

## Your response

Question	Your response
<b>Question 1: Do you agree with the proposed revisions to our guide? Please provide your views with supporting evidence.</b>	N

Please complete this form in full and return to [debt.review@ofcom.org.uk](mailto:debt.review@ofcom.org.uk).

### **Comments about the value and status of our guide and the potential for further regulation**

We appreciate Ofcom's focus on outcomes rather than how firms achieve these. However, we have seen guidance fail to deliver positive outcomes in the past when it is not made clear how firms should apply guidance in practice. For guidance to be effective it needs to set very clear expectations on outcomes and advise firms of the activities and behaviours it will expect to see to demonstrate compliance. The adjustments to the guide are not always clear about the expectations Ofcom will put on firms and whether there is potential for enforcement action if firms do not meet obligations. It's vital that Ofcom monitors adherence to the guide closely and shows providers that it is tracking their performance. We feel that in some areas Ofcom should consider setting clearer outcomes and more explicitly outlining the behaviours it determines to be compliant with guidance. It may also consider upgrading guidance into General Conditions if it is in within their power and practice is significantly inconsistent. For example, the new guidance will urge firms to provide and promote social tariffs. Ofcom's own research has shown that so far firms are failing to consistently provide these while key customer demographics are unaware of their availability. We welcome Ofcom's recent affordability paper investigating the take up and promotion of these tariffs. Given the failure of providers to consistently offer or adequately promote these tariffs we would recommend making outcomes more explicit and outline more clearly what is meant by promotion. Similarly, rules on debt enforcement provide protections for vulnerable consumers from aggressive enforcement and disconnection from what may be an essential for life service. The guidance should emphasise that if practice and outcomes consistently fall short of expectations, this guidance will be established as a rule.

### **Comments regarding how providers identify, engage and communicate with customers in debt or struggling to pay**

We welcome the updated guidance on communications with customers in debt or struggling to pay. Channel of communication is an important element of securing engagement from these customers as is signposting to support. Our recent research into the *credit safety net* – desperation borrowing by people already in financial difficulty - has shown that the content of letters is a key for triggering engagement from someone who has fallen behind. It's not just about including the offer of support but giving more details about this offer and avoiding or at least de-emphasising threats.<sup>1</sup> In cases

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<sup>1</sup> StepChange (2022), [Falling behind to keep up: the credit safety net and problem debt](#)

where threats feature too prominently, individuals are likely to avoid the problem out of fear. We welcome the amendment requiring providers to emphasise support, but our research suggests individuals need to be given a clearer idea of what the support entails and how it could benefit them. The best format can only be ascertained through a test and learn approach, monitoring the response of consumers to different wording, structure, and content. Ofcom should encourage firms to be testing communications in this way, but it also needs to be clearer on the outcomes it will measure success against. It will need to monitor whether communications are leading to productive engagement and sustainable repayment plans and affordable solutions rather than just whether suppliers are using a variety of channels.

### **Comments regarding strengthening links with organisations and charities that can provide free debt advice and support**

We support the proposed changes to the guide on strengthening links with free debt advice. We understand the challenges of presenting large amounts of information via text message but where possible providers should outline what support is available from free debt advice and the ways it can help to give consumers a better idea of what is available rather than just a contact number. In recent research we conducted into the credit market we found that the second most common reason for clients not coming for advice was a lack of clarity about how the advice could help them.<sup>2</sup> The support on offer must be made tangible for consumers to engage with it.

We support proposals to make it easier for debt advice organisations to represent clients in communications with providers. Lines of communication between providers and debt advice organisations should be as close as possible with all providers being able to ‘warm refer’ a consumer across to debt advice directly from a call. Providers must foreground this support in their communications with consumers if they are to improve the rates at which people come forward for support when faced with debt or affordability issues. Consumers in difficulty fear the consequences of notifying suppliers about difficulties they are having so providers must be sure to reassure consumers that they will be supported. Again, we would emphasise the need for Ofcom to monitor provider relationships with advice organisations and how well providers are adhering to this guidance, being prepared to intervene where outcomes for consumers fall short of expectations.

### **Comments regarding measures taken by providers to effect payment**

Overall, we support the changes to the guidance on how suppliers should respond to a consumer who falls behind although we think there is a need for more prescription and more clearly established outcomes against which adherence to the guidance will be measured. The decision to withdraw the line on avoiding disconnection before a minimum of three months could lead to consumers being cut off in the early stages of difficulty from what is increasingly an essential for life service. For someone on Universal Credit, access to the internet or telephone is often necessary to avoid sanctions or payment interruptions. Accessing UC journals online or receiving calls or emails about appointments are matters of survival for those reliant on the benefits system. Being cut off in the early stages of difficulty would make it harder for these individuals to resolve their affordability issues. In the absence of this more prescriptive guidance there needs to be a clearer steer from Ofcom about the outcomes it expects to see. The list of actions it expects from providers before disconnecting are helpful, but it will need to monitor the proportion of consumers who suffer disconnection after falling behind against those who are supported to resolve their situation by their provider. This monitoring should involve comparison across providers and benchmarking of what is acceptable and what could trigger regulatory action. We would recommend that Ofcom requires firms to collect and report the number of clients in difficulty, number of conversations with customers about payment difficulties/ dealing with arrears, number of repayment plans offered; number of repayment plans dropped. Demographic analysis of these consumers will also be

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<sup>2</sup> StepChange (2022), [Falling behind to keep up: the credit safety net and problem debt](#)

necessary to be sure that vulnerable consumers like those on Universal Credit are not disproportionately being cut off from their connection soon after falling behind.

We support the intention behind suggesting a phased approach to service restrictions and emphasis on protecting free helplines to important support services. However, we feel there is a strong case for these elements of the guide to be placed as rules in the General Conditions given the severity of consequences that could result from individuals being unable to make an emergency call to these services.

We understand Ofcom's point about not including reference to FCA regulated debt collection services as they regulate credit agreements rather than the utility debts. However, government and other regulators have placed expectations on providers and departments to only use debt collection agencies which adhere to FCA level standards. Ofwat's minimum expectations guide states that water suppliers should engage debt collection companies who abide by the Consumer Services Association Code of Practice and the FCA's Handbook.<sup>3</sup> The Crown Commercial Service's recent tendering for debt resolution services only allowed FCA regulated debt collection agencies to have access to the managed collection service panel despite being a government debt related service.<sup>4</sup> Ofcom should at least place an expectation on providers to use services who uphold FCA standards for debt collection when pursuing telecoms debts.

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<sup>3</sup> Ofwat (2021), [Guidelines for water companies in supporting residential customers pay their bill, access help and repay debts: appendix 1](#), paragraph 7.3

<sup>4</sup> CCS (2021), [Debt Resolution Services](#)