

Money and Mental Health's submission to Ofwat's consultation on draft vulnerability guidance for water companies supporting customers who need extra help

The Money and Mental Health Policy Institute is a research charity established by Martin Lewis to break the vicious cycle of money and mental health problems. We aim to be a world-class centre of expertise developing practical policy solutions, working in partnership with those providing services, those who shape them, and those using them, to find out what really works. Everything we do is rooted in the lived experience of our Research Community, a group of 5,000 people with personal experience of mental health problems.

This written submission has been informed by the experiences of our Research Community, including a survey of 207 respondents about their experiences of their water company, as well as our wider body of research. Unless otherwise specified, all quotes in this response are drawn directly from the Research Community.

Background

- In any given year, one in four people will experience a mental health problem which affects their cognitive and psychological functioning.¹ Over a lifetime, this proportion rises to nearly half the population.² However, we do not always know when we are unwell, or receive treatment. Over a third (36%) of people with a common mental disorder have never received a diagnosis, and 62% are not currently receiving treatment.³
- Common symptoms of mental health problems, like low motivation, unreliable memory, limited concentration and reduced planning and problem-solving abilities, can make managing money and interacting with essential service providers significantly harder.⁴ As a result, it is estimated that people with mental health problems pay up to £1,550 more per year for essential services than people without mental health problems.⁵
- Customers can often be unaware of the support that essential service providers, like water companies can offer. For example, fewer than three in ten (28%) people with mental health problems have been told by most of their essential service providers about the additional support they can offer to customers with mental health problems.⁶
- People with mental health problems are three and a half times more likely to be in problem debt than those without, and half (46%) of adults in problem debt also have a mental

¹ McManus S et al. Adult psychiatric morbidity in England, 2007. Results of a household survey. NHS Information Centre for Health and Social Care. 2009.

² Mental Health Foundation. Fundamental facts about mental health. 2016.

³ McManus S et al. Mental health and wellbeing in England: Adult Psychiatric Morbidity Survey 2014. NHS Digital. 2016.

⁴ Holkar M. Seeing through the fog. Money and Mental Health Policy Institute. 2017.

⁵ Rogers C, Poll H and Isaksen M. The mental health premium. Citizens Advice. 2019.

⁶ Holkar M. Time to act. Money and Mental Health Policy Institute. 2022.

health problem.⁷ People with mental health problems are nearly four times more likely (18% compared to 5%) than people without to be behind on water bills.⁸

1. Do you agree that we should retain the vulnerability definition we set out in our 2016 Vulnerability Focus report?

The current definition of vulnerability used by Ofwat includes some of the crucial elements we would expect - that there are a range of factors that could make someone 'vulnerable', that this can impact how they access services and that this can lead to harm, both financial and psychological. The definition has similarities and differences to those adopted by the Financial Conduct Authority (FCA) and Ofgem, and highlights that there is no perfect definition. The mention of external factors is important, the recent pandemic and current cost of living crisis have highlighted how people's situations can be impacted by wider circumstances.⁹

As Ofwat stated in the consultation document, this definition is well known by the industry and the understanding of this area has moved on considerably since 2016, so the definition itself is not as essential as previously. However, it could be useful to mention that someone in vulnerable circumstances may not have reasonable opportunity to access and receive an inclusive service due to their company's actions. The FCA's definition says that someone can be susceptible to harm particularly when "a firm is not acting with appropriate levels of care." Someone's circumstances doesn't make them automatically vulnerable, but how a company designs services and responds to customers needs can have a significant impact. Ofwat could make this more explicit in the definition.

2. Do you agree with our approach to nomenclature, particularly our use of the term 'extra help'?

Overall, we support the move away from talking about vulnerability and vulnerable customers to customers who need extra help. Many people who would fall into the category of a vulnerable customer would not class themselves as such and may find the term 'vulnerable' to be condescending. The use of 'extra help' also draws attention away from the cause to the need, which can help firms focus on what they need to provide to support their customers. Water companies are not there to provide health or wellbeing services, but they can spot when someone needs extra support and where they are not able to meet a need, signpost to an organisation who can.

⁷ Holkar M. Debt and mental health: a statistical update. Money and Mental Health Policy Institute. 2019.

⁸ Bond N and D'Arcy C. The state we're in: money and mental health in a time of crisis. Money and Mental Health Policy Institute. 2021.

⁹ For example, see our recent research on the impact of the cost of living on people's mental health and finances. Bond N. Breaking the cycle. Money and Mental Health Policy Institute. 2023.

However, there is still a benefit to understanding the circumstances that can mean customers need extra support. Both in general to help firms better design their services and respond to disclosure, but also with specific customers as it can give context which can help staff navigate difficult conversations. Two customers may need the same type of support, but if the staff member is aware that one of them experiences anxiety they could alter how they spoke to them compared to the other customer who could, for example, be a wheelchair user. Equally, understanding the harm that can occur if firms do not get this right is important. The term vulnerable suggests that someone is at risk of some harm. Ofwat should give examples of what harms - to someone's health, wellbeing or finances - water companies need to avoid.

3. Do you agree with our proposed approach to applying the guidance to new appointees and the Welsh non-household sector?

We support the guidance applying to new appointees. Customers living in new housing developments or are otherwise covered by new appointees should receive the same level of service as customers of established companies.

4. What impact do you think our draft guidance will have on the experiences of customers who need extra help?

In our response to the consultation on the proposed customer-focused licence condition we set out people with mental health problems' experiences of interacting with their water companies based on a survey with our Research Community. While we found that many respondents had positive experiences, there were also instances of poor practice. Many of these echoed our previous research on mental health accessibility in essential services.¹⁰

One area where practice could be improved was communications, both those that customers receive and the process of getting in touch with a provider. For example, only three in ten (30%) of Research Community respondents felt that their provider's communications were supportive, with 28% disagreeing.¹¹ Additionally nearly a quarter (23%) of respondents who had got in touch with their provider found it difficult. One reason for this can be the channel customers have to use; our research has highlighted how certain channels can be barriers to getting the right support. Three quarters of people with mental health problems find it very difficult to use at least one common communication channel, but in particular half struggle with the telephone.¹²

¹⁰ For example our Access essentials and Time to act reports.

¹¹ Lees C. Money and Mental Health response to Ofwat's consultation on a customer-focused licence condition. Money and Mental Health Policy Institute. 2023.

¹² Holkar M, Evans K and Langston K. Access Essentials. Money and Mental Health Policy Institute. 2018.

“I find it extremely tiring contacting any organisation, as my condition can cause brain fog, and is energy limiting...I don't often check in with my online account, so cannot use their webchat service. I find phone calls exhausting.” Expert by experience

The rate of disclosure of mental health problems to water companies is low, nationally only one in ten (11%) people with mental health problems have disclosed to their water company.¹³ Some Research Community members who had disclosed to their water company found that they had to repeat their disclosure or weren't offered the right support.

“I completed an online application for their Priority Service but no other help etc was forthcoming.” Expert by experience

What was clear from the survey was that when water companies get it right, it makes a significant difference to customers and ensures they feel supported. We believe that introducing this guidance will help drive up standards in the industry and ensure that there is a consistency to the service that customers who need extra help, including those with mental health problems, receive. This will help reduce the psychological burden and impact many people currently experience when trying to interact with their supplier. Furthermore, it will help reduce the link between mental health problems and financial difficulty. As more people with mental health problems are identified and receive the right support, they will be more comfortable reaching out to their provider when they struggle with their bills.

5. Are there further lessons from other regulated sectors that could be incorporated into our draft guidance?

Financial services provides the best lessons for Ofwat when considering draft guidance. The (FCA) introduced detailed guidance on supporting vulnerable customers in 2021. This included information on what firms should be doing, as well as actions they could be taking. The guidance also contained a range of examples of good and bad practice. The guidance was absorbed by many firms who invested significant resources into ensuring they were compliant with the guidance. The FCA conducted a review a year on from the introduction of the guidance and set out what was still needed.¹⁴ The process of introducing the guidance also led to a string of guides and training that helped firms put the guidance into practice - for example a vulnerability inclusion handbook from Capital One.¹⁵ The FCA has also made it clear through the

¹³ Bond N and D'Arcy C. The state we're in: money and mental health in a time of crisis. Money and Mental Health Policy Institute. November 2021.

¹⁴ FCA. Ensuring the fair treatment of customers in vulnerable circumstances. 2022.
<https://www.fca.org.uk/firms/treating-vulnerable-consumers-fairly/ensuring-fair-treatment>.

¹⁵ Capital One. Vulnerability Inclusion Handbook. 2021.
https://www.moneyadvicetrust.org/wp-content/uploads/2023/03/100_01466_VULNERABILITY_HANDBOOK_EXTERNAL_015.pdf.

new Consumer Duty that the guidance is a way for firms to provide good outcomes for customers in vulnerable circumstances.

While there is guidance on supporting vulnerable customers from Ofcom for telecoms providers, it is focused on what firms could do rather than what firms should do. While it does contain lots of good suggestions and examples, it risks divergence in the telecoms sector for the service levels that vulnerable customers can expect. Ofwat's proposed minimum standards is a sensible way to set out what water companies should do to provide that baseline, while allowing for some positive divergence in approach above that.

Finally, while Ofgem has principles for energy companies to follow including around vulnerable customers, there is no corresponding guidance on how firms can best identify and support vulnerable customers. The recent issue with the forced installation of prepayment meters and Ofgem's subsequent actions highlighted that firms were falling short in the identification of vulnerable customers who should not have been moved onto prepayment meters.¹⁶ This highlights the need for clear guidance to avoid harm.

6. Do you agree with our proposed approach to enforcing our customer-focused licence condition by reference to our draft guidance?

We support the use of the guidance to enforce the customer-focused licence condition. The condition is high level and the guidance provides the opportunity to set out what this means in practice. It also provides a guide for Ofwat to monitor and enforce the condition. The inclusion of minimum expectations offers Ofwat a clear standard to hold firms to account. Ofwat should be clear to companies that failing to meet these minimum expectations would be a breach of the licence condition. However, it could still be difficult for Ofwat to monitor and enforce company performance towards the overarching objectives even with the minimum expectations as there is still some scope to how companies meet them in practice. Ofwat should therefore provide clear examples of what good and bad practice would look like to give companies more of a guide to what is expected from them and what would be seen as failing to meet the licence condition.

7. Do you agree that our draft objectives cover the broad areas of vulnerability support activities that companies should be considering?

Overall we believe that the draft objectives cover the right areas. However, this is only apparent once the minimum expectations are also taken into account. Ofwat should ensure there is consistency between what is included in the objectives and what forms the minimum expectations.

¹⁶ Ofgem. New prepayment meter rules extend protections for vulnerable people. 2023. <https://www.ofgem.gov.uk/publications/new-prepayment-meter-rules-extend-protections-vulnerable-people>.

It is good to see the inclusion of 'inclusive by design' as this is a key component to ensuring customers get good outcomes. Disclosure of mental health problems to water companies is low and there can be many barriers such as stigma, not thinking it would make a difference or not being aware that support is available.¹⁷ Furthermore, over a third of people (36%) of people with a common mental disorder have never received a diagnosis.¹⁸ Essential service companies, therefore, cannot rely on people with mental health problems to disclose their need for extra support, but rather ensure that the service is accessible from the beginning for everyone.

Having vulnerability strategies as an objective is a welcome step from Ofwat. Actions to improve accessibility and provide support for customers who need extra help must be driven from the top and firms should monitor their performance in order to make improvements. Finally, the objectives for high standards, identifying customers and recording needs are also important.

There are a few areas that from an initial reading appear missing from the objectives. For example, a key area of the draft licence condition and a significant issue for customers with mental health problems is communications. This does not appear in the objectives or the 'what it means' column, but does form two of the three minimum expectations for objective 2, 'inclusive design'. Furthermore, staff play a key role in ensuring good outcomes for vulnerable customers, from frontline staff who interact with customers everyday to staff who design communications or the company's website. However, staff or training is not mentioned in the objectives table but minimum expectation 3.3 is all about training. We think that Ofwat should review the objectives and ensure anything covered in the minimum standards is also mentioned in some way in the proposed objectives or the accompanying explanation.

8. Do you agree with the proposed list of minimum expectations we have set out?

We agree with the proposed list and think they will be of benefit to many people with mental health problems, although we believe there could be some changes and additions.

High levels of service and support

We support the minimum expectation included within this objective. The suggestions for how water companies could adapt their services to match extra help needs would be beneficial to customers with mental health problems and are similar to those we included in a guide for how essential services providers could meet the Equality Act.¹⁹ There could be an additional

¹⁷ Bond N and D'Arcy C. The state we're in: money and mental health in a time of crisis. Money and Mental Health Policy Institute. November 2021.

¹⁸ McManus S et al. Mental health and wellbeing in England: Adult Psychiatric Morbidity Survey 2014. NHS Digital. 2016.

¹⁹ Holkar M. The Equality Act and Mental Health: A practical guide for essential services firms. Money and Mental Health Policy Institute. 2022.

expectation or some text added to the current expectation that companies should provide signposting to customers where they are unable to provide the right support.

It is good to see the minimum expectation for ensuring support is easy to understand. We know that mental health problems can make it harder to process information when unwell. Additionally, poor past experiences of disclosing can impact whether someone discloses again, so if people can be confident that they will get the right support, they are more likely to do so.

We are particularly supportive of the expectation that companies should develop clear policies on compensation arrangements for when customers' extra needs have not been met. In national polling we found that three in ten people (29%) who disclosed their mental health problems to their water company were not offered any additional support afterwards.²⁰ This expectation will ensure that those who are wrongly treated can get the compensation they deserve. Ofwat should encourage firms to make the compensation arrangement accessible for customers with extra needs.

The expectations around firms continuing to improve services and using data to monitor the effectiveness are also very welcome. Ofwat should include that firms should compare this data against the outcomes and experiences of customers who don't require extra help to see if they differ and act to change this, as they have with satisfaction levels.

Inclusive by design

We agree with the three expectations included for this objective. As highlighted earlier in this response, communication is a particular issue for people with mental health problems and so the first expectation will be of great benefit. The mention of undeclared needs and preferences and making sure that communications are understandable for everyone is the right approach. We also support Ofwat saying that companies should test solutions with those with lived experience, we believe this should also include communications themselves.

Offering a range of ways to interact and communicate is a key expectation, and it is good to see Ofwat write that firms should tailor and adapt outgoing communications to someone's needs. We think it would be beneficial if Ofwat included offering a choice of ways to communicate with the company and recording the customer's preferences and needs. The mention of third party billing is appreciated as we know it will be beneficial to the many people with mental health problems who receive support from friends and family with their finances when unwell.²¹ Ofwat could push companies to consider other ways to allow third party access without having to use formal power of attorney arrangements.

²⁰ Holkar M. Time to act. Money and Mental Health Policy Institute. 2022.

²¹ Murray N. Strength in numbers. Money and Mental Health Policy Institute. 2016.

Finally the expectation that companies should consult with CCW and engage with other stakeholders, including affected customers, when making significant changes is very welcome. However, we believe that there should be an additional expectation in this objective that is about how companies design and make changes to customer journeys, such as those for accessing support like the PSR journey. Symptoms of mental health problems can include reduced attention span and low motivation, therefore complicated journeys that don't provide much information upfront or time out can be particularly difficult to navigate when unwell. We also think there should be an expectation that companies should be training relevant staff so that they can best design inclusively for those who have extra needs.

Identifying customers

We support the first standard but think Ofwat should encourage companies to consider how they could better encourage customers to disclose their needs, and could use the first of our disclosure guides to do so.²²

We strongly agree with the expectation that companies should proactively raise awareness of the extra help available. Only one in five (21%) respondents to our Research Community survey were aware of the support available to help access their water provider's services and half of respondents (50%) said they had never been told any information about the support available.²³ Ofwat should also mention that firms should consider how easy the information is to find on the website and customer accounts.

It is good to see the expectation around training. Ofwat could also mention that companies can also provide guidance to staff, as sometimes training cannot cover all that staff might need to know. We support the last expectation but think Ofwat could go further to say that firms should have a 'tell us once' policy in place.

Recording needs

We think that the expectations included in this objective are the right ones. It's really important that companies have systems for recording information about extra needs that can be accessed by relevant teams and can lead to clear benefits for the customer.

Mental health problems can affect us in lots of different ways, and can sometimes fluctuate in both intensity and duration. This can mean that the needs that someone has can also vary, at some points they might need more support and at others less. The second expectation around

²² Fitch C, Holloway D and D'Arcy C. Mental health disclosure guide one: Disclosure environments. Money and Mental Health Policy Institute. 2022.

²³ Lees C. Money and Mental Health response to Ofwat's consultation on a customer-focused licence condition. Money and Mental Health Policy Institute. 2023.

reviewing information is really important given this context, for both those who may have now recovered but also those whose symptoms may have worsened or are now long-term.

The third expectation links closely to expectation 3.4 and can help reduce repeated disclosure both internally and across sectors. The final expectation is an important one given some of the concerns that people with mental health problems can have around how data they have disclosed is stored and used by firms. We recommend that firms look at the third of our disclosure guides which is focused on data processing and storing.²⁴ Furthermore, it would be beneficial for Ofwat to include a line in the first expectation that water companies should be clear with customers who have disclosed about how their data will be used and stored.

Vulnerability strategies

We support the three expectations within this objective. The expectation that companies have a vulnerability strategy that both sets out how they will achieve it and how they will measure progress against it is essential. The added requirement that the strategy is published on the company website adds an extra element of accountability.

The second expectation is an important one and is similar to the FCA's expectation that financial service firms understand the level of vulnerability in both the customer base and target market. Water companies have a unique benefit compared to other essential services firms as they have a clearer idea of what their customer base is. This can help them focus on better understanding the needs within the area they serve. We strongly welcome the requirement for companies to examine and explain any gaps between underlying need and current extra help provided.

The final expectation is good and will help those who asked for extra support to understand what will be provided. However, Ofwat should require companies to have more information for those who have not yet asked for help so they can understand what the benefits of disclosure are.

9. Do our draft minimum expectations offer a good balance between making clear the minimum standards we expect from companies, and challenging companies to innovate and find new ways to meet the needs of their customers?

We believe that the expectations provide some prescription while still allowing more scope for how companies meet them in practice and leaving space for them to go above and beyond. There is a risk that when regulators have very prescriptive rules, they can become unwieldy as practices change. While conversely, high level principles can leave too much room for interpretation and lead to inconsistent practice. Ofwat's approach is currently in the middle

²⁴ Fitch C, Holloway D and D'Arcy C. Mental health disclosure guide three: Recording disclosure. Money and Mental Health Policy Institute. 2022.

ground and should mean that customers get the same level of service regardless of where they live in the country.

Ofwat should closely monitor how companies are performing against the minimum expectations in order to assess if there needs to be clarity or examples of good and bad practice in the guidance. For example, if some companies are following the expectations but outcomes are still poorer for customers with extra needs than those without, the expectations might need to be altered. Conversely, if some companies have innovated and are going above and beyond the expectations, Ofwat could use that as good practice to encourage improvements from other companies. Water is a non-competitive market and it wouldn't be fair for customers who live in one area to miss out on the levels of support that are available to customers in another.

10. Do you agree with the proposed approach and timeline around companies' vulnerability strategies?

We support Ofwat's approach and timeline around the vulnerability strategies. The deadline of June 2024 allows companies time to start on the strategies, consult with relevant stakeholders and have a finalised version ready. It would be the hope that companies would already have some form of strategy around vulnerability in place that they can build on. Ofwat should ensure that the timelines for the overall licence condition match those for the strategies so that it can best monitor and enforce the condition.

11. Do you agree with our proposed approach to how water companies should use our guidance?

We're pleased that Ofwat has set out that companies are expected to deliver all expectations. We think that Ofwat's strategy of allowing companies to take different approaches to the expectations if they can evidence that they better meet the objectives is sensible. However, we think there are some key elements within the expectations that would be essential for many people with mental health problems. Ofwat should reassure consumer organisations that any alternative approach still meets the needs of customers with extra needs. As set out in our answer to question 9, Ofwat could learn from any alternative approach and consider whether there needs to be any change to the guidance. Finally, we're glad to see that Ofwat has reminded companies that they have to comply with the Equality Act 2010. When Ofwat publishes its final guidance, it should set out how the guidance relates to obligations under the Equality Act.

12. Do you agree with our proposed approach and timelines for setting out our detailed expectations around the design of priority services registers in a separate standards document?

We think that Ofwat's approach is sensible. Priority Services Registers (PSR's) are a complicated area. They are the current vehicle for companies to record extra support needs and there is the potential for them to align with those used in the energy sector. However, PSR's can have a certain connotation around loss of supply or the needs of those with physical disabilities or hearing and visual impairments. They can therefore seem irrelevant for people with mental health problems. Furthermore, the overarching aims of this guidance go beyond a more traditional view of the PSRs to consider customers who need support with accessing the services and not just if they lose supply.

However, there is a need for there to be more consistency with how PSRs are designed and used so that customers know what to expect when they are put on the PSR and to facilitate future data sharing. Ofwat's proposals for PSR specific standards will help achieve this. We believe that Ofwat's proposal to keep the standards under review and to consider any future changes in the recording of needs is the correct one. However, the current timeline of April 2025 may be later than ideal as companies could take actions before then to follow the vulnerability guidance that might not align with or go beyond the proposed PSR standards.