

WATRS Independent Oversight Panel

The Water Redress Scheme (WATRS) - one year on

Second review of WATRS after 12 months of operation, March 2016

Members of WATRS Independent Oversight Panel

Regulatory

- Richard Khaldi - Senior Director, Ofwat
- Sir Tony Redmond - Regional Chair, CCWater

Independent

- Sandra Webber - Chair - former Consumer Support Director, CAA
- Helen Hunter - Director, J Sainsbury plc
- Adam Scorer - former Director, Consumer Futures

Company

- Rachel Barber - Director, South-Staffs Water
- Gary Dixon - Director, United Utilities

Panel reviews the Scheme and makes recommendations to improve its effectiveness

- ▶ At 6 months, 12 months and then annually
- ▶ 6 month review published November 2015

Panel ensures Scheme follows published principles

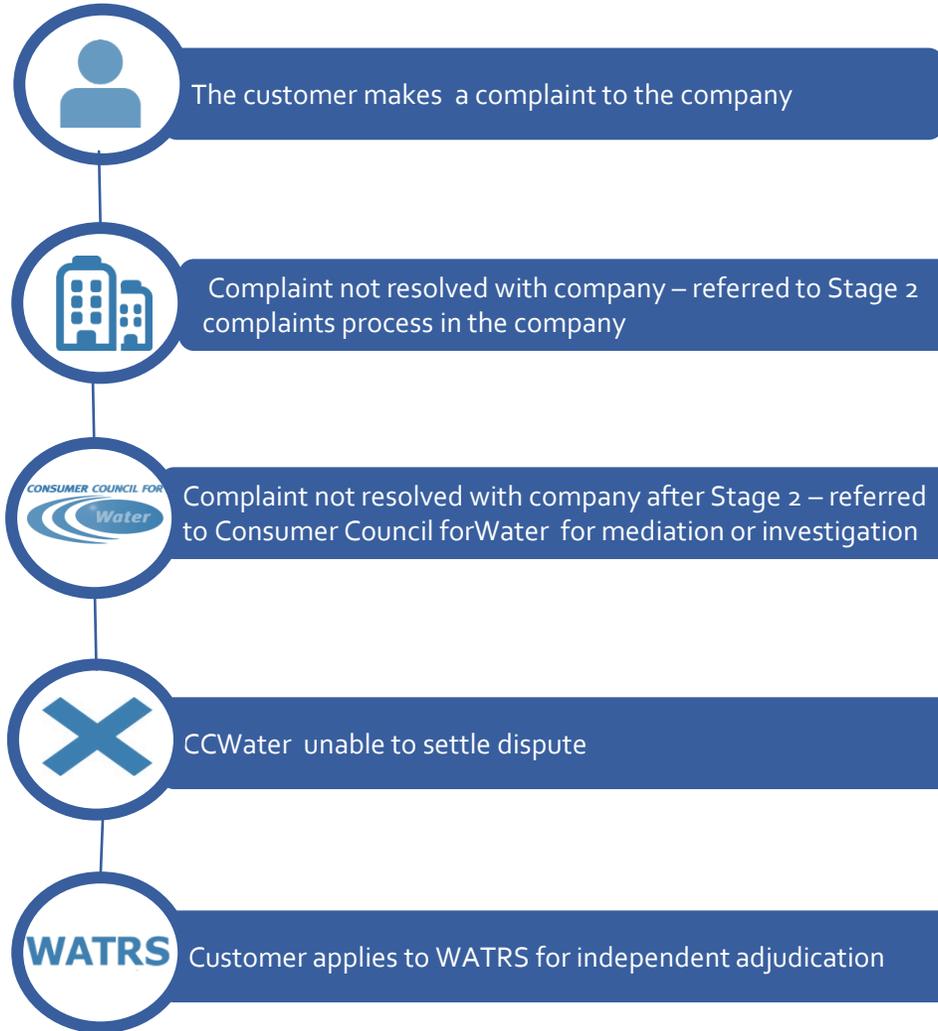
Overview by WATRS Independent Oversight Panel

- ▶ The new Water Redress Scheme (WATRS) is a big step forward in consumer protection for water customers in England and Wales. Since April 2015 water customers can, for the first time, obtain a free-of-charge, independent resolution of their complaint which the company must implement. The decisions are taken by professional adjudicators who have specific training in water legislation, and access to technical specialists where necessary.
- ▶ In the first year 84 complaints went to a final decision, and half of those decisions required the company to take some further action to put things right for the customer. A further 22 complaints were settled by the company before a decision. The Panel considers that the decisions have been taken with care and attention, and that WATRS provides a genuine alternative to litigation and real added value to the previous avenues for dissatisfied customers.
- ▶ The Panel is pleased to report that the water industry has co-operated with WATRS by submitting evidence on time and by implementing the awards once accepted by the customer. We commissioned an independent survey of companies' attitudes to WATRS.

Overview continued

- ▶ CEDR was chosen by a tendering process to set up and run the scheme. CEDR met its Key Performance Indicators, other than a problem with its telephone system in the early part of the year. CEDR has engaged constructively with water companies and the Consumer Council for Water (CCW).
- ▶ Take-up of WATRS was lower than expected in the first year, though it grew during the second six months (*NB take-up has continued to grow at the start of year 2*). User satisfaction, as measured both by CEDR and our independent researchers DJ S, was lower than found in some other alternative dispute resolution schemes; however direct comparisons are impossible because of the type of complaints in different industries and the variety of dispute resolution schemes.
- ▶ We, the Independent Oversight Panel, have scrutinised the operation of WATRS and recommended several improvements which have been introduced since the Scheme began. Some have been introduced fairly recently. We hope that by the end of the second year these will result in greater use of WATRS and greater user satisfaction.

The process



106,693 written complaints made to water and/or sewerage companies 2014/15

94.4% of written complaints resolved at either Stage 1 or Stage 2

CCWater is the statutory consumer organisation representing the customers of water and/or sewerage companies. In 2014/15 CCWater dealt with 10,138 customer complaints - the majority of which were resolved through mediation between the customer and the company

Slide 7 shows the number of customers who were eligible to come to WATRS in the first 12 months and the number of applications actually made

WATRS - first 12 months in brief

1,146
phone enquires
&
11,259 web hits

132 applications
of which
116 eligible

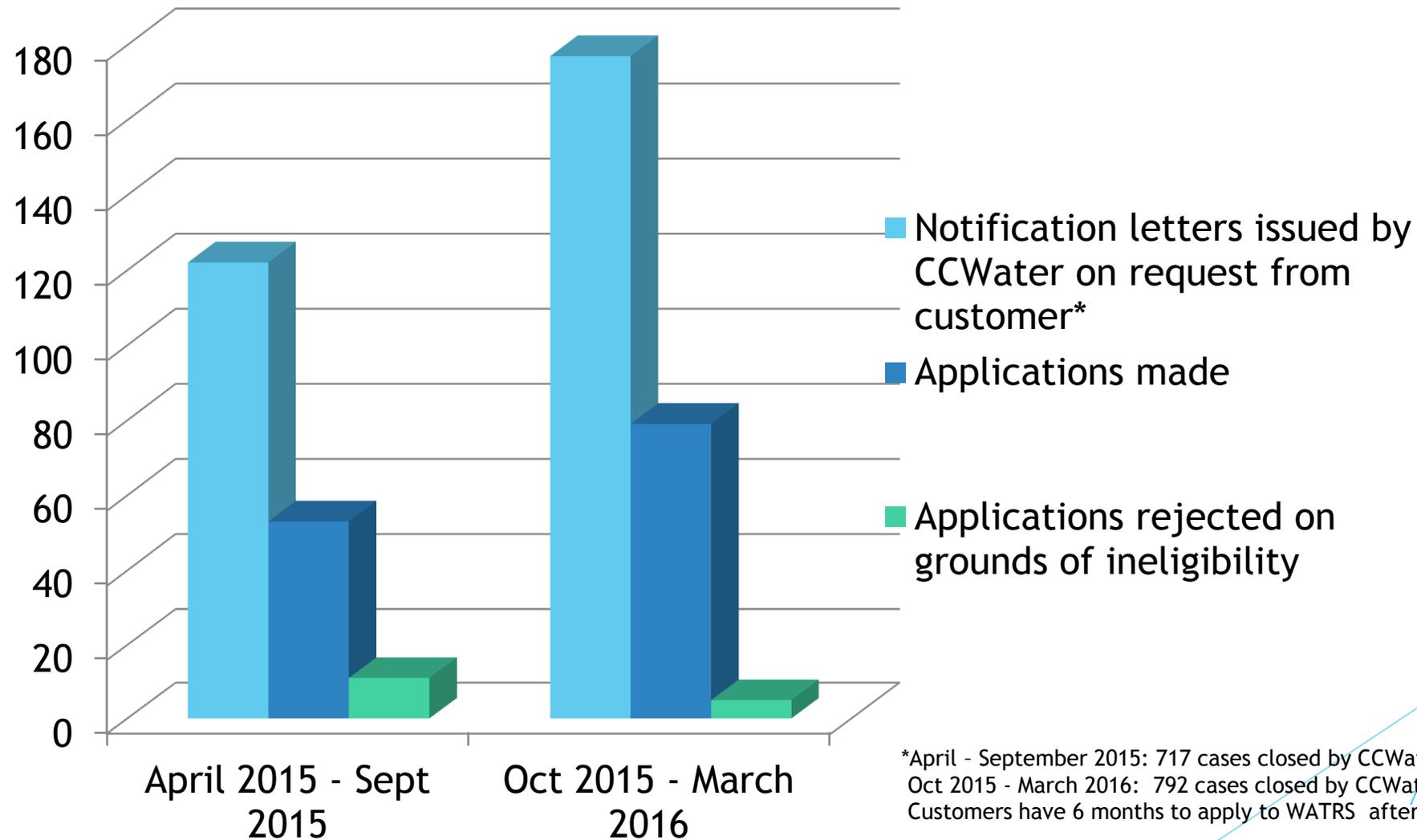
22 cases
settled
before decision

£297.00
average sum
where money
awarded

33 decisions
accepted
by customer

84 WATRS decisions
of which
award to customer
in 50%

Customer usage grew in second half of year and has continued to increase



*April - September 2015: 717 cases closed by CCWater;
Oct 2015 - March 2016: 792 cases closed by CCWater.
Customers have 6 months to apply to WATRS after case closed.

Applications and outcomes as at 31 March 2016

Total number of applications	Not eligible	Abandoned by customer	Settled	Decisions pending	Decisions published	Award made*	Claim fails
132	16	3	22	7	84	42	42
100%	6%	2%	18%	6%	68%	50%	50%

* Includes monetary and non-monetary awards

Dispute categories

Category	Decisions
Billing & charges	46
Metering	9
Sewerage	11
Water supply	11
other	7
total	84

Panel comment:
It is too early to identify any trends in complaints

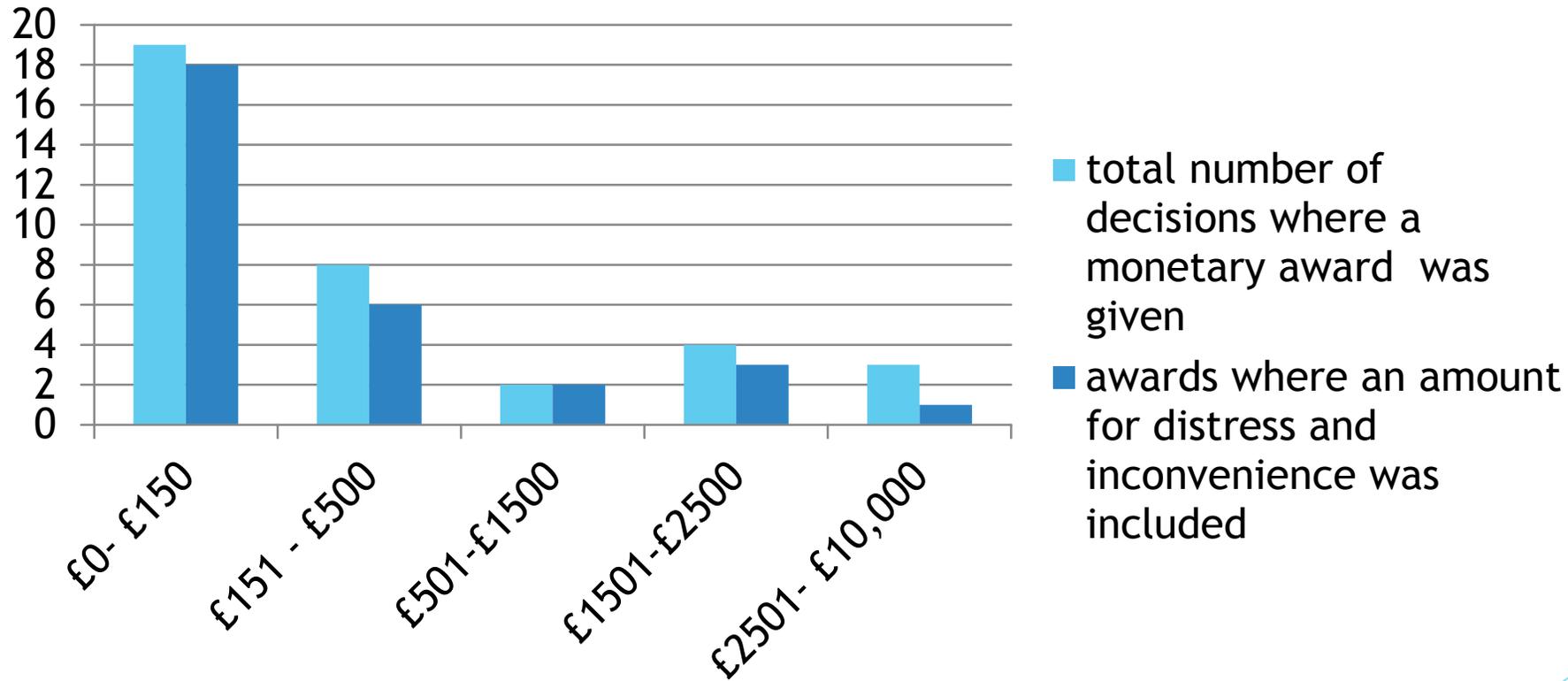
Outcomes available

- ▶ an explanation and/or an apology;
- ▶ a service;
- ▶ something to be done about a bill or bills;
- ▶ some action to be taken;
- ▶ compensation;
- ▶ an adjustment to a charge

Customer response (as at 31 March 2016)

Status	Cases	%
Accepted decision:	33	39%
Rejected decision:	27	32%
No response:	24	29%
Totals:	84	100%

Monetary awards: April 2015 - March 2016



Financial limits: £10,000 per customer for households; £25,000 per customer non-households. Maximum award for distress and inconvenience £2,500 per customer

Reviewing Scheme

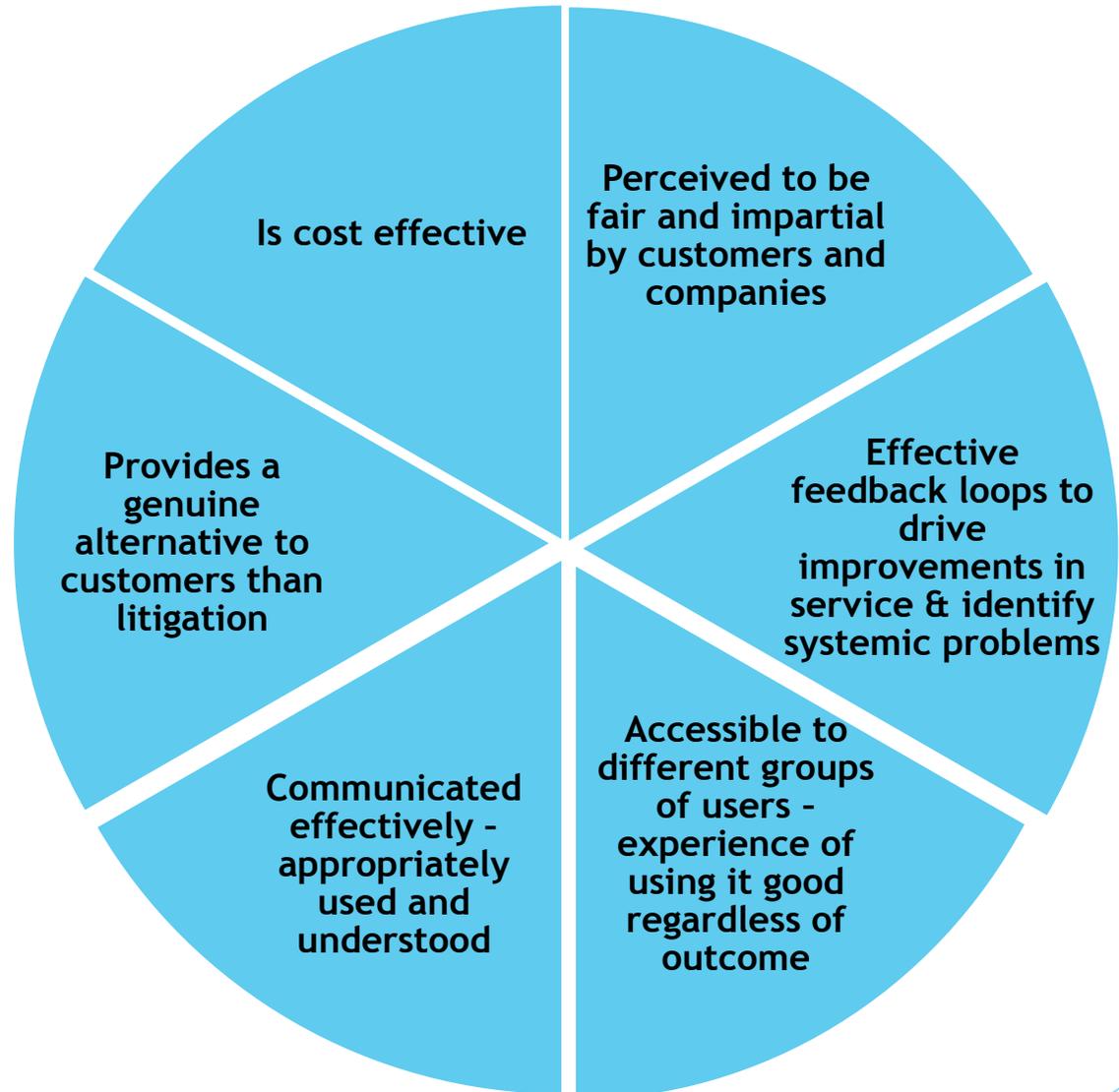
The Panel has kept the Scheme under close review throughout its first year of operation and recommended a number of improvements which have already been implemented notably:

- ▶ Streamlined application process - see slide 24
- ▶ Adjudicators can award interest payments where this seems fair - see slide 31
- ▶ Examples of cases and compensation awards now published on website - see slides 18 and 22

How we approached our 12 month review

- ▶ Used same success criteria as for 6 month review - see next slide
- ▶ Written questions sent to CCWater, CEDR and all subscribing companies
- ▶ Representatives from CCWater and 3 companies met Panel
- ▶ Panel met with representatives from CEDR
- ▶ Independent customer and company experience and satisfaction research by DJS Research Ltd
- ▶ Panel considered external research on dispute resolution schemes by Dr Naomi Creutzfeldt of Oxford and Westminster Universities and met with her
- ▶ Panel read all the WATRS decisions and case summaries issued to date
- ▶ Informal benchmarking against other dispute resolution schemes

The Panel assessed the Scheme's effectiveness against 6 success criteria



Key conclusions and recommendations

WATRS is providing independent, fair, swift resolution of “deadlocked” water complaints in England and Wales. It should however be more user-friendly for both companies and customers, as we recommend below and on the next slide.

- ▶ **5 working days for companies to submit their defence**. Some companies raised concerns about this rule. WATRS is meant to provide a quick and final resolution of complaints which have already been live for several weeks while companies engaged directly with the customer and then CC Water. Having looked at the evidence and talked to companies and CC Water, we accept that *in a small percentage of cases and situations it would be reasonable to allow companies up to 10 working days*. We have borne in mind our success criteria for WATRS, which include fairness and cost effectiveness. We do not think this slight flexibility will harm the consumers affected beyond a few days’ delay. Indeed it could benefit them by allowing time for companies to review their actions afresh and potentially settle the case without the consumer waiting for a formal decision: we note that 18% per cent of applications to WATRS were settled in the first year. We are not specifying criteria for when 10 working days would be applicable as *the Panel still wishes companies to submit their defence within 5 working days in the vast majority of cases and will monitor this*.

Key conclusions and recommendations contd.

▶ Customer care by WATRS.

In general companies and CC Water are satisfied with the fairness of decisions. The Panel has no doubt about the quality of the decisions. But we are not convinced that users *perceive* the Scheme to be fair and user-friendly.

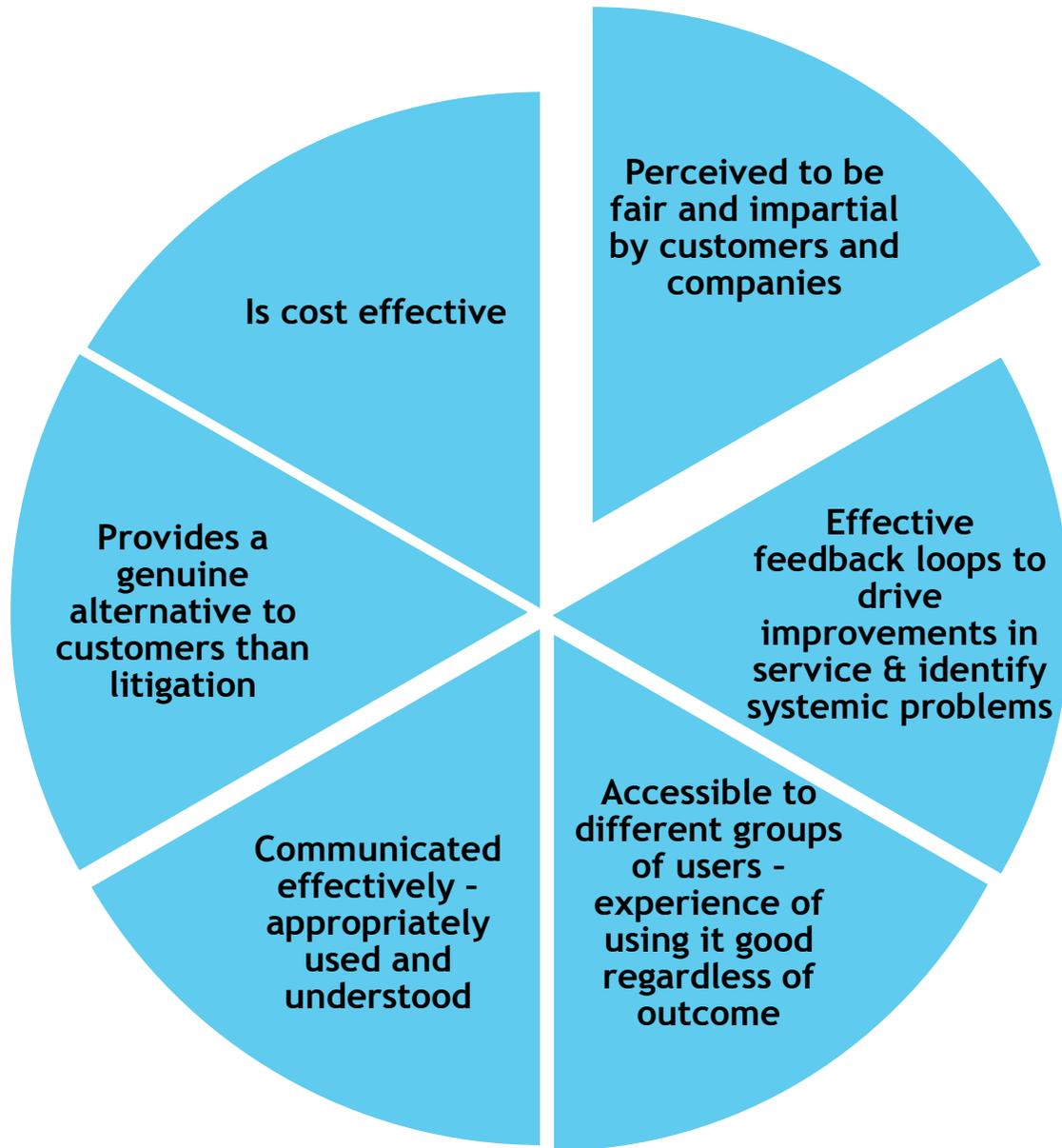
We have only limited user satisfaction data from our independent market research and from CEDR's evaluation forms, and some people gave their feedback before in-year improvements were made. Nevertheless the user satisfaction scores are low, and we have taken this seriously. It is inevitable that people who lose their case may be dissatisfied. The acceptance rate of decisions was lower than we would have expected; and 7 complainants did not accept or reject a favourable WATRS' decision in time and so lost their award (it has been noted that this pattern has continued in the early part of Year 2). Fourteen people (nearly 30%) told CEDR they found the written decision "not at all clear", and both surveys show that users found WATRS hard work to use.

Some of the recommendations from our 6 month review have already simplified things for users but have not had time to make an impact. But we are recommending further improvements now to address specific concerns and to meet our success criteria of an accessible, well-communicated scheme providing a positive experience for users regardless of the outcome. These include principally:

- - *writing decisions in less legalistic language, with a summary at the beginning*
- - *website improvements such as examples of the type of evidence which could be helpful to provide*
- - *trailing a welcome phone call from WATRS to applicants, to make sure they understand the process*
- - *making clearer the need to accept an award within 20 days and issuing reminders during that period*
- - *in the medium term, enabling users to track their case so they know it is progressing.*

KEY FINDINGS

This section summarises the Panel's findings against our agreed success criteria



Improvements since start of WATRS

- ▶ in each case companies must set out for the adjudicator out their legal obligations to that customer
- ▶ standard introduction to WATRS decisions amended to emphasise adjudicator's neutrality
- ▶ enhanced rule adopted to ensure full evidence available to adjudicator in complaints by a group of customers
- ▶ guidance on awards for distress and inconvenience on WATRS website with illustrative examples

Dec 2015

Dec 2015

May 2016

April 2016

Perceived to be fair and impartial by customers and companies

Findings of 12 month review

- Companies mainly consider decisions to be fair; customers are less positive, based on user satisfaction data to date (although small numbers) and the acceptance rate of decisions. *See slides 40 - 42 for DJS and CEDR customer user satisfaction research.* From recent research into levels of trust in ombudsman systems in Europe* we note that users' expectations can be unrealistically high. We think domestic users may have had unrealistic expectations of WATRS, knowing that the maximum award is £10,000**. WATRS compensation awards have typically been less than the customer sought. That's why we arranged for real examples of 'distress and inconvenience' compensation to be published. By way of comparison, we note that the most common financial award by the UK Energy Ombudsman in 2014 was £100.
- Nearly half of respondents to CEDR's user survey said the written decision was "not at all clear" or "slightly clear". The Panel agrees the language of decisions was too legalistic for some customers to follow the reasoning - this could explain the disappointing acceptance rate and rate of customers not responding at all, some of whom then lost their award.
- Evidence suggests case for extension of 5 working day limit for companies submitting defence to WATRS in exceptional circumstances
- Some companies suggested that adjudicators would benefit from training in sewerage law and GSS payments.

Perceived to be fair and impartial by customers and companies

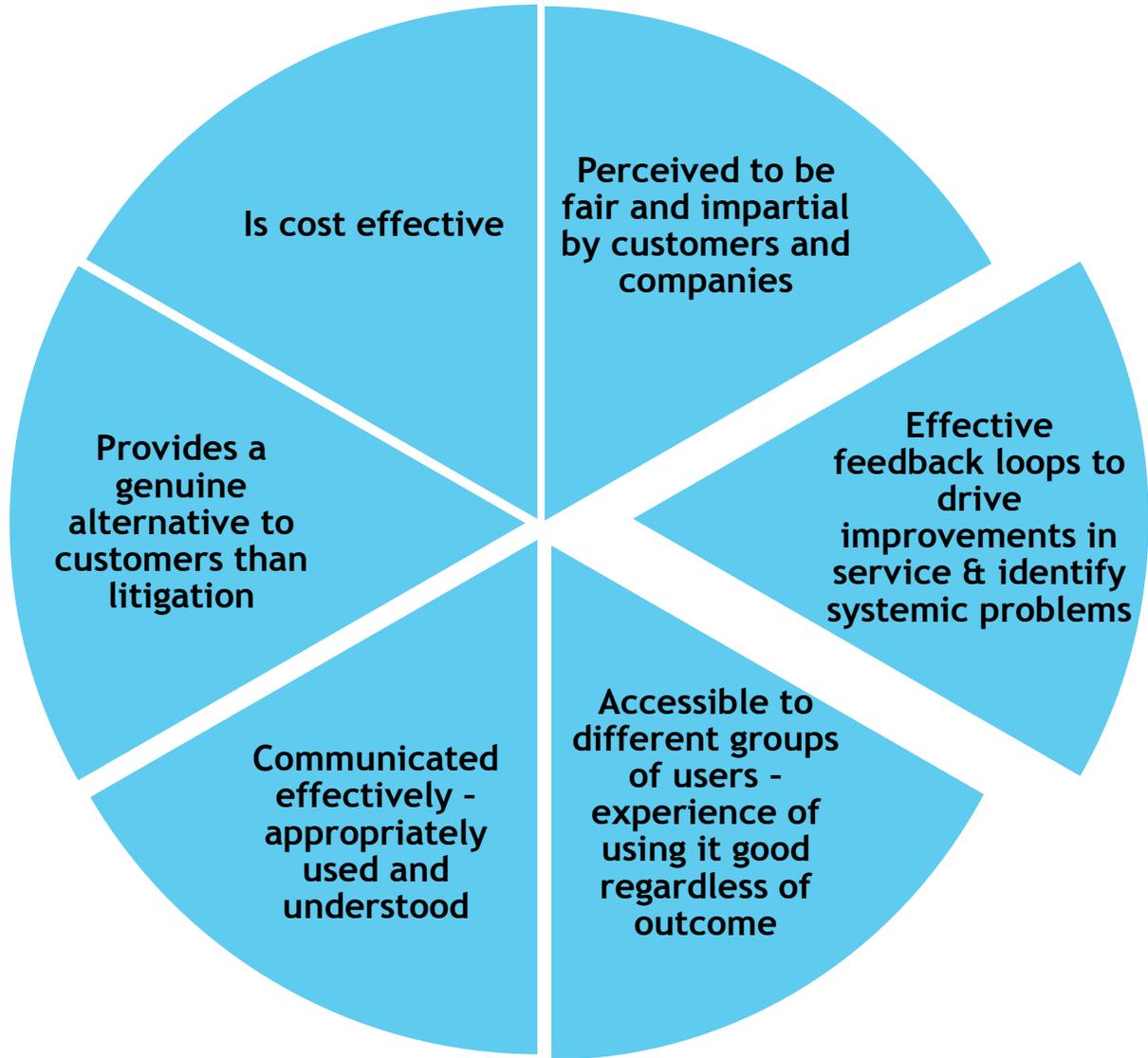
• Creutzfeldt, N. (2015/2016) UK report (public and private ombudsmen) and six ombudsmen reports on the project website: <https://www.law.ox.ac.uk/trusting-middle-man-impact-and-legitimacy-ombudsmen-europe/project-reports>

** the maximum compensation that can be awarded for 'distress and inconvenience' £2,500. This figure is subject to the overall maximum award of £10,000

Panel's recommendations

- ▶ Language of decisions should be simplified and a plain-English summary included at the top, so that customers can understand why they have won or lost aspects of their complaint. *[Recommendation recently accepted by CEDR and in hand]*
- ▶ Ofwat to provide briefing to adjudicators on sewerage law and application of GSS payments *[Recommendation recently implemented]*
- ▶ In a small percentage of cases and situations it would be reasonable to allow companies up to 10 working days. The Panel has not specified criteria. We still wish companies to submit their defence within 5 working days in the vast majority of cases and will monitor this. *[Implementation date: 31 October 2016]*
- ▶ In addition WATRS could help water companies by sending them completed applications immediately and not in batches and companies could help WATRS by ensuring that all documents submitted are indexed and defences are dated *[Implementation date: 1 October 2016]*

Perceived to be
fair and impartial
by customers and
companies



Improvements since start of Scheme

- ▶ Short case studies published on WATRS website
- ▶ All decisions (redacted to protect identities) published online for company learning (<http://www.resolvingwaterdisputes.org.uk/redacted-decisions/>)

Aug 2015

Feb 2016

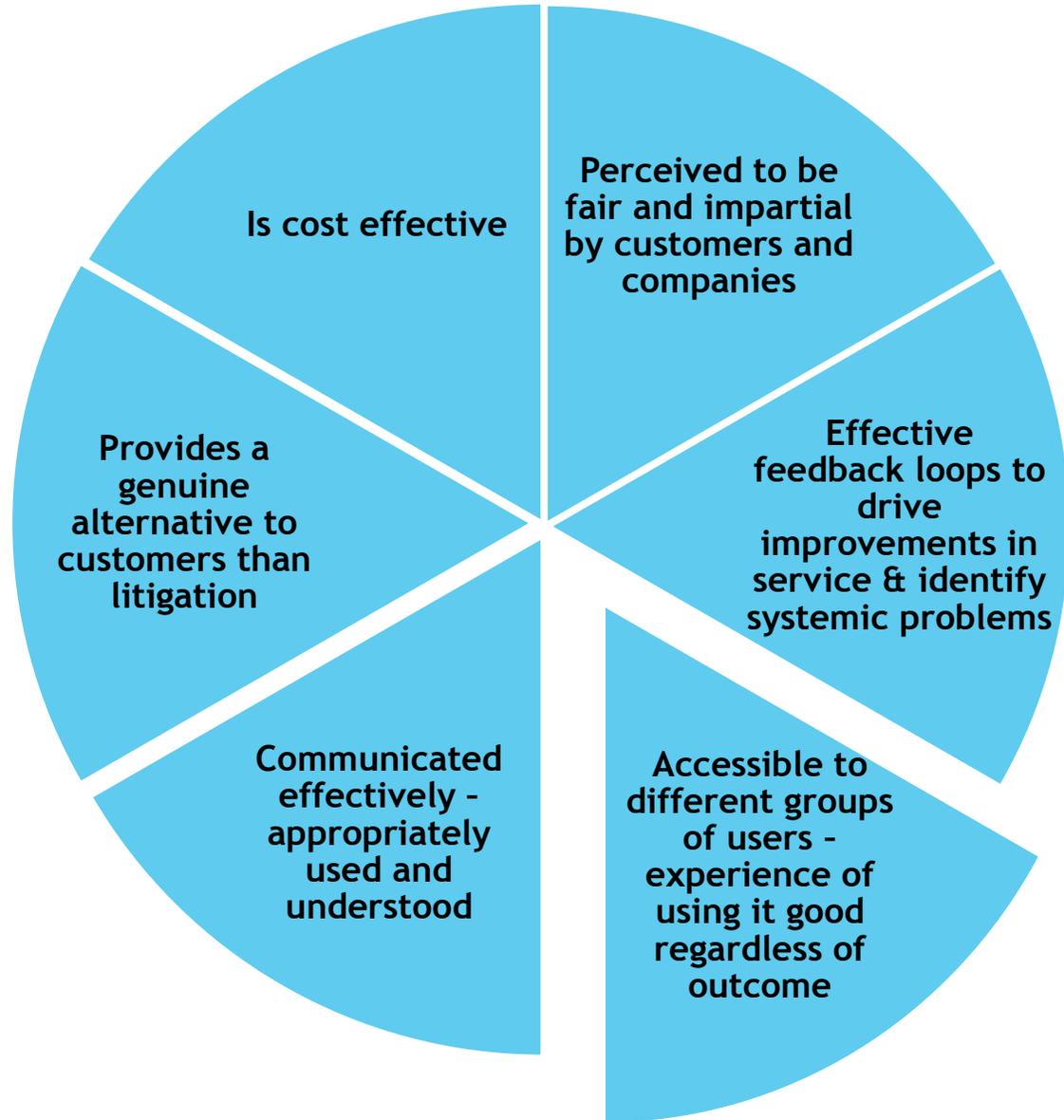
Effective feedback loops to drive improvements in service & identify systemic problems

Findings of 12 month review

- ▶ The transparency of WATRS should enable companies, Ofwat and CCWater to identify any systemic failures which need addressing though none have been identified in the first year
- ▶ Some companies told Panel they study the decisions for learning purposes and would welcome an annual summary of trends identified
- ▶ Some companies have adopted new processes to review complaints
- ▶ One company improved its procedure on tariff changes in response to a number of decisions made against it

Panel recommendations

- ▶ We intend to review the idea of an annual summary of complaints at the end of year 2. Meanwhile we encourage companies to look at the published decisions. [Implementation date: 1 April 2017]



Improvements since start of Scheme

- ▶ CCWater file sent to WATRS unless customer opts out - helps ensure full evidence **Dec 2015**
- ▶ Application form was shortened and simplified **Jan 2016**
- ▶ A step in the application process (requesting a reference number from CCWater) has been removed for a trial period **May 2016**
- ▶ The website improvements which the Panel recommended in its 6 month review were delayed but are now under way **June 2016**

Accessible to different groups of users - experience of using it good regardless of outcome

Findings of 12 month review

- ▶ WATRS is a new scheme providing added value for water consumers but needs to be more user-friendly.
- ▶ Conversion rate from Notification Letters to WATRS applications was low in first year.
- ▶ Over 40% of respondents to CEDR's follow-up survey indicated difficulty “not at all easy” or “not so easy” in using WATRS. Similarly our independent market research by DJS found that customer effort rated on a scale of 1 to 10 was over 7: this is worrying even though a very small sample opted to take part in the research.
- ▶ At the end of the year *39% of decisions had been accepted* by the complainant, 32% rejected and in 29% of cases no response was received. The Panel would like to see this acceptance rate improve. Dr Creutzfeldt's research into the UK Energy Ombudsman found 59% very willing to accept the outcome and a further 23% fairly willing. (The figures are not however directly comparable as the UK Energy Ombudsman encompasses the functions of both CCWater and WATRS.)
- ▶ The improvements made to WATRS during the first year are already making it more accessible e.g. the simplified application form introduced January 2016. The trial removal of a step in the application process (WATRS reference number - see previous slide) may already be helping to increase uptake.
- ▶ Dr Creutzfeldt found that the quality of communication throughout the process, and in particular the first contact, are important in determining customer perceptions of dispute resolution schemes. This and the evidence quoted above have led us to make some further recommendations. We are pleased to say that when we discussed these with CEDR in preparing this report, they were willing to try some of them straight away so they are already in hand.

Accessible to
different groups
of users -
experience of
using it good
regardless of
outcome

Panel recommendations

- ▶ Re-design of the website should include a feedback facility to help identify the need for any further improvements
- ▶ WATRS should trial a phone call to each customer on receipt of their application to ensure they feel welcome and understand the process
- ▶ WATRS to be asked to investigate the cost of introducing a website function to enable users to track progress of their complaint. We appreciate that this would require user accounts and login functionality, which would be a major website change.

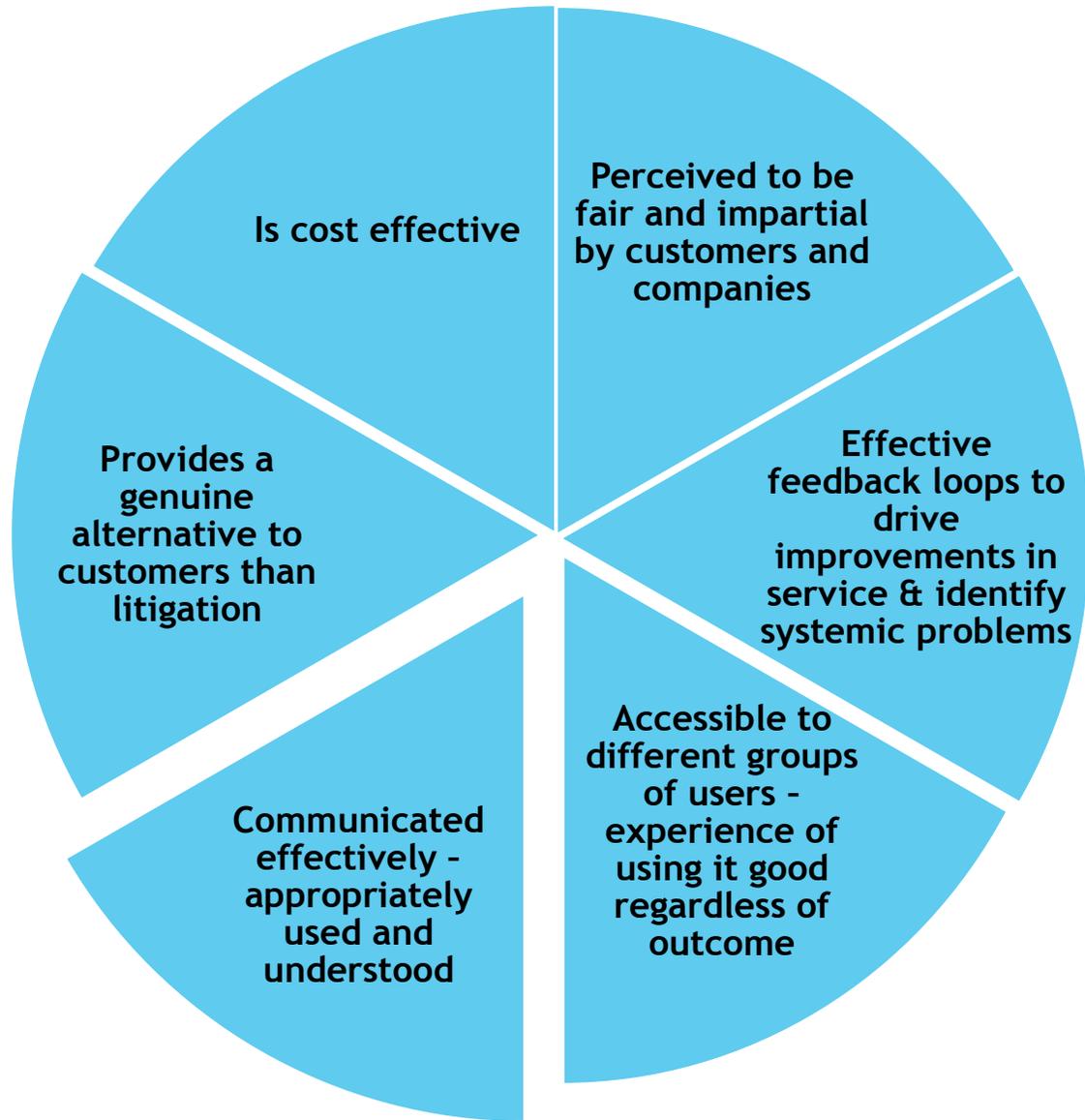
Implementation date

1 October 2016

Commenced June 2016

31 January 2017

Accessible to different groups of users - experience of using it good regardless of outcome



Improvements since start of Scheme

- ▶ First phase of re-design of website completed, second phase in progress
- ▶ CCWater closure letter now tells the customer how to contact WATRS

March 2016

May 2016

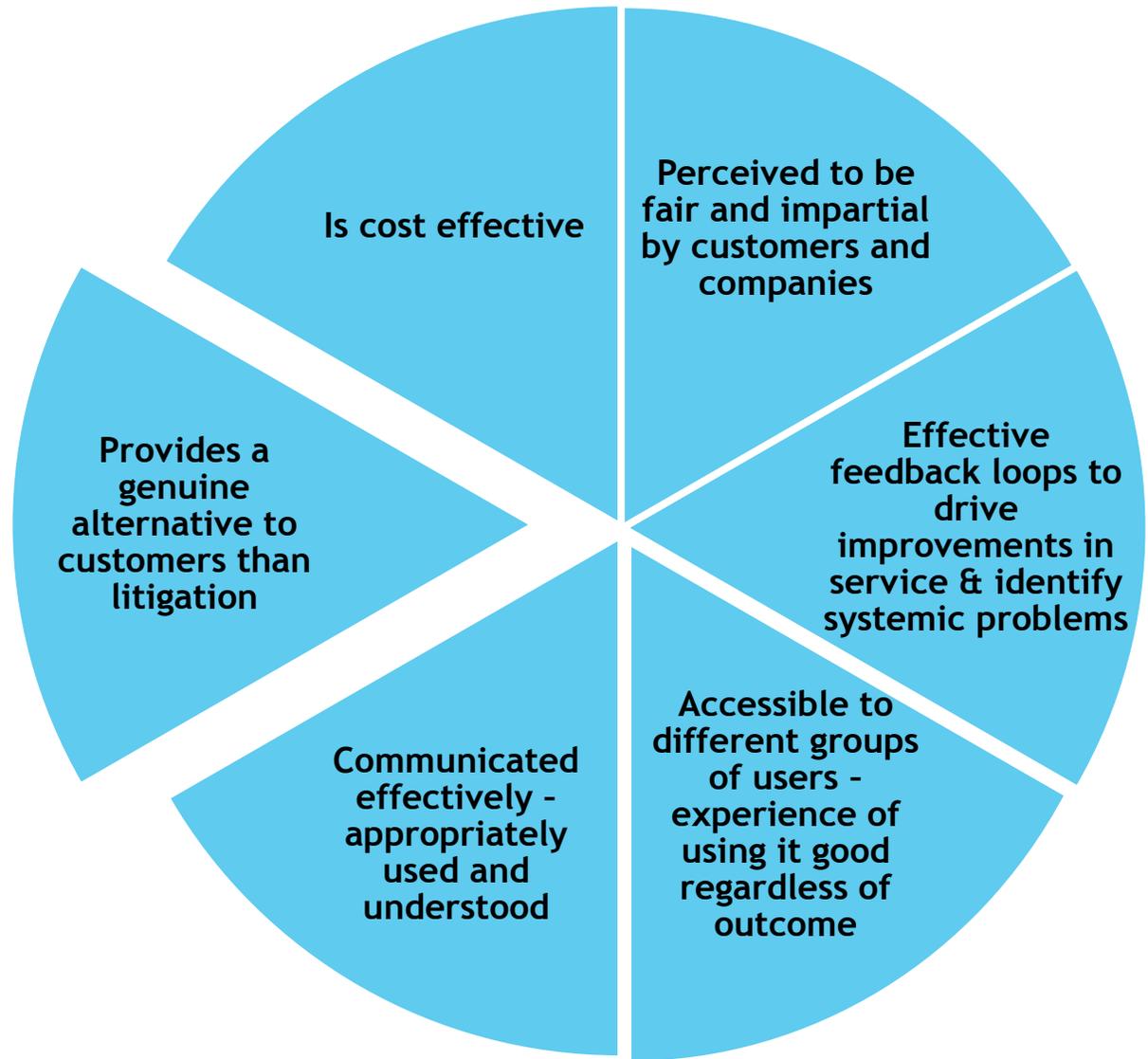
Communicated
effectively -
appropriately
used and
understood

Findings of 12 month review

- ▶ The 1st stage of communication is knowing about WATRS. Customers who complain to their water company should be made aware of WATRS through the company's complaints process. There is also information about WATRS on the websites of water companies, CCWater and Citizens Advice (but better sign posting of scheme would help). This could usefully be updated to include examples of cases and levels of compensation awarded, to help customers understand what they might gain from using the scheme.
- ▶ The 2nd stage of communication is knowing how to use WATRS. It appears that customers do not always supply the necessary evidence to support their claim, and more guidance could be beneficial (even though the CCWater file now goes to WATRS as the default position).
- ▶ The 3rd stage of communication is the decision: we have already mentioned simplifying the format and language.
- ▶ The 4th stage of communication is post-decision. We are concerned that in the first year nearly 30% of users did not respond to accept or reject their decision within the 20 days allotted. This included 7 cases where the adjudicator had made a favourable award, which then expired so the customer did not receive it. (*NB This problem has continued into year 2.*) We are recommending measures to try to minimise this.

Panel recommendations

	Implementation date
▶ Water companies, CCWater and Citizens Advice to add to their web material about WATRS examples of cases and levels of compensation awarded	1Jan 2017
▶ Water companies to review printed literature sent to customers in response to a complaint to ensure that it is appropriate and gives information about WATRS and the process	1 Jan 2017
▶ WATRS website to include a FAQ section with common issues	1 Oct 2016
▶ WATRS website to include example of a “good application” with supporting evidence	1 Oct 2016
▶ Written decisions to specify date (20 days hence) by which a response is required	1 Oct 2016
▶ Email reminder to customers who haven’t responded to decision (after 10 days)	1 Oct 2016
▶ Phone call to customers who haven’t responded to decision (after 15 days)	1 Oct 2016



Improvements since start of WATRS

- ▶ All metering disputes now covered - billing and location
- ▶ Enhanced rule adopted to confirm awards can be made for distress and inconvenience
- ▶ Interest can now be awarded in disputes about charges. New rule adopted following consultation with companies.

Findings of 12 month review

- ▶ WATRS is a big step forward in consumer protection for water customers in England and Wales, who can now obtain a quick (within 4-5 weeks) free-of-charge, independent resolution of their complaint which the company must implement. The decisions are taken by professional adjudicators who have specific training in water legislation and access to technical specialists.

Panel recommendation

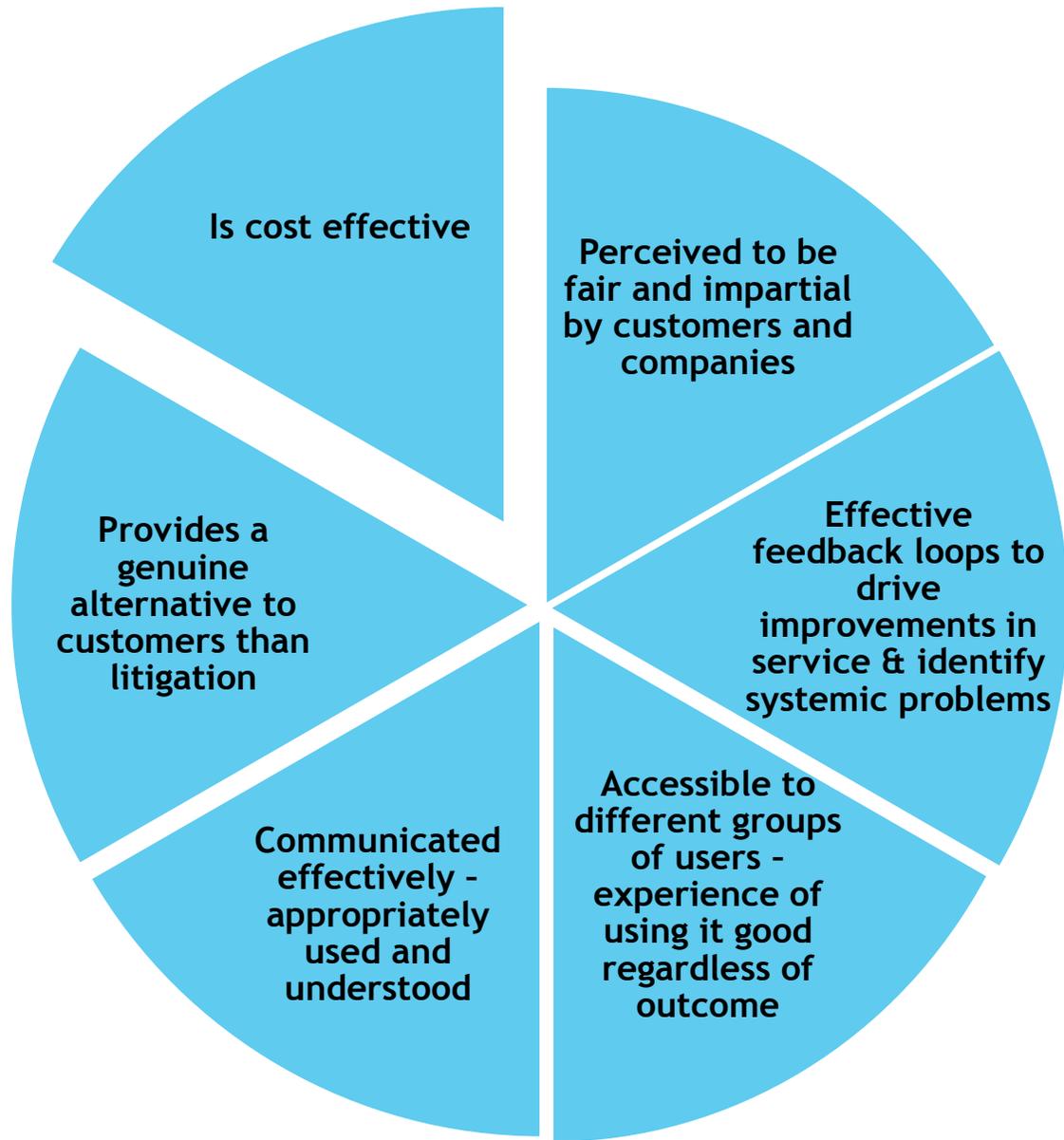
- ▶ None at present.

April 2016

April 2016

May 2016

Provides a genuine alternative to customers than litigation



Findings of 12 month review

- ▶ With exception of answering phone calls in first 6 months, WATRS has met its KPIs
- ▶ The Panel's approach to cost effectiveness : at this stage due to the small number of applications we decided it was not practical to carry out formal cost-benefit analysis or to monetise the benefits of WATRS; we will keep this under review. Instead we sought to assess whether the outcomes and benefits of WATRS were proportionate to its cost.
- ▶ Companies pay a subscription and case fee. The Panel wrote to all companies seeking views on value for money. Only 6 responded in writing and a further 2 gave responses during interviews with the Panel. We assume that the others (around two thirds of companies) regard value for money as acceptable.
- ▶ Companies have different approaches to handling WATRS cases, and some may be more cost effective than others. One model is to have a single person dedicated to dealing with all WATRS applications, other companies have a review Panel and /or include a reference to legal services.
- ▶ Overall the evidence we received does not suggest that WATRS is not cost effective.

Feedback from companies:

- ▶ One company had initially questioned the value of WATRS but has found that obtaining closure to disputes brings benefits for both customers and the company
- ▶ One company said WATRS provided value for money for customers, but value for money for companies was less clear
- ▶ Some companies reported significant resources involved in preparing responses

Panel recommendation

- ▶ None at present

Is cost effective

APPENDIX

Progress on implementation of key recommendations from 6 month review

Effectiveness

Simplify application form	✓
Review guidance to customers: include illustrative examples	✓
Review format of website to make more customer friendly	✓
Decisions should set out what obligations companies have to meet and whether met	✓
Decisions should have greater clarity for customers around independence and impartiality	✓
Greater clarity in decisions where “claim succeeds in part” as to degree to which the claim has succeeded	✓
WATRS encouraged to make appropriate use of panel of experts	✓
Guidelines with examples of levels of awards for non-financial loss, based on other ADR Schemes	✓
Panel to consult companies on awards of interest for overcharging	✓

Progress on implementation of key recommendations from 6 month review

Scheme Operation		Companies	
CCW to issue WATRS referral number with closure letter	*	Set out legislative and policy obligations in relation to the issues raised by customer at start of each defence	✓
CCW file to go to WATRS when application made unless customer opts out	✓	Make all redacted decisions available to companies for learning purposes (<i>redacted decisions available to both customers and companies online</i>)	✓
Where WATRS clarifies information submitted by one party they give other party opportunity to comment	✓		
WATRS to review procedure for dealing with “mass claims”	✓		

* Alternative procedure (also designed to reduce application steps) trialled from May 2016

How customers contacted WATRS

Contact methods including applications

	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	Totals
Email													0
Post	1	2	5	7	5	15	4	6	2	3	11	8	69
Website	0	611	332	677	550	662	443	852	1338	1909	2008	1877	11259
Telephone	47	59	102	105	103	126	160	78	82	100	99	85	1146
	48	672	439	789	658	803	607	936	1422	2012	2118	1970	12474

Application Method

	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	Totals
Email	4	1	1	1	3	5	5	1	8	8	5	6	48
Website	0	0	2	4	0	3	3	0	0	5	4	2	23
Post	1	0	3	4	4	8	5	5	0	3	12	2	47

*Email contacts: none

Website hit breakdown

	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March
Home		207	166	258	199	241	214	318	677	973	1026	1009
Download forms									16	35	17	21
Uploaded forms									1	8	6	6
File a case		139	108	171	157	167	98	232	113	181	195	144
The Process		54	45	62	48	66	32	57	136	207	226	220
The adjudicators		31	19	34	20	37	18	36	132	137	128	100
information		52	27	20	36	23	22	45	90	122	151	113
Case studies		40	63	28	14	36	8	31	110	144	126	126
About us		88	70	104	76	92	51	133	63	102	133	138
		611	332	677	550	662	443	852	1338	1909	2008	1877

Applications and outcomes as at 31 March 2016

	Not eligible	Abandoned by customer	Settled	Decisions pending	Decisions published	Award made*	Claim fails
April	0	0	0	0	1	1	0
May	0	0	0	0	4	4	0
June	0	0	0	0	2	1	1
July	0	0	3	0	8	4	4
August	1	0	1	0	3	1	2
September	1	1	3	0	9	3	6
October	2	1	2	0	7	5	2
November	1	0	1	0	7	3	4
December	1	0	3	0	3	2	1
January	1	1	4	1	10	6	4
February	0	0	2	1	14	7	7
March	0	0	3	5	16	5	11
	7	3	22	7	84	42	42
	6%	2%	18%	6%	68%	50%	50%

*Award: includes monetary and non-monetary awards. To date, no applicants have been awarded the full amount of compensation they asked for. This may be due to a number of factors, including customers expecting too much compensation or not knowing how to prove all elements of their claim.

Customer experience and satisfaction survey by DJS - an independent market research company

7 telephone interviews with eligible customers who did not apply

6 interviews with customers who received a decision

eligible customers who did not apply

3	Knew choices & steps to take (1-5)
3.3	Easy to understand letter from CCWater (1-5)
7.5	Customer effort (0-10)

customers who received a decision

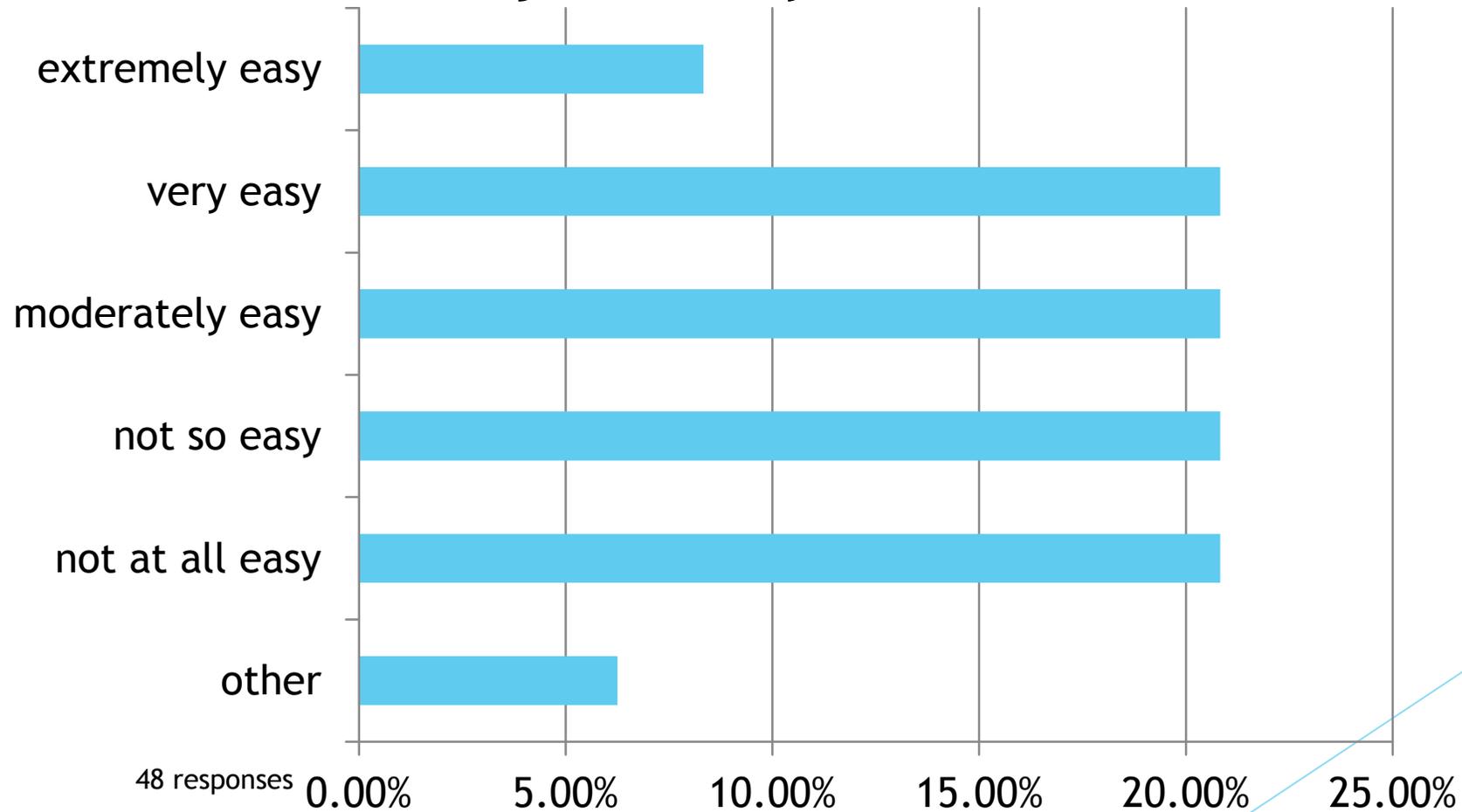
3.7	Knew choices & steps to take (1-5)
2.8	Could complete the form (1-5)
1.8	Final decision (1-5)
7.2	Customer effort

Scales go from least to most positive with the exception of customer effort which is most to least positive (low effort = positive)

Surveys conducted between Sept 2015 - Feb 2016

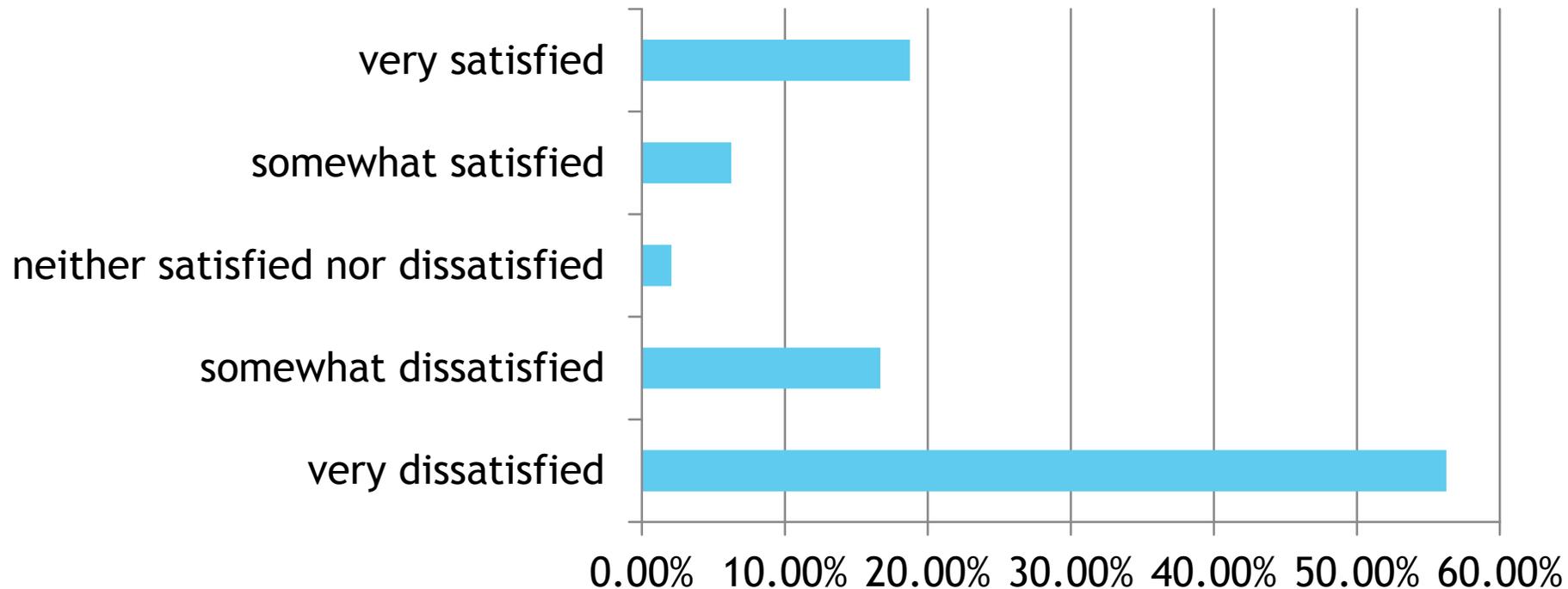
CEDR customer satisfaction data

How easy has it been to get your case adjudicated by WATRS?



CEDR customer satisfaction data

How satisfied or dissatisfied are you with WATRS?



48 responses

Satisfaction rates are likely to be affected by outcome e.g. the Parliamentary & Health Ombudsman reported (Nov 2014) that 88% of customers whose complaints were fully upheld were satisfied but customer satisfaction fell to 49% for customers whose complaints were not upheld.

CEDR feedback on first 12 months

- ▶ Service is working as well as expected;
- ▶ Good working relationship with CCWater and companies;
- ▶ No non-compliance by companies with decisions where accepted by customers;
- ▶ Helpful to improve website and profile of the scheme;
- ▶ Could improve language and layout of awards;
- ▶ Slow start in number of cases helpful - adjudication time per case “most time consuming” of schemes run by CEDR. Anticipate numbers will increase with CCWater trial of no reference number.

Who's who?

- ▶ WATRS: is operated by the Centre for Effective Dispute Resolution (CEDR) which deals with over 12,000 consumer disputes every year. CEDR is a leading consumer dispute resolution provider in the UK and operates Ofcom approved adjudication schemes for the communications industry (CISAS) and the postal industry (POSTRS). In addition to these services CEDR also provides schemes for a number of industries including construction, funeral services, renewable energy and ABTA.
- ▶ RWD: Resolving Water Disputes Limited. Company responsible for scheme.
- ▶ CCWater (Consumer Council for Water): is the independent representative of household and business water consumers in England and Wales.
- ▶ Ofwat (Water Services Regulation Authority): independent economic regulator of the water sector in England and Wales.
- ▶ DJS Research Limited: market research company conducting customer satisfaction and experience research on behalf of the Panel.