



MONEY AND
MENTAL HEALTH
POLICY INSTITUTE

Best Practice



Debt collection: A best practice guide for water suppliers

Supporting people with mental health problems

Introduction

In any given year, roughly a quarter of us will have a mental health problem. Over our lifetimes, that rises to half of us. With such huge numbers of people experiencing poor mental health, and the practical ways they can affect us, it's vital that essential services like water do right by these customers.

We all make use of our water supply multiple times each day. It is a vital necessity, one so important that disconnection of a domestic supply due to unpaid bills is rightly not permitted. However, managing our water bills can all too easily become a difficult and stressful task, with the threat and use of life-disrupting debt collection tactics still causing real psychological harm.

Our research shows that nearly one in ten people with Common Mental Disorders (CMD) such as anxiety or depression are in arrears to their water supplier. This rises to more than one in six people with Severe and Enduring Mental Illnesses (SMI) such as bipolar or schizophrenia. As less than one in twenty of the rest of the population are in water arrears, it is crucial that debt collection practices support people with mental health problems.

Unfortunately, debt collection can create a vicious circle when it comes to water customers' mental health. Our research shows that collection activity in the sector is a major contributor to mental health problems, driving a range of psychological harms. This happens against a backdrop in which people with existing mental health problems are more likely to be in problem debt due to lower incomes, higher expenditures and more difficulties asking for and accessing help and support.¹

As a result, people with mental health problems are more likely to experience debt collection activity from their water suppliers. This can ultimately lead to enforcement practices such as legal action and the involvement of third parties - all of which can cause acute psychological harms. Conversely, getting debt collection right can help to break the vicious cycle; effective engagement means people in problem debt are much more likely to resolve their situation,² improving both their financial and mental health.

In this context it is essential that water suppliers do as much as they can to embed supportive practices first and foremost. This isn't just right by customers, this also has benefits for suppliers as they are able to reduce the amount of debt they carry alongside improving their reputation as a trusted service provider.

This guide will also help water firms to comply with Ofwat's guidelines to support customers in vulnerable circumstances.³

¹ Murray T, Smith F. [In the Public Interest?](#) Money and Mental Health Policy Institute. 2024.

² National Audit Office. Tackling problem debt. 2018.

³ Ofwat. Paying Fair Guidelines to support customers in vulnerable circumstances.

"I ran into difficulties paying my water bill and when I owed around £140 they wrote to me saying I could apply for a water aid grant and had to do an income and expenditure form. To my relief I was awarded the grant and was able to clear the debt. I then set up a direct debit per month."

Expert by experience

Understanding the impact mental health problems can have on navigating debt collection processes

Our research also shows that nearly four in ten (37%) of people who have experienced mental health problems exhibit significant levels of anxiety when dealing with essential services such as water.⁴

Table 1: How the cognitive, psychological and behavioural changes associated with mental health problems can make navigating debt collection systems harder⁵

What is the problem?	What is the impact?
Thought rumination and excessive worrying	People with mental health problems may fear the consequences of falling behind, or of reaching out to a creditor, even if they can afford to get back on track.
Difficulties in understanding and processing information	People with mental health problems may find it difficult to understand what support is available if they're struggling to pay, or to understand the details of their debt, such as who they owe the payment to.
Reduced planning and problem-solving skills	Faced with a complex problem, people with mental health problems can struggle to determine what actions to take to resolve it.
Reduced attention span	People with mental health problems may find concentrating on a task for a prolonged period, such as filling in an income and expenditure form or engaging in a long telephone call, to be incredibly difficult or exhausting.
Social anxiety and communication difficulties	Many people experiencing mental health problems struggle with some forms of communication, such as in online or in-person channels. Previous Money and Mental Health research focusing on essential services found that half of people with a mental health problem struggle to use the telephone, and one in six struggle to open post. ⁶
Depleted energy and motivation	Low energy can make it difficult for people with mental health problems to complete basic self-care tasks such as washing and eating. Finding the motivation to contact the department you owe money to can simply be overwhelming for some.

⁴ Bond N, Fitch C. [The need to know: Understanding and evidencing customers' mental health problems](#). Money and Mental Health Policy Institute. 2020.

⁵ Adapted from: Smith F. [No Place Like Home](#). Money and Mental Health Policy Institute. 2024.

⁶ Holkar M et al. [Access essentials](#). Money and Mental Health Policy Institute. 2018.

Quick wins: Getting the basics right

Taking some key steps can quickly improve outcomes for water customers with mental health problems, limiting further psychological harms and going a long way towards breaking the vicious circle of problem debt and poor mental health.

"The water company was much better, they contacted me by phone and worked with us to find a solution."

Expert by experience

Pro-actively gather communications preferences

Collecting communication preferences before someone falls into financial difficulty is crucial to ensuring that messaging reaches them and they can engage with support when needed.

Three-quarters of people with mental health problems struggle with one or more common communication channels, such as answering the phone or opening letters. Creditors should routinely and proactively collect customer information around preferred channels and communicate with customers via these when collecting arrears.

Train collections staff to understand different mental health problems

Utilising the [Need to Know](#) guide we developed with the Money Advice Trust to equip staff with the knowledge necessary to understand how different mental health problems impact peoples' ability to repay debts, including their ability to earn and manage money. Incorporate this best practice into quality assessment frameworks.

Training should also enable staff to empathise with customers and understand the shame, guilt and humiliation that can accompany falling behind on financial commitments without reinforcing these feelings.

Offer direct referrals to debt advice services

Move beyond signposting debt advice and instead develop partnerships with debt advice services to increase engagement with available support.

Where a customer is known to be struggling financially and a referral to debt advice is appropriate, work with the customer to choose the most suitable option such as:

- A warm call transfer
- An immediate or scheduled callback
- A pro-active referral to a local face-to-face debt advice partner
- A digital advice journey that begins through the creditors' website

Communications

Accessible, consistent, communications are vital to successfully supporting water customers in arrears. The tone and content of communications should promote engagement by showing a path forward to resolving the situation, as opposed to simply threats of further action which can be demotivating and lead to further psychological harms.

"[My water supplier] was great with their debt management options. I think I had to contact StepChange or one of the other DMCs and have a proper budget, but after that, [they] were brilliant and definitely had the right mix of debt management and helpful solutions."

Expert by experience

Apply universal design principles to debt collection communications

This might include some of the following changes to communications to make them accessible, useful and inclusive:⁷

- Sending important messages, particularly concerning contract price rises, by at least two preferred communication channels.
- Using accessible language in letters, avoiding jargon and using Plain English. Any financial information should be communicated by Plain Numbers.
- Stopping the use of threatening language and upper-case fonts. Rethink colour use which should draw attention to text but not be used to convey information such as urgency or severity.
- Understand the customer may be receiving communications from multiple creditors as discussed in our [Debts and despair](#) report, and avoid harassment through implementing an appropriate company wide limit on the number and frequency of debt communications.

Ensure debt collection communications are informative and promote engagement

- Make sufficient attempts to contact the customer before escalation. Water customers should not hear about a debt for the first time from a debt collection agency or bailiff.
- Support customers to engage by sending separate, stand-alone, support communications in addition to including support information in payment requests.
- Ensure the customer is informed of the support solutions available through the water supplier to give them the best opportunity to resolve the debt without escalation.
- Ensure the information on the origin and nature of the debt is made clear in all payment communications, including from third parties.

⁷ Money and Mental Health Policy Institute. [Urgent guidance for energy providers supporting customers with mental health problems](#). 2022.

- Only alert people in arrears to sanctions or other consequences that may affect them at that stage, e.g. limit references to disconnection until it is a genuine possibility.
- Separately, signpost appropriate support, including free debt advice and income maximisation services. The Money Advisor Network can facilitate warm referrals.
- Ensure multiple communication channels are available for the customer to reach out on, including voice and text based services.

Forbearance and making debt affordable

Our research shows that because of symptoms like difficulty with social cognition, some people with mental health problems can struggle to advocate for themselves and make truly affordable repayment arrangements.⁸ Ultimately, finding a way for debt to be affordably cleared is in everyone's interest, improving both mental and financial health for customers, while suppliers benefit from better customer relations and reliable, predictable cashflow.

"My water company was helpful - put me on a cheaper tariff and set up payment plan."

Expert by experience

Proactively moving customers onto affordable rates, tariffs and repayment plans

Water suppliers can help their customers avoid taking on unaffordable debt by:

- Proactively offering or moving customers onto more affordable contract prices or interest rates.
- Ensuring social tariffs offer genuine value to customers.
- Where a customer is in arrears, using a repayment plan framework, such as the Standard Financial Statement to guide repayment plan decisions.

Help customers to pay off their debts

Our research shows that people with mental health problems who are missing payments are likely to have multiple debts, creating a situation that is difficult to escape. By helping water customers to resolve their debts, suppliers can help to improve their overall financial situation.

A good example of this in practice is United Utilities' "Payment Matching+" scheme, where customers in arrears can have their debt repayments matched pound for pound. Where a customer does not clear their debt within 18 months (the average time it takes) the matching contribution is doubled until the debt is cleared.⁹

⁸ Bond N, Fitch C. [The need to know: Understanding and evidencing customers' mental health problems](#). Money and Mental Health Policy Institute. 2020.

⁹ United Utilities. [UUW25 Affordability and vulnerability operational delivery](#). 2023

Write off debts rather than escalating

We know that many creditors will only offer write off as a last resort. However, the majority of those in debt are there because they can't pay rather than won't pay. In these cases, escalation, which can incur third party fees, only entrenches debt further and leads to deeper psychological harms.

Making acute debt collection practices a last resort

Acute debt collection activity includes legal action and engaging third parties such as debt collection agencies and bailiffs. Our research shows that these steps come with significant psychological harms and the remedies they employ, such as attachment of earnings, charging orders and arrestments, reduce agency and are linked to poverty and destitution. As such they should not be employed against vulnerable individuals and in any case only utilised as a last resort.

"I felt threatened especially with the water company, I have been made to pay £50 a month to pay off a debt that I just don't have to spare, they have sent bailiffs to my house and I feel I have no other option than to pay. And to top it off even after making the payments on time they mistakenly thought I hadn't so threatened me with action that wasn't needed. I have bad depression and anxiety and it's all made me incredibly poorly."

Expert by experience

Avoid escalation unless there are no alternatives

Implementing many of the recommendations in this guide will help water suppliers avoid escalation. This may include:

- Training collections staff so that they understand the psychological impact of collections activity and the needs of customers with mental health problems.
- Improving communication practices, including proactively offering cheaper tariffs and affordable payment plans.
- Ensuring customers have access to debt advice and income maximisation services, including warm referrals where possible.
- Allowing debt advisors to engage directly on behalf of customers, for example filling in requests for write-off, such as the [Economic Abuse Evidence Form](#).

Engage with the customer and take their circumstances into account when deciding on appropriate action

Recognise that people in problem debt are likely to be in severe financial difficulty as well as other vulnerabilities, including mental health problems which may be exacerbated by further debt collection action.

- Introduce mandatory welfare visits before proceeding to more acute debt collection practices.

- Pause debt collection where the customer is actively engaging to ensure fees and charges do not continue to escalate.
- Where enforcement action must happen, insist on a pre-compliance stage where the customer can engage without incurring extra costs.
- Ensure all costs are truly reasonable and try to reduce or eliminate them entirely
- Minimise the use of remedies such as attachment of earnings orders or arrestments that reduce the customer's agency.

Working together

Beyond this best practice guide, Money and Mental Health works directly with essential services firms to help them identify and implement changes needed to better support their customers with mental health problems, and at the same time, help adhere to regulatory requirements and guidance.

Our Mental Health Accessible team can provide tailored advice, expertise and implementable suggestions to help suppliers support customers with mental health problems, and to ensure support is accessible and effective for those who are struggling to keep up with payments.

Our work incorporates feedback from a community of thousands of people with lived experience of mental health problems, and their carers. Their involvement provides an invaluable first-hand understanding of the experience those with mental health problems have when interacting with your products, services and staff. This unique insight can help inform future approaches that improve customer outcomes.

Additionally, we run the [Mental Health Accessible Accreditation](#) programme - this holistic review of your communications, products, MI and governance highlights areas of success and provides detailed recommendations for change. By acting on recommendations firms can achieve Mental Health Accessible accreditation, which allows firms to publicly promote that you have reached a standard of excellence in making your services accessible to customers with mental health problems.

If you would like to explore how we could work together, please get in touch.

Contact: mha@moneyandmentalhealth.org



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