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FAO

OFWAT

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Response to the OFWAT Consultation

Auriga is one of the UK's leading providers of services to people in financial difficulty. Our principal aim is to support people struggling with bills who are in a vulnerable situation and water affordability is central to this. We are charity owned and operate as a Public Benefit Entity.

One important service we provide is the administration of three of the largest water charitable assistance schemes in England and Wales. Alongside this we work for water and energy companies directly helping to identify and support consumers in vulnerable situations. We also administer water company social tariff schemes which have led to successful outcomes for thousands of low-income households.

Our role is critical to addressing both water and fuel poverty; we work on a range of UK wide advice and financial support schemes – and offer learnings and insights in these services.

Auriga welcome the opportunity to respond to the OFWAT consultation on guidelines for water companies in supporting residential customers pay their bill, access help and repay debts.

Yours sincerely

Mark Abrams

Chief Executive

Background: Auriga

Our response to your review builds on the insights from the core programmes of activity our business provides:

1. The work we do on behalf of the independent water charitable trust funds for Severn Trent, Thames Water and United Utilities to enable households in vulnerable situations to access extra assistance.

Annually we:

- Administer the provision of £10.5 million of awards and grants to repay customers water bills, provide essential household goods and cover fees for bankruptcy and Debt Relief Orders.
- Receive and assess over 33,300 applications for assistance from households who are struggling with paying their water bills.
- Help 13,500 households with water grants and assistance to allow them to pay off debts and manage their money.
- Deliver transformational impact; based on past independent evaluation, we estimate our annual water assistance and awards create £3.06 of added value per £1 invested¹. £32m of added value in terms of the positive contribution made to society. Principally, this value arises from securing key improvements in financial wellbeing, physical and mental health and housing outcomes for customers. Our surveys tell us 76% of recipients of help are able to meet future water charges after accessing extra assistance with water bills.

2. The affordability services we provide for water companies to help people struggling with their financial commitments.

We promote social tariffs, engage hard-to reach groups and make assessments on household eligibility for different schemes. Schemes administered by Auriga have supported over 2 million people since 1997.

3. Our portfolio of hardship and crisis services, delivered for charities, local authorities, the NHS and the energy sector.

COVID-19 has created the biggest socioeconomic crisis of a generation. Through 2020 and into 2021 there has been unprecedented demand for our emergency support work and services; and in response we have shown an enormous drive to address food, water and fuel poverty.

- In November 2019 we provided 1,148 emergency fuel vouchers to people in fuel poverty. Over a year on, in February 2021 the number of emergency fuel vouchers and payments we provided increased to 13,117 equalling over £700,000 in assistance towards the cost of fuel; an increase of over 1000%.

¹ Social Return on Investment report produced by Ecorys - <https://www.aurigaservices.co.uk/impact/media-centre/>

4. Our advice services for vulnerable groups

We provide holistic support for people with complex vulnerability risks and multiple debts. Our independent money, income maximisation, debt and energy advice ensures households are well supported when struggling to pay.

Recognising that engagement routes must be varied, we operate a mix of channels to meet different needs; our services can be accessed from healthcare settings, on national helplines, online platforms and in local community hubs always seeking to address wellbeing, financial vulnerability and poverty. Our advice directly increases people's income, enabling them to feel in control of their lives, provide financial comfort and relief from financial stress and enabled greater of confidence as people regain a sense of planning and management of their own lives.

Annually we:

- Receive 3,720 individual referrals for independent welfare and debt advice - where it has been identified that the customer is struggling with a wider range of bills and credit commitments.
- Enable greater financial security for some of the most vulnerable in society; for example, the average gain in income for seriously ill patients provided with in-depth advice in NHS renal wards is £5,688 per person.

5. The innovative work we undertake, collaborating with partners to turn challenges into opportunities

Our vision is to create three million healthy homes by 2030 and we are pro-active in our work with the utility sector to help achieve this:

- For five years we have catalogued and published a free *National Help with Water and Energy Booklet*. The publication, on our website www.aurigaservices.co.uk is aimed at frontline money and debt advisers. Utility companies recognise that frontline advisers support millions of people who fall behind with bills; in October 2020 we worked with twenty-seven energy and water suppliers to get the latest information on their support schemes including different forms of Covid-19 assistance.
- To improve the identification of vulnerability, we offer the UK's first fully integrated and independent Priority Services Register (PSR) portal. Our new portal was launched in 2020 and provides all utility companies with a single platform to keep up-to-date with their customer needs making PSR registration faster and smarter than ever before. We launched the portal as part of our objective to see better engagement and support for vulnerable consumers in the energy and water industry.
- In April 2021, Auriga launched an online consumer facing website, Ask Bill. Ask Bill provides – for the first time ever – information on schemes and tariffs offered across the water and energy sector to support customers in vulnerable circumstances. The site also has tools for customers, empowering them to look for ways to improve their situation. Self-help tips and techniques are provided to reduce energy consumption and also information about where to find additional support.

1. Do our guidelines strike the right balance between offering sufficient protection and support for individual customers, while allowing companies flexibility to recover revenue for the benefit of all customers?

We believe that the guidelines predominantly do strike the right balance, and in particular Auriga recognises that the use of data analytics can predict a change in circumstances. A tailored and targeted data driven approach, offering the most relevant solutions in the first instance, will reduce stress and effort by the customer, improving levels of engagement, and subsequently improve payment behaviours.

By taking steps to identify those customers who may be at risk of falling into debt, early intervention can reduce the accumulation of arrears for those customers at risk of financial vulnerability. These preventative measures would be beneficial for all water customers, as the additional costs associated with water debt and recovery would not be passed onto other customers.

Additionally, we believe that proactive engagement with customers to both demystify and simplify water bills should give them a far more concise understanding of their water charges, empowering them to ensure that the bill is accurate and to better manage their water usage.

We concur that by leveraging input and data from partner organisations and stakeholders, such as local authorities, charities, job centres and the DWP themselves, it will allow for localised targeted support to be given to individual communities who are facing unique difficulties; such as large-scale redundancies.

In instances where either an individual, or even an entire community have been identified as enduring an income shock, the use of a discretionary emergency social tariff as a preventive measure would again ease the risk of arrears build-up, whilst also managing the overall cost to serve.

From our experience, we know that signposting and encouraging customers to seek support to review their income and expenditure, including benefit entitlements, via a third party can make their water bill affordable. Third party money advice can provide customers with the support to identify and apply for grants and social tariffs, which combined with using a Standard Financial Statement can determine areas of monetary improvement. Where needed, specialist debt advice can help customers to better manage their historic debt, and to consider options such as debt management plans and even insolvency where appropriate.

The support provided by water companies should be specific to the customer need, and be designed to aid success, such as agreeing to an affordable payment plan rather than one that the customer will struggle to meet. The way to do this is through listening to the customer, or using a third party to assess their position and agree maintainable payment plans, which will ensure longevity and reduce collection costs in the long term.

Companies can depart from the guidelines if they are able to clearly demonstrate the reasons as to why, and this variation would allow companies to collect debt from customers who have the ability to pay. However, the key to this is ensuring that the decision is founded on accurate information and data, which is the ultimate difference between can't and won't pay.

We support:

- Reacting quickly to change in circumstances and income shock, to prevent a build-up of debt.
- Using partner organisations to work with customers – and to reach out to them.
- Using behavioural science to use the right approach to contact customers proactively and to increase the level of engagement.
- Pursuing customers who have an ability to pay if their ability to pay can be demonstrated via credit checks or other data customers. Being pursued fairly to enable quick debt collection.

- Providing more customer options as part of the overall strategy
- Being understanding and empathetic to a customer's individual circumstances
- Keeping customers informed via a variety of suitable media channels
- Offering support and guidance to improve understanding
- Signposting customers to receive money, budgeting, debt and income maximisation advice.

Some food for thought: Why bill at all?

If a customer demonstrates no ability to pay, why not remove them from the billing cycle? Doing so would not only reduce the cost to serve as there would be no bills, notices or collection activity, but also alleviate the stress on the customer; and this could be verified via an independent third party and reviewed annually to monitor their situation.

2. What impact do you think our guidelines will have on customer experiences in terms of payment, help and debt?

A positive impact, as they will ensure that companies offer:

- Flexibility to changing circumstances, enabling customers the choice to pay when and how they want; this help will then assist customers to maintain good payment behaviours
- Understanding of individual circumstances, not using a one size fit all approach

We feel that the guidelines will increase the number of customers on the right support tariff, strengthening the confidence in the company; whilst also improving support tariff numbers for the wider water sector. Furthermore, by engaging customers early in the recovery process it will prevent debts from building, and improve the customers' ability to pay negating the need for a support tariff or additional support.

Ensuring access to payment facilities is paramount, in particular in rural locations as methods are often limited, and can incur additional charges such as post-office fees which are not viable for a customer already financially struggling.

By providing customers with a variety of additional payment options and methods it reduces the risk of excluding individuals who may be disadvantaged by the digital divide, or conversely help those are unable to access or utilise traditional physical payment methods or locations.

In our experience customers in receipt of welfare benefits can find budgeting difficult, particularly due to the varying frequency of the payments received from the DWP; it can be weekly, fortnightly, four weekly or monthly depending on the benefit. By enabling customers to pay their water charges in bitesize instalments, at a frequency which correlates with them receiving their DWP benefit payments, we believe that it will aid both the customers' ability to budget and to maintain good overall payment behaviours.

Companies providing additional support for customers in the form of money and/or debt advice will greatly improve the customers perception of the industry. This level of holistic support will have a wider impact on the customers financial stability, health and well-being. An holistic approach is proven to have a significant social return on investment, benefitting wider society.

3. Are the minimum service expectations set out in the guidelines appropriate? Do any need to be added, removed or changed?

1.13, *Digital payment options* – supporting customers via digital channels is the right approach but must not increase charges for customers in order to achieve this as this could push more customers into water poverty.

1.31, *Make payment help and debt services inclusive by design* – it is vital to design the services around the customers’ demands, and not to assume what the customer would like.

1.33, *How a customer’s ability to pay affects their service experience* – consideration should again be given to individual needs when determining their ability to pay, with realistic outcomes and expectations set. Support with debt should include minimum levels of help offered to customers facing financial difficulty, and should be consistent across the entire water sector.

4. How can we encourage consistency of approach across the sector?

The lack of consistency between companies in terms of support for financially vulnerable households is a weakness in the sector. Therefore, we feel that best practice for delivering minimum service standards should be periodically shared between water companies.

The access to and use of data across the sector limits the ability of companies to react quickly and/or predict changes in a customer’s financial situation. We support an improved approach across the sector utilising various data sources and in how the data is analysed and the decisions it drives.

A national social tariff (as proposed by CCW in the recent affordability review) which meets the minimum requirements and negates the current postcode lottery will aid consistency, but companies must still go further and add additional layers of support at their own discretion.

A national customer resource portal could be developed, detailing the minimum help which they can expect from their water company when encountering financial difficulty. From a customer perspective a central resource point could also help to alleviate a ‘postcode lottery’ when accessing or identifying the support available.

5. Our expectations for companies to 'Show customers how their views on billing, payment and support are encouraging improvements to services' (see expectations 1.24 to 1.30) include companies reporting on the findings of their customer research. We would welcome views on whether this is appropriate – and (if so) the format and frequency.

We believe that it is absolutely appropriate and would especially encourage water companies to find a way to hear the feedback from hard to reach rural customers whose challenges may be very different from those living in urban areas.

Companies should make use of partners to give the customers’ point of view, and to actively be the voice of the customer, particularly for customers in vulnerable circumstances and hard to reach.

Utilising already established community networks who work with isolated and vulnerable customer cohorts to provide a ‘before’ and ‘after’ customer base can further provide an insight into the improvements and their effectiveness.

In addition, revisiting customers who have previously made complaints, and were unhappy with previous billing, payment or support issues, will ascertain their views following new the improvements being implemented, and help to capture their suggestions for continuous improvements.

6. We have had feedback and received customer testimonies that companies can sometimes quickly move from payment prompts to debt recovery action. Should companies give three prompts rather than two (see expectation 4.9) for customers to contact their company?

In some circumstances, this would be best – it is key to consider the customer’s previous payment history when contemplating recovery action, as it may also be a trigger for recent financial difficulty, hardship or vulnerability.

Ideally customers should be directed to money and debt advice, either in the form of a scheme already established and supported by the water company, or to the free advice sector. This would be particularly relevant during the 60 day ‘breathing space’ obligation period, and would assist the customer to be proactive in addressing their debt issues.

We believe that recovery action should only be used when all other avenues such as trust funds, charities, social tariffs and money advice have been explored, and that the move from payment prompts to debt recovery should only be implemented in instances where the customer has the means to pay.

7. We would also welcome views on whether companies should send prompts by different means to avoid errors in contact details causing customers to fall into debt unnecessarily.

Data and payment behaviour should be used to decide on the right course of action to be taken and at what speed, should be intrinsically linked to the way in which water companies contact and prompt the customer.

Their ability to pay should be considered:

- If a customer has the ability to pay then they can be moved through the notification system more quickly.
- If a customer shows signs of vulnerability then amend the action – make it softer and provide potential support options; give time to the customer to seek support from advice agencies, and further time for grant and social tariff applications to be processed.
- If a customer suddenly stops paying but previously had a good payment history, then try to establish why the sudden change (job loss, bereavement, illness) and offer solutions, which may include sending an additional letter prior to notices being issued.

Consideration should also be given to a suite of letters and communications which can be tailored to the customer’s circumstances, the wording should be dictated by the customer’s previous payment history and data driven to ensure the right letter reaches the customer at the right time.