

Should firms limit supplies to "won't pay" customers?

Written by: Kathy Oxtoby | 06 November 2009



Key to the problem? Trickle flow has worked in Australia

With soaring customer debt, Kathy Oxtoby investigates the growing clamour for trickle flow meters to discourage people from dodging their water bills.

Trickle flow meters are controversial. They are devices designed to restrict domestic water flow in the hope of forcing "won't pay" customers to cough up for their water bills. Since the ban on disconnection in 1999, costly legal proceedings have been the industry's only way of dealing with those who prove recalcitrant. But with one in five customers now in arrears, and those who do pay footing a bill of £11 a year to subsidise those who don't, some in the water sector are calling for trickle flow meters to be considered.

The Walker Review into water charges acknowledged this shift in sentiment. In its interim report published in June, the review team said it would "welcome comments on the possibility of introducing trickle valves to reduce supply to persistent 'won't pay' customers". On the proviso that vulnerable customers are safeguarded, Ofwat says it would "support further work on investigating the costs, benefits and practical implications of removing the ban on trickle flow devices".

Industry support grows

Among companies, support is clearly growing. Phill Mills, deputy chief executive of Water UK, believes there is a case for considering reduced flow meters, "but only in exceptional circumstances". Mills says debt collection measures have improved sufficiently that it is now possible for water companies to distinguish between customers who can't or won't pay. Providing "rigorous safeguards have been met", he suggests those who have the means to pay but choose not to could be "targeted for reduced flow devices".

Andrew Mackintosh, head of group communications at Anglian Water, says the company is "fully supportive" of trickle flow meters. He also believes there is public support for the measure, citing a BBC poll in January that canvassed opinion. "There was not one single customer who wasn't for them," he says.

Mackintosh says the meters are a "more hygienic" final resort than disconnection. But he stresses that every safety check should be in place to distinguish between those who can't and won't pay and that they should be used only as "an ultimate sanction for the hard core group of people who refuse to pay".

Australian experience

Thames Water director Richard Aylard believes it is worth looking at how they have been used in other countries, such as Australia (see box). "We need to study the Australian experience in some detail and work with other water companies," Aylard says. But he adds that the water sector would need to come up with "a foolproof system". "The last thing we want is to restrict the flow of water to those who can't pay. It's about the won't pays," he says.

South West Water "may not ever wish to use such a sanction", says the company's senior communications officer, Chris Mills. However, he believes "the ability to do so with the approval of a court in extreme and exceptional cases, where other methods have not worked, might be helpful".

CCWater opposition

On the other side of the argument is the [Consumer Council for Water](#)(CCWater). It is "totally against household customers having water restricted", says its policy manager, Barbara Leech. "We don't see that these meters would address the problem of unavoidable bills and rising water debt," she says.

Leech says most of the money owed is "leaver debt", where tenants move from one property to another leaving a water bill behind them. Consequently, CCWater does not see how inserting a trickle flow device would help. In fact, "it would be a senseless waste of money", Leech believes.

She is not convinced that companies would be able to identify which customers were in genuine need, pointing out that people's financial circumstances "can change at any time". Rather than water companies introducing trickle flow meters, Leech says CCWater wants the government "to provide financial support for vulnerable people who are struggling to pay their water bills".

Walker Review options

The Walker Review is looking at several options to tackle customer debt in the water sector. These include a proposal by Ofwat to tackle the issue of leaver debt, which would require landlords, owners or managing agents to supply information to water companies to identify who is the "liable person" for any property.

Water companies are also coming up with new ways to help customers struggling to pay, with some, such as Anglian Water and Wessex Water, offering lower tariff schemes for vulnerable customers on a pilot basis. Moreover, Anglian is considering quarterly billing for customers in financial difficulties and would like to see more flexible use of Water Direct, the system which pays water bills direct from benefits.

Despite these efforts, as Mackintosh says, water companies "are still left with a core number of customers who refuse to pay". Trickle flow meters may offer a solution, but whether they will ever be permitted is another

question. Lifting the ban on disconnection is outside the Walker Review's remit, but its findings on the issue could find their way into the Floods and Water Management Bill. CCWater does not believe this is likely and is "not convinced the majority of companies support trickle flow meters", Leech says.

Inclusion in the Water Bill?

For Mills, whatever people's views on trickle flow meters the rarity of a new Water Bill means that if companies want to see changes in legislation, "now is the time to be thinking about the issue". He hopes that with a proper debate and a full understanding of the risks, such meters could become "an exceptional reality" to tackle debt.

While Mackintosh senses "nervousness" from the Department for Environment, Food and Rural Affairs about the possibility of trickle flow meters, he believes there is a huge support for them from customers and hopes that the possibility of introducing them will be on the "Walker radar".

Aylard believes the meters are a long way from being introduced and wants their various implications examined thoroughly. But given the serious problem of water customer debt, he feels they "shouldn't be dismissed out of hand". While not a cure-all for bad debt, he says they could be another weapon in the armoury of water companies to tackle persistent non-payers.

Kathy Oxtoby is a freelance journalist.

Can safeguards for vulnerable customers ever be foolproof? [Consumer Focus research](#) suggests not.

Australia's experience of trickle flow metering

In Australia, 9 out of 15 major utilities and 25 out of 29 non-major utilities use flow restrictors, according to the government's National Water Commission.

In most cases, water supply is restricted as a last resort when efforts to negotiate suitable payment arrangements with customers have failed, says Neil Gibbs, managing principal for Marchmont Hill Consulting, a management consultant working with Australian utilities. Restrictors are also used when customers breach water conservation laws, which are implemented in most Australian states in response to severe water shortages.

According to Gibbs, there are different approaches for installing restrictors, such as adding a valve inside the meter or inserting a small disk at the supply point nearest to the meter. In most states, a restriction can reduce the supply of water to no less than two litres per minute at the tap nearest to the meter.

Case assessment

Gibbs says water utilities have "robust databases on customer information, which are able to assist them in assessing whether a customer can't or won't pay". These include payment history, income and special requirements. Customer management processes to deal with non-payments include site visits where hardship is assessed. Some are exempt from having flow restrictors, such as those with special health requirements.

Gibbs says that anecdotal evidence suggest that flow restriction is an effective way to manage outstanding accounts.

"A major metropolitan utility has stated that 50 per cent of non-payment customers pay within three days after a restrictor has been installed," he says,

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