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

Thank you for the opportunity to comment on these guidelines. This is a combined response from Wessex Water, Bristol Water and our joint venture billing company, Pelican. We have provided a combined response because Pelican is responsible for supporting customers in paying bills and repaying debts on behalf of both Wessex Water and Bristol Water, and so our policies are largely aligned.

We welcome the publication of these guidelines and whilst we believe that policy decisions in this area are best addressed by companies in recognition of their local circumstances, we feel the combination of a set of guiding principles and more detailed minimum standards is sensible, leaving companies to go over and above for their own customers through innovation.

We also feel many of the new standards are helpful particularly to strengthen the support companies put in place for customers who are struggling to afford to pay their bills. This will be more important than ever as water companies support their customers to recover from the impact of the pandemic.

However overall, we are concerned that the balance is tipped more towards this group of customers (the financially vulnerable) rather than collecting revenue efficiently for all. The minimum standards are very prescriptive in places and could hinder collections as companies try to adhere to them whilst at the same time operating their bulk processes efficiently.

It is unclear how companies will be measured, compared, and indeed held to account for compliance with the individual standards. Although CCW very helpfully publish best practice and monitor availability of key support schemes in 'Water for All', they don't currently undertake annual debt audits of all water companies against the existing debt guidelines or publish the findings of those audits. To date they have taken a risk-based approach selecting certain companies each year, with our last audit being in 2018. In any event, their audits have focussed on a small number of debt cases and compliance with the company's published debt code of practice as opposed to a detailed analysis of compliance with the existing debt guidelines.

We note that there is increasing duplication between CCW and Ofwat on customer policies, standards and use of research. It would be helpful to have further clarity and evidence as to why and how this duplication adds value. A review of the need for these reforms would benefit from a first principles approach to ensure we fix the cause and not the symptoms of perceived or actual problems.

Without this, there is a risk of regulatory burden and a further lack of clarity as to what can be expected by customers and regulators. If compliance is going to be measured and potentially compared, companies will need to be clear what good looks like. The wording of many of the minimum standards is very broad and non-specific e.g., 'consider encouraging customers to use – and support them to use – digital payment methods' so it isn't clear how much is required to comply with them or indeed what evidence is required to prove the company has considered implementation of the standard.

Some standards also need amending as they remain open to interpretation, specify actions on areas that are outside of the water companies' control or could potentially conflict with customers' expectations. Some should also be deferred as they are subject to the outcome and evaluation of pilots being undertaken for the affordability review, namely more frequent billing and will, if they proceed, add significant retail costs which were not factored into Final Determinations.

Answers to your specific questions can be found in Appendix 1.

If you have any queries on our response, please do let us know.

We hope you find it helpful.

Yours sincerely

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Appendix 1

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?

We agree that it is important for companies to strengthen their support for individual customers particularly those who are struggling to afford to pay their bills. This will be vital as society recovers from the financial impact of the pandemic.

However overall, we are concerned that the balance in the guidelines is tipped more towards this group of customers rather than collecting revenue efficiently for all. The minimum standards are very prescriptive in places and could hinder collections as companies try to adhere to them whilst at the same time operating their bulk processes efficiently. There are also specific standards, such as 5.12, which could, as currently worded, add unnecessary cost and time to collections impacting on the bills of all customers.

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

The guidelines should lead to more consistency in the approach taken by water companies and an improvement in the experience that customers receive.

The new minimum standards particularly increase protection for those who are struggling to afford to pay their bills. Customers and their representatives should have more certainty of those protections moving forward and clarity on what they can expect from their water company in terms of minimum support to help them pay their bills and repay any debt.

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

We feel the combination of a set of guiding principles and more detailed minimum standards is sensible, leaving companies to go over and above for their own customers through innovation.

We also feel many of the new standards are helpful particularly to strengthen the support companies put in place for customers who are struggling to afford to pay their bills. This will be more important than ever as companies support their customers to recover from the pandemic.

We believe some of the new standards need to be further defined to ensure consistent interpretation. Others need to be amended as they specify actions on areas that are outside of the water companies' control or could potentially conflict with customers' expectations or even lead to customer detriment. Some should also be deferred as they are subject to the outcome and evaluation of pilots being undertaken for the affordability review, namely more frequent billing and will, if they proceed, potentially add significant retail costs which were not factored into Final Determinations.

Our comments on the specific standards are as follows:

1.1 - Have robust procedures for establishing who is moving into and out of properties being supplied – and record accurate information about the occupant and account information.

We agree with the sentiment of this standard, but it would be helpful for the guidelines to set out what is considered to be robust, so companies are clear what good looks like.

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').

We understand what the standard is trying to achieve but we believe it is too premature to include this one and it needs better definition.

This is a recommendation in the affordability review for the medium term, but it is being informed by a pilot undertaken by Southern Water with a small group of customers who haven't paid their bills for a period of time. It is not proposed as a solution for all customers.

We are yet to understand whether more frequent billing leads to an improvement in customer engagement and collection that is any greater than simply using flexible payment plans and/or lower rate tariffs alongside regular nudges e.g. text reminders.

More frequent billing could be physically reading a meter more often and issuing more regular bills or continuing to read the meter at the normal frequency, but billing in between meter reads based on estimates. Reading meters and producing bills more frequently for all customers will have a significant impact on retail costs which have not been factored into Final Determinations.

We suggest it is too premature to include this standard until the pilot has been evaluated. Instead companies should be encouraged to provide flexible payment plans to divide bills into sensible chunks and ongoing engagement with the customer.

1.13 – Consider encouraging customers to use – and support them to use – digital payment methods.

We agree with the sentiment, but it is unclear what the expectations are for companies. For example, what does good look like in terms of encouragement and support and is there an expectation on the number of digital payment methods or specific ones we should consider?

1.19 – Consider encouraging customers to pay in bitesize instalments and offer more regular billing to customers, particularly those with low and variable incomes

This appears to duplicate standard 1.9. Please see our comments on that standard above.

2.10 – Companies should also consider designing specific communications and approaches for those with communication difficulties, and *2.12 – Companies should consider approaches for supporting customers who are not able to access or use digital services.*

We agree with the sentiment of these standards, but it would be helpful to clarify or provide examples of what would be expected as it is unclear what good would look like.

2.15 – Carry out reviews to help customers maximise their incomes and make them aware of other forms of support they may be eligible for through Government or other service providers

We currently work with a multitude of independent and expert debt advice partners, signposting our customers to them for holistic debt advice, income maximisation and an assessment of ability to pay before identifying the best tailored solution for them from our suite of support schemes. We are assuming that this is sufficient to satisfy this recommendation. If that is not the case, we feel this stretches the water industry too far in terms of expecting our employees to support customers in this way without oversight and regulation from the FCA and will ultimately add additional cost.

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:

- *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.*

We agree with the sentiment of this standard, but it is too prescriptive given the operation of Water Direct is governed by the DWP and is outside of the control of water companies. For example, water companies are not always clear when customers will be placed on and taken off the scheme as it is very dependent on the number of debts and the level of payment allocated to each creditor by the DWP which determines the timescale over which each debt will be recovered. The DWP can flex this at any point. For customers in receipt of Universal Credit in addition to earnings, benefit payment frequency will also vary dependant on their income. So, we suggest a standard encouraging companies to engage with customers around Water Direct and to use it wisely, explaining the things that can and will impact the length of time the plan is in place, but removing the specific bullet points.

4.17 – Cease chasing contact with the customer where the company is aware the customer is actively engaging with a known debt advice provider.

We agree with the sentiment of this standard, but it doesn't set any expectation on the length of time the company should cease chasing contact. We would always allow sufficient time for the customer to work with a debt advisor, but we know that some customers do drop out and disengage without advising their water company so a chase can act as a prompt to restart that interaction.

5.12 – Use enforcement action as a last resort, once all other options for repayment have been exhausted

We absolutely support putting robust protection in place for customers who are struggling to afford to pay their bills (standard 5.14), but standard 5.12 appears to propose enforcement action should be used as a last resort for <u>all</u> customers. There is a section of customers for which enforcement action is appropriate, namely those who can pay but are refusing to do so. If enforcement needs to be the last resort for all customers regardless of their ability to pay, it will make collections inefficient, adding time and cost into processes, delaying revenue collection, and ultimately impacting the bills for all customers. We believe the standard should be removed and it would be helpful to clarify in the overall principles what is meant by enforcement action in this context.

6.1 – Check the customer is in debt or whether (for example) they:

- *should have received help earlier;*
- *have a leak; or*
- *there is an error in their account information*

It is unclear what action companies are meant to take when they have made these relevant checks. Arguably all customers in debt should have received help earlier to avoid them getting into that situation in the first place. We wonder whether there is a section of the text for this standard missing.

6.4 – Make sure a consistent means is used for establishing each customer's ability to pay.

This appears to be a duplicate of standard 1.32.

6.17 – Monitor arrangements after they have been set up to make sure the customer is content with them

We, like other water companies, monitor any payment arrangements that have been agreed with customers and as long as the customer is paying, we assume they are content with their arrangement. We encourage customers to get in touch if their circumstances change.

We are unsure what's expected in terms of making sure the customer is content and if, for example, this is suggesting that each individual customer is surveyed to confirm satisfaction, then it will add additional cost considering the many payment arrangements that we have in place.

6.22 - Make efforts to re-engage with the customer after an initial occurrence of a failed repayment arrangement

We are unclear what is meant by 'initial occurrence' and it could suggest there is an expectation for companies to contact the customer after a first missed payment. Whilst this is suitable (and current) practice for some payment methods and frequencies, it does not suit all. For example, we would normally apply a grace period for weekly payers paying via Payzone to allow for delays in the payments getting to us and applied to the account. So, in practice the customer may have missed two weekly instalments before we attempt to contact them. This approach was designed following feedback from customers who felt we were too quick to get in touch in these scenarios. The wording in the standard should be clarified ideally giving companies the flexibility to define a failed arrangement.

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

We have made a number of suggestions above where wording needs to be improved to make sure companies are clear on what each standard means in practice and ultimately, what good looks like. The latter is vital if water company compliance is going to be measured and compared.

However as these are minimum standards, there will always be a degree of inconsistency across the sector as some companies will choose to go above and beyond for their customers. This is similar to GSS where a number of companies have enhanced their Promises and/or compensation for their customers.

It is proposed that CCW will measure compliance through their annual debt assessments. Although CCW very helpfully publish best practice and monitor availability of key support schemes in 'Water for All', they do not currently undertake annual debt audits of all water companies against the existing debt guidelines or publish the findings of those audits. To date they have taken a risk-based approach selecting certain companies each year, but it may be, they are considering a change in that approach. In any event the audits focus on a small number of debt cases and compliance with the company's published debt code of practice as opposed to a detailed analysis of compliance with the existing debt guidelines.

Putting in more robust monitoring and challenge, which may be expanding the CCW audit scope, would not only encourage compliance but also greater consistency.

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.

We do not believe such prescriptive guidance on customer engagement (standards 1.24 to 1.28) needs to be included in the debt guidelines. Ofwat published substantial guidance for good customer engagement for PR19 which is being refreshed for PR24. This guidance very much encourages companies to use customer insight along with data on complaints and other contacts to drive continuous improvement to their day to day service and help them understand customers priorities for the longer term. This would include billing, payment and support as three elements of our wider service. It also encourages companies to publish the findings of any research and the changes made to service as a result i.e. a feedback loop.

Standards 1.29 and 1.30 are relevant and could be retained as they cross reference to wider good practice.

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.**

We do not believe standard 4.9 should be changed. Companies should not be required to give three prompts rather than two as this ensures a balanced approach for all customers without prolonging recovery processes. It would be helpful to clarify what is meant by prompts and recovery actions as these terms are open to interpretation. For example, we send a bill, a reminder, and then a pre-action notice setting out what action could be taken before taking that course of action. Adding in additional prompts would extend the collections process and add unnecessary cost for all.

Prompts to pay are also a means of encouraging customers to get in touch with us to have a conversation about their bill particularly if they're struggling to pay. Often initial debt recovery action, such as an initial reminder letter, will prompt the customer to engage and we can then go down the route of providing support such as a lower rate tariff or debt repayment scheme.

Companies use different means, such as email or text messaging, to send prompts but it is very difficult to keep customers' contact details up to date over time, particularly mobile numbers, making it difficult to be certain that a customer is receiving all the prompts you are sending. The only item that doesn't vary is the postal address for the property which is why we still find letters to be the most reliable form of contact that we can guarantee have reached the customer. We believe postal communication supplemented by text and email is optimum.