

Response to consultation on 'Service for all – Ofwat's Draft Vulnerability Guidance for Water Companies Supporting Customers Who Need Extra Help'

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

I believe that risk-based definitions of vulnerability provide greater clarity about the service provider's responsibilities to the customer. This model suggests that the customer's circumstances and characteristics are not inherent causes of vulnerability, but instead that vulnerability is what occurs when a service provider fails to recognise and appropriately respond to those circumstances or characteristics. Being blind does not make someone vulnerable per se; but if a blind person's water company fails to provide bills in a format they can work with, that can create a vulnerable situation. George et al (2016) described it thus: "Company policies and behaviour can exacerbate consumer vulnerability or place someone at risk who was managing reasonably well previously."¹

A risk-based definition might read: "A customer who could be put in a vulnerable situation if their personal characteristics or circumstances are not recognised and appropriately responded to by their water company, as a result of which they are put at risk of detriment to their safety, their physical or mental wellbeing or their finances."

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

I very much support this use of language. Although understanding of 'vulnerability' has progressed significantly following the experiences of COVID, there is still a risk that the use of the term 'vulnerable' encourages 'othering'.

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

It seems sensible to apply a flexible approach to new appointees, although all service providers should be encouraged to put inclusive service at the heart of their customer experience from their first day of operations.

I don't have a view on the Welsh non-household sector.

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 What impact do you think our draft guidance will have on the experiences of customers who need extra help?

I regret the fact that Ofwat proposes treating 'financial' and 'non-financial' vulnerability under different regulatory mechanisms. As this consultation document acknowledges, there are a great many overlaps between these two sub-categories of vulnerability, and while I understand why many water companies consider the two issues under separate headings –

¹ George, M., Graham, C. and Lennard, L. (2016) *Consumer Vulnerability – Mainstream, not Marginal*. Leicester University School of Law https://figshare.le.ac.uk/articles/report/Consumer_Vulnerability_-_Mainstream_not_Marginal/10128158

and often address them through separate teams – I don't believe that Ofwat should reinforce this practice.

If you were to map all forms of vulnerability (or all vulnerability risk factors) on a Venn Diagram, the overlap between financial and non-financial vulnerability would be immense. To build on one example from page 8 of your consultation document, mental ill-health and well-being is frequently a contributory factor of debt and other forms of financial vulnerability; while many people who have problem debts develop mental health conditions. According to the Royal College of Psychiatrists, "One in two adults with debts has a mental health problem. One in four people with a mental health problem is also in debt. Debt can cause - and be caused by - mental health problems."²

My second concern about the proposed new framework is that in my experience, the water industry has become used to a highly prescriptive regulatory environment in which costs can be reallocated to customer bills in a fairly simple way. The move to principles-based regulation could be challenging for some companies, and customer operations leaders and consumer vulnerability specialists may find themselves having to argue to additional resources to create a culture of continuous improvement in support for customers in vulnerable circumstances. This will require strong support from senior leadership in water companies, up to and including board level, to ensure that vulnerability strategies are appropriately embedded and companies do not engage in a race to achieve minimum standards.

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

As Independent Chair of the energy supply industry's voluntary code for consumer vulnerability I must declare a vested interest here, but I firmly believe that voluntary industry codes like Energy UK's Vulnerability Commitment are an effective way of driving continuous improvement in support for customers who need extra help, not least because they promote exchange of best practice and help drive healthy competition in innovation. I have also been struck by the impact of the Financial Conduct Authority's Consumer Duty and the way it has focussed financial services firms on the treatment of customers who need additional support. This is an excellent example of Principles Based Regulation in practice, and Ofwat might be able to adopt some of the learnings from the FCA's experience in recent years.

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

I strongly feel that Ofwat should gather insights on company behaviour focussing on outcomes rather than inputs. For example, it is good to know the number of households which have been added to water companies' PSRs, particularly if this can be benchmarked against data from similar industries. However, the critical question is what services customers have received due to being added to their water company's PSR and – above all – what outcomes have resulted from this.

7. Do you agree that our draft objectives cover the broad areas of vulnerability support

² Royal College of Psychiatrists. 'Debt and Mental Health'. <https://www.rcpsych.ac.uk/mental-health/mental-illnesses-and-mental-health-problems/debt-and-mental-health>

activities that companies should be considering?

In my experience an effective vulnerability strategy is based on the '3 Rs':

- Recognising the need for additional services (which requires training customer-facing staff and preparing systems which use Artificial Intelligence, for example, not just to pick up on common clues such as a mention of health issues or a child crying in the background, but to equip them with the skills to identify and feel able to discuss a range of complex needs with the customer)
- Recording the customer's needs, or those of someone in the household served, however that insight is obtained (companies therefore ought to have mechanisms in place to capture insights obtained through home visits by engineers investigating leaks, meter installers and water efficiency advisers, including in conformance with the National Institute for Health and Care Excellence's Guideline 6³, and to ensure that this data is regularly refreshed according to GDPR principles)
- Responding to the customer's need for additional support, even if that isn't expressly catered for in the company's existing suite of services (companies should have a mechanism to allow staff to escalate requests to an appropriate level, and have systems in place for capturing and reviewing insights from customer-facing staff)

These three principles need to be applied in a corporate environment where there is a visible, senior Vulnerability Champion responsible for embedding the strategy and ensuring it is understood throughout the business – including, if not especially, the less customer-facing divisions.

I feel that this consultation does an excellent job of capturing these principles, with some strengthening needed around the role of leadership/vulnerability champions.

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

Unless indicated below, I agree with all of the proposed minimum expectations set out in the document,

1.1 I think accessibility, particularly around language and communication needs, is an overarching principle which should underpin all of the other expectations under this heading.

1.3 I personally don't favour the approach of offering direct compensation to customers for failures to provide extra help as I feel this introduces a transactional element into a form of engagement which should be based on trust.

1.4 and 1.5 I strongly support both of these points. 1.5 needs to be based on more than just satisfaction. In the past, water companies have been measured on how satisfied customers have been with the process of being added to the Priority Services Register. This is not a challenging standard – it is basic good practice for onboarding. I would like to see stretching criteria, underpinned by effective customer scrutiny and challenge. (Again, I must declare a potential interest as chair of an Independent Challenge Panel for a water company.)

5.1 and 5.2 I think these expectations require support from senior level vulnerability champions which is implicit in the consultation document but could benefit from further articulation.

9. Do our draft minimum expectations offer a good balance between making clear the

³ NICE (2015) 'Excess Winter Deaths and Illness and the Health Risks Associated with Cold Homes'
<https://www.nice.org.uk/guidance/ng6>

minimum standards we expect from companies, and challenging companies to innovate and find new ways to meet the needs of their customers?

I think more work may be needed on defining the minimum standards to create a safety net for customers, but I feel the balance is right.

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

I agree with the proposed approach. I am concerned that the timing could result in consideration of vulnerability strategies being drawn into the orbit of the wider PR24 process with potentially negative consequences. Would we be better able to discuss this objectively in (say) a year's time?

11. 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?

I support this approach and the suggested timelines. I strongly welcome the commitment to an outcomes-focussed approach and would emphasise again that volume is a necessary condition of a healthy PSR but not a sufficient condition – it's outcomes that matter most. Furthermore, there is a risk that PSR volumes driven by energy supplier data (and potentially data sharing with other parties in future) could result in an accumulation of data relevant to customers' energy needs but not their status as a water customer. As well as effective prioritisation of PSR needs codes, water companies should consider alternative sources of insight into the additional service needs of their customers.