

CONSUMER COUNCIL FOR



CYNGOR DEFNYDDWYR



# **CCWater Cyclical Debt Assessments Overview**

**2018/19**

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| <p><b>1</b></p>  | <p><b>Introduction</b></p> <p>Revenue collection is a core part of service between water companies and their customers. With good administration, effective communication with customers and identifying and assisting those that need help, companies can maintain customer goodwill and reduce their collection costs. If companies do this poorly then its revenue reduces, customer complaints increase and the customer goodwill is lost.</p> <p>As the body that represents water customers in England and Wales, ensuring companies collect revenue effectively but sensitively is an important area of our work. There is a fine balance between companies being effective and overbearing.</p> <p>Our assessments involve us visiting the company and reviewing a sample of 25 customer accounts in arrears.</p> <p>It is not CCWater’s role to tell companies how they should collect customer debt. However, our debt assessments provide companies with the opportunity to receive our feedback and recommendations. As we assess all companies over time it also gives us the chance to share good practice with the industry.</p> <p>This report provides an overview of the debt management assessments we carried out in 2018/19.</p> |
| <p><b>2.</b></p> | <p><b>The Debt Assessment Process</b></p> <p>We select companies on a cyclical basis with one company from each of the regions CCWater covers. The Wales committee assess both of the companies in their region under a local agreement.</p> <p>Before the assessment companies provide a list of accounts in arrears and we select:</p> <ul style="list-style-type: none"> <li>• five in arrears from the current year,</li> <li>• fifteen with arrears greater than a year, and</li> <li>• five which the company passed to an external debt collection agency.</li> </ul> <p>For the companies that do not use an external debt collection agency we assess twenty accounts with arrears over a year old.</p> <p>In addition, companies also provide details of their collection strategies and timescales, and updates on previous recommendations our assessment panels have made. We discuss this information with the company on the day of the assessment.</p>  |

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|           | <p>CCWater staff and LCAs (assessment panels) review the 25 household customer accounts in arrears. The panel considers the collection process and marks them either as ‘good’ or ‘needs improvement’ based on a set of standard questions.</p> <p>The assessment questions whether the company has:</p> <ul style="list-style-type: none"> <li>• adhered to its collection timescales and processes;</li> <li>• used different strategies and techniques to contact the customer;</li> <li>• used appropriate methods to contact the customer; and, considered the customer circumstances once they have made contact.</li> </ul> <p>Companies can appeal any account the panel marks as ‘needs improvement’, which is then reviewed by a Chair or LCAs from another region.</p>  |
| <b>3.</b> | <b>Company Performance</b>   |
|           | <p>In the year we saw mixed results from the companies. Some had modernised their processes, interacting with customers in several ways and focussing more on opening communication with their customers. Other companies were using more the more traditional collection route of bill, reminder, second reminder, threat of court action and then back to a bill.</p> <p>It is not CCWater’s role to tell companies how they should collect revenue but the companies adopting new strategies received higher scores.</p> <p>On some occasions, it was not clear what strategy the company was chasing as they lacked an ‘endgame’. A customer’s account would get into high arrears and the company had no strategy on what to do next.</p> <p>All of this was on the backdrop of a very challenging time for the water companies with many customers struggling to make ends meet. Companies were trying to get in touch with customers but the customers were not responding.</p> |
| <b>4.</b> | <b>Good company practice</b>   |
|           | <p>Over the ten years CCWater has been assessing company debt management, we have picked up many areas of good company practice. Many of which became the norm over the years. This continued in 2018/19 with 14 areas of good practice identified by our panels. Some of which were broad such as the quality of responses and using litigation as a last resort. Other good practice included:</p> <ul style="list-style-type: none"> <li>• Signposting customers to assistance schemes even at the early stages;</li> <li>• Including pension credit for social tariffs;</li> <li>• A text to pay initiative;</li> </ul>  |

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|           | <ul style="list-style-type: none"> <li>• A dual billing initiative for unmeasured customers where the company would install a meter at a customer who paid unmeasured charges to show the potential savings;</li> <li>• Not further using the word ‘debt’ in correspondence;</li> <li>• Not using financial amounts for the reminders; and</li> <li>• A short term payment holiday.</li> </ul>   |
| <b>5.</b> | <b>Assessment panel observations</b>   |
|           | <p>No two companies collect revenue the same. Probably one of the bigger disappointments in the year was some companies showing little innovation beyond paper based billing. On a more positive note, other companies were trying new things and adopting other traditional methods like doorstep visits.</p> <p>It has been pleasing that companies are not relying on courts. Credit reference agencies provide useful information for companies to check the customer background or record their bill payments.</p> <p>Unfortunately there remained the previous problems of companies too slow in identifying their customers and even customers entering and vacating a property before the company knew who they were, especially for rental properties.</p>  |
| <b>6.</b> | <b>Assessment panel recommendations</b>  |
|           | <p>Where the opportunity arises, our assessment panels will share good practice with companies. If we feel a company could be doing something better then we make recommendations to the company.</p> <p>In the year there was a mixture between broad recommendations and those which were more specific.</p> <p>Below are examples of more specific assessment panel recommendations:</p> <ul style="list-style-type: none"> <li>• Adopt a better strategy for dealing with the long-term debt.</li> <li>• When a customer contacts, use the opportunity to keep in touch with them.</li> <li>• Monitor occupancy of properties better, although the panel appreciated that there would be a lot of transitional occupancy.</li> <li>• Look to using more contact channels such as visits or texts.</li> <li>• Consider more visits to customer properties to confirm occupancy or begin more direct dialogue with customers.</li> <li>• Avoid delays when considering next steps as there were some gaps.</li> <li>• Avoid pushing customers back into the system when they default, consider introducing some manual intervention.</li> <li>• Consider an alternative to recycling the process from bill to reminder and then back to bill again.</li> </ul> |

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|           | <ul style="list-style-type: none"><li>• Gain more information from those customers struggling to pay or signpost customers to available assistance.</li></ul>   |
| <b>7.</b> | <b>Conclusion</b>   |
|           | <p>What may suit one company might not suit another. However, there was a wide gulf between some companies in how they dealt with customer debt. For some it was the need to modernise their processes. Revenue collection can be a costly exercise but done well it can bring multiple benefits such as customer good will and cost savings, especially when companies do not leave contacting customers too long.</p> |