



CCWater Cyclical Debt Assessments Overview 2014-15

1. Introduction

- 1.1 The Consumer Council for Water (CCWater) is an independent, non-departmental public body that represents the interests of customers of water companies and licensed water suppliers in England and Wales.
- 1.2 A significant area of CCWater's work involves ensuring water companies strike the right balance between collecting revenue effectively to minimise customer debt but remain sensitive enough for those customers experiencing financial difficulties.
- 1.3 Customer debt to water companies has increased over the last six years. The cost associated with unpaid bills is around £21 (£32 in Wales) a year for every household - up from £17 in 2009/10 (2014-2015 prices)¹. Water customer bills do not solely cover this amount. The price limits set by Ofwat ensure a proportion of the cost risk lies with the companies themselves.
- 1.4 We have worked with the industry and other stakeholders to address the issue of customers struggling to pay their water bills. Our customer research in 2010 found nearly all customers supported helping those experiencing financial difficulties in paying their bills. We worked with the UK and Welsh Governments on developing their guidance to companies on introducing social tariffs. As a result, fifteen companies have implemented social tariffs with a further four expecting to implement them in 2016/17.

2. Debt Assessment Process

- 2.1 Debt assessments support our work in ensuring company revenue collection is effective but fair for customers. CCWater visit companies and review a sample of 25 cases of household customers in arrears. The debt assessment considers whether the company:
 - has adopted the Ofwat guidelines 'Dealing with customers in debt' when developing their debt management processes,
 - debt process is flexible and takes into consideration customer circumstances;
 - has adhered to its debt procedure such as collection methods and timescales.
- 2.2 CCWater assessments score the cases on the agreed debt criteria. Assessment panels also take the opportunity to discuss with the company wider issues on its debt management strategies. We make recommendations on the cases and share good practice with the industry.

1. Affordability and debt 2014-15 Ofwat report http://www.ofwat.gov.uk/wp-content/uploads/2015/12/prs_web20151201affordability.pdf

2.3 We select companies for debt assessments on a cyclical basis with one company in each CCWater region per year. We contact the company prior to the assessment and randomly select a sample of household customer accounts in arrears with their water charges. The sample consists of accounts in arrears:

- longer than the current year,
- within the current year; and
- being dealt with by an external debt collection agency (DCA).

2.4 The assessment is carried out by Local Consumer Advocates (LCAs) supported by CCWater staff. We consider whether the company has adhered to its collection processes and collected revenue effectively based on the set questions.

2.5 We feed back our findings and recommendations to the company. Our feedback includes what the company does well and where we feel it could improve. We record our recommendations on a tracking sheet, which the company fills out and returns to us.

3. Outcomes from Debt Assessments

3.1 During 2014-15, companies we assessed highlighted the challenges they face collecting revenue. Economic conditions are placing a lot of pressure on many households to make ends meet. One of the biggest difficulties for companies is customers in arrears with their water charges not contacting the company.

3.2 We were pleased to see companies using customer information to tailor their collection processes through various communication channels including use of social media and other technology software. Overall, in the year, CCWater panels marked 72% of cases assessed 'good', where nearly all of the criteria on the questionnaire is met and we feel the company has dealt with the customer well. This is a lower score than previous years. Reasons assessment panels marked cases as 'needs improvement' were companies:

- not following their collections process, either by leaving long gaps between attempts to contact the customer or continually going through the same collection process with the same unsuccessful results;
- not following their collections timescales; and
- not using all appropriate methods to contact customers.

3.3 Companies evidenced good practice and initiatives in revenue collection to assessment panels but there was also evidence of some customers not responding to any company communication by post, telephone or email.

4. Good Company Practice

4.1 CCWater was pleased to see companies using different strategies and tailoring their collection processes to better suit individual customer circumstances rather than merely sending reminders and then court action.

4.2 Companies that did well in the debt assessments proactively gathered customer information when it became available, through telephone contacts and appointed visits with customers.

4.3 In the assessments carried out in 2014/15, assessment panels noted 30 areas of good company practice, which included:

- companies advising and sometimes referring customers experiencing financial difficulties to the Stepchange charity;
- an information pack to customers giving advice on all possible assistance schemes rather than an advisor discussing individual initiatives;
- an online webchat forum where customers can discuss debt issues anonymously;
- companies contacting the Department of Work and Pensions for direct customer payments, being flexible with payments from monthly to weekly if it suited the customer better; and
- a company raising awareness at a university in its area through posters and leaflets so students are advised of their liability to pay water charges.

4.4 Previously, companies based revenue collection on an individual customer's payment history, styling reminders and timescales from customer payment habits. Our assessment panels noted companies are now using computer software to identify customer demographic groups and using information when customers make contact to gain a better understanding of their circumstances. In some of the cases assessed, we found that companies were adapting their collections to the particular needs of a customer, such as telephone contact or text and continuing with that approach for future billing.

5. Assessment Panel Recommendations

5.1 CCWater's assessment panels made 25 recommendations to companies. Companies take on board our assessment panel recommendations, often when they review their processes and literature. A selection of these recommendations were:

- the company make better use of contact time when speaking to customers to see if they would be better off on a meter or available for other assistance;
- companies including its debt code of practice to customers when

- sending reminders;
- more proactive on site visits enabling companies to know the customer issues better and offer advice;
- including a 'how did you hear about this' on customer assistance schemes so companies get a better understanding on the best way to reach customers;
- making personal calls rather than use of auto call and call back if there is no customer response;
- consideration of working with Stepchange, Money Advice, CAB or other free national debt advice agency (for those companies not using them).

6. Conclusion

- 6.1 Rising consumer debt has been a growing problem in the water industry. Debt assessments allow CCWater to review company revenue collection and ensure they take into account the needs of customers. As a consumer body, we want to see companies strike a good balance between effectiveness but to also help customers when they are experiencing financial difficulties.
- 6.2 Debt assessments provide CCWater with a good insight into how company collection policies and procedures work with their customers. We are pleased that companies are adopting positive customer orientated initiatives and we welcome the opportunity to provide input into this area of work through our recommendations and in the sharing of good practice across the industry.