

The idea of 'water poverty' is gaining ground but everyone involved has a valid case to make.

Words Louise Tickle Photographs Stone & Terry Mealey

In a society in which credit is king, if you've flexed your plastic a few too many times over recent months, you are certainly not alone. If you're also at the limit of your overdraft, facing mounting mobile phone charges, catalogue debts, furniture on tick, unsecured creditors charging interest on your interest and only a low income on which to live, the fact that you are in arrears on your water bill is unlikely to be your most pressing concern.

It is however, going to be worrying your water company. [continued on p14]

THE DEBT SPIRAL



The level of customer debt to the water utilities is increasing rapidly across the board. As much as £93 million was written off in 2002-03, and a conservative figure for debt still held on company books is more than £450 million nationally. This accounts for 9% of all water revenue. United Utilities (UU), which supplies the Northwest with water, is affected, like all water companies, and last year wrote off £30 million in its accounts because of bad debt. Partly because of this, United Utilities is one of five water companies to successfully apply to the industry regulator Ofwat for permission to increase the cost of water in advance of the scheduled five-yearly price review in 2005.

So far, this might sound like the story of a vulnerable customer in difficulties set against a monopoly utility choosing to charge more in order to placate its shareholders.

The real situation however is far more tangled, and the interest groups involved - individual customers, water companies and environmental campaigners - each have a persuasive case to make.

The story of burgeoning water debt begins with the rules under which the water utilities must work. Each water company has a duty to supply domestic customers, and following the passing of the Water Industry Act 1999, no disconnection or interruption to a household's water supply is allowed. Added to this, water companies cannot install pre-payment meters, which are very popular in the electricity and gas sectors. And data protection can make it difficult to establish the names of customers in tenanted properties, which change occupation rapidly.

Water utilities are also obliged to undertake rigorous clean-up measures that will improve the quality of their region's water. It seems reasonable to assume that everyone wants a healthy environment, and clean water is a vital component of this. But clean water doesn't come for free. The difficulty, as always, comes in deciding who will pay, and how the paying gets done.

But first, what is the effect of that rising water debt - what does it mean for a domestic customer, and if they can't be cut off, why should they care?

According to Walter Menzies, chief executive of the Mersey Basin Campaign. "It doesn't do people living in poverty and deprivation any good to live in a poor environment. We can't hold up the task of improving water quality - this is paramount. We know from a study carried

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out by the Northwest Development Agency that people from outside this region have a very poor image of its environmental quality - in terms of inward investment we have to invest in water quality or it would be holding back the very economic development which will bring jobs and address poverty.”

Nonetheless, for an individual customer juggling insufficient income on a week-to-week basis, this wider perspective is doubtless harder to grasp.

One person who got into difficulties was Belinda Shelton from the Wirral. After she and her husband were made redundant, Mrs Shelton spent eight months struggling to make ends meet. By the time she found her way to the Citizens Advice Bureau (CAB) and got help from a Money Advice counsellor, her debts amounted to £7,000 with water arrears of around £900.

It was clearly a distressing time. "I was feeling ill, I couldn't sleep, I was crying all the time, and just didn't know what to do," she explains. "It was the water company who said to go to Citizens Advice. I felt so embarrassed I was crying when I got there."

As a long term measure to address the payment problems that customers experience, United Utilities funds the CAB in the Northwest to the tune of £50,000 for its Money Advice Development Project. This contributes to two positions whose work is to co-ordinate, train and inform all CAB Money Advice counsellors and regional charities working on debt management strategies.

As part of the repayment programme negotiated by the CAB, Mrs Shelton is now on UU's Arrears Allowance Scheme. As long as she pays her current bills, the debt is written off on a matched pound for pound basis. Mrs Shelton fully acknowledges the understanding she received from UU, but is unimpressed by the current price rises. "If they're putting up the charges, I'd say to them, well, making it more expensive is like putting us back to square one. We're trying so hard to get out of it, but we just can't afford more."

The question of affordability is also raised by the consumer arm of Ofwat in the region, Watervoice Northwest. Regional manager Andrew White says that the increasing customer debt held by UU has a negative impact on the majority of water users. "Debt is one of the major factors causing bills to rise - by 11.4% in this region rather than the 7% projected. Customers are expressing surprise and dismay that unpaid bills by other customers can impact on their own bills in this way." And indeed, United Utilities acknowledges that even before the price rise agreed with Ofwat for 2004, customer debt cost households nationally around £10 a year on their water bill.

Andrew White is clear that water companies must demonstrate that they are taking all possible steps to recover debt before prices should be allowed to rise. "Watervoice wouldn't want to see a blank cheque written by Ofwat to cover customer debt. You have to take account of United Utilities' situation and the limitations on them, but that doesn't mean that we will let up on the pressure to recover their debt."

Unfortunately, recovering debt is an expensive and time-consuming business. In a region that is 30% more income deprived than the rest of England and Wales, and has two out of three of the UK's most deprived local authorities, clawing back debt from people living in poverty is always going to be tough.

In a bid to reclaim money owed by those who 'won't pay' rather than those who can't, the water industry nationally recently lobbied the government to include certain amendments to the Water Act 2003.

Their pleas were based on research done by industry body Water UK, which looked at data from three water companies including United Utilities. This indicative sample of 20% of customers nationwide focused on multi-occupancy properties, and showed that this living arrangement accounts for around 6% of households across the country. This 6% runs up around 13% of customer debt, and while such households will always include some people who are vulnerable, it also includes young professionals and students who are not generally viewed as groups in need of help.

In the Northwest, which has large numbers of students in the Manchester and Liverpool conurbations, the finding is significant and offered scope for recovering some of the monies owed. The key to success was in finding out who was living in those properties, particularly as such households are often tenanted by people who move on frequently.

Jeanne Golay, economic regulation advisor at Water UK, explains the focus of the lobbying. "The issue is data protection; we could ask local authorities to tell us who is living at a certain address, but they are not allowed to say. The Data Protection Act has an exemption that allows this to be overruled for 'good purposes', but the government has specifically to activate that exemption. We tried to lobby for that to happen, but it was not successful."

Water companies also tried to get the government to agree that landlords could be made responsible for their tenants' water debts, or be obliged to identify one occupier.

We can't hold up the task of improving water quality."

The government rejected both these possible solutions.

From United Utilities' point of view, this result leaves it with diminishing options. It cannot disconnect. It cannot instigate pre-payment, because should a customer fail to pay, their water supply would be cut off. Difficulties in identifying customers can cause problems for issuing summons for debt arrears, or pursuing them at a new address.

It is probable that water is going to cost more when the five-year price review is completed next year. It therefore seems possible that more people will be tipped into debt. So what can be done to make water more affordable to people on low incomes?

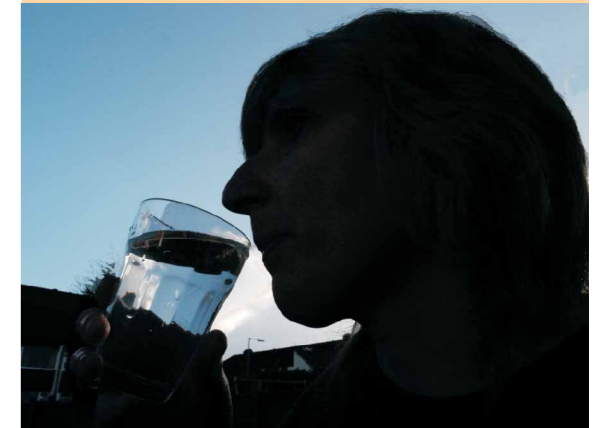
One answer may be to look at the way benefits are paid. Under Supplementary Benefit, people were simply given the amount required to cover their water charges. When Income Support was introduced, a fixed national amount was factored in for water bills. However, this has not been indexed to real rises in prices and is now worth only 55% of the average national bill.

This is now leading to the concept of 'water poverty'. It's an idea that is starting to gain ground. The House of Commons Environment, Food and Rural Affairs Committee has just expressed serious concern that some customers are having difficulty in paying their water bills. While emphasising that water is a valuable resource and that bills should not be lowered, the committee has recommended that the government reviews how poorer households are helped with their water bills, and noted that the scale of the response should adequately reflect the current cost of water.

Andy Bedford, United Utilities income strategy manager, said: "It has been suggested that proper support should be provided for those on lower incomes through the benefits system or tax credits, something which United Utilities and other companies would very much welcome."

It may well suit water companies if general taxation was to pay customers' water bills, but cynicism apart, if some people cannot afford to buy a basic human necessity, the situation is of real concern.

Water is required for us to live and be healthy. It is a valuable resource, and must be treated as such. When those two truths knock up against each other in a region which needs costly investment in its water structure, and also has a significant proportion of its population struggling to pay for something they cannot live without, it seems clear that without intervention from government, the two stretched ends of this particular financial rubber band are simply not going to meet.



BELINDA SHELTON RECEIVED HELP FINDING A WORKABLE SCHEME TO REPAY HER WATER DEBTS

60-second expert

- As much as £93 million of customer debt owed to UK water utilities was written off in 2002-03 and customer debt is rising rapidly.
- Debt is one factor causing water bills to rise - by over 11% in the Northwest. Nationally, customer debt costs households around £10 a year on their water bill.
- Recovering debt is expensive and time-consuming and water companies are in a difficult situation. They are legally obliged to supply domestic customers - no disconnection or interruption to a household's water supply is allowed.
- In addition, pre-payment meters, popular in the electricity and gas sectors, cannot be installed. Data protection can also make it hard to work out who is responsible for unpaid bills.
- People on low incomes can find it hard to afford their water bills, especially as the amount factored into Income Support for water bills is now worth only 55% of the average national bill.
- Consumer advocates, although understanding of water companies' problems, insist everything must be done to recover debt before any price increases can be considered.
- The concept of 'water poverty' is gaining ground, similar to the idea of fuel poverty.
- A House of Commons committee has recently recommended that the government reviews how poorer households are helped with their water bills, and noted that the scale of the response should adequately reflect the current cost of water.

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