

Water debt and disconnection

There is a wide variation in the way water companies respond to customers who get into debt. A new study by researchers at the Policy Studies Institute examines who gets into water debt, their relationship with the water companies and the consequences of disconnection.

- f** Almost two million households in Britain defaulted on their water bills during 1994 - nine per cent of all households and a ninefold increase in the past five years.
- f** The risks of water debt were highest amongst low-income households with dependent children.
- f** One in twenty debtor households contained someone who had a long-term illness requiring the use of large amounts of water.
- f** Low income was the major contributor to water debt. But the rises in water bills and the low availability of frequent payment options coupled with the requirement for council tenants to pay separate water bills added to the problems faced by low-income households.
- f** Water companies are developing a more 'customer-friendly' approach to debt recovery. However, approaches vary considerably between companies. At the extremes, some adopted a 'relaxed' approach with low summoning and disconnection rates, while others subscribed to a 'short, sharp shock' approach with high rates of summoning and disconnection.
- f** Companies also adopted different approaches to disconnection and reconnection. As a consequence, customers in similar circumstances were far more likely to have their water cut off in some parts of the country than in others.
- f** Most disconnected customers interviewed were cut off for less than twenty-four hours; none reported any health problems as a result.
- f** Though there are a number of safeguards in place to protect the customer, during the debt recovery process, against disconnection and any environmental health consequences of disconnection, it seems that they have little effect in practice.

Almost two million customers defaulted on their water bills in 1994. Though most households managed to find the money they owed before the problem escalated, more than a quarter of those who had defaulted said that they were threatened with court action by the water company. Figures from the companies showed that almost half a million summonses were issued during the year. As might be expected, disconnection figures were much lower - 12,500 in 1993/1994.

This study examines who falls into arrears with their water bills and why; the water companies' response; the experience of disconnection; the implications for health; and the effectiveness of safeguards.

Routes into debt

The problem of water debt is predominantly one of affordability. But rises in water bills and the low availability of frequent payment options added to the problems faced by low-income households.

Administrative changes meaning that most council tenants in England and Wales now pay water bills separately from their rent also increased difficulties for this group.

Those most likely to face difficulties paying for water were living on low incomes; two-thirds of them had net household incomes of less than £160 a week. But household circumstances interacted with low income, so that the risks of water debt were particularly high among 'vulnerable' households: poor families with young children and sick and disabled people. Income support includes an unspecified notional amount that is the same wherever a claimant lives, despite the fact that average water bills can vary by as much as £3 per week between different companies. Reconnection fees, levied in all disconnection cases, also varied between companies, from £15 to £70.

Approaches to money management could make a difference even for poor households. Those who 'juggled' bills and assigned a relatively low priority to paying their water bill were especially likely to fall into arrears. At the same time, a minority of better-off customers had defaulted on their water bill primarily because they were disorganised when it came to money management. There was just a small group of people (about one in twenty of those in default) who seemed to be wilful non-payers - often because they objected in principle to paying high water bills; but they were far outnumbered by customers whose incomes were such that paying bills was a constant struggle.

Payment methods

Payment methods were an important contributory factor to water debt. Whether or not customers on low income fall into debt can depend on the

availability of payment options to meet their style of budgeting. That means the option of paying weekly or fortnightly and payment facilities which do not require a bank account.

There has been increasing flexibility with respect to payment facilities, with most companies establishing arrangements with other organisations for the collection of water charges. All water companies had arrangements with the post office to collect payment on their behalf, but only 13 of the 31 companies partially or wholly subsidised this facility. A minority of companies also had arrangements for their customers to pay through fuel board showrooms or high street outlets. More commonly, they had agreements with local authorities (and occasionally with housing associations and private landlords) to collect water charges with their rent. Though these types of arrangements had declined following privatisation, they are on the increase again. This trend is particularly encouraging since it is clear that tenants paying their bills in this way had a much lower risk of water debt.

There was, however, less evidence that the water companies had made similar strides in offering, at the outset, frequent payment options. Less than half of all companies said they openly advertised the availability of cash payment options that were more frequent than monthly. By and large, frequent payment options were only made available to customers already having difficulties paying their bills.

About half of water companies have introduced, or plan to introduce, new payment systems (pre-payment devices and swipe cards) to help low-income customers spread the cost of their water bills throughout the year. Preliminary indications show that the overall response to these payment systems has been positive. But they are merely budgeting devices and do not address the issue of affordability, particularly for low-income households.

Companies' approach to debt recovery

The water industry is in a state of change, albeit slowly, with many companies adopting a 'customer friendly' approach to debt recovery just as they have to billing. There was, however, a wide variation in their approaches.

At one end of the spectrum, the attitude of some companies was fairly relaxed, investing a good deal of time and effort negotiating payment agreements with customers. In these cases, summoning and disconnection were a last resort. In contrast, other companies delivered a short, sharp shock treatment. In these cases, the timetable was intentionally short and summoning and even disconnection were viewed as an effective way to persuade customers to pay. Neither approach seemed to be entirely successful or appropriate to the circumstances of customers in debt. The relaxed approach encouraged

people to put their water bills low on their list of priorities and to run up bills they could not afford to repay; while the short, sharp approach appeared punitive to customers who were struggling to make ends meet and often generated anger that made them less inclined to pay in future.

In practice, there were only a few companies at either of these extremes; 21 of the 31 companies had a medium to long debt recovery timetable and had built more negotiation into the debt recovery process.

How customers felt about being disconnected

Most customers felt that water companies were justified for disconnecting them for non-payment, but they objected to not being informed of the exact time that their water would be cut off. Their reactions ranged from anger, surprise, disappointment and shame to fatalism.

For parents, the experience of disconnection was particularly disturbing since it was very difficult for them to meet the needs of their children. Jill and Glenn had two young children aged eight and four and when their water supply was disconnected, they were their primary concern.

To think that you've got two kids and there's no water ... this is what went through my mind; what are they going to eat, how are they going to react, how are they going to wash their hands, how are they going to look?... you've got to think of all that - you need water for everything.

Managing without water

More than half of those interviewed in depth were disconnected for under 24 hours; during that time they relied on family and friends for access to water. The proportion of households disconnected for long periods of time was relatively small but they found it more difficult to manage. Rachel and Steve were disconnected for three weeks:

We went round to the next door neighbours and filled up the bath with water through their hose and used that for washing, toilet, food and that sort of thing; general things that you use water for. I was very worried and concerned as the main problem is health and how on earth I was going to get by and the main problem is keeping yourself clean by washing and the toilet, you can get by, but the only way you can flush the toilet is to fill up a bowl because it will actually put it down to the sewerage, but it's not very hygienic at all. Having to get water out of the bath... you are getting dust into the water and them insects ... you've got dying flies as well ... basically I just felt that they were putting my health at risk.

A minority of customers decided to move out of their home while they were cut off. This was clearly easier

for those who lived alone than for families with children. Becky was a lone mother living with her two children aged seven and nine. She was disconnected from her water supply for four days and during that time had no one she felt she could turn to help her out with water. Instead she and her children survived by collecting rain water and buying bottled water to drink. She said she was lucky that it rained whilst she was cut off otherwise they could not have managed at all.

Are safeguards working?

There are a number of safeguards in place to protect the customer, during the debt recovery process, against disconnection and any environmental health consequences of disconnection. However, it seems that they have little effect in practice.

Summoning: When the water industry was privatised in 1989, this safeguard was included in response to pressure from consumer groups. This requires that a summons be issued to ensure that there is an independent assessor present when the water company negotiates instalments with the debtor customer.

However, the interviews with customers disclosed widespread ignorance about the summoning process. Interviews with companies indicated that up to 70 per cent of customers in arrears do not respond to the summons and judgement is often passed in their absence. This low level of response undermines the purpose for which the system was set up. In addition, the customer has to bear the costs of summoning. These are added to arrears, putting them deeper into debt.

Safeguards against disconnection: Both the Department of Social Security and Social Services can intervene to prevent vulnerable groups and those living on social security from being disconnected.

However, customers were not always aware of their right to ask these departments to intervene on their behalf to avoid disconnection. Indeed, well over nine out of ten of the customers interviewed did not know that under certain circumstances, social services staff can avert disconnection.

Environmental health safeguard: It was standard practice for companies to contact the Environment Health Officer (EHO) either before or within 48 hours of disconnection. However, there is no requirement for an EHO to visit a home that has been disconnected, and there is, in any case, very little that an EHO can do. Consequently, constraints on resources means that such visits are a low priority. Reflecting this, none of the 29 disconnected households interviewed had received a visit from an EHO, not even those who were without water for more than a week.

Health and environmental health implications

The evidence from the study suggests that the environmental health impact of water disconnection may have been overstated. First, none of the customers who were disconnected from their water supply reported any health problems. Second, most customers were disconnected for only a short period of time. And third, those who had their water cut off did not live near enough to one another for disconnection to constitute a large localised health risk.

There was, however, evidence of a disturbing pattern of behaviour among customers who had water debt, which could potentially have serious health implications. A number of households had attempted to reduce water consumption. Measures included limiting the frequency of baths or showers; family members sharing the same bath water; and restrictions on the frequency of flushing the toilet, washing up, cleaning and cooking.

Since none of these customers was on volumetric meters, what are the possible explanations? A few had curbed their consumption for 'environmental reasons'. However, in the vast majority of cases, reduction in water consumption, particularly of hot water, was prompted by the need to contain the cost of their electricity bill. But at the same time, there was evidence that customers had cut back water use in what seemed to be an irrational attempt to keep down their bill.

About the study

The study was based on information gathered through four linked surveys. They included: a national survey of almost 2,000 households in Britain; a postal survey of all 31 water companies in England and Wales; follow-up telephone interviews with customer service staff at 10 of these companies; and 39 in-depth interviews with customers, during 1994, who had either been disconnected from their water supply or had pre-payment devices installed because they were unable to pay their water bills. The study was undertaken by Alicia Herbert and Elaine Kempson of the Policy Studies Institute.

Further information

The full report, *Water Debt and Disconnection*, is published by PSI, price £9.95. It is available through BEBC Distribution Ltd, PO Box 1496, Poole, Dorset, BH12 3YD, Freephone: 0800 262260, Freefax: 0800 262266.

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