

General comments and context

Plain Numbers welcomes the opportunity to respond to Ofwat's draft vulnerability guidance for water companies. We hope, in turn, that this input provides you with the opportunity to utilise new evidence about consumer capability and behaviour to create a framework that best enables customers to understand what is happening with their water, incorporating a recognition that many customers struggle to understand numbers.

Context – consumer vulnerability

Many people across the UK struggle with numbers; remarkably, half the adult population only have the everyday maths skills that we expect of a primary school child. The scale of innumeracy in the UK is substantially greater than illiteracy (1 in 2 adults have primary school level numeracy compared to 1 in 6 for literacy) and the consequences of not understanding numbers are at least as significant as not understanding words. Indeed, of the consumer vulnerabilities identified by the FCA in Occasional Paper 8 back in 2015, poor numeracy is the single most common vulnerability across the UK.

Customer understanding

Given the data above, we suggest that you consider following the Financial Conduct Authority's lead and shift towards requiring communications that enable customer understanding – and thereby lead to customers making informed choices. We believe you should consider suggesting to firms that they should:

- Test actual comprehension rather than relying on what customers say they understand – see p.5 of our [Initial trials report](#) to see the gap between perceived and actual comprehension levels.
- Focus on continuously improving customer comprehension. As can be seen from the research above, current levels of consumer understanding are remarkably low.

Vulnerable customers

The importance of using plain language in improving firms' communications has long been acknowledged – but the importance of numbers has not had the same emphasis, despite the fact that understanding the numbers is essential to understanding the overall communication from water companies and others. There is now strong evidence that it is possible to take account of poor numeracy and make improvements. As stated in the FCA's FG22/5 Consumer Duty Finalised Guidance, we have demonstrated that seemingly small changes to communications can substantially increase comprehension among consumers (8.13). The combination of changes to the presentation of the numbers alongside changing the language and the application of behavioural science led to a doubling on average in the number of customers who understood communications in the [five Randomised Controlled Trials](#) conducted by Kantar Public on behalf of Plain Numbers in early 2021.

Responses to specific consultation questions

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

As above outlined above, we strongly support addition of a Consumer Principle by the FCA, to bring an explicit focus onto delivering good outcomes for consumers. We also strongly support the inclusion of Consumer Understanding within the Consumer Duty outcome areas.

It's not sufficient that customers are simply well informed – customers need to actually understand the communications they're sent. As seen in elements of the research above, traditional communications that prioritise disclosure often impeded understanding, which is why the FCA Consumer Duty, with the shift in focus to customer comprehension is such a positive step.

There is now [strong evidence](#) from consumer testing to show that applying the Plain Numbers Approach enables more people to understand communications from firms. We suggest that it is therefore potentially an important component within your guidance to firms.

Examples of the Principles underpinning the Plain Numbers Approach include:

- a. Simplifying the numbers – e.g. do the maths by converting a percentage fee to the specific cash amount
- b. Providing numbers in context – e.g. removing technical terms, using actual dates and/or framing the numbers appropriately
- c. Considering how people think – e.g. enabling a quick initial appreciation of the most salient information perhaps through the use of images alongside the words and numbers

We would also like to draw your attention to the Lord Mayor's Financial Literacy and Inclusion Steering Group, which recently announced a six-point plan to address low levels of financial literacy, inclusion and numeracy across the country. At the announcement of the Action Plan, the Lord Mayor stated:

"Following the success of the Plain English campaign, banks are adopting the Plain Numbers Approach - which trials have demonstrated makes information understandable to twice as many people. We are calling on the financial services sector *and regulators* to incorporate the requirement for accessible communications into their standards, taking into account the low baseline of numeracy and number confidence - which the FCA has recognised as the largest consumer vulnerability facing the nation."

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

We agree with the minimum expectation 2.1 that support should be 'presented in a way that customers can understand'. As above, we believe firms should test actual comprehension levels.

In 2.1 we note the list given of possible reasons a customer may have difficulty in understanding a communication, does not include the low levels of numeracy we have explained above. In fact, where Plain English or Welsh is mentioned, numeracy levels are not mentioned at all. Studies consistently show that half of the UK population have the numeracy levels of a primary school child. It is crucial that the numbers of adults in the UK with low numeracy be considered when considering customers' diverse needs.

We agree with the call for accessibility accreditations. Our Plain Number Certification is given to a form of communication which displays as good an application of the Plain Numbers Approach as is possible within the specific constraints of that communication. This is therefore a communication in which, based upon our trials, we can expect approximately twice the number of customers to be able to understand compared to the original.