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Yorkshire Water
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T:

By email: ListenCareShare@ofwat.gov.uk

28th July 2021

Dear Ofwat,

Re: Consultation on guidelines for water companies in supporting residential customers pay their bill, access help, and repay debts

Thank you for the opportunity to review and provide feedback on Ofwat's proposals to make changes to the guidelines also including the principles and expectations in supporting:

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

We have reviewed Ofwat's proposals we have appended our responses to the consultation questions to this letter below. We note Ofwat's intention to publish responses to the consultation on its website and we give our consent to publish this letter and appended pages.

Should you have any questions in relation to this response you can contact me by email at:

Yours faithfully

S Bellwood

Sharon Bellwood
Customer Regulations Manager

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

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 welcome the guidance setting out the principles-based approach to deliver better services to all customers, along with making it easier for everyone to pay their bills, particularly those struggling to pay, in debt or in other vulnerable circumstances. However, the approach to the 'minimum standards' set out in Appendix 1 is very prescriptive in some areas and removes the flexibility for companies to benefit all customers.

Our customer research in response to the COVID pandemic¹ supports some of Ofwat's findings. For example, 32% of people in our research stated that they had been financially impacted 'a lot' by the pandemic. The proposed principles set out by Ofwat are intended to be in place beyond the pandemic and are very much focussed on customers in vulnerable circumstances. We would welcome more balance to be incorporated and for them to be more inclusive of more customers.

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

We are reassured that most of the good practice outlined in the guidelines is already embedded within the services we deliver to our customers. We anticipate there will be marginal improvements on the experience of our customers in terms of payment, help and debt.

We consider some of the 'minimum standards' as presented are too detailed which makes the approach less flexible to enable companies to personalise their customer experience. We explain this in our response to Question 3 below.

¹ We carried out customer research using our online customer community, with around 270 customers taking part in the survey.

3. Are the minimum service expectations set out in the guidelines appropriate?

a. Do any need to be added, removed, or changed?

We provide our views on the minimum service expectations set out in Appendix 1 of the guidelines and we would also welcome further clarity on the following areas:

New expectation 1.9. To offer or accept more frequent billing frequencies. We foresee this expectation to offer more frequent billing would lead to greater cost for Yorkshire Water and our customers over time as our current systems would require significant investment to increase the flexibility in billing frequencies on offer. We do provide for a range of flexible payment arrangements and frequencies for customers to settle bills.

New expectation 2.6. To consider putting data sharing arrangements in place with other bodies. Yorkshire Water welcome the intention behind this new expectation. We would like to make data sharing easier for customers and those organisations and bodies who can help customers further through the use of common data. Data sharing needs to be further developed with government support and legislation to enable effective and safe data sharing across sectors. This would allow companies to engage appropriately with customers and support them in the best way possible.

New expectation 2.15. To 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. This minimum standard around reviews of income with customers, creates a danger that water companies are straying into providing wider financial and debt advice. We recognise customers may at time need guidance and advice, and we are aware of other bodies and charities that provide such services. We believe water companies should limit the support provided to their customers to the management of their water bill and their water use in the context of their financial and vulnerable circumstances.

For many years we have signposted customers to debt specialist organisations where we recognise there is a need.

New expectation 2.16. To have a written plan that outlines how your company will treat bereaved customers with empathy and respect. This minimum standard includes having to have an email channel specifically for bereavement customer care but does not go on to cover any other channel. We believe the minimum standard to support customers should be about making it easy for customers to contact us in this scenario and other difficult scenario's rather than define just one method. It should be for a company to determine how to implement its customer channels strategy.

Existing expectation 4.9. To make at least two prompts (including the bill) for the customer to contact the company before progressing to debt recovery action.' We would welcome the inclusion of a clarification statement about when is a prompt not the commencement of debt recovery action. For example, a second contact or communication with a customer advising debt recovery action will follow should a bill remain unpaid. We operate a segmented approach to debt recovery and this minimum standard needs to consider an approach for customers who routinely do not pay their bill compared with a customer who may also be facing vulnerable circumstances.

New expectation 5.12. To use enforcement action as a last resort. This minimum standard could be improved if there is reference to customers who routinely do not pay their bills where the company has not determined an underlying financial issue or vulnerability. Enforcement action may be applied earlier in the debt management process to collect monies due in such scenarios. We believe this would still represent a last resort action. We agree with the principle underpinning this expectation to "be clear, courteous and non-threatening to customers" and "set out ... the possible consequences for the customer." However, having a minimum expectation set in this basic way could be misrepresented and over time lead to an increase in the costs to companies for their recovery processes, which would negatively impact all customers.

New expectation 5.14. To exclude customers known to be in vulnerable circumstances from any form of enforcement action

where appropriate. We would welcome for this minimum standard around excluding vulnerable customers from any debt management enforcement action to be revised to reference the customer being financially vulnerable.

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

Yorkshire Water agrees that the principles-based approach, along with the annual benchmarking process would be the best approach. Although this does not guarantee consistency it encourages similarities to develop, as companies move forward and try new ways of working aligned to the principles. Future audits would pick up the best practice and the reviews would encourage the industry to develop greater commonality in supporting customers pay their bill and access help.

Companies do need flexibility in approach to manage their Bad Debt risk offering support and help to those that need it but rightly progressing recovery action for those who may be choosing not to pay bills. There are diverse methods and approaches of achieving this objective to deliver best outcomes for customers, such as utilising data services, use of outbound telephone, text, email or letter, customer doorstep visits or the use of debt collection agencies. We place high value on utilising data to understand a customer's circumstances before benefiting from doorstep visits to best support customers we believe may be struggling.

The proposed updates to the principles and minimum standards need to be fit for the future and avoid where possible over prescription so that practices within the sector can evolve and adapt as technology and support and debt management methods change. An example of this may be through the wider deployment of Smart water metering and associated capabilities, which may offer more flexibility in future around billing that is not commonly available today.

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.

- a. We would welcome views on whether this is appropriate – and (if so) the format and frequency.**

Customer engagement is undertaken ultimately to meet the needs of the customers and citizens we serve and the environment we protect. Engagement should be designed to be meaningful and ideally lead to clear actionable results. We already undertake research with customers to ensure we provide the right level of financial support and retail products to meet their changing needs. For example, we consulted with customers to review and amend our WaterSupport product in response to the COVID pandemic. We also undertake customer research to assess accessibility and understanding of our bills and undertake customer profiling analysis using an industry leading segmentation profiling tool to forecast any economic impacts to the Yorkshire population. To support the research activity, we run public campaigns aimed to promote and raise awareness of our products and services. We currently measure the impact of this activity via our ongoing monthly brand tracker.

For more quantifiable measures that could be published and compared across the industry, we would ask Ofwat to consider the benefits of a standardised approach and frequency. Should a common framework be developed (perhaps a set of common survey questions) by the companies and key customer stakeholders, the research should remain at company level as there will be regional and local characteristics such as relative deprivation, population density and health inequalities that can impact levels of help required and debt experienced within communities. Research results could be shared with CCW, published by companies annually and perhaps shared via the Discover Water website, where appropriate.

6. We have had feedback and received customer testimonies that companies can sometimes quickly move from payment prompts to debt recovery action.

a. Should companies give three prompts rather than two (see expectation 4.9) for customers to contact their company?

Companies require flexibility to manage their Bad Debt risk offering support and help to customers where they need this and progressing recovery action for those customers who may be choosing not to pay their bills. There are a wide range of methods and approaches to achieve this objective to deliver best outcomes for all customers.

Yorkshire Water believes best practise is to take a risk-based approach to the number of bill payment prompts for customers delivered in an appropriately tailored way based on customer needs. We use a customer segmentation model to enable a more personalised approach to debt recovery with the communications to customers personalised across a variety of channels where appropriate.

Utilising this practice, customers have a different proactive experience by risk segment.

b. 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.

Where possible, Yorkshire Water currently utilise both text messaging and letters, and is currently working on our digital strategy that would include digital collections. We support the availability of different communication means in relation to prompts, but we accept that not everybody in the region has access to the internet or have mobile telephones available to them. Therefore, it would not be appropriate to make this an absolute standard to always communicate via multiple means to all customers due prompts.