

**Paying fair request for information**

**Severn Trent & Hafren Dyfrdwy**

**31<sup>st</sup> December 2022**

**WONDERFUL ON TAP**



## Introduction

### IN 22/04 Paying Fair request for information - Severn Trent & Hafren Dyfrdwy

Thank you for your Information Notice of 14 November 2022 and the data request. At Severn Trent and Hafren Dyfrdwy we recognise the importance to our customers of your Paying Fair guidelines, the importance of supporting our customers through the current cost of living pressures and are pleased to confirm we're largely already aligned with the guidelines set out.

In Liv Garfield's letter to David Black and Emma Clancy of 6 December 2022 we explained that we acted early to support our customers by launching a new affordability package worth £30m on 25 May. This package is already leading to a substantial increase in the uptake of our Big Difference Scheme (BDS) social tariff, with 31,088 new customers benefitting since the start of the financial year.

We also launched our Societal Strategy on 22 November, which is a landmark plan designed to help up to 100,000 people find employment, while supporting them to reach their potential. We know that this ten-year plan is a huge undertaking, but we are passionate about helping households across our region and will achieve this by working closely with communities and partner organisations.

These initiatives build on our extensive support schemes for our customers and communities, including our £10m Community Fund and the £17.5m we are donating to the Trust Fund over AMP7.

We continue to support Ofwat's vision on the paying fair guidelines, especially through the current cost of living pressures, and we recognise that the focus needs to be on delivering better outcomes for our customers, in particular those who are most vulnerable and struggling to pay. We're closely following the development of a customer-focussed license condition and how this could benefit our customers.

We agree with the approach and guidelines, we believe the right balance has been met and that we are already largely aligned with the guidelines. We're glad to see the guidelines still allow the scope to collect money appropriately and efficiently, and we'll continue to explore and build upon the different customer journeys and personas.

We can support the request to collect information on a quarterly basis in terms of our collection of debt to ensure transparency of data within the debt recovery process. We recognise that affordability and debt are complex issues and can have a significant impact on customers who experience it, the data will continue to help us distinguish between the 'can't pay' and 'won't pay' customers.

### Overview of the payment methods available to customers (condition G3.5)

There are many ways a customer can pay their Severn Trent bill, and it is for customers to decide which method suits their needs best. The information below can be found on our website, and within our Code of Practice [here](#).

In terms of payment methods, we have the following four methods:

### **Paying online using a debit or credit card**

- **Via our web self-service** – Our customers can manage their account online and this includes being able to pay their bill in full, or any amount they choose via a debit or credit card.

### **Paying automatically**

- **By Direct Debit** – Our customers can pay by instalments via a monthly, fortnightly, or four-weekly Direct Debit, with the ability to choose preferred dates, frequencies and amounts.
- **By Standing Order** – Our customers can pay in instalments or on receipt of the bill via a Standing Order using their own bank's telephone, online or remote banking services. Customers are required to notify us of expected dates so we can align their payment plan to their Standing Order.
- **By Third Party Deductions** - Our customers can pay their instalments via deductions directly from their benefits through our Water Direct scheme.

### **Pay in Person**

- **Pay at a PayPoint store** – Customers who pay by using a Watercard can do so at a PayPoint store nearest to them. They are also able to use a payment booklet or the barcode on the Giro Slip at the bottom of the bill.
- **Pay at a bank** – Customers can pay by taking their bill to their bank or using their banking services.
- **Pay at the Post Office** – Customers can pay by taking their bill to any Post Office. We do advise that some Post Offices can charge for this service, therefore we also signpost alternative methods.

### **Pay by post or phone**

- **Pay by Post** – If a customer receives paper bills, we provide a Giro Slip to fill in, so they can send us a cheque required to our mailing address.
- **Pay by Phone using a debit or credit card** – Customers can contact us over the phone, or via any of our contact channels to make regular, or one-off payments using a Debit or Credit card.

## **Our guidance and procedure for debt collection for customers who are having difficulty paying their bills. (Condition G4)**

Our debt collection approach is underpinned by our ability to identify those customers who are having difficulty paying their bills, and those who can but choose not to pay. We offer bespoke journeys that are tailored to customer profiles. Being transparent, offering easy transactions and being available to support our customers when they need it matter to our customers.

For customers that are having difficulty paying, we offer extensive support. This ranges from payment breaks all the way through to acceptance onto our Social Tariff. As soon as we find out that a customer

is having difficulty paying or is already being supported through one of our support schemes, we pause all debt collection activity. This includes customers who are in the early application stages, waiting for a meter to be fitted or any of our schemes that involve a payment plan.

We believe our approach for debt collection is fair and specific. We will always communicate with customers to discuss options if they are having difficulty paying their bills, but we do require mutual engagement. Throughout these journeys we continue to signpost customers to external support, affordability schemes and other ways to keep in touch and update us on their circumstances.

Information on our debt collection process can be found on our website, and within our Code of Practice [here](#).

## **Our compliance with the guidelines**

We are pleased we're largely already aligned with the guidelines, and we have a clear and robust strategy in place to ensure full compliance or, where applicable, plans to introduce equivalent best practice measures for the benefit of our customers. Please see appendices 1 & 2 for our detailed response to each guideline.

We've increased our level of support in AMP7 in recognition of the number of customers struggling financially, and we are passionate about continuing support by working closely with communities and other partner organisations.

We have a team out and about in our communities on a daily basis, promoting the range of affordability schemes we offer, raising awareness of how to save water, and hosting events and drop-in sessions. These events are hosted across our region particularly in hard-to-reach communities and designed to engage with customers who may struggle to contact us due to obstacles such as language.

We have increased the level of help for customers who are at risk of falling into debt and the speed of our intervention and an improved cure rate now catches customers earlier on in their debt journey. For example, in September 2022 we launched our 'intelligent kickouts' process, an enhanced approach for metered customers, using intelligent parameters to identify and reach out to customers whose consumption has increased and are about to receive an increased bill. Our Consumption Specialist Team will contact these customers to alert them to the increase in their bill. In many of these cases it's helped educate customers on water efficiency and identify and fix leaks quicker, but most importantly, it can keep bills affordable and mitigate growing arrears. The introduction of this process has also meant we've been able to identify and rectify misreads and correct bills before the customer receives them.

Our strategy also involves working closely with local authorities to identify customers in financial hardship to passport them straight onto our support schemes. This has enabled us to support customers who might not have previously engaged with us through our usual contact channels and has helped remove barriers in the application process. Examples include our Care Leavers programme, helping young adults who are leaving the care system by passporting them straight onto our schemes helping them transition into society.

Other approaches include improvements to our debt recovery journeys for those customers who may be financially stressed. Using credit bureau information we receive on customers within our debt recovery system, if details of financial vulnerability are highlighted, we ensure that the appropriate support is signposted to the customer. We also implemented a completely new journey in September 2021 for late payers, which includes earlier and consistent intervention via multiple different contact methods i.e via phone, SMS and letter, to help customers avoid building up arrears.

We are continually looking at ways that we can raise awareness of our schemes and support across radio, social media and through the press. We have been using targeted campaigns to reach customers who are most in need, using CACI demographic data to improve accuracy. Our winter campaign went live in November and will continue into 2023, designed to reach out to customers during key periods, particularly after Christmas when customers may be reviewing their finances before our main billing period.

As part of CCW's Independent Water Affordability Review, we are exploring ways to promote our affordability schemes better, such as on our paper billing envelopes.

In 2021 we introduced our Billing Assurance focus team, to ensure we are billing the right customers in the right properties for the correct billing periods. We have recently delivered enhanced bespoke training to our customer care advisors to ensure we are collecting the right information when customers are vacating properties, and we are building better relationships with landlords, with more landlords using LTAP to keep us informed.

We have built different 'debt personas' within our debt collections system based on data we've developed during the end-to-end debt journey. This approach means we apply tailored interventions dependent on the history of the customer. We are still in the early stages of testing different contact methods, tones, and structure to engage with customers, with the aim of creating a better customer experience.

Whilst our strategy is to proactively identify customers in need through data and partners, we are also investing in our application journey. We are planning to deliver a single application for all support schemes, available online to self-serve, with skilled professionals available for meaningful support when necessary. This is all part of our holistic affordability programme as set out in our societal strategy.

## **Information tables on customer debt**

We enclose the populated information tables on customer debt as requested in the information notice. (Please see appendices 3 & 4).

We appreciate the opportunity to provide feedback on your request for information on customer debt. Please find our responses below.

- 1. Do you have any comments on this information notice? In particular, we welcome comments on the debt metrics and units of measurement we are proposing**

- The data tables request information be expressed based on the number of 'households' and the total number of 'unique households', where we assume 'households' to be equivalent to unique properties. For the purposes of this information notice we have provided this information using the number of 'active' accounts, given the potential for there to have been more than one account on a property within a specified period of time. It may also skew the metrics to express both live and final accounts combined based on the number of 'households' without providing any additional information on this split or considering the number of properties where multiple accounts exist in the given timeframe. It may therefore be worth considering in future information notices providing further clarity regarding the definition of 'household'.
- We have included accounts that are within our billing system, therefore any of our charges that are billed by Other Water Companies are not included in either volumes or associated debt. This also means we include Other Water Company charges that we bill on their behalf.
- Some of the metrics proposed only cover 3 months (the period from 01/07/22 to 30/09/22) and whilst we appreciate that this is an ongoing request and ultimately a fuller picture will be gathered over time as a result, it may be difficult to compare or draw conclusions on the full range of activity of water companies until you have had several data submissions. For example, debt sales may take place at different times or frequencies; and billing cycles may have different profiles or peaks across the year, meaning that some debt metrics may yield different results at different points in time, particularly where debt journeys are dynamically linked to billing, as is the case for Severn Trent Water and Hafren Dyfrdwy.
- Comparisons across the industry may need to consider differences in the composition of socio-economic groups for the various regions that will not be evident when considering metrics on a per 100,000 household basis.
- Debt values included in response to the Information Notice will be of varying ages, representing different billing periods and therefore over time it may mean the current metrics do not capture changes in bill size separately.
- We would be better able to assist Ofwat in providing comments if we understood in more detail how Ofwat would like to use these metrics either on their own or in combination with previous notices.
- Given that Ofwat expects to request this information each quarter, we would ask if Ofwat could provide proposed dates for future requests so we are able to forward plan and provide the best quality response we can.

## **2. Is there any additional information you think it would be worthwhile for us to collect?**

- As per our response to question 1, we would be able to provide a more detailed response on the current metrics and what additional information would help Ofwat if we understood in more detail Ofwat's objectives for the Information Notice.