

Omission from the Bill Walker Review: Water debt

Issue

- Unpaid water bills last year resulted in water debt of over £1.25 billion - an increase of 13% over the previous year
- Around 44% of household water debt is held by customers in rented accommodation. A high proportion – 23% - is also down to ‘leavers’
- There is no requirement on tenants or landlords to provide information on the user of water, i.e. the person responsible for water charges
- The cost of bad debt adds on average £12 to every paying customer's bill.
- The level of water debt is likely to increase with increasing household debt.

There is no mention of measures to tackle increasing bad debt in the Flood and Water Management Bill. We believe there should be. The bill provides a unique opportunity that must not be missed.

The final report of the Walker Review¹ recommends “*As a priority, the Water Industry Act 1991 should be amended to provide for a named customer and clarify who is responsible for paying the water bill; the ‘liable person’ should be the property owner unless they discharge their liability to the water company by providing tenancy information correctly and in a timely manner*”

Background

The water industry has a significant problem with debt from household customers. Unpaid water bills last year resulted in debt of £1,245 million (outstanding greater than 3 months) – a year on year increase of 13%.

¹ The Independent Review of Charging for Household Water and Sewerage Services, Final Report, December 2009

Debt in the energy sector is about one fifth of that in water, despite the considerably higher bills. In comparison the levels of debt in the electricity and gas sectors “have remained broadly static” (source: Ofgem). The number of energy customers repaying a debt were 1.3 million (electricity) and 0.8 million (gas) at the end of 2008. In the water sector, more than 5 million customers are in debt.

Around 44% of total household debt is held by 34% of the debtors who live in rented accommodation. A high proportion of debt – 23% – is also held by ‘leavers’.

Household debt has been increasing since the ban on disconnection came into effect in 1999. Since then it has also been illegal to fit prepayment meters for water services. As a result, water companies have a statutory duty to supply water and wastewater services, irrespective of whether the customer pays for the service.

The cost of bad debt adds around £12 onto every paying customer’s bill.

Water UK’s view

The current situation is not sustainable. Debt has increased significantly over the last nine years since the ban on disconnection and is likely to increase at a greater rate in the current economic climate, unless further powers are given to companies to recover charges. The debt burden, currently £12, affects all paying customers, including the poor and vulnerable. This cannot continue.

A key problem is knowing who to bill, especially with short term private rented properties. The industry believes that landlords should be required to provide information on their tenants – the ‘liable person’ for water charges. Where the property is unoccupied, or the landlord fails to notify the water company with the required information then the landlord, by default, should be the ‘liable person’ for water charges.

Water UK has been actively working with and promoting these views to the Walker Review team and landlords associations (British Property Federation, National Landlords’ Association, Residential Landlords’ Association). In recognition, the Walker Review of Charging for Household Water and Sewerage Services recommends in its final report *“As a priority, the Water Industry Act 1991 should be amended to provide for a named customer and clarify who is responsible for paying the water bill; the ‘liable person’ should be the property owner unless*

they discharge their liability to the water company by providing tenancy information correctly and in a timely manner”.

We support this recommendation and believe that the legislative changes required to implement this should be made as soon as possible, preferably through inclusion in the current Flood and Water Management Bill

For further information please contact:

Phill Mills pmills@water.org.uk
Water UK Deputy Chief Executive

Dawn Waterman dwaterman@water.org.uk
Water UK Public Affairs Adviser
020 7344 1865

Water UK represents all water and wastewater service suppliers at national and European level. The water industry has invested £85 billion since privatisation in 1989-90.