

Ofwat residential customer policy team

By email

12th May 2023

F.A.O Ofwat Residential Customer Policy team

Re: Paying Fair request for further information

Thank you for your letter of 25 April 2023 relating to our compliance information on the Paying fair guidelines.

We welcome the opportunity to provide additional information and clarification.

1. Overall compliance

Please find attached to this email our completed template confirming our compliance to the guidance.

2. Work to comply

In your response you note a number of areas where you have planned work to comply with our expectations. For example:

Ofwat clarification question	Affinity Water Response
<i>"We are exploring options to raise awareness on our envelopes..." (expectation 1.20)</i>	We did not include this statement as part of our response. We already raise awareness of both our Priority Services Register and sign-post help and support available for customers struggling to pay their bill on the outside of our billing envelopes. In addition, we also promote awareness of our PSR and help and support schemes online, in our communications with customers and also on our bills. During contact with

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	customers, we also question, listen to customers and where appropriate, signpost our support services.
"Currently we do not use credit reference agencies, although we plan to do so this year. We will update our code of practice to reflect this change" (expectations 1.32-1.35)	We plan to sharing customer data with a credit reference agency and expect this work to be completed by the end of 2023/24. We will update our code of practice to reflect this change later this year.
"We are currently working through our enhanced training to advisors on the promotion of free debt advice services, and we are looking to update our letters and communications accordingly." (expectation 4.8)	<p>This was not stated in our response.</p> <p>We stated: Our first contact following the bill is a 'you should have received your bill by now – here's how you can pay' message. This happens 10 - 15 days after the bill. The first reminder that the bill is overdue is approximately on day 21. We use both SMS and email to contact our customers where we have these options available to us (c.60% of customers have either a mobile number or email address for contact). Our reminders provide information on how to pay and encourage contact if customers are having difficulty in paying.</p> <p>In addition, our reminders already promote support and help to pay schemes or signpost to debt advice.</p>
Yes, our bill design provides financial support in detail, we are also exploring additional bill inserts to help with this." (expectations 5.4 and 5.7)	<p>This was not stated in our response.</p> <p>We stated: Our letters direct customers to our charges scheme document which outlines our debt recovery procedure and is all available in an accessible format online, so we do not provide the code of practice on debt recovery in our letters. On the front of our letters, we have a headline of 'Need a little help' which links to a page with our various affordability solutions. The envelope has a similar message on the outside. Ways to pay is also noted on the letter as well as the availability of free independent debt advice. The letters explain when the payment is expected by.</p>

3. Questions about your approach

Payment:

3a. How do you regularly quality assure your people, procedures and systems use customer information correctly? And what is your approach to correcting errors? (Principle 1, Expectations: 'Ensure information about customers is correct, up to date and is used')

Our Quality Assurance "QA" process adopts a risk-based approach to call quality assurance. We complete a minimum of 2 calls and maximum of 5 observation checks per advisor per month. These audits focus on quality issues such as requesting and noting the correct telephone number and email, checking that we have noted the customer sentiment/understanding correctly and other data quality issues such as checking identification and verification. In addition, the Quality Assurance team also undertake regular audits to verify how colleagues are responding to financial and non-financial triggers in order to offer help.

The results are shared with both team leaders and senior leaders within the Customer Experience team and are monitored as part of our performance governance process. In addition to the risk-based QA process described above, all team leaders undertake additional advisors call listening each month to assess the quality and effectiveness of the call, including reviewing the empathy shown by call handlers and checking the customer has been treated fairly.

Where our QA checks show performance standards haven't been met, team leaders provide additional coaching and or take corrective actions with the teams. These are recorded and used within the performance management process.

In addition, all team leaders complete additional training and development, which includes coaching, leadership skills and team development techniques. This will ensure that the competence of our team leaders is aligned to our business objectives, and they have the right skills to complete performance management tasks.

Our customer processes are all documented and approved prior to being used with customers. Our Process Improvement team review and, where necessary, amend individual processes to improve the overall experience for customers. Once a customer process is amended, our customer teams are notified and briefed as to the change and given the new amended process to follow. On occasions additional training may be required for our customer teams. This ensures a consistent approach to how our teams use processes to assist customer queries.

Customer information is checked and assessed on a regular basis to ensure that it is correct and up to date. For example, when customers contact our teams, we check that the data is correct, and we are speaking to the correct customer. We have a risk-based approach to verifying the customer data held on our billing system is accurate. Checks are completed twice a year for some customer segments (i.e.

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where we have long periods of non-payment from a customer or we are aware that a property is void).

Where a property is void, we issue up to 2 letters per year to the supply address, encouraging the occupier to register with us. In addition, we use external data sources to capture details of the occupier and use to send correspondence and bills.

3b. How are you using customer feedback to design or influence your payment communications, policies and systems? And how are you showing customers how their views are reflected in what you do? (Principle 1, Expectations: 'Make payment, help and debt services inclusive by design').

We work with organisations representing consumers such as RNIB and National Debtline to ensure our payment communications are inclusive by design. RNIB have tested a 'screen reader' with our website, which resulted in us using appropriate software to test how future changes might react with a screen reader, and thereby influencing how we implement change.

We also work with consumer organisations to help us design our payment communications. We have a co-branded webpage with National Debtline, and we regularly review the level of activity on this page, making any adjustments as suggested by National Debtline.

We have been BSI accredited since 2019 for 18477 Inclusive Services and are currently working towards the new ISO standard and will be assessed in January 2024. This will include how we use and respond to customer insights and how we have demonstrated inclusive by design in our key customer journeys.

Our bill was completely redesigned in 2021, using two external experts to create a bill that would make it easy for customers to understand and pay their bill and influence customer behaviour and use less water. This involved testing different versions of our bill with different customer segments, to understand which version was most successful vs. the desired outcome. We also engaged our Independent Challenge Group on the process and redesign on the new bill format to ensure that we took account of customer views and needs.

We have tested our bill and payment communications with our customer research panel. In 2021 our bill was well received and understood by 85% of participants. Additional feedback on elements of the bill layout were also identified and lead to the removal and redesign of a section of the bill that provided property information.

An independent 'readability' validation of our bill and its layout was completed in 2022. This provided a 'heat map' of the readability of our bill and confirmed that payment options are both prominent and easily understood. In addition, our bill scored highly for being intuitive, useful, and motivating for customers.

We plan to work with additional external partners over the next 2 years to test our services and the journey customers take when engaging with us for affordability support. We currently publish customer 'personas' which describe typical vulnerable

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customers in real life scenarios, such as customers impacted by the cost-of-living crisis, bereavement, or sickness. We will ask our external partners to test our help and support schemes to ensure they are suitable and helpful for customers and also how easy it is to obtain support from us.

3c. Can you explain more about how you identify and support customers in vulnerable circumstances (Principle 2, Expectations: 'Identify and support customers in vulnerable circumstances').

We have continued to develop our approach to identifying customers in vulnerable circumstances, learning from other water companies and the wider debt advice sector. In December 2022 we completed an agreement with the Department of Work & Pensions, under the Digital Economy Act. This agreement allows us to share customer data with DWP to proactively identify customers who are on certain benefits and therefore, may be eligible for social tariffs. To date we have shared c.20k customer records and used this data to renew customers to social tariffs as well as customers who need support.

External data has also been used with customers who are not currently engaged with us to segment for additional dedicated communication offering support. For example, we tailored communications for those in this segment to promote affordability support and to identify eligibility for our cost-of-living payment. We have committed to support up to 30,000 customers in 2023/24 who are struggling with the cost of living with a payment of £50 off their water bill, with 14,000 customers have already been identified for this payment.

We have also worked with charity referral partners as part of the trial for the 'cost of living' payment and are in discussions with others and will use their expert knowledge to identify the most appropriate referral criteria to ensure we can support the widest range of vulnerabilities.

Our help and support schemes allow customers to make no-payment for a period (payment breaks, Breathing Space), low affordable payments, arrears write-offs or referral to Trust Funds, such as the Thames Water scheme.

Non-payment of the water bill is an obvious indicator that a customer may be struggling financially. Our communications to customers in arrears are designed to be clear and promote the help that is available for customers. In addition, our call centre advisors are trained to identify vulnerability and clearly question customers to understand their potential needs. We will signpost for debt advice support or income maximisation where appropriate.

For the future we plan to use more enhanced external data which will allow us to understand customers getting into financial difficulties and therefore be more proactive with our support. This affordability data will segment customers with a high propensity to miss future water payments and will be a key element of our affordability strategy. We will implement this when the data will be available in late 2023/24.

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We have worked with Kent County Council to support with distribution of government allocated money from the 'household support funds'. This has been successful, and the partnership has run for three separate disbursements. For the future we plan to proactively contact the other local authorities to replicate this work.

Lastly, we have other local data sharing arrangements in place with organisations who work with customers with confirmed vulnerable circumstances. These allow for customer referrals in need of financial support, and our simple process doesn't need any further applications before support is provided.

We have reviewed our approach to identifying customers in vulnerable circumstances with our Independent Challenge Panel as it is a 'Key Line of Enquiry' for the group. We have taken on board their comments and we publish our responses to their challenges on our website (affinitywater.co.uk/corporate/icg). We will continue to work with the Independent Challenge Group to explore further opportunities for improving our approach.

3d. Can you explain more about how you comply with our expectations on communicating effectively and sensitively with customers in vulnerable circumstances (Principle 2, 'Communicate effectively and sensitively with customers in vulnerable circumstances')

We offer multiple ways for customers to engage with us, via their preferred choice. Customers are supported sensitively, ensuring that we meet their needs with a contact type. For example, we provide a translation service for users of British Sign Language and well as a language translation service. In addition, our website has the 'Recite Me' tool which allows for the user to select from hundreds of languages.

In addition, we provide alternative communications such as braille, large print, or audio for outward communications, and allow customers to nominate an alternative contact or third party to manage their account on their behalf.

All customer communications are checked for the right 'tone of voice' to ensure the message is clear, effective and balances sensitively 'call to action' with help and support. In addition, the debt reminder communications clearly signpost independent debt advice and other help that is available. This change followed customer research which indicated that customers wanted to understand what help and support schemes were available for them or an awareness for others who might need support.

In addition, we have ensured that our communication for the planned tariff trial later in 2023 has been created sensitively, ensuring vulnerable customers are excluded or treated fairly.

All customers on our Priority Services Register or who call our financial assistance freephone number are automatically placed at the top of the call queue and answered first. This ensures that they are prioritised for support from our contact centre. When calls are answered, our contact centre advisors are trained and coached to show empathy, provide support, and treat customers fairly.

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Lastly, we plan that later in 2023 all customers identified as vulnerable will be segmented within our collections process. This will ensure that all financially vulnerable or those suffering from health conditions, such as mental health, will be in a separate workflow, allowing us to use bespoke or more tailored communications and recovery strategies.

Debt

3e. Can you describe in more detail how your company uses different methods of contact to engage customers? (Principle 4, Expectations: 'Contact customers using different methods and stop chasing them if they are getting debt advice')

We use different contact methods throughout the various stages of our debt recovery process such as email, SMS, letters, and outbound calls. Our contact strategy allows sufficient time for customers to interact and make payment or reach out for help.

Customers who have asked a debt advice partner to support them or who require time to formulate a repayment plan or take financial advice are kept on hold, thus preventing further chasing reminders. We fully support Breathing Space guidance and allow customers to use this time to obtain debt help. In addition, customers or their debt advisors can request a 'payment break' for up to 90 days.

We publish customer 'personas' describing vulnerable customers on our website to try and engage with customers using 'stories' to encourage contact. We also use 'face to face' presence at various events across the community and have supported cost-of-living focused events over the last 12 months.

3f. Can you outline how your company uses enforcement action as a last resort? In particular, how do you make sure any enforcement action you take or charges added are proportionate and reasonable in relation to the circumstances of the customer and the size of the debt. (Principle 5, Expectations: 'Use enforcement action as a last resort')

We confirm that enforcement action is only taken as a last resort and only considered when the debt has been unrecoverable by other means. Typically, this is at least a year after the arrears were due and after the account has received numerous recovery attempts and been to at least two debt collection agents to attempt recovery.

All customers considered for litigation action are scored using external data. This shows a probability of success via legal action of receiving payment and assists with the identification of vulnerable customers (where litigation would not be appropriate). Our enforcement agents are trained to identify vulnerability either when a customer contacts them or at the doorstep. Should vulnerability triggers be met, they will stop action and take advice on next steps.

The charges are fixed by the county court or high court. We don't make any additional charges to the account other than those are incurred as part of the legal

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process. Charges applied are incremental based on the size of the debt and are proportionate.

3g. Can you outline in more detail how you agree realistic repayment plans. (Principle 6, Expectations 'Agree repayment levels that are realistic, understandable and regularly reviewed')

We check that repayment plans made with customers are affordable and realistic. Customers are asked to confirm their financial situation, income and any benefits they are in receipt of. Customers on a low income or on benefits are checked to understand if they are eligible for a social tariff. Eligible customers would then be on our lowest tariff, with a repayment of c.£20 per month (including wastewater). The level of repayment is checked to confirm that it doesn't impact any priority expenditure (such as housing costs, energy bills or council tax).

All repayment offers are confirmed back to the customer in writing, making clear when the first payment is due and the options for making payments.

Payments are reviewed on a 6-monthly basis, unless agreed otherwise with the customer.

To assist with budgeting, we offer customers on certain benefits the Water Direct scheme so that payments can be taken direct from any benefits the customer receives.

Should the customer's account be managed by a Debt Collection Agency, then they will follow a similar process and ensure that all payment offers are affordable for the customer.

Enforcement

3h. Can you outline in more detail the audit processes you have in place for debt collection agents. (Principle 7, Expectations: 'Use reputable debt collection companies that treat customers fairly and in line with agreed levels of service' AND 'Regularly and robustly check customers facing debt recovery action are treated sensitively' AND 'Allow customers to raise disputes involving the agent with the water company')

We confirm that our debt collection suppliers are reputable and are either regulated by the FCA or they are owned by an FCA regulated business. We complete a robust procurement process to ensure they meet our standards and can abide by the said principals.

We assure and quality check our debt collection supplies so to confirm they treat customers fairly. Our assurance process ensures that all communications and when they are used by the debt collection supplier are reviewed and approved by Affinity Water. Amendments to these are also approved by us. We currently review a random sample of calls on a 12-monthly basis and will increase this to every 6-month during

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2023/24. This process checks for a fair outcome for the customer that they are treated sensitively.

Our current quality assurance program includes: -

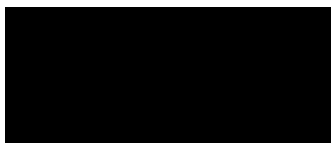
- Reviewing policies and processes - including complaints, disputes, suicide threat, treating customers fairly, vulnerable customer, third party authority procedure, financial difficulty, mental health policy
- Reviewing training materials – including suicide threat call handling, treating customers fairly, vulnerable customers and mental health
- Call listening – including establishing affordability, handling disclosures, signposting, offering discounted tariffs
- Reviewing the full suite of communications
- Review of the website to ensure information regarding assistance and complaints is easily accessible

Customers can complain directly to us about their experience with the debt collection suppliers. All complaints are managed by our complaint handling team, in accordance with our complaint handling policy. Data and root cause analysis on debt collection complaints is reviewed monthly and any complaints regarding our suppliers is actioned. Complaint data will also feed into the performance review completed with the debt collection supplier.

3i. We understand that CCW has given feedback on your debt code of practice. How have you acted on CCW's feedback?

We have acted on feedback received from CCW and updated our process and debt code of practice. Feedback from CCW was received on 8 December 2022 and we received further confirmation from CCW on 20 December 2022 that all points raised with us had been incorporated.

Yours sincerely



Liv Walton
Director of Regulation and Strategy