

HUNTSWOOD RESPONSE TO THE ENERGY UK CALL FOR EVIDENCE

**Commission for customers in
vulnerable circumstances**

Q1) ARE THE AREAS OF VULNERABILITY IDENTIFIED IN THIS CALL FOR EVIDENCE THE CORRECT AREAS FOR THE COMMISSION TO FOCUS ON?

We believe that the new regulatory framework makes it very clear to all suppliers that they must put consumers, including those in vulnerable situations, at the heart of their business. We do however believe that there are limitations in the current approach to categorising customers as follows:

- Financial vulnerability
- Transient / life events
- Mental health
- Physical health / disability
- Wider vulnerable circumstance

We believe the focus on the five categories above may start to become too prescriptive and, by using the categorisation outlined below, a wider variety of potential vulnerabilities could be captured; for example, language barriers and mental capacity.

The alternative classification which we believe to be more appropriate is as follows:

1) Channels and access:

Including (but not limited to) hearing issues, sight impairment, physical disability but also crucially language barriers should be considered.

2) Comprehension:

Including (but not limited to) mental capacity, low financial understanding and issues relating to old age, such as dementia.

3) Circumstance:

Including (but not limited to) those suffering bereavement, family breakdown, illness or financial difficulty.

Q2) IN YOUR EXPERIENCE HOW CAN PARTICULAR VULNERABILITIES IMPACT A CUSTOMER'S ABILITY TO INTERACT WITH THEIR ENERGY SUPPLIER?

Using the above examples of classification, the most likely causes of an inability to interact with a supplier would fall under either 'channels and access' or 'comprehension'. In order to ensure that all customers receive fair treatment, organisations must consider not only the provision of braille, sign-language, simplified text etc., but also the ease with which these services can be reached.

A distinction between 'ability' and 'compulsion' could also be considered, particularly for those customers who could be classified as vulnerable due to circumstance. While these customers will generally still be able to interact with a supplier, their change in circumstance (and potentially their mental state) may reduce their desire to interact. This is most evident in those customers that 'self-disconnect' from pre-payment metered supply due to financial hardship compounded by a life-event.

Q3) WHAT IN YOUR EXPERIENCE ARE THE KEY THINGS THAT COMMISSIONERS NEED TO UNDERSTAND IN RELATION TO PARTICULAR VULNERABILITIES AND HOW THESE MIGHT IMPACT A CUSTOMER'S ABILITY TO ENGAGE IN THE ENERGY MARKET?

Organisations are encouraged to look at vulnerability not only from a business perspective but also from that of the customer, with the underlying principle of consistently achieving the right customer outcomes. This is clearly an issue that requires thinking and processes way beyond a 'tick box' approach. Firms across the sector must ensure that interactions with consumers are tailored to their needs, so that those who are vulnerable are not unfairly treated as a consequence of inflexible processes.

Many firms are experiencing challenges with implementation and are still working on corporate definitions and policies, and considering the most appropriate operating models in relation to supporting consumers in vulnerable circumstances. Training of staff is also crucially important. With all firms exposed to customer vulnerability in some way, the principal challenge for firms is the ability to identify and deal with vulnerability in a way that recognises individual needs.

Four particular areas which may impact on how a consumer can engage with the energy market include:

1) Policies:

- a. Many firms lack an overarching strategy or policy on consumer vulnerability. Our view on regulatory expectations is to have an overall policy that is supported and informed by business requirements and regulatory drivers in relation to consumer vulnerability. Organisations should resist the temptation to simply create a policy.
- b. Policies designed to enhance controls and mitigate risk create inflexibility under a 'one-size-fits all' approach.

2) Systems:

- a. Failure of internal systems where firms fail to communicate and connect information internally.
- b. Interfaces or channels of communication that are not inclusive of vulnerable customers can lead to them being excluded from key communications.
- c. Reductions in direct engagement, coupled with the increasing use of automation, can create challenges in spotting vulnerability.
- d. Low consumer awareness of the existence of the Priority Service Register (PSR).

3) Products:

- a. Inflexible products and services that are designed for a standardised 'perfect customer' cannot be tailored to vulnerable customers' circumstances.
- b. Product and information complexity coupled with confusing communications.
- c. Lack of suitable or affordable products for people in exceptional situations.

4) Implementation:

- a. Policy / practice gap at firms – frontline staff are not aware of, or do not implement, head office policies.
- b. Inconsistent approach around flexible temporary forbearance.
- c. Arrangements around temporary delegation (enabling a family member or carer to manage a vulnerable customer's affairs for a short time) and accompaniment (sitting in or helping with a phone call or interview) are not sufficiently developed or flexible enough to enable family and carers to help.
- d. Inappropriate selling and sales practices which may exploit behavioural biases.
- e. Issues around disclosure of vulnerability and data protection where inaccurate or overzealous application creates unnecessary problems.

Q4) WHAT KEY TRENDS SHOULD COMMISSIONERS BE AWARE OF?

There are several trends that are either directly linked to the prevalence of vulnerability in the UK, or that may have an increased impact on those customers who are potentially vulnerable.

Digitisation and data insights:

- Companies in general are pushing more and more customers towards online channels in order to 'self-serve'. While there are many benefits to be gained, it is important that firms ensure customers can access the information and services they need through the channels that will provide them with the best outcome. This may be a blend of channels, or restricted to those that are 'traditional', depending on the needs of individual customers.
- Customer data is becoming increasingly detailed as technology allows for greater insight. Companies in other regulated industries are taking steps to use this data to proactively engage with vulnerable customers and offer enhanced services that will improve their outcomes. For example, proactive engagement with customers who may potentially enter into arrears, or behavioural analytics to identify sudden changes in a customer's level or type of engagement.
- Smart meters are an obvious area for customer data to be obtained and shared and may aid in the identification and ongoing servicing of consumers in vulnerable circumstances. Consideration should also be given to the reduction in onsite presence of utility employees which smart metering will likely drive, and whom may have previously been able to identify consumers in need of support during site visits.
- There are multiple vehicles being explored to allow for data sharing. The way in which firms are using data should be considered in the light of emerging regulations, with a balanced view on ensuring good outcomes for consumers in vulnerable circumstances.

Socio-demographic change:

- The proportion of elderly citizens is set to increase exponentially. Although age should not be considered a vulnerability in itself, elderly people are more likely to encounter circumstances such as physical or mental impairment, for example.
- Almost 20% of the UK population lives below the poverty line and early indications suggest that Universal Credit will negatively impact those who are already most vulnerable due to financial hardship.
- There is an increasing number of people in the UK whose first language is not English, increasing the potential for vulnerability due to language barriers.

Climate:

- Weather extremes are becoming more common, with harsher winters increasing the frequency of customers being left without fuel or requiring short-term assistance.

5. CAN YOU SHARE ANY EXAMPLES OF BEST PRACTICE TO SUPPORT CUSTOMERS IN VULNERABLE CIRCUMSTANCES, EITHER WITHIN ENERGY OR OTHER RELEVANT SECTORS?

In November 2017, Huntswood published a white paper entitled 'Fair treatment of customers in vulnerable circumstances'. The paper provides a comprehensive cross-sector view on vulnerability. The paper acknowledges various techniques to best support customers in vulnerable circumstances. One of which is the TEXAS methodology, from the Royal College of Psychiatrists. The TEXAS methodology focuses on:

- **Thanks** – thank the customer (what they have told you could be useful for everyone involved)
- **Explain** – explain how the information will be used (it is a legal requirement)
- **EXplicit** – explicit consent should be obtained (it is a legal requirement)
- **Ask** – ask the customer questions to get key information (these will help you understand the situation better)
- **Signpost** – signpost or refer to internal and external help (where appropriate)

When information is disclosed to a firm that may be deemed sensitive or relate to the vulnerability of a customer, frontline staff should benefit from using the TEXAS drill.

The Royal College of Psychiatrists also provides the IDEA practice, which advises that if the customer has shown any possible vulnerability indicators firms must confirm whether their circumstances encompass issues of mental capacity or vulnerability:

- **Impact** – staff should ask what the mental health problem stops or makes it hard for the customer to do in relation to their financial situation.
- **Duration** – staff should discuss how long the customer has been living with the reported mental health problem, as the duration of different conditions may vary.
- **Episodes** – some people will experience more than one episode of poor mental health in their lives.
- **Assistance** – creditors should consider whether the customer has been able to get any care, help, support or treatment for their conditions.

Huntswood has produced the following measurable, firm orientated outcomes, which are equally applicable across all sectors to demonstrate the fair treatment of customers in vulnerable circumstances:

1. **PRODUCT** – products are clear and easy to understand, containing no surprises that only become apparent after crisis strikes.

2. **COMMUNICATION** – there is a choice of ways for customers to communicate.
3. **TAILORED APPROACH** – customers are treated as individuals, with tailored responses according to their circumstances.
4. **JUDGEMENT** – staff have the authority and discretion to offer flexible solutions and outcomes where appropriate. Fair disclosure and information usage – customers are encouraged to be open and honest, safe in the knowledge that the information they give will only be used in their best interests.
5. **TELL ONCE** – information regarding customers' circumstances is recorded properly to prevent them having to repeat themselves.
6. **PROACTIVE FORBEARANCE** – proactive contact is made with customers in the event of financial difficulties.
7. **VIGILANCE** – signs of suspicious activity that may indicate abuse or fraud on a customers' account are vigilantly monitored.
8. **CARERS** – carers for vulnerable customers are treated with respect and their concerns noted while data security is maintained.
9. **THIRD PARTIES** – there is a consistent and fair treatment of the recently bereaved, or those acting with Power of Attorney or a third-party mandate.

6. WHAT ARE THE PARTICULAR CHALLENGES THAT SUPPLIERS FACE IN IDENTIFYING AND SUPPORTING CUSTOMERS IN VULNERABLE CIRCUMSTANCES VIA DIFFERENT CHANNELS E.G. TELEPHONE, ONLINE?

Frontline staff must be alert to the signs that the person they are talking to may not have the capacity, at that moment in time, to make an informed decision about the implications of the agreements that they are being asked to make. The challenge for staff is not to diagnose a condition, but to use their listening skills, to identify needs and adjust their approach accordingly.

In order to address the needs of vulnerable customers correctly it is important to be able to identify them. Frontline staff need to be alert for signs such as:

They ask you to speak up or speak more slowly

- Can they hear the complete conversation, or have they missed important information?
- Do they understand what you are saying?

They appear confused

- Do they ask unrelated questions?
- Do they keep wandering off the point in discussion?
- Do they keep repeating themselves?
- Do they say 'yes' in answer to a question that they clearly haven't listened to or understood?

If the respondent takes a long time getting to the phone and sounds flustered or out of breath, it will likely indicate a potential lack of mobility. The main issue experienced by most sectors is successful identification, and this difficulty is compounded when using online or digital channels. Firms are increasingly likely to utilise technology solutions to identify vulnerability in online and telephony channels, where appropriate.



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