

Citizens Advice Scotland – Response to Ofcom’s proposed amendments to the Treating vulnerable customers fairly guide

Scotland’s Citizens Advice Network is an essential community service that empowers people through our local bureaux and national services by providing free, confidential, and independent advice. We use people’s real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.

Executive Summary

CAS generally supports the proposed revised guidance. In summary:

- We welcome Ofcom’s continued support for social tariffs; these are a valuable measure to provide support for consumers who are in debt or struggling to pay. CAS would welcome more support for advice agencies who are assisting financially vulnerable clients to access affordable or social tariffs. We would also urge Ofcom to consider what support should be available to consumers who come to the end of any social or affordable tariff which has a fixed period.
- We welcome Ofcom’s proposed additions to the guidance in relation to communication channels. Offering consumers a wide range of channels to communicate with their provider is essential to treating consumers fairly.
- We welcome measures to ensure providers should, where possible, use a phased approach to introducing any service restriction, as this allows consumers to maintain access to free advice services and treats disconnection as a last resort.
- We share Ofcom’s view that it is good practice for providers to signpost consumers to debt advice organisations. We also welcome Ofcom taking steps to make it easier for advice agencies to communicate with providers on a client’s behalf.

Introduction

Citizens Advice Scotland (CAS) largely welcomes Ofcom's proposed revisions to the Treating Vulnerable Customers Fairly Guide. The Guide is helps to ensure that financially vulnerable customers can remain connected and are treated fairly by providers.

These measures are needed more than ever. The cost of living crisis is squeezing household budgets to breaking point across the country and households are faced with a perfect storm of soaring prices and flat or falling incomes. People were already really struggling before this crisis. The pandemic left 1.8 million people in Scotland financially worse off, and even before the most recent increase in the energy price cap 1 in 3 people found their household bills unaffordable.¹

The double impact of the pandemic and the rising cost of living means more people are being impacted by money and mental health problems. In our recent YouGov poll, we found that over 600,000 people across Scotland encountered new debt problems during COVID, either getting into debt or seeing existing debts deepen. Moreover, 77% of those in debt or at risk stated it had had a negative impact on their mental health². This is deeply worrying as those with mental health issues were more likely to struggle with debts and priority bills and were amongst the hardest hit by the pandemic in terms of financial impact.

CAS polling has found that 15% of respondents stated the current cost of internet and mobile phone contracts are simply unaffordable due to limited incomes. 32% of respondents ran out of money before pay day and of this number, 26% had to go without internet access as a result. A further 28% had to go without mobile phone access due to lack of funds to pay for it and having to prioritise other bills³. Therefore, signposting customers to money advice when they miss a payment presents a unique opportunity to get people in touch with support to maximise their income before problems escalate.

CAS has previously highlighted the need for providers to implement measures which prevent debt accruing in the first instance, including developing and promoting affordable or social tariffs⁴. CAS has been pleased to see Ofcom maintain pressure on providers to develop and promote affordable social tariffs, resulting in new tariffs becoming available. Offering such tariffs to consumers who are vulnerable, on low incomes, or facing debt, remains an effective way to ensure that they are supported and have access to affordable internet.

Identification, engagement and communication with customers in debt or struggling to pay

CAS notes that Ofcom proposes that providers should emphasise the support available when communicating with customers in debt or who are struggling to pay. Providers should also be more effective in making contact with people in debt or who are struggling to pay, rotating between different communications channels where necessary to help achieve this.

¹ <https://www.cas.org.uk/news/18m-adults-scotland-have-taken-financial-hit-during-pandemic>
<https://www.cas.org.uk/news/1-3-people-find-energy-bills-unaffordable-cas-launches-new-campaign>

² <https://www.cas.org.uk/news/warnings-over-link-between-debt-and-mental-wellbeing>

³ Figures from YouGov Plc. Total sample size was 1032 adults. Fieldwork was undertaken between 20th - 25th May 2021. The survey was carried out online. The figures have been weighted and are representative of all Scotland adults (aged 18+).

⁴ <https://www.cas.org.uk/publications/citizens-advice-scotland-%E2%80%93-response-ofcom%E2%80%99s-call-inputs-review-measures-protect-people>

A more consistent approach to information provision by providers would allow greater transparency and easier monitoring of compliance with best practice. This is particularly important when providers are communicating with vulnerable customers.

With around 1 in 4 people experiencing a mental health issue every year and 1 in 2 of those in problem debt having mental health issues, it is likely that many telecommunications customers will need additional and tailored support^{5 6}. However, across the Citizens Advice network, advisers have raised concerns about creditors and service providers' lack of understanding or support. This can further compound financial issues, impacting on Citizens Advice Bureau (CAB) client's mental wellbeing.

It is essential that telecoms providers have clear policies in place for supporting customers that have missed payments. Where customers disclose a mental health issue, front line staff must also be adequately trained to respond effectively. Examples of good practice policies might include the following:

- A commitment to extended forbearance periods to enable customers with mental health difficulties to engage with support
- A commitment to providing the customer with communication choice. An 'only tell us once' policy, where issues can be flagged and shared across the organisation to ensure customers do not have to repeatedly disclose their condition
- Proactive signposting to mental health or wellbeing support and money advice.

As well as publicising the external support available, telecoms providers should also highlight their own policies on working with vulnerable customers, so that customers know what to expect from their provider.

CAS agrees that rotating between communication channels may be necessary, provided that such action takes into account the needs and previously expressed preferences of customers who may be vulnerable. We note that some providers have offered to work with Ofcom to test the effectiveness of debt support communications and the use of various channels and we would welcome this, as it may help identify best practice.

CAS believes in channel choice rather than channel shift. Customers should be able to access a communications channel that they are comfortable with and that is appropriate to their needs. It is essential that consumers experiencing debt are made aware of all avenues of support, with clear paths to support being provided across multiple channels or through a consumer's preferred choice of communication channel.

Customers must be able to contact creditors and communication providers in a way which works for them. Obtaining access to support should never depend on a person's ability to get online. This is particularly vital for those who have additional vulnerabilities, with research from the Money and Mental Health Policy Institute finding that 35% of those with mental health issues struggle to communicate with essential services when they are unwell. Moreover 76% of those with mental health issues find at least one communication channel such as telephone calls particularly difficult to use or distressing⁷. Therefore, it is essential that these difficulties are recognised by telecommunication providers, both when signposting

⁵ <https://www.moneyandmentalhealth.org/money-and-mental-health-facts/>

⁶ <https://www.gov.scot/publications/scottish-health-survey-2019-volume-1-main-report/pages/5/#:~:text=Around%20one%20in%20four%20people,Scotland%20in%20any%20one%20year>

⁷ <https://www.moneyandmentalhealth.org/wp-content/uploads/2021/11/The-State-Were-In-Report-Nov21.pdf>

to external support and when supporting vulnerable clients within their own internal systems.

Strengthening links with organisations and charities that can provide free debt advice and support

CAS noted that Ofcom intends to amend the guide to make clear that providers should:

- include clear and prominent information about sources of free debt advice in their communications to customers in arrears; and
- offer consumer organisations a direct way to contact them on the customer's behalf rather than via general customer service contact channels.

We welcome the provision of information to help customers engage with debt advice organisations. Such organisations play a key role in representing consumers experiencing debt or other financial difficulties. Debt advice organisations can provide essential financial advice for consumers experiencing debt or financial hardship, allowing such consumers to better manage and improve their finances and their mental health.

Customers facing debt and financial difficulties benefit most when support is provided at the earliest opportunity. We welcome Ofcom's recognition that it is good practice for providers to signpost consumers to debt advice organisations and work with consumer advocacy bodies, such as CAS, that provide help and support to people managing debt as part of their wider holistic advice provision.

We also welcome Ofcom's intention to make it easier for free-to-client debt advice organisations to represent their clients. The Scottish Citizens Advice network consists of 59 independent Citizens Advice Bureau, all of which are accredited by the Financial Conduct Authority to provide debt advice to anyone who requires it. Additionally, CAS have engaged effectively and cooperatively with several telecommunications providers. This includes collaborating to design support materials for consumers as well as offering insights into issues being experienced by CAB clients and advisors. We are aware of examples from across the network indicating that CAB advisers have experienced difficulty in communicating with some providers on behalf of clients during the pandemic and we welcome Ofcom taking steps to make this easier.

Measures taken by providers to effect payment

CAS notes that Ofcom is proposing that providers should

- avoid or limit the use of service restrictions as a means of effecting payment where possible,
- use debt collection companies that have strong policies for treating vulnerable customers fairly and
- ensure customers can easily find out what measures to expect at what stages of the debt journey.

CAS agrees that there is a need for clear information on measures that may be taken by providers to effect payment. Providing this information can help ensure customers understand their debt journey and the steps they might expect their provider to take. CAS welcomes the proposed changes to the guide in this area.

CAS welcomes the action being taken to make clear that providers should, where possible, use a phased approach to introducing any service restrictions as a means of effecting payment. We agree that providers should avoid service restrictions for vulnerable customers who are particularly reliant on services unless all other options have been exhausted. These measures can help in allowing customers to maintaining a connection, whether it be mobile or fixed broadband. CAS also agrees that providers should protect calls to free helplines where possible as this can help maintain access to vital services that can help with debt, mental health, or domestic violence.

CAS considers that disconnection should be an action of last resort. It can potentially cause significant harm to customers who receive online support from debt advice organisations or manage their finances or benefits entitlements online. In particular, disconnections can have a disproportionate impact on consumers who are recipients of Universal Credit. Experience during the pandemic has made it clear that access to the internet and broadband is now just as essential as access to food, housing, and utilities.

CAS would highlight the impact that disconnection may have on customers in debt. Although maintaining a connection may allow debts to grow, the financial impact of disconnection may be far greater than any additional debt incurred. CAS believes providers should bear this in mind when considering disconnection, as digital exclusion can cause financial issues to snowball. For example:

- debts may grow as customers accrue interest or late payment charges due to a client being unable to communicate with creditors
- difficulty getting online may result in a benefit sanction
- a client may miss out on a grant as they are unable to complete the online application.

It is crucial that telecommunication providers and their staff recognise that disconnection may cause a customer's financial circumstances to worsen. With the shift during the pandemic to online provision, CAS is aware that digital exclusion can be a key factor in consumers being at risk of debt, struggling to deal with their debts or even falling into crisis debt. CAS therefore strongly welcomes Ofcom's recognition that providers should avoid introducing service restrictions for vulnerable people who are particularly reliant on their communications services and should view disconnection as a serious step that should only be used as a last resort.

CAS welcomes Ofcom's proposed action to encourage providers to understand a customer's circumstances before instructing a debt collection agency. Where an agency is instructed, CAS believes that customers in vulnerable circumstances should be able to expect the same level of support as they get from their provider. CAS agrees that providers should use debt collection companies that have strong policies for treating vulnerable customers fairly, but this should be accompanied by an understanding that the debt collection company will also abide by the providers own policies and standards. This would ensure that regardless of what stage their debt has reached, a customer knows what support to expect, and that the support they receive is consistent with that communicated to them by their telecommunications provider.

Measures designed by providers to support customers who are in debt or struggling to pay:

CAS notes that Ofcom proposes to amend the guide to ensure that providers should proactively give information to customers about the support they can offer them, such as payment deferrals or payment plans.

CAS notes that current practice in this area is patchy, and that Ofcom's own research demonstrates that awareness of this support is low. CAS welcomes Ofcom's intention to monitor how providers implement the good practice suggestions in the guide. CAS supports any measures to ensure that customers and advice agencies can easily access information about the measures available to help manage debt.

Social Tariffs

CAS particularly welcomes Ofcom's proposed revisions reflecting that it is best practice for providers to pro-actively inform people who are in debt or struggling to pay about their social tariff, the eligibility criteria and how to sign up for it. Offering social tariffs to vulnerable consumers is an important tool in providing support to customers so that they can maintain access to affordable internet. These revisions to the guidance may prompt providers to improve their promotion or offering of social tariffs. Given that Ofcom research has shown that only 1.2% of all households receiving Universal Credit have taken up these tariffs, it is essential that providers are encouraged to promote and raise awareness of them.

Given the transient nature of vulnerability, we believe that consumers should have access to a social tariff if their financial situation is suddenly precarious. By offering a social tariff to consumers who, for example, have been made unexpectedly unemployed could allow them to remain connected while maintaining a Universal Credit Application and continuing to seek employment. Furthermore, if a provider were to offer a social tariff to consumers who are in debt this could significantly reduce their expenditure on their current contract as they begin to manage and stabilise their finances.

CAS notes that Ofcom encourages providers of social tariffs to work with consumer bodies and charities, who are likely to engage with people facing affordability problems, to promote the availability of social tariffs. CAS has already undertaken engagement with some providers, which we welcome. However, CAS has experienced difficulties in engaging some providers in discussion around affordability and we welcome any further support from Ofcom in engaging with providers on this matter.

Finally, CAS welcomes the steps Ofcom has taken to publicise social tariffs. However, we consider there remains a gap between the information available, which is essentially a list of tariffs, and the information likely to be required by advice agencies supporting consumers to either switch provider to obtain a more affordable tariff or to negotiate with existing providers. Tariffs may have different eligibility criteria, and some are only available to existing customers or for fixed periods of time. Information may be scattered across many providers websites and many customers - and advisers - may lack sufficient knowledge to accurately assess a client's true data needs or consumption habits. More support for agencies who are assisting financially vulnerable clients to access affordable or social tariffs would be welcomed.

Given the likely long running nature of the cost of living crisis, we would also welcome additional consideration from Ofcom of the arrangements when clients come to the end of any social or affordable tariff which has a fixed period to ensure that they can continue to access affordable internet.