

# **Citizens Advice response to CCW's independent review of affordability support for financially vulnerable water customers in England and Wales**

December 2020



# Introduction

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Citizens Advice provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination. From 1 April 2014, Citizens Advice took on the powers of Consumer Futures to become the statutory representative for energy consumers across Great Britain.

The service aims:

- To provide the advice people need for the problems they face
- To improve the policies and practices that affect people's lives.

Citizens Advice is a network of nearly 300 independent advice centres that provide free, impartial advice from more than 2,900 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particularly dispersed groups.

We give advice to people through our network of local Citizens Advice and through our national consumer service helpline. Between these 2 services, last year we advised over 130,000 people, solving 100,000 problems. Over 25,000 people saved money because of our advice. We also offer specialist support to the people who need our help most through the Extra Help Unit, where we dealt with over 15,000 cases.

Since April 2012 we have also operated the Citizens Advice consumer service, formerly run as Consumer Direct by the Office for Fair Trading (OFT). This telephone and web chat service covers Great Britain and provides free, confidential and impartial advice on all consumer issues.

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## Summary

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We welcome the opportunity to respond to this consultation. As the statutory representative for energy consumers across Great Britain, our response is informed by our insight from providing advice to people through our network of local Citizens Advice and through our national consumer service helpline.

Water is an essential service. In the 12 months to July, Citizens Advice had advised over 74,000 people in person, by phone or by email about water supply and sewerage debts, and the relevant advice pages had over 220,000 unique web page views.<sup>1</sup> Our data shows that the most common reasons people come to us for advice on water are those that impact their household finances. This mirrors the trend in written complaints by household customers to water companies, where over half are about charging and billing issues.<sup>2</sup>

The pandemic is likely to make affordability challenges greater for many. We have estimated that 6 million UK adults have fallen behind on at least one household bill during the pandemic and half of these have fallen behind on water bills.<sup>3</sup> The impact of these debts on people's lives is significant. In energy we found that people using prepayment meters (who are often the most financially vulnerable) are cutting back on essentials and limiting their energy usage to stay on supply. Our polling found that 38% of people turned down their heating to uncomfortable levels during the first month of lockdown, the same as had done so at least monthly over the past year.<sup>4</sup>

As well as the impacts of COVID-19 on people's finances, another key factor in affordability is the price people pay for their water bills. We recently submitted a version of our report, [Redetermining Water](#), as evidence to the CMA's redetermination of Ofwat's PR19 price determination in June 2020. We did this for 2 reasons. Firstly, because of the impact these decisions on water bills will have on household finances for at least the next 4 years. Water companies are monopolies and consumers are unable to switch providers to reduce their costs or get better service. Secondly, because the CMA's decision on these appeals will set an important precedent for other sectors such as energy where we have a statutory role. We think it's vital that the CMA minimises consumer costs while providing a fair return for investors in relation to water.

We recognise there is a range of affordability support for water customers by their providers, but it isn't working well enough. WaterSure and social tariff

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<sup>1</sup> Citizens Advice (2020) [Redetermining Water](#)

<sup>2</sup> <https://www.discoverwater.co.uk/complaints>

<sup>3</sup> Citizens Advice (2020) [Lockdown debts](#)

<sup>4</sup> Citizens Advice (2020) [The end of the beginning](#)

schemes for water reach only 260,000 households, whereas in energy the Warm Home Discount scheme reaches around 2.2 million households.<sup>5</sup> The system for accessing support is complicated and inefficient, with different eligibility for social tariffs at different companies and application processes that can be off putting for the people who need support most. We would like to see a simpler customer journey for accessing support across all essential services. As in energy, we think there is scope for greater use of data matching to provide support for people struggling to pay water bills.

Finally, we also note that for water consumers with water meters, reducing consumption will also play a role in improving affordability, as well as meeting other objectives on sustainability and the net zero transition. It's important for people who need support to be offered meters alongside financial support, where these will see their bills further reduced. Ongoing support and advice can help people with meters continue to save water. Protection from high costs for people with water meters who are unable to reduce their usage (as currently provided through WaterSure) is also vital.

## Response

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**1) What works well in terms of the current arrangements for supporting households that struggle to pay their water bills?**

**2) In what ways could the approach to supporting financially vulnerable households in the water sector be improved?**

We're pleased that support mechanisms in the water sector, such as social tariff schemes, support a broad range of households, including those on low income. However, the current arrangements can mean that people miss out on support. They can be confusing for both consumers and advice providers and other third parties, with an array of differing schemes in each area. And the schemes rely on people being aware of support and having the time and capacity to apply for it.

We think customer journeys for people accessing support with essential services should be much simpler, and rely on sharing between government and providers, and between providers in different sectors where possible and in line with data protection rules. We've called for a government-led taskforce to look at these issues and propose improvements.<sup>6</sup>

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<sup>5</sup> National Audit Office (2017) [Vulnerable Consumers in Regulated Markets](#)

<sup>6</sup> Citizens Advice (2020) [Getting support to those who need it: How to improve consumer support in essential services](#)

We'd like to see households get a consistently good level of support from their water companies, regardless of where they live, to ensure a fair level of support based on need. We also think a more automated approach would be more efficient and remove the complexity of having to apply for support. We'd like to see the water sector make use of data matching powers, under Part 5 of the Digital Economy Act 2017, to provide a more automatic path to support for eligible customers.

Support should not be limited to financial help. Referrals to third parties like Citizens Advice can provide quality advice on wider financial issues and support people to access other sectoral support schemes for people in vulnerable circumstances.

**3) Are there gaps or limitations in the current arrangements, if so what? Which households in need of support are currently missing out on it. What evidence can you provide in relation to this? How could it be addressed?**

**4) Are current arrangements sustainable and capable of meeting likely future needs in terms of supporting financially vulnerable households? If not, how should this be addressed?**

In our previous analysis of energy support schemes we have found that there is a disparity between retired and working age households in levels of support, with the former receiving more than the latter.<sup>7</sup> At the same time we know that rates of poverty are now higher for working age families than retired households, and that many people on benefits live with 'negative budgets'.<sup>8</sup> It's important that any eligibility for water affordability schemes is primarily targeted at those with lowest incomes, while also taking account of consumption levels in the case of households with water meters.

**5) Are the current arrangements for funding social tariffs fit for purpose? If not how should they change?**

Social tariffs carry an implicit cross-subsidy and therefore the volume of funding needs to be set carefully. Ofwat's process for setting price controls should take into account social tariff schemes and consider how reduced costs (through changes like a lower cost of capital) could be used to improve support without increasing consumer bills from their current levels.

Introducing a harmonised eligibility criteria may lead to differing levels of demand for different providers covering different areas. A reconciliation process

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<sup>7</sup> Citizens Advice (2020) [Citizens Advice response to BEIS's Warm Home Discount Scheme 2021 to 2022 consultation](#)

<sup>8</sup> Citizens Advice (2020) [Life on Less than Zero](#)

between companies could ensure that all companies pay their fair share. It would overcome existing issues where customers in different areas show a different willingness to pay to support social tariffs, which may itself be a reflection of economic circumstances in that area. A similar process exists in energy, where there is a reconciliation process between companies in relation to core group payments within the Warm Home Discount scheme.

**6) How could the sector's approach to promoting and delivering support (rather than the mechanisms they use) be improved. How could households' awareness of assistance options be raised, including hard to reach households? How could the process for households to apply for financial support schemes be improved to make access easier?**

The support that essential service providers offer can be crucial for consumers in vulnerable circumstances. But the system for accessing it is complicated and inefficient. As above, we think that data matching for social tariffs using government data for social tariffs is the best and most efficient way to ensure that households get the support they need.

However, it is vital that industry does more to raise awareness of support - including financial support - to improve uptake of social tariffs and support like the Priority Service Register. Organisations with high brand awareness and trust such as Citizens Advice can play a key role in supporting people with these and ensuring that they can access the support they are eligible for, often as part of wider conversations about their finances and support that is available. Further investment in third party support by the water sector would enable more proactive promotion of support options, through general advice or through outreach schemes, as Citizens Advice already does successfully with energy consumers through schemes like Big Energy Saving Winter, Big Energy Saving Network and our Energy Advice Programme.

Where application processes are used for support schemes, it's important these are simplified as much as possible in order to minimise the time and effort required for customers, and to improve uptake. This can also help third party advisers with limited time available to support clients to prioritise this type of support. Simplifications should include straightforward criteria that guarantee eligibility and require minimal information/evidence. Scheme rules should also be consistent across large geographies (eg at country level) to make it easy for national bodies and governments to promote support. This approach would also make it possible to provide clearer, high quality web advice content.

More broadly, we are calling for the establishment of a new industry taskforce, led by the government, to work towards modernising vulnerability support

across essential service sectors. In our report, [Getting support to those who need it](#), we set out how the current approach is designed and why it doesn't work for people in vulnerable circumstances, the principles that would underpin a better approach to delivering support, and what needs to happen next to improve the support offer for people.

We'd like to see an improved customer journey for getting support. People would be able to easily see in one place all the support available to them from their essential service providers if they register and apply for support through one secure portal or through a support service. They would complete a single, standardised assessment process based on harmonised eligibility criteria where possible, decide on their data sharing preferences and receive appropriate support from each service provider. If their circumstances change, they would be able to easily update their preferences. The benefits of a new approach would include more customers receiving the support they need, a better consumer experience, more consumer engagement, more responsive support, more accurate data and more trusted data-handling.

Of course, companies will also continue to play a role in informing their customers about the support that is available. Our previous research with people in energy arrears found that people often did not expect help from their companies and were often unlikely to ask them for help<sup>9</sup>, and we have found similar findings in research with energy consumers on prepayment meters.<sup>10</sup>

In general we think that support should be offered proactively where possible in a timely manner, so for example people who fall behind on their bills are told about financial support and third party support organisations that can help. The language and tone of customer communications is also vital to ensure customers feel they are going to be supported. Last year we ran a hack day with energy suppliers to help co-create better debt and complaint letters, and the outputs from this may also be helpful for water providers.<sup>11</sup>

## **7) Are there any particular lessons from other fields or sectors, which may be transferable, that the water sector should take account of in shaping its future approach?**

There are relevant lessons from the energy sector. Application processes can be burdensome and don't necessarily guarantee that support will be given, and can pose the highest barriers for those who are most in need of support. The

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<sup>9</sup> Citizens Advice (2019) [Supply and final demand: Improving support for energy consumers in vulnerable circumstances who fall behind on their bills](#)

<sup>10</sup> Citizens Advice (2020) [The end of the beginning](#)

<sup>11</sup> Citizens Advice (2019) [Citizens Advice hosts its first energy hack day](#)

automatic data matching approach taken with regard to the Core Group payments (for low income pensioners) within the Warm Home Discount scheme should be viewed as a comparator for what could be possible in the water sector.

Meanwhile, the Broader Group (for low income and vulnerable working age households) component of the scheme is oversubscribed, meaning some eligible applicants are unsuccessful. We're calling for a data matched approach with regard to the broader group payments within the Warm Home Discount scheme so people who need it most no longer miss out on support.<sup>12</sup> The government recently set out plans to consult along these lines in the energy white paper, which said it would 'consult on reforms to improve fuel poverty targeting, such as using government data to provide automatic rebates to most recipients - making the scheme administratively simpler - and allowing smaller suppliers to participate at lower cost'.<sup>13</sup>

Earlier this year, we conducted a cross sector review of social tariffs (with Lucerna Partners), with a focus on how social tariffs for broadband could be a long-term solution to the affordability issues we've seen in this market. We expect to complete this work in Spring 2021.

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<sup>12</sup> Citizens Advice (2020) [Citizens Advice response to BEIS's Warm Home Discount Scheme 2021 to 2022 consultation](#)

<sup>13</sup> BEIS (2020) [Energy white paper: Powering our net zero future](#)



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