

## Money and Mental Health response to Ofwat's consultation on guidelines for water companies in supporting residential customers pay their bill, access help and repay debts

### Introduction

The Money and Mental Health Policy Institute is a research charity established by Martin Lewis to break the vicious cycle of money and mental health problems. We aim to be a world-class centre of expertise developing practical policy solutions, working in partnership with those providing services, those who shape them, and those using them, to find out what really works. Everything we do is rooted in the lived experience of our Research Community, a group of 5,000 people with personal experience of mental health problems.

### Background

- In any given year, one in four people will experience a mental health problem,<sup>1</sup> and over a lifetime this rises to nearly half the population.<sup>2</sup> However, we do not always know when we are unwell, or receive treatment. Over a third (36%) of people with a common mental disorder have never received a diagnosis, and 62% are not currently receiving treatment.<sup>3</sup>
- Common symptoms of mental health problems, like low motivation, unreliable memory and increased impulsivity can make it significantly harder for people to manage their finances and to engage with water companies.<sup>4</sup>
- People with mental health problems are more likely to be living on a low income - annual median income for people with common mental disorders is £8,400 lower than for people without those conditions.<sup>5</sup>
- People with mental health problems are three and a half times more likely to be in problem debt than those without, and half (46%) of adults in problem debt also have a mental health problem.<sup>6</sup>
- Mental health and financial problems can form a devastating, self-reinforcing cycle. Over 420,000 people in problem debt consider taking their own life in England each year, and more than 100,000 people in debt actually attempt suicide. People in problem debt are three times as likely to have thought about suicide in the past year.<sup>7</sup>

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<sup>1</sup> McManus S et al. Adult psychiatric morbidity in England, 2007. Results of a household survey. NHS Information Centre for Health and Social Care. 2009.

<sup>2</sup> Mental Health Foundation. Fundamental facts about mental health. 2016.

<sup>3</sup> McManus S et al. Mental health and wellbeing in England: Adult Psychiatric Morbidity Survey 2014. NHS Digital. 2016.

<sup>4</sup> Holkar M. Seeing through the fog. Money and Mental Health Policy Institute. 2017. Holkar M, Evans K and Langston K. Access essentials. Money and Mental Health Policy Institute. 2018.

<sup>5</sup> Bond N and D'Arcy C. Mind the income gap. Money and Mental Health Policy Institute. 2020.

<sup>6</sup> Holkar M. Debt and mental health: a statistical update. Money and Mental Health Policy Institute. 2019.

<sup>7</sup> Bond N and Holkar M. A silent killer: Breaking the link between financial difficulty and suicide. Money and Mental Health Policy Institute. 2018.



## **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?**

Debt problems disproportionately affect the most vulnerable people in society and poor handling of problem debt can cause significant harm, so we feel it is appropriate that Ofwat provides detailed guidelines and sets clear expectations for conduct in this area. People in problem debt are three times as likely to have thought about suicide in the past year, and while there is rarely one single factor that drives people to take their own life, we find that insensitive or aggressive debt collection practices can drive suicidality.<sup>8</sup> Beyond Ofwat's minimum standards there is still considerable space for diverse practice, for instance for water companies to adopt a brand tone of voice or to include different content in their communications with customers who fall behind with payments.

In many cases, even the minimum expectations that Ofwat has set out allow for considerable flexibility, rather than setting a detailed prescription that must be implemented identically across the water sector. For example, under principle two Ofwat explains that water companies must "use all reasonable efforts to predict and support customers at risk of falling into debt". Beneath this expectation, in point 2.1 of the guidelines, Ofwat sets out a range of different ways that water companies could interpret the expectation that they "support customers".

We note that Ofwat has set out an intention to move to a principles-only approach in the future, based on company improvements in the experience they deliver to customers on billing, payment and support. When considering this option, we encourage Ofwat to think carefully about whether it would be satisfied with conduct that fell beneath the minimum standards. In areas of conduct where this would not be satisfactory, Ofwat should consider retaining a minimum standard to guard against backsliding.

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

Ofwat's proposed guidelines set clear expectations for water companies. If water companies take the guidelines seriously and engage with Ofwat's proposals, this should improve customer experiences by reducing the financial and psychological harm associated with problem debt and helping more vulnerable consumers to access support. We recommend that Ofwat reviews water companies' performance against the guidelines, in particular to assess the consistency of conduct across the sector. The regulator should be clear with water companies that it will explore other options if the introduction of new guidelines does not result in consistent good outcomes.

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<sup>8</sup> Bond N and Holkar M. A silent killer: Breaking the link between financial difficulty and suicide. Money and Mental Health Policy Institute. 2018.

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

We welcome the minimum service expectations and guidelines for water companies. Given the close relationship between problem debt and consumer vulnerability, we recommend that Ofwat adjust its guidelines in a few places to emphasise this relationship and encourage water companies to systematically consider the needs of their vulnerable customers as they design practice around debt.

Points 1.21-1.23 provide welcome detail on how water companies can make information about services and bills easier for customers to understand. Point 1.22 could be improved by specifying that water companies should make a particular effort to engage with vulnerable customers who find it harder to understand information shared by water companies as a result of their vulnerability.

Point 1.31 could be strengthened by specifying that water companies should consider the accessibility needs of vulnerable customers as part of this process.

The minimum standard that water companies “consider how customers’ ability to pay affects their service experience” is very welcome. Water companies are likely to cause harm if they do not understand a customer’s ability to pay or take this into account when agreeing a repayment plan. Point 1.32 could be improved by specifying that water companies should be mindful of the impact that vulnerability can have on customers’ ability to pay. Our *Need to know* guide provides a detailed exploration of how different mental health problems can affect people’s ability to earn and manage money.<sup>9</sup>

We welcome the minimum expectation that water companies “use all reasonable efforts to predict and support customers at risk of falling into debt”. This could make a particular difference for people with mental health problems, who can often find it harder to spot financial problems early and seek help. Our *Data protecting* report explores what good practice for designing proactive communications to prevent debt looks like, and in particular it highlights the importance of designing messages with a friendly and supportive tone to minimise the risk that they generate feelings of guilt or shame.<sup>10</sup> Ofwat should add this nuance to its guidelines to ensure that well-intentioned proactive contact isn’t received badly by customers.

We are delighted that Ofwat has highlighted the value of drawing on best practice and guidance from expert bodies in point 2.4 of its guidelines.

We welcome the minimum expectation that water companies “communicate effectively and sensitively with customers in vulnerable circumstances”. Ofwat could add that water companies should consider the value of an inclusive design approach to meeting diverse customer

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<sup>9</sup> Bond N and Fitch C. The need to know. Money and Mental Health Policy Institute and Money Advice Trust. 2020.

<sup>10</sup> Alpin K and Holkar M. Data protecting. Money and Mental Health Policy Institute. 2019.

communication needs, as explored earlier in point 1.31. By ensuring that mainstream communications meet the needs of as many customers as possible, water companies will reduce the need to make adjustments at the individual level. This could reduce cost and also reduce the risk that a water company is unaware of a customer's accessibility needs and communicates with them in an inappropriate way.

We welcome point 4.8 of the guidelines, that water companies should inform customers about free debt advice services. Free debt advice services can provide expert, independent support that is in customers' best interests, but many people are not aware of these services or delay seeking their help. This point could be improved by specifying that information about free debt advice should be 'prominent' in the first written or oral communication with a customer, to avoid the risk that customers do not notice this important message. For example, brief signposting on the back page of a letter is often overlooked and ineffective.

Point 4.18 could be improved by adding that water companies can achieve this by user-testing new approaches or systems with diverse consumers, including vulnerable consumers.

We welcome the minimum expectation that water companies "design the content of communications around customers' information needs" and "tailor the language of communications to customer's needs". Given that half of people in problem debt will also be experiencing a mental health problem,<sup>11</sup> we recommend that Ofwat strengthens the guidelines in this area and asks firms to consider how to minimise the psychological distress they cause to customers through the content and language used in these communications.

### **How can we encourage consistency of approach across the sector?**

As water companies do not compete for customers, there is a real opportunity for Ofwat to encourage a collaborative approach to supporting customers to pay their bill, access help and repay debts. Ofwat should satisfy itself that all water companies are getting the basics right, to protect consumers against the worst harms of poor practice, but beyond this should encourage water companies to try different approaches to supporting their customers. Ofwat should then think strategically about how it can encourage good practice to spread across the sector, for example by shining a light on examples where water companies are meeting or exceeding its expectations.

**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.**

Ofwat should emphasise the benefits to water companies of a collaborative and open approach to understanding and responding to consumers' needs. Publishing research findings and action

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<sup>11</sup> Holkar M. Debt and mental health: a statistical update. Money and Mental Health Policy Institute. 2019.

plans could help water companies to demonstrate their commitment to customers and build trust, and it should also help good practice to spread more quickly across the sector.

We recommend that Ofwat strengthens point 1.24 to make it clear that water companies should always make a particular effort to reach vulnerable consumers as part of their consumer research. As currently framed, point 1.24 and 1.25 could be interpreted as suggesting that research with vulnerable customers is a 'nice to have' but beyond Ofwat's minimum expectation. If water companies conduct consumer research that neglects the views of more vulnerable consumers, there is a risk that they are not exposed to certain consumer realities and make changes to their service that disadvantage or exclude their vulnerable customers.

**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? 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.**

Given the lasting negative impact that problem debt can have, and the characteristics of customers who fall behind with payments, we feel it is proportionate for Ofwat to require firms to send three payment prompts using at least two different communication channels, before escalating collections activity. Beyond this, water companies should carefully consider how they can encourage customers to seek help through the design of these communications, to maximise their value to customers.

Half of people in problem debt will also be experiencing a mental health problem,<sup>12</sup> and memory problems are both a common symptom of several mental health problems and a common side effect of medication commonly prescribed for poor mental health.<sup>13</sup> Without payment prompts, many people with mental health problems find it difficult to be engaged consumers and to keep up with bill payments. A third reminder would provide a valuable opportunity for a customer to engage with their water company and avoid the damaging spiral of problem debt.

*"When I had clinical depression I had real difficulty remembering things, so I would forget to make payments for bills which I had the money to pay, as I found it impossible to keep on top of daily tasks."* Expert by experience

Mental health problems also commonly affect people's communication needs. Three quarters (75%) of people who have experienced mental health problems have serious difficulties engaging with at least one commonly-used communication channel, such as answering the telephone or opening post.<sup>14</sup> This means that if a water company sends a message using just

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<sup>12</sup> Holkar M. Debt and mental health: a statistical update. Money and Mental Health Policy Institute. 2019.

<sup>13</sup> Holkar M. Seeing through the fog. Money and Mental Health Policy Institute. 2017.

<sup>14</sup> Holkar M, Evans K and Langston K. Access essentials. Money and Mental Health Policy Institute. 2018.

one communication channel it will simply not be accessible for some customers with mental health problems. For important messages such as payment prompts, it is proportionate to expect water companies to communicate by more than one channel before escalating, to ensure that as many customers as possible have a chance of receiving the message and taking action. Ofwat does recognise the importance of water companies using multiple channels to contact their customers, in point 4.12 of the guidelines, and we feel this should be reflected in the guidelines around payment prompts.