other forms of support</p>	<p>Recommend that this requirement state ‘Carry out, <i>or otherwise support customers to access,</i></p>

Supporting residential customers to pay their bill- UU response

<p>they may be eligible for through Government or other service providers. (NEW)</p>	<p>reviews to help customers maximise their incomes...”</p> <p>We agree that income maximisation reviews can be helpful for customers, but believe that companies should have freedom to deliver these reviews in a range of different ways, including helping customers to access specialist debt advice organisations.</p>
<p>4.7 Companies should engage with customers on Water Direct – or about to be placed on it – directly. In particular, companies should communicate with customers about:</p> <ul style="list-style-type: none"> • them being placed on the scheme; • the timing of future payments; • how the company will keep the level of their payments consistent; and • when they will come off the scheme. (NEW) 	<p>Recommend that this action clarify that these communications could come either from the company or via the DWP.</p> <p>Currently DWP processes only provide limited information to companies about customer payments, meaning that the DWP are in some instances better placed to communicate to customers.</p>
<p>5.12 Use enforcement action as a last resort, once all other options for repayment have been exhausted (NEW)</p>	<p>Believe this is an overly restrictive requirement. Advanced data analytics is enabling us to more reliably identify customers that are able to pay, but actively avoid doing so. In these instances moving to enforcement action more quickly can be the right approach.</p> <p>Decisions regarding the referral of customers for litigation and resultant enforcement activity are taken based on either a customer’s ability to pay or as an action of last resort where other action have failed to recover the debt.</p> <p>Enforcement action extends beyond the use of the bailiff – many are effective such as Attachment Of Earnings or Charging Orders. Such arrangements can remove the stress of non-payment, and provide a long term route out of debt.</p>
<p>5.14 Exclude customers known to be in vulnerable circumstances from any form of enforcement action where appropriate (NEW)</p>	<p>Recommend that wording is tightened to recognise that many forms of vulnerability do not impede an individual’s ability to engage with, and afford payments towards, their bill.</p>
<p>6.1 Check the customer is in debt or whether (for example) they:</p> <ul style="list-style-type: none"> • should have received help earlier; • have a leak; or • there is an error in their account information. (NEW) 	<p>Recommend this action clarifies that checks are completed before enforcement action begins.</p> <p>Whilst manual debt reviews are important before moving to enforcement action, they are not practical for all instances where a customer falls behind on payments.</p>

Supporting residential customers to pay their bill- UU response