



Financial Vulnerability in the Covid Pandemic

An Auriga Services Round Table

On 16th November 2021, Auriga Services hosted a roundtable with 29 leaders from water and energy companies, regulators, government and charities, to discuss financial vulnerability in the Covid pandemic, and how our understanding of the issues has changed since the last round table in the spring of 2021. This document outlines the key discussion points from that round table. Hosted by Steve Crabb on behalf of Auriga Services.

Key Conclusions:



There was a strong feeling that the 'storm' has now hit thanks to a combination of falling incomes (particularly the £20 a week cut in Universal Credit) and rising prices in energy and other services, with a significant increase in customers asking for help from water and energy firms and charities



The failure of many energy companies has exacerbated the problems faced by customers in financial hardship, increasing costs now and in the future and potentially resulting in the loss of valuable data about customer vulnerability



Energy suppliers have been doing good work through the Energy UK Vulnerability Commitment, energy networks through research into customer needs and the use of data to identify those at risk, and water companies through driving big increases in the number of customers on social tariffs



We may not see the wider impact of COVID on debt levels for some time, as other customers have not yet reached crisis point



The approach the Welsh Government is taking to their winter fuel hardship programme is welcome. This feels more effective than the approach in England



The Energy UK Vulnerability Commitment has helped increase capacity in the charity/third sector, but more needs to be done



GDPR continues to be a brake on collaboration, but the proposed uniform social tariff for water could be a game changer

Presentation 1: Citizens Advice Research into the Impact of COVID



citizens
advice

Abby Jitendra, principal policy manager in Citizens Advice's energy retail team, reported on the organisation's latest report into the impact of the pandemic on people in vulnerable circumstances, '[The Coming Storm](#)'

Citizens Advice surveyed a representative sample of the general public on the impact of COVID. They found that financial hardship had been felt unequally during the pandemic; some people had managed to increase their savings as a result of going out less and working from home, while others – particularly people with disabilities, ethnic minority people, carers and the self-employed – saw their disposable income fall.

This was supported by evidence from calls to Citizens Advice seeking advice and help; while protections like furlough and the uplift in Universal Credit were in place, there was no increase in calls regarding debt or self-disconnection, but once the protections were removed, and supplier failures began to rise, both types of calls increased.

Looking forward to the current winter, Abby highlighted a number of concerns, including:

- More customers are expected to be struggling to pay their energy bills, with the situation likely to get worse in April when the price cap is next due to be reviewed.
- Customers who were with suppliers who have exited the market have seen their energy prices rise by around £30 a month on average as a result of being switched from lower cost tariffs with their old supplier to the standard variable tariffs of the new supplier.
- The socialised cost of supplier failures will also be passed down to all customers from April 2022 onwards, adding further to rising costs.

Citizens Advice is currently conducting two pieces of research to better understand the impact of these changes and volatility in the energy market generally.

- Significant minority of people continue to be disengaged and/or digitally excluded, and therefore unable to participate in the market fully. Although the number of people who are digitally excluded has fallen during COVID, the impact on those who remain on the wrong side of the digital divide can be severe.
- Poor practices continue among some of the energy suppliers who have not signed up to the Energy UK Vulnerability Commitment.
- "It doesn't take a genius to know that if you take away £20 a week from someone on a very low income and you raise their energy bills significantly, they're going to find it really challenging to pay their bills."

On the plus side, Abby reported that:

- Responsible suppliers had worked hard to ensure customers in vulnerable circumstances were supported.
- Ofgem and BEIS had responded positively to Citizens Advice's call for continuity in Warm Home Discount and debt repayment support for customers who switch as a result of supplier failure.

She urged suppliers to communicate proactively with customers in this coming winter and to use a supportive tone, and also to offer a full range of support to customers, including additional prepaid credit repayment plans, debt pauses and write-offs and referrals to third party support.

Presentation 2: Commission for Customers in Vulnerable Circumstances



Steve Crabb, independent chair of Energy UK's Vulnerability Commitment, explained the background to this new voluntary commitment for suppliers and what it had achieved in its first year of operation (www.energy-uk.org.uk/our-work/retail/vulnerability-commitment).

The commitment was one of the recommendations of the independent Commission for Customers in Vulnerable Circumstances, chaired by Lord Whitty, which looked at how energy suppliers could drive continuous improvement for customers in vulnerable circumstances. It replaced a number of existing voluntary codes which were limited to the 'Big 6' legacy suppliers and focused on minimum standards rather than continuous improvement.

Participating suppliers agree to 14 specific commitments, including having a vulnerability champion at board level or equivalent, offering non-premium rate phone numbers for all customers and freephone numbers for customers in financial hardship, funding charities or other third parties and doing research to understand the needs of customers in vulnerable circumstances.

Highlights from the first year of the commitment included:

- 14 suppliers signed up to the commitment (two of whom have since exited the market), representing over 70% of households in Britain.
- All suppliers who signed up demonstrated their compliance with the commitment, some after agreeing to action plans to close gaps in their compliance.
- The number of companies who used High Court Enforcement Officers to enforce the fitting of pre-payment meters or who disconnected residential customers in the audited period is small (four and two respectively) – more companies have policies against using these measures than actually use them.
- Larger suppliers were continuing to operate major programmes to support customers in vulnerable circumstances, despite huge pressures on cost to serve as a result of the price cap (and more recently soaring wholesale gas prices).
- Many smaller suppliers partnered with charities and other third parties for the first time as a result of their participation in the Vulnerability Commitment; others had no prior history of doing research with customers with lived experience of vulnerability before signing up.
- All participating suppliers offer a range of channels for customers to communicate with them, in addition to phone lines, and the number of channels is increasing steadily.

A number of sources of concern were identified, including:

- Some suppliers do not make it easy for customers to find their freephone numbers, which could discourage customer disclosure.
- Some suppliers which are compliant on the phone lines commitment have started offering lower cost, digital-only tariffs which are particularly attractive to customers on low incomes, but which require customers to self-serve/ manage all of their business online. This could be a problem for customers in vulnerable circumstances who are unable to find the support they need. All of the suppliers concerned said they would accept calls in such cases, regardless of what the customer's contract says.

Key Points from the Discussion

Has the storm now hit?

- Utility firms have seen a sharp escalation in the number of customers asking for help – particularly energy customers on pre-payment meters.
- The number of customers experiencing repeat crises, such as dipping into emergency credit, is also increasing.
- One of the biggest challenges for utility companies is finding the right tone of voice in speaking to customers who are struggling financially, whether that's on the phone or through outbound communications. It is particularly important to support customer-facing staff at this time, but they respond well to the right training and toolkits, including organisations to signpost to.
- The pressures facing customers are not just limited to the energy market – prices are increasing in food, transport and other markets. This raises fundamental questions about where the boundary of responsibility for customers in vulnerable circumstances lies between the state and service suppliers.
- Capacity building among charities and other third parties who provide a network of support for customers in vulnerable circumstances is critical, and more needs to be done in this area (including in the provision of free to access debt advice and guidance).
- The impact of energy supplier failures may not be clear for some time. Customers whose suppliers exited the market in August are still not all up and running with their new suppliers, so the risk of bill shock from three or four months of unbilled energy consumption could be serious, in addition to the issues highlighted by Abby and Citizens Advice.
- There is also the risk of data being lost when a customer is transferred from one supplier to another; although PSR information should be held by their DNO, information on Warm Home Discount and any bespoke flagged vulnerabilities will not transfer.

Potential solutions

- The Welsh Government's winter fuel hardship scheme (gov.wales/winter-fuel-support-scheme) was welcomed. The Welsh Government has taken its share of the £500m Household Support Fund and distributed it in a very targeted way. England's share of the money has been given to individual councils to distribute, resulting in more of a postcode lottery.
- There may be a case for considering radical and innovative alternatives such as a minimum basic income, minimum utility allowances or taking some customers out of the market.
- Modelling on the impact of COVID on communities in East London and the South East suggests that the working poor are particularly affected. Are we at risk of overlooking this group given the current proxies that are commonly used to identify people in vulnerable circumstances? And are there other groups who are frequently overlooked, such as the rural poor and those who don't claim the benefits they are entitled to?
- The industry body for water – Water UK – has agreed a Public Interest Commitment on water poverty which says:

“Make bills affordable as a minimum for all households with water and sewerage bills more than 5% of their disposable income by 2030 and develop a strategy to end water poverty. This requires a package approach tailored to local needs, including measures such as helping customers to be more water efficient, providing social tariffs and additional forms of financial assistance, and working with other organisations to support customers in vulnerable circumstances.”

- The Consumer Council for Water (CCW) has proposed a new, uniform social tariff for all customers in water poverty across Britain, funded by a levy on all bill-payers and designed to eradicate water poverty. The response to this has been positive from both the industry and from government. Modelling is now taking place to firm up the proposals. The tariff would require data sharing with government departments to identify those customers who are eligible, using the provisions of the Digital Economy Act.
- Some of those energy companies which have exited the market provided minimal support for customers in vulnerable circumstances. Consolidation could be an opportunity to raise standards generally.
- Auriga Services' guide to support available from energy and water companies is a really helpful resource: [View the guide](#)
- GDPR remains a problem which is frustrating greater collaboration. However, a water company in the South East has been doing interesting work on data sharing with local authorities and other organisations to drive up the number of customers on their social tariff, using the protections afforded by the Digital Economy Act, and is now talking to other water companies about their learnings.
- We could be making better use of smart meter data to identify customers at risk, and to share that information across industries.
- The creation of some form of dedicated flag for financial vulnerability, to be shared between energy suppliers, networks and water companies, feels like a logical next step, particularly if water companies were to identify all customers in water poverty thanks to data sharing with government departments.
- Energy networks are doing innovative work, often involving AI and big data, to try to identify customers particularly at risk. We should hear more about this work over the coming months.
- Citizens Advice has produced a report on data sharing and support for customers in vulnerable circumstances: [Read the report here](#)

Identifying those in need and sharing data

- Both energy and water bills can be potential lead indicators for identifying customers who are struggling. Water is often referred to as the first debt that people get into and the last they get out of, as the consequences of non-payment are perceived as less serious than for energy, financial services, Council Tax or TV Licence. Non-payment can therefore be indicative of mounting financial difficulties. However, income shock is more likely to be flagged by energy self-disconnection if the customer is on a pre-payment meter. Collaboration between energy and water companies – and between utilities and charities and other third parties that can provide help – is therefore critical.

“The Energy UK Vulnerability Commitment has driven a measurable increase in partnerships between energy suppliers and the charities and third parties that provide a vital safety net for the most vulnerable households in our society”
