Consumer Protection Programme Best Practice Frameworks

CAP’s official response to the Northern Ireland Utility Regulator’s call for evidence

September 2019
a. Are the 5 areas of vulnerable domestic consumer interventions, the correct areas for UR to focus on? The 5 areas are:

   (i) identification;
   (ii) assistance (practical financial help);
   (iii) assistance (practical non-financial help);
   (iv) staff training/company culture and ethos; and
   (v) relationship with consumer representatives and use of consumer data.

Yes, CAP strongly agrees that the five areas included underpin the important aspects of best practice in supporting vulnerable consumers. In particular, the inclusion of company culture and ethos is welcome, which is necessary to ensure top-to-bottom responsibility, concern and commitment for support customers in vulnerable circumstances. The inclusion of both practical financial and non-financial help is important, and the distinction between these as separate areas is helpful to bring clarity to the aims and purpose of specific interventions.

In addition to the five areas, ‘monitoring customer outcomes’ could be added to ensure that suppliers and networks recognise the importance of achieving good customer outcomes and evaluate their success of delivering this. This is distinct to (v) which refers to the use of consumer data to identify and target interventions to those in need. Rather than only reporting on specific metrics, evaluating customer outcomes encourages a bigger picture view. This fosters understanding of where consumer needs continue to be unmet, and helps ensure that interventions are designed and improved to better achieve the policy intention and close these gaps.

b. Please provide examples and/or experiences of best practice activity in regards to supporting vulnerable consumers and consumers in vulnerable circumstances in regulated sectors. Please, where possible, map these to the 5 headings above.

Identification
Deprivation mapping and outreach
Energy Network companies and some water companies in Great Britain have mapped deprivation and other need indicators with their customer base to identify where to target promotion for social tariffs and other initiatives. Policy in Practice have also worked with some local councils in Great Britain to use data to identify which of their residents will be most vulnerable to negative financial impacts of welfare reforms.

Data matching
In Great Britain, energy suppliers and some water companies can data match with the DWP to automatically give customers in receipt of Pension Credit Warm Home Discount payments and discounted bills respectively.

Using credit reference data
The FCA is encouraging consumer credit firms to make greater use of available data to spot early signs of financial difficulty. One water supplier in Great Britain is trialling using credit reference agency (CRA) data to identify customers who would benefit from their social tariff.
**Assistance (practical financial help)**

**Standing charge rebate**
In Great Britain, British Gas offers a standing charge rebate scheme which provides a £90 top-up to clear debt built up over summer months when someone has not kept topping up their prepayment meter topped up.

**Social tariffs and debt write-off plans**
In Great Britain, social tariffs in the water industry provide support to customers who would otherwise struggle to afford their water charges. This prevents bad debt and increases trust between vulnerable customers and suppliers. Some companies also provide write-off plans where they match payments made by the customer to clear their debts.

**Fuel vouchers**
Several energy suppliers provide fuel vouchers through referral partners to help prepayment customers at risk of going off supply. These vouchers provide an emergency top-up when a customer cannot afford to top up their meter. A fuel voucher resolves the customer’s immediate crisis and facilitates their engagement with the referral partner to find a sustainable solution to their financial crisis.

**Forbearance**
In consumer credit, where lenders are regulated by the FCA, the CONC Consumer Credit sourcebook sets out rules and guidance to treat customers fairly and offer forbearance to customers in financial difficulty. This can see these lenders giving extended periods of hold and agreeing token payments where customers cannot afford to make repayments in the short to medium term, as well as not using auto-diallers or using debt collection agencies or purchasers where a customer is vulnerable. In energy, Ofgem have Ability to Pay guidelines (soon to be rules) which set out a framework for debt repayments based on affordability.

**Assistance (practical non-financial help)**

**Home-visiting teams**
In Great Britain, several energy suppliers have home-visiting teams who provide face-to-face support to customers in the most vulnerable circumstances. The help they provide includes resolving metering issues, energy efficiency advice, getting a customer back on supply and filling out trust fund applications.

**Energy efficiency advice**
In Great Britain, energy suppliers give tailored energy efficiency advice as part of interactions with customers; for instance, while setting up a payment plan that seems unduly high. Some suppliers also have separate specialist teams providing more detailed expert advice to customers.

**Local Energy Advice Programme (LEAP)**
In Great Britain, third parties can refer clients to the LEAP scheme, funded through the Warm Home Discount Industry Initiatives fund, where customers receive home visits to provide energy efficiency advice and measures, as well as free boiler repairs.

**ECO and ECHO**
In Great Britain, energy suppliers are required to fund and provide installation of emergency efficiency measures for low income households under the Energy Company Obligation (ECO). The Emergency Central Heating Offer (ECHO) also offers important assistance to households.
who are unable to afford to repair or replace broken or condemned boilers. The delivery of ECHO is normally complemented by being offered in conjunction with LEAP.

**Staff training/company culture and ethos**

**Awareness training**

Firms in all sectors have partnered with third parties, such as CAP and Money Advice Trust, to equip their frontline with training to understand problem debt and referral pathways. Resources such as University of Bristol’s Vulnerability: a guide for debt collection, 21 questions, 21 steps also provide tools such as TEXAS and BRUCE for collections and customer service staff to use.

**Management buy-in**

In Great Britain, Ofgem has placed vulnerability high on energy companies agenda and encourage them to undertake continual improvement in this area. This is most effective where companies make clear care for customers in vulnerable circumstances is a core value of their business, and give responsibility to a management team that have influence across departments to drive improvements.

**Relationship with consumer representatives and use of consumer data**

**Specialist vulnerability support teams and third-party contact points**

Most suppliers in Great Britain have a specialist team that provides a consistent and understanding contact point for customers identified to be in vulnerable circumstances and/or financial difficulty. Examples of the support offered by these teams are referrals to home-visiting team, fast-tracking trust fund applications, ensuring the customer is on the cheapest tariff and extended payment plans. Some of these teams also serve as a dedicated third-party contact point removing barriers for debt advisers supporting clients with energy arrears or related issues.

**Social Obligations Reporting and annual report**

In Great Britain, Ofgem require all suppliers to provide regular reporting on key social obligation metrics, which they publish on their website. This data includes industry levels of disconnection, prepayment installations and debt levels. In addition, Ofgem produce an annual vulnerability report which highlights areas of concern, best practice and comparisons between firms performance, to encourage continued improvement and learning.

c. Please provide examples of seeking external assurance and/or accreditation from expert agencies on the quality of the current consumer interventions that are offered to domestic consumers.

BSI Inclusive Service Verification Scheme
MMHPI’s Mental Health Accessible standards
Lending Standards Board’s The Standards of Lending Practice

d. Please state, with supporting evidence, the particular challenges consumers face when interacting with the energy and water industry in NI.

Digital exclusion, illiteracy and mental health problems create barriers to engagement and switching. Being in crisis debt also leads to disengagement due to fear and anxiety. While in financial difficulty, 80% of Northern Irish CAP clients were scared to open their post, 71%
were afraid to answer the phone and 51% scared to open the door. This is driven by being unable to find a solution themselves and being unaware of where to access other sources of help and advice. 43% of Northern Irish CAP clients did not know where to get help and 31% did not think anyone could help them with their debt.

e. Please demonstrate, with supporting evidence, the particular challenges organisations (industry and other) face in identifying and supporting consumers who are vulnerable and/or are in vulnerable circumstances.

Disengagement
As outlined in response to questions d, ‘disengagement’ is a significant challenge for suppliers. This disengagement can stem from a variety of reasons, including being anxious, being unaware of the expectations and/or facing communication barriers. Online communication can help with this as some prefer the anonymity of webchat. However, for those who are digitally excluded this is not an option. Suppliers are often reliant on customers self-identifying as being in vulnerable circumstances and those in the most vulnerable situations who do not do this miss out on the support that is on offer. This is especially pertinent for prepayment customers who do not have any interaction with the supplier directly under normal circumstances, and many of whom may not have even contacted the supplier when they moved into the property.

Staff understanding and training
Customers who do engage with their supplier still may not disclose their full personal circumstances, especially if they feel shame or guilt about these or do not deem them to be relevant to conversations with their energy supplier. As such, staff understanding of the cues and triggers to ask wider questions, as well as how to show understanding and reassure customers so that they feel willing to share this information, is vital. It is challenging to build these interpersonal skills and experience amongst staff across all customer touchpoints.

Streamlined and timely support
Another challenge is how to make sure the support offered is streamlined and given in a timely manner. Some customers in vulnerable situations will struggle to put advice into action or to pursue help from several different channels at once. As such, firms need to offer a complete package of support through a single channel in a manageable way. The timing of this help also needs to be designed around the customer’s needs. For instance, Warm Home Discount prepayment vouchers may not be sent until March or April, which is after the coldest months and therefore ineffective for customers on prepayment meters who have to pay for their energy upfront.

Sustainability of solutions
Ensuring solutions are sustainable and promote customers’ wellbeing is imperative in making a transformative impact. This is difficult if the customer cannot afford to repay in the short-term or cannot afford their ongoing consumption. Contact teams are often constrained by the payment plans they are able to offer which leaves consumers asked to pay unaffordable amounts or at threat of a prepayment meter being force-fitted. This is where debt advice and budgeting support, energy efficiency and social tariffs could all add value.
f. Please provide examples and/or experiences of how the appropriate use of consumer data can be used to provide positive consumer outcomes. This may be best achieved via establishing clear ‘consumer consent’ mechanisms, so as to explicitly deal with any data protection and GDPR concerns.

Care and assessment tool
A supplier in Great Britain, e.on, has developed a Care and Assessment tool to capture the vulnerabilities of both bill payer and wider household, which also promotes agents to offer support tailored to these circumstances. This allows agents to be aware of illnesses or circumstances previously disclosed during every conversation and also prompts agents to ask for updates to keep the information up-to-date. The supplier also considers that it may not be right to offer all the support in one interaction but consider the customer’s journey with them and offer the right support in a timely fashion in a way that is going to engage the customer and not overwhelm them. (See Sustainability First’s Energy for All – Innovate for All for more information)

Auto-eligibility
In Great Britain, data matching with the Department for Work and Pensions is used to automatically provide Warm Home Discount payments to those receiving Pension Credit. Using this method to automatically identify eligible households ensures that it is not only the savviest and most engaged customers who benefit, but also those who are disengaged and need the support most.

Debt and mental health evidence form
The debt and mental health evidence form provides a method for customers in financial difficulty to obtain medical evidence free-of-charge for GPs and other medical professionals. This gives consent to debt advisers to use this to achieve more forbearance and favourable outcomes in negotiations with creditors where significant vulnerabilities exist.

g. Please provide examples, with supporting evidence, of specific issues affecting vulnerable domestic consumers in NI which you feel need to be considered.

Living on a low income and facing financial insecurity makes it difficult to deal with unexpected bills, price rises or other life events. 94% of Northern Irish CAP clients were unable to save and had no money to fall back on when they entered financial difficulty. As a result, 31% of Northern Irish CAP clients in Northern Ireland fell behind with at least one household bill when in financial difficulty (this is more prevalent amongst clients on lower incomes), and 71% took out credit to pay a household bill or another debt.

Living on a low income also makes it difficult for people to afford the energy they need. When in financial difficulty, 18% of CAP clients in Northern Ireland went without lighting on a monthly basis, with 4% doing so on a daily basis. In addition, 52% of CAP clients in Northern Ireland went without heating at least once a month, with one in five (19%) doing so daily. This is exacerbated by the use of oil for heating and being unable to afford to buy in bulk, as well as lacking basics such as carpets and curtains which improve the energy efficiency of homes or funds to repair broken boilers. 28% of CAP clients in Northern Ireland lived without carpets and/or curtains. 31% of CAP clients in Northern Ireland are owner-occupiers, and 13% of all clients were unable to afford repairs to their boiler for six months or more.
h. Please identify the important lessons (positive and negative) to learn from industry and regulatory work on these vulnerability matters from GB or in other jurisdictions?

Over the past ten years understanding and focus on vulnerability has increased substantially within the credit and energy industries. Key to this has been that regulators, such as the FCA and Ofgem, have left no doubt that firms need to take the responsibility seriously and show appropriate levels of care to their customers in vulnerable circumstances. Over this time, these regulators have continually reviewed and conducted new thematic reviews, bringing forth new proposals to continuously reduce other areas of harm. For instance, the FCA requires consumer credit firms to publish a vulnerability policy and Ofwat reviews water company’s business plans every five years, including affordability and vulnerability strategies and can add targets and redirect their focus if they feel they do not address the key issues. This work encourages firms to take ownership of this area and place it at the core of their culture and high-level agenda.

As understanding of vulnerability has improved over this time there has been a greater appreciation of it being dynamic in nature and the importance of understanding how someone is impacted by their circumstances. Vulnerability is a fluid state which can be temporary or sporadic, as well as permanent in nature, caused by both short and long term circumstances. The FCA encouraged a risk factor approach which lends itself to trying to capture the multitude of factors that can exacerbate each other and create a greater level of vulnerability. Importantly, the scope of vulnerable circumstances includes both personal and financial factors, which often overlap and exacerbate each other. However, different types of support are needed to address the causes and implications, and at times clarity has been lacking as to the purpose of some initiatives, such as the Priority Services Register (PSR).

Due to the likelihood that some groups will disproportionately face vulnerable situations, there is a temptation to develop operational approaches to vulnerability based on easily drawn lines. This ignores the crossover and interaction of factors that cause vulnerability and risks people falling through the gaps in provision of support for specific groups. It is key to get the basics right so that people who cannot fight their corner do not experience detriment, but then go beyond this and offer support that can flex to accommodate the needs of all customers in difficulty regardless of the challenges they face.

Suppliers, creditors and regulators have also embraced the value of working in partnership with third parties and consumer representatives. This helps them identify, understand and meet customers’ needs. Ofgem hold regular stakeholder meetings, publish consultations and also have more formal links to Citizens Advice who are the statutory watchdog which helps them understand emerging concerns. Ofwat also have a similar relationship with the Consumer Council for Water (CCW) who are the consumer watchdog. Several water and energy suppliers in Great Britain also make a concerted effort to hear directly from their customers, holding consumer voice/challenge groups.
Requests for further information

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