



Consumer Futures Unit

# Water consumers and debt

## Fairness and transparency

### KEY ISSUES

Causes of debt

Debt Recovery

Water Direct

In principle all households should pay for the water they receive

### BUT

Better messaging is needed to prevent people getting into water debt

### AND

Targeted help is needed to support people to recover from water debt

## Background

- ▶ Consumers do not always understand that Council Tax Demands contain two separate charges: Council Tax bill and their water / sewerage bill.
- ▶ Many householders who qualify for full Council Tax Reduction assume they don't pay for water, ignore further correspondence from their Council, and get into debt.
- ▶ Recovering debt without first assessing a person's ability to pay can impact upon Scotland's most vulnerable consumers.
- ▶ The DWP allows Councils to apply for payments from peoples' benefits directly through the Water Direct Scheme.

## Key issues

- ▶ Many on 100% council tax reduction assume that a similar reduction applies to water and sewerage charges, and as a result do not pay and get into debt, and subsequently struggle to repay that alongside current charges.
- ▶ Local authorities debt recovery practices, can make the difference between an individual managing financially and being left without the means to purchase essential provisions such as food and heating.
- ▶ The application of Water Direct payments in isolation, uninformed by a person's circumstances or ability to pay, can displace other debt commitments such as rent arrears.
- ▶ As a result of experiencing further hardship, some people only become aware they have money deducted from their benefits through the Water Direct scheme after enquiring at a Citizens Advice Bureau.

# Key Recommendations

## Prevent water debt from occurring

- ▶ Individuals' ability to pay should be assessed and a repayment plan agreed with them before applying for Water Direct.
- ▶ Clearer, simpler consumer information on:
  - levels of Council Tax reduction, why they differ and what people need to pay
  - the fact of one demand notice and two bills
  - accessible and suitable payment options available to consumers
  - available debt advisory services which support improved debt and money management
- ▶ Scottish Water and local authorities should agree a minimum standard of communication for difficult to reach groups, with different forms of communication being used to increase the likelihood of messages reaching those on benefits.

## Support consumers to recover from debt

- ▶ Development of a good practice framework for water debt recovery for all Scottish local authorities that promotes revenue recovery and supports those in debt:
  - transparent, fair and clear principles of debt recovery
  - proactive assessment of ability to pay prior to legal action or application for Water Direct payments
  - improved approaches to identifying and supporting vulnerable consumers
  - targeted, one-off support for those struggling to recover from water and sewerage debt

## Flexible governance

- ▶ Consideration should be given to reducing the maximum period over which local authorities are allowed to recover water and sewerage charges to 6 years, in line with other utilities.
- ▶ Legislation should set out the development of a debt management framework.

## Reforming taxation

- ▶ If water and sewerage charges continue to be linked to local taxation in a new system, the consumer's liability to pay those charges must be made clearer.

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The Consumer Futures Unit puts consumers at the heart of policy and regulation in the energy, post and water sectors in Scotland. Part of Citizens Advice Scotland, we research and gather evidence, which we use to improve outcomes for consumers.



**Email** [ConsumerFuturesUnit@cas.org.uk](mailto:ConsumerFuturesUnit@cas.org.uk)

**Twitter** @CFUcas

**Web** [www.cas.org.uk/spotlight/consumer-futures-unit](http://www.cas.org.uk/spotlight/consumer-futures-unit)

Produced by The Scottish Association of Citizens Advice Bureaux Citizens Advice Scotland (Scottish charity number SC016637) Spectrum House, 2 Powderhall Road, Edinburgh EH7 4GB Tel: 0131 550 1000  
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