



# Are you being served?

Understanding SMEs' experiences of the  
non-domestic water market in Scotland

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## Who we are

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Scotland's Citizens Advice Network is an essential community service that empowers people through our local bureaux and national services by providing free, confidential, and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.

# Executive Summary

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Scotland's non-domestic water market has been competitive since April 2008. Scottish non-household water and sewerage suppliers, known as 'licensed providers', are licensed by the economic regulator, the Water Industry Commission for Scotland (WICS). Non-domestic customers pay for their water, wastewater, and drainage services via these providers. Scotland's water market is seeking to adopt new ways of working focused on ethical business regulation and practice to ensure that benefits are delivered to customers, Scottish Water, and the market at large.

Following previous customer insights research in 2016, Citizens Advice Scotland (CAS) wanted to gain a more up to date understanding of the current experiences of small to medium sized enterprises (SME's) using water and waste-water services in the Scottish water market. A sample of 468 SME customers were surveyed between July-September 2020. The research sought to explore the following:

- > Standards of service provision in the non-domestic water market by water providers
- > Experience of operating an SME business during the first Covid-19 lockdown
- > Current understanding of ethical regulations and practices

The survey highlighted that while good practice does exist, as the majority of those surveyed were satisfied overall, unfortunately, such practices are not guaranteed, as not all customers felt they were receiving a good standard of service from their provider.

While two-thirds of those surveyed were satisfied overall with their provider and experience of the market, one third were not. Experiences of dissatisfaction were varied, with examples arising across all stages of the customer journey: from information and understanding of the market, to billing and switching processes, and overall customer service.

The survey found that some of this dissatisfaction arose from unnecessarily complex or inaccurate billing, difficulties in reaching the provider to discuss service or billing issues, and a feeling that the customer's provider, whether deliberately or unintentionally, was unhelpful. Such issues are compounded further for customers by what is felt to be overly aggressive debt recovery practices. Customers can be left feeling that their needs and issues are not being given sufficient prioritisation, that they struggle to be heard or understood by their provider, and do not always receive the type of help or support they need in a timely manner.

Dissatisfaction among customers also appears to stem from a lack of understanding of the regulatory and standards framework that the Scottish non-domestic market must operate within, particularly where it impacts customer expectations. Improved access to information, support and advice would enable customers to understand what the market has to offer and help them to make the most informed choice when selecting a licensed provider.

# Conclusions

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The findings of the research indicate that there are two broad areas customers feel could be improved upon in the market: billing and debt management practices, and communication, information, and customer service. Consideration of these issues should also reflect on the compounding effect that the latter can have on the former. In seeking to improve the market for customers, market stakeholders should look to these areas as a priority.

Developing ways of providing customers with a clearer understanding of how the market is set up, including greater transparency of the terms within customer contracts, is needed in the short-term. Further examination, to understand what causes such issues on a case-by-case basis, would help to better identify the sources of customer inconvenience, detriment, and dissatisfaction.

Introducing ways for the market to collaborate more with its customers would facilitate improvements that are suitably designed around customer needs and ensure that the market works well for them. The market framework and wider market stakeholders should continue to support and facilitate licensed providers to take greater ownership of customer outcomes wherever possible.

The recommendations below are intended to facilitate growth and positive development in the market going forward.



# Recommendations

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## 1. Improve customer experience of the market through improved communications and the availability of information and support

Barriers to positive customer experience in the market, highlighted within the research findings should be given due consideration, and measures put in place to address these. This might include:

- > A clear understanding of what standards of service a customer can expect from the market should be available to all service users. Further consideration is required to improve and standardise simple, clear, and impartial information and advice, particularly around services and switching, and improve access to information as will allow service users to make comparisons across the market and therefore better-informed choices.
- > Ensuring customers can easily access their licensed provider is essential, using a choice of communications channels, to discuss issues they are experiencing, particularly in relation to billing.
- > Further consideration is required on how to improve transparency and simplicity of billing for customers.
- > Prioritising fair contract renewal and debt recovery principles and practices.

## 2. Improve access to supplier comparison websites and offerings

Further consideration should be given by appropriate market stakeholders as to how

price comparison services can be offered to non-household customers. This would provide customers with the means to improve and simplify their access to better deals more easily. However, such a service would also have to protect customers' interests, such as helping customers to better understand that the lowest price is not always the best option, and providing access to consistent and excellent service provision. It may also require consideration of regulation to ensure accountability and fairness at all times.

## 3. Implement a licensed providers' accreditation scheme

Further consideration would be welcomed by WICS and the SSG to develop a viable accreditation scheme that will incentivise suppliers to improve customer offerings, as well as help to guide consumers to the right supplier that meets their individual needs, related to price and standard of support.

## 4. Greater regulation and accountability for third-party service providers

While third-party service providers have the potential to deliver added value to the market, at times, engagement with such organisations can become problematic for customers. Further scrutiny is required to better understand the use of such services in the Scottish non-domestic market and the reasons for their need. As the market moves towards operating within a more ethical framework and seeks outcomes that protect the reputation of the market, and are in the best interests of customers, more is needed to improve market outcomes from third parties.



## Recommendations

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### 5. Collect and share information on experiences of the non-domestic water market in Scotland

The SSG has been tasked to operate at a strategic level to identify potential root causes of detriment to customers and inform measures required to address these.

A body of evidence now exists on aspects of the non-household market. This is comprised of research from CAS and Scottish Water, as well as market data held by the CMA and second tier complaints held by SPSO<sup>1</sup>. Such evidence will collectively support a better understanding of where and how market improvements can and should be delivered.

However, it is hoped that as the market moves towards operating within a clear ethical framework, that aspects of poor service delivery and unhelpful behaviours that impact consumers' experience of the market, can be more quickly recognised and addressed.

### 6. Strengthen the market's response to short-notice problems

Covid-19 has highlighted the need for resilient contingency measures that will allow the market to respond robustly during a time of crisis. Such contingency measures will ultimately rest with the Scottish Government, but it is hoped that the SSG's insight will contribute to discussions and policy making that strengthen protection for the market and its service users.

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<sup>1</sup> The Scottish Public Services Ombudsman (SPSO) is the second-tier complaints handling body for Scotland's water industry. Licensed providers 'opt in' to SPSO's complaints investigation process.



# Background

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Scotland's Citizens Advice Network is an essential community service that empowers people through our local bureaux and national services by providing free, confidential, and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.

CAS uses research and evidence to put consumers at the heart of policy and regulation in the energy, post, and water sectors in Scotland; working with government, regulators, and businesses to put consumers first, designing policy and practice around their needs and aspirations to ensure positive outcomes, such as:

- Consumers trust in their provider
- Consumers can access the services they need and are charged a fair price
- When things go wrong, there is a clear and simple route to redress; issues are fixed the first time
- Service providers consistently practice 'doing the right thing' to improve outcomes for customers and the environment

As set out in the Consumers, Estate Agents and Redress Act (2007), CAS can provide advice and information about consumer matters, make proposals about consumer matters, and represent the views of consumers on consumer matters to specified persons<sup>2</sup> as well as any others who might have an interest. CAS is the recognised consumer body for Scotland; this extends to an interest in the consumer journey of sole traders and SMEs in the non-domestic water market.

Scottish non-household water and sewerage suppliers, known as 'licensed providers', are licensed by the Water Industry Commission for Scotland (WICS). Licensed providers in Scotland

buy their water from Scottish Water which, unlike England, is the sole national wholesaler and is responsible for operating the public network of pipes, mains, and treatment works. The licensed providers are responsible only for providing billing and meter reading services, as well as any value-add services they may wish to provide such as water efficiency advice.

Recently, the water sector in Scotland committed to the introduction of ethical business regulation and practice, marking a significant shift in how stakeholders work together to improve outcomes for customers, service providers and regulators.

Ethical business regulation (EBR) requires stakeholders to hold more open and honest conversations about the future challenges for the Scottish water industry, and how best to tackle them. The success of EBR is supported by the adoption and implementation of Ethical Business Practice (EBP) by all market participants. The Scottish water market expects that EBR and EBP, which ultimately seek to establish the best outcomes for customers, communities, and the environment, will support the industry to meet the challenges that lie ahead as effectively as possible and to do so long into the future.

CAS has an important role advocating for service users in the market, and seeking to ensure that their best interests are represented, as the market evolves and adapts to the introduction of ethical business regulation and practice.

Previous work was undertaken by CAS and Citizens Advice to conduct and publish research on small business' [experience of essential markets](https://www.cas.org.uk/publications/water-services-and-small-businesses-scotland), and on their [experience of the water market](https://www.cas.org.uk/publications/information-new-businesses-and-non-domestic-water-market) specifically. CAS also worked jointly with WICS to develop resources to inform small businesses of their responsibilities to the market and what to expect in return<sup>3 4</sup>.

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<sup>2</sup> Specified as Scottish Ministers, Scottish Water, Water Industry Commission, Drinking Water Quality Regulator or Scotland, and the Scottish Environment Protection Agency, in the Act

<sup>3</sup> <https://www.cas.org.uk/publications/water-services-and-small-businesses-scotland>

<sup>4</sup> <https://www.cas.org.uk/publications/information-new-businesses-and-non-domestic-water-market>

## Background

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In 2021, CAS published an [insights report](#) on the role of third-party intermediaries within the market, with recommendations to improve consumer protection and better protect the market's reputation.

This report reflects the findings of research conducted during 2020, which sought to establish an up-to-date position on the experience of smaller businesses of the market and its offerings. At the time of the research there were 29 providers licensed in Scotland.

Since commissioning the research, several developments in the market have taken place including:

- > A Measures Working Group tasked with developing a proposal for a package of measures to address the impacts of Covid-19 on the market and its customers.

- > The establishment of a Senior Stakeholder Group (SSG). The SSG comprises a group of senior market representatives who will operate at a strategic level to identify and address improvements to the market to benefit its customers and market stakeholders. The group will act as an important vehicle for embedding Ethical Business Practice and Regulation into the day-to-day operation of the market.

This report explores the research findings and contextualises them against developments in the market, including events that have taken place since the research was completed. It then provides recommendations for the market to consider. Which would improve consumer outcomes.





# Methodology

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To gain an updated picture of the current experiences of service provision in the non-domestic water market, specifically in relation to SMEs in Scotland, along with their current understanding of ethical regulations and practices, research took place during 2020 and was undertaken by Progressive Equity Research.

The initial research had three aims:

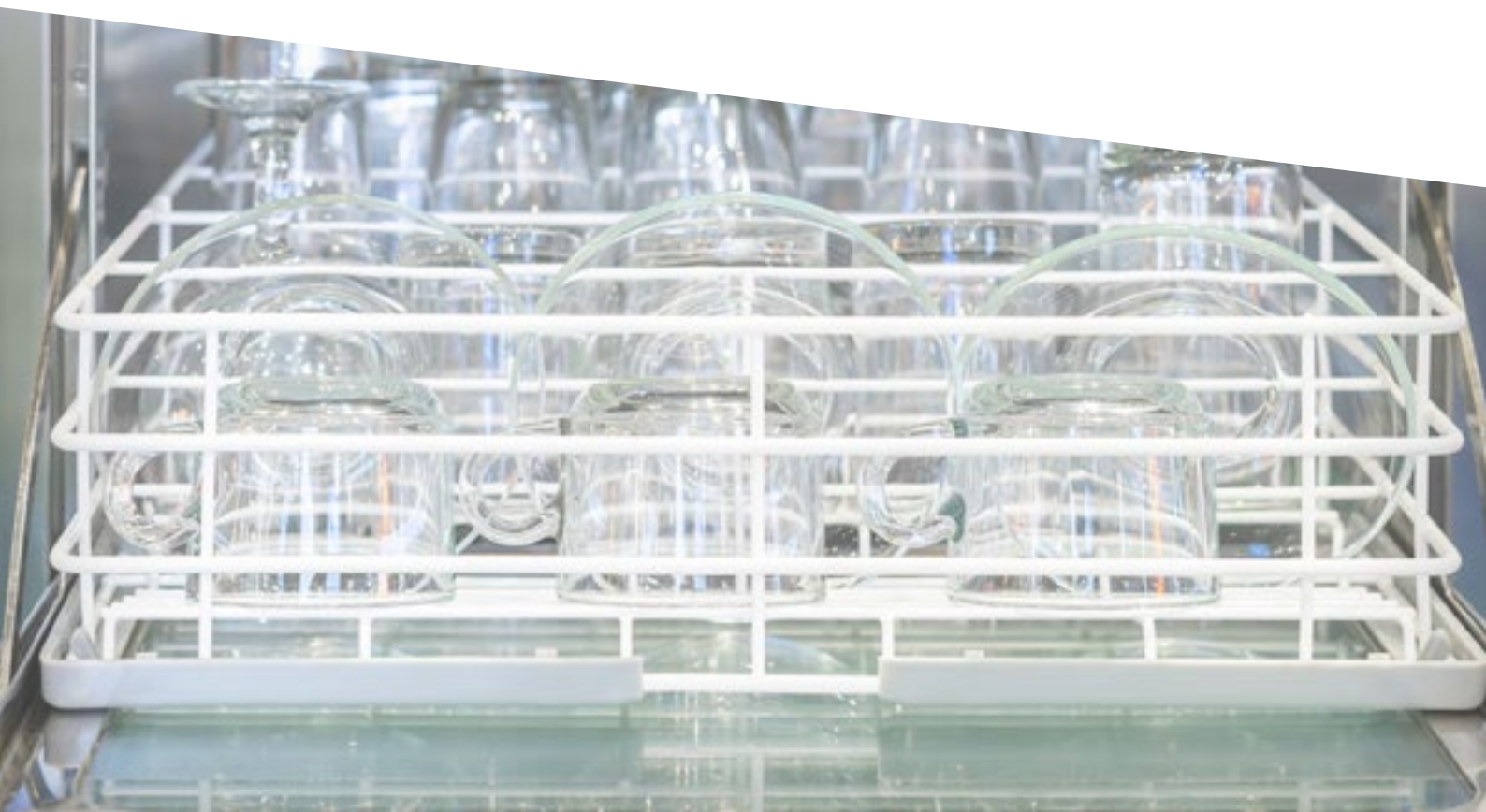
- > Provide a baseline against which proposed developments, primarily a proposed introduction of Ethical Business Regulations and Practices in the non-domestic water market, can be measured
- > Gain a picture of the current experiences of service provision in the non-domestic water market, specifically in relation to SMEs in Scotland
- > Explore SMEs' current understanding of what ethical regulations and practices should look like

Ten online interviews were conducted with SMEs from a range of industries across the country. This included companies using water for more than basic housekeeping activities (such as toilets, staff kitchens, etc.) and featured a range of industries such as hospitality, manufacturing, agriculture, transport, and the service sector.

Additional evidence was collected using a targeted survey questionnaire for which responses were received both online and via telephone. The sample for survey respondents were sourced from DBS Marketing Ltd. which obtained listings across a range of business sizes and variety of industries with moderate to heavy water use. The survey received 468 responses total<sup>5</sup> from a representative sample of SMEs using water in their business for more than basic housekeeping activities.

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<sup>5</sup> 326 online, 142 telephone. The responses via online and telephone were initially intended to be equal, but responses via telephone were constrained by the continuing Covid-19 pandemic as standard switchboard numbers were not in use while employees worked from home. The online survey was used to compensate for the lower telephone responses and meet the overall target of 400 responses.



# Findings

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This section of the report explores the evidence contributing toward customer dissatisfaction in more detail. It looks at customers' experiences of billing and switching providers, including the use of third parties. It also explores customers' experiences during the onset of Covid-19, as well as their views and experiences of customer service and communications, and of the market operating to ethical principles.

The survey results found that there is a varied customer journey across the market. Customer satisfaction was wide-ranging: while two thirds of SMEs responded that they were satisfied with the service provided to them overall, one third remained dissatisfied.

Evidence of dissatisfaction among customers largely fell into two key themes:

## COST/BILLS

Cost increases

Inaccurate billing

Penalty charges

Debt management practices

Billing during lockdown (Covid-19)

## CUSTOMER SERVICE AND COMMUNICATION

Difficulty contacting provider

Mixed and confusing messages from provider

Unhelpful/uninformed provider

Unclear or unfair timeframes and unhelpful approach to resolving queries and disputes

Unfair barriers to switching provider



# 1. Billing

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## Understanding billing in Scotland's retail water market

- 1.1 The competitive market arrangement for non-household water users requires customers to contract with a licensed provider for the provision of their water and wastewater services. Prices and rates vary between providers, but an upper limit is set by WICS, known as the default tariff.

### What is the default tariff?

To ensure that no customer is adversely affected by the competitive market, WICS requires all retail providers to offer a standard default level of service in exchange for a standard default tariff. The default tariff is no more than the maximum charge that customers would have paid to Scottish Water for their water supply and sewerage services if competition had not been introduced to the Scottish water industry.

In line with the Scottish Minister's principles of charging, charges are required to be fully cost reflective. Charges, therefore, should include all the costs associated with building, operating and maintaining water and wastewater infrastructure and for delivery of water, sewerage and drainage services.

- 1.2 In general, customers should expect to pay less than the default tariff. The default is often used in instances where a deemed contract is in place:

### What are deemed contracts?

Non-household customers who do not actively agree a contract with a licensed provider are still required to contribute towards the costs incurred for the provision of water services, unless they request to be permanently disconnected from the water network. Providers are automatically allocated to a customer to allow them to bill the customer in line with their responsibility for collecting charges and to ensure that all customers contribute towards the costs incurred for the provision of such services.

A deemed contract may apply if:

- > A customer has started receiving water or sewerage services but have not yet chosen a retailer
- > A provider has stopped operating within the Scottish market and the customer is allocated to another to continue receiving services
- > A customer has recently moved into new premises

Deemed contract arrangements have been introduced to ensure continuity and availability of service at all times. Providers must charge customers on a deemed contract at the default tariff as set by WICS

Deemed contracts ensure that customers can receive the same standard terms and conditions as those that have set up a contract. Customers on a deemed contract have the right to switch at any point in time to a different licensed provider to secure a better deal, with no additional fee or sundry charge.

- 1.3 The margins between the regulated 'default' retail tariffs and the wholesale charges levied by Scottish Water are set by WICS. Currently default tariffs are frozen in nominal terms in year of the

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<sup>5</sup> [https://www.watercommission.co.uk/view\\_Default\\_bills\\_and\\_service.aspx](https://www.watercommission.co.uk/view_Default_bills_and_service.aspx)



# 1. Billing

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regulatory control period (2015-21)<sup>6</sup>. WICS expects providers to maintain competition in the market by offering better prices and levels of service in order to win and/or retain customers.

for floors/buildings/etc. near their premises they do not occupy. It also includes simply being issued with inaccurate bills.

## Research Findings

- 1.4 Positive billing experiences are in evidence, with examples of where providers are offering a good service and communicating well with their customers on matters relating to billing.

“Their online system is very good. Their website is very understandable, very clear, very straightforward. If you have a number of sites, the website is very good in terms of being able to look at each site on the one account. We recently moved premises, and we told them we’d need to stop services on one site and start on the other. It was very easy indeed. Compared to other utilities that we use it’s been a doddle... the only downside is they’re very sharp to charge you if you’re slightly over your credit terms, but talking to them on the phone you can clear it straight away, so they come across as very customer orientated.”

- 1.5 Just under half of those surveyed (47%) said it was easy to contact their provider if they had a query about billing. A quarter said they didn’t know. 62%<sup>7</sup> indicated they found it easy to contact the provider about billing, 13% were neutral, and 25% said it is not easy.

- 1.6 Customers who found it difficult to contact their provider about billing issues, stated the following reasons:

- 1.6.1 They felt they were being charged for premises that they did not own or rent. This includes examples of being billed for periods before they moved into their premises or after they left; or being billed

“I am plagued by phone calls and demands for payment re bills for premises that I no longer rent.”

- 1.6.2 Customers reported overly assertive and aggressive billing management practices which caused them to fall into debt. If payments are considered late i.e. received a few hours after the scheduled payment time, this incurs a late fee, which if it is not noticed/paid promptly (possibly because it is being disputed), then incurs a non-payment charge, and so on.

“We pay our bill regularly at same time – and every month they ring hassling for payment. It gets very frustrating!”

- 1.6.3 Resolving such issues can take a long time. During a dispute over charges, businesses can remain locked into their customer contract. They have to continue to pay water charges to their provider with no power to negotiate a better deal, or indeed to switch to another provider.

“When we moved into our new local authority unit this guy barged into our unit saying he was going to fit a water meter. He could not supply ID or any paperwork. I denied him access. I then received a bill for over £3,000. Bills for the first 4 to 5 years were erratic and inaccurate. I started complaining and then they added invoices that had not been sent to me initially. Basically, it was shambolic. About 3 years ago I started making sure I paid them what I thought they were due,

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<sup>7</sup> Excluding those who responded this way, as well as those businesses surveyed that were not billed directly, and those who have not had a billing query



# 1. Billing

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and since then pay every month what they are invoicing. I know they are expensive, but I cannot move to someone else as there is a disputed amount outstanding.”

- 1.7 Generally, customers prefer short contracts, particularly those already dissatisfied with their current provider. This often stems from a poor switching experience at the end of their contract or being told they cannot switch while their account is in debt, even if that debt was subject to dispute. At times, customers feel that contracts are being renewed or rolled over automatically with insufficient notice given, and believe they receive unfair penalties for early termination of contracts.

“When we transferred tenancy and closed our account, they seemed to be deliberately delaying things.”

“You cannot move contract if rates are cheaper elsewhere – they impose discount penalties if you terminate the contract early.”

## Interpreting the research findings

- 1.8 It is important to note that some of the activities which resulted in customer dissatisfaction may well have been legitimate. Vacant premises are still liable for fixed charges, as well as potential charges for access to communal areas or drainage services. Customer dissatisfaction suggests that charging arrangements and obligations are not fully understood by customers nor adequately explained by providers, which is leaving some customers confused about what they are paying for and why.
- 1.9 While deemed contracts are a necessary component of the market’s operation, as they allow providers to bill customers who have not yet actively

agreed a contract for the provision of their water, wastewater, and drainage services. However, as providers are automatically allocated to a customer, there is the potential for confusion and dissatisfaction to arise where a customer has not had this process explained to them ahead of receiving a bill. Further exploration of customers’ experience of deemed contracts and why they can lead to dissatisfaction and/or increased debt, need to be examined to better understand the root cause.

- 1.10 Without more detailed information of specific contract terms, it is difficult to ascertain whether customer difficulties arise from poor practices in the market or are the result of poor communication between the provider and the customer. Rolling over contracts, increasing the rates<sup>8</sup>, and penalties for early termination where a customer is receiving a discount, are practices that are considered reasonable and well-established in most utilities markets. However, customer dissatisfaction highlights the importance of ensuring that providers explain, in clear terms, what the customer is signing up for, and that information regarding contract terms is available and transparent to the customer, including their right to terminate the contract earlier if they pay the difference.
- 1.11 Customers dissatisfaction around the billing process can be as a result of feeling unsupported, poorly treated, poorly communicated with, or stuck in a complex dispute with their provider, with little access to redress process to resolve the issue. This contributes to a loss of trust between a customer and their provider, a negative experience of Scotland’s water market and in customers wishing to switch providers.

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<sup>8</sup> For example, in line with inflation

## 2. Switching

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### Understanding switching in the Scottish retail water market

- 2.1 The ability to easily switch providers is an important component of Scotland's retail market. Switching gives customers greater empowerment over cost savings through better tariffs, tailored service levels, access to expertise specific to business's needs, or value-add services such as water efficiency advice.
- 2.2 To ensure that customers benefit easily and quickly from all that the market has to offer, an independent organisation – the Central Market Agency – controls the flow of information within the market and registers switches by customers between retail providers. Unless a customer has reached a separate arrangement with their current retail provider, the market framework gives the right for the customer to move, without penalty, to a new deal by giving one month's notice.
- 2.3 Where instances occur of a customer being prevented or delayed from switching providers, customer dissatisfaction can arise. However, this practice does not automatically correlate to poor practice on behalf of the provider. In fact, the market allows for penalties to be imposed should a customer terminate a fixed term contract so that the provider can collect any debt accrued on that account before the customer moves on, thereby protecting the financial resilience of the provider and the market overall.
- 2.4 The most important relationship in any market is that between a customer and their service provider. However, within Scotland's non-household market, the supply chain of services to the market is further disaggregated. Additional customer services can be provided by third-party organisations, known as Third Party Intermediaries (TPIs). TPIs may operate on the licensed providers' behalf

or may operate independently. Unlike licensed providers, TPIs are not required to hold a license. Although they do not provide the same service as licensed providers, they interact directly with non-household customers, offering additional benefits.

- 2.5 At the time of surveying, an equivalent comparison tool to that available in the English water market and for other utilities such as energy, was not available to customers in Scotland. However, the research notes instances of customers using third-party services such as brokers who look for deals on the customer's behalf and support them to switch provider. Such services may also offer other utilities such as energy, broadband, etc.

### Research Findings

- 2.6 Customers' experience of comparing providers is mixed. 36% said it was easy to do – a half of which used an intermediary to support them. Whereas 29% said comparing providers had been difficult.

**“We went through a broker because trying to deal with these companies is like taking a degree in water supply and poor customer services.”**

- 2.7 Those who found comparing providers difficult felt there was no mechanism available to make like for like comparisons. Information was complicated and difficult to understand, and the process took up too much time.

**“At the time, we could find no resources to even list water suppliers, never mind compare them. We moved to our current supplier on a client recommendation.”**

**“I found it tricky to get numbers together and benchmark it against other suppliers!”**

## 2. Switching

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2.8 Two fifths of those surveyed had switched provider at some point. The main reasons for switching were mainly that the previous provider's price was too high (38%). Additionally, some were offered a better deal (31%), or for them it was standard practice to switch utilities contracts (23%); some had experienced poor service from their previous provider (18%).

2.9 The majority who switch are satisfied with the outcome. This is often because switching results in lower bills (60%) or in better customer and business service (26%).

2.10 Most customers who switch find the process easy (74%). Some had either not been directly involved in the switching process or had used an intermediary to manage it for them. Many noted that their new provider had been helpful and informative about the switching process.

2.11 Customers surveyed who found switching easy had largely used an intermediary to do so. However, some customers reported a negative experience of using TPIs, reporting that engaging with them resulted in nuisance sales calls and harassment.

"In the last 4 or 5 months, I would have had in the region of 19 calls from people trying to get us to move to them. The majority of them are brokers, so I think that's the biggest bugbear for me; I'm a busy man, and I'm getting constant phone calls saying, 'I see you're looking for change, when does your contract finish?' ... it's really quite annoying [when the customer has told them 'not interested'] and they then come back to you in 3 or 4 months' time... It's almost as if it's better to do the comparison yourself, rather than going on a comparison website, because it's almost as if people grasp that information from that comparison website and then use it for their advantage."

2.12 For those who found the switching process difficult (17%), this was largely down to problems associated with leaving their previous provider, usually in relation to billing disputes, or issues involving the new provider such as onerous and complicated paperwork.

2.13 60% of SMEs surveyed had never switched provider. This could be because they have been in the same premises since prior to deregulation and still use the incumbent water provider. Or that they are still with the provider that was in place when they moved into their premises. Those in rented premises may not be able to choose their provider as this is often managed by their landlord.

2.14 Reasons for not switching included that customers were happy with the cost (55%) and to a lesser extent, the service (13%) from their current provider. Some felt that there were too many barriers in place to make switching worthwhile, including a lack of comparison websites, the time and disruption switching would cause, or a lack of options in the market.

**I've done the research and they are all as bad as each other – hopeless."**

**"I got fatigued as I was switching electrics and telephone at that time also."**

**"I just find it seems to be a lot more difficult than just changing the electricity or gas supplier. I've had brokers coming in. I've got a gentleman that does my gas, my electricity for me and I've now had to ask him to see about a different water supplier and even he is struggling to find someone... [the provider has] just failed in many aspects and I wanted to find a different supplier and I just found it really quite difficult. I'm still with them at the moment."**

2.15 The research highlighted some instances where customers had sought to switch providers but felt they had been unfairly prevented from doing so by their current provider, such as their account is in debt, even when that the basis of the debt is subject to dispute.

## 2. Switching

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“You cannot move contract if rates are cheaper elsewhere – they impose discount penalties if you terminate the contract early.”

“They roll you over on renewal without telling you, then hold you to another year”

### Interpreting the research findings

- 2.16 Many SMEs within the Scottish market have not switched. A general sentiment remains that switching provider would not result in better outcomes for them. There is evidence that a small portion of customers are being prevented from doing so by their current provider. More could be done to make the switching process easier to understand and easier for customers to engage with.
- 2.17 For those customers who want to switch but are blocked by their provider, more needs to be done to better understand why and to question its legitimacy. This may relate to an end of contract period. From the research findings alone, it is difficult to ascertain whether customers being delayed or prevented from switching are examples of unfair treatment on the part of the provider, or stem from customers simply not understanding their responsibilities.
- 2.18 Of those customers surveyed who had switched providers and found it easy to do so, most noted using a TPI to do so. Given what the survey found with regards to those who said the process of switching was not easy, who largely noted that this was due to its time-consuming nature and the market and its offerings being complicated to understand and difficult to compare on a like for like basis, it appears that customers may be turning to TPI's for additional help and support as they cannot find the information themselves, or are not being supported by their current provider.
- 2.19 The use of third-party services is one way in which SMEs can more easily compare and switch providers. However, the use of third parties also has issues, such as nuisance calls following engagement. The benefits and limitations of using TPI's is explored in greater detail in CAS' report [Full Disclosure: The use of Third Party Intermediaries within Scotland's water market](#).
- 2.20 Customers would like a means to make like for like comparisons of service providers in the market, such as comparison websites. At the time of conducting research, CAS was not sighted on comparison websites active in the market<sup>9</sup>. However, we are now aware that there may independent comparison sites available to customers, but not if such websites are regulated or supported by licensed providers operating in Scotland.

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<sup>9</sup> Since the research was undertaken in September 2020, CAS has been made aware of a number of price comparison websites available for customers in Scotland



## 3. Covid-19

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### Understanding the Covid-19 context in the Scottish water retail market

- 3.1 Since the start of the Covid-19 pandemic lockdown, there has been a general expectation that, where possible, providers, landlords etc., will support businesses that have been forced to close or restrict their business activities. In June 2020, WICS agreed a series of schemes aimed at assisting non-household customers affected by the pandemic. Licensed providers were required to publicise schemes on their website and inform customers of the options available to them.
- 3.2 Between January and May 2021, CAS chaired a stakeholder Measures Working Group comprised of licensed providers, Scottish Water, and the Central Markets Agency. The group was tasked by WICS to propose a new set of measures to support customers impacted by the Covid-19 pandemic. A key factor in how the group has operated has been to apply ethical business practice and co-design, to ensure that outcomes improved the efficiency and effectiveness of the market's response to the pandemic, operated in customers best interests, and protected Scottish Water. CAS' engagement with the working group has helped to strengthen licensed providers' understanding of what is required to achieve consumer-focused outcomes.

### Research Findings

- 3.3 WICS set an expectation that all providers would advertise the support available to business customers during the pandemic. However only 15% of SMEs surveyed had received contact from their provider compared to the vast majority that had received no contact.

- 3.4 Some SMEs noted that they had sought to contact their providers proactively to discuss support. Of these, only a quarter were provided assistance. The majority noted that they were either unable to reach their provider or had been told that support was not available for them, and that they had to continue to pay as normal.

“[The provider] said there was nothing they could do which was factually incorrect.”

- 3.5 Of those SMEs who were aware of available support, most declined to use it, considering it to be unhelpful on the basis that it simply deferred payment and they would be no more likely to repay outstanding amounts in a few months' time. Others questioned ongoing charges when they were not actually using water.

“I think I did end up paying more than I should have done, because I think they had other fees that were kind of hidden in there. But by the time came to agree everything, I obviously just wanted it over, so I just paid it and got on with it... Obviously during that time I realised they were the worst business to be with during the coronavirus. All my other suppliers [gas, electric] were great.”

“During lockdown I was told to close my office, yet I still had to pay them for waste-water fixed fees.”

“The supply is unmetered because the infrastructure does not allow a meter to be fitted. Initially [the provider] refused to countenance a discount. They told me that they were following Scottish Water advice and that it was ‘business as usual’ during the lockdown when self-evidently it was not. They did subsequently (but only following intervention from the Regulator) acknowledge their error and apologise.”

### 3. Covid-19

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#### Interpreting the research findings

- 3.6 Given that SMEs were one of the most impacted business groups during lockdown, the finding that such a small proportion of customers surveyed had been contacted about support available is concerning.
- 3.7 The evidence suggests that the benefits afforded to licensed providers during the Covid-19 pandemic may not have been passed on to customers in need.
- 3.8 The research findings suggest that more can be done to protect consumers confidence and support them to better understand how the market functions, such as why they must pay for services even when premises may be closed.



## 4. Ethical Business Practice

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### Understanding the adoption of Ethical Business Practice in the Scottish water retail market

- 4.1 WICS believes that the adoption of EBR/P will facilitate ethical and fair behaviour in the market and establish a supportive and open culture among market participants. CAS is fully supportive of this transition and believes its adoption provides an opportunity to promote the seven consumer principles<sup>10</sup> to drive improved outcomes for service users.
- 4.2 Values that will benefit all market stakeholders and those they serve influence behaviours and practices to improve outcomes for all. This is a relatively new concept within the non-household market, and one that is still bedding-in.
- 4.3 The Measures Working Group introduced a cultural shift toward ethical business practice and co-design amongst stakeholders. However, due to the small size of the group and the speed at which work was undertaken, it was not possible to adopt a more consultative approach that included all licensed providers. This leaves market participants at varying stages in their journey of understanding and adopting EBP.

- 4.4 In line with the principles of EBP, WICS is using existing market frameworks to encourage licensed providers to take responsibility for their behaviours and practices. Such as two new voluntary License Conditions which will require providers to:

- Support customers affected by the pandemic through a new deferral scheme
- Demonstrate their financial resilience to Scottish Water and WICS<sup>11</sup>

Commitments to such additions could be reflected in more favourable agreements, such as those between licensed providers and Scottish Water.

### Research Findings

- 4.5 Research confirmed that there is a growing appetite in Scotland among SMEs for their providers to look for ways to improve their basic ethical business practices.
- 4.6 Transparent pricing, clear contract terms, responsive and accessible customer service, fair terms and conditions, and a clear and accessible complaints procedure, are considered to be the most important features for an ethically run business.

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<sup>10</sup> <https://www.cas.org.uk/publications/putting-consumers-first-principles-action>

<sup>11</sup> Full details of the proposed license conditions and the benefits afforded to those who sign up to both or one of the conditions can be found on WICS's [website](#).

## 4. Ethical Business Practice

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“Not all my suppliers are ethical at all. I’ve not been happy with some of them. When I do find one then that’s the one that I’ll stick with. It is hugely important to me. Some that hide things in the small print. And they try to take advantage of you when you’re busy or vulnerable, do you know what I mean? When you don’t know what you’re doing... I’ve been quite appalled at some of the companies. But this water one I have seems to have been fine.”

- 4.7 In addition to ethical business practices, customers surveyed noted that broader ethical concerns such as social responsibility, the living wage, and water efficiency, were also important to them.

“I would definitely be happy to pay a little bit more for something if I knew it was going towards paying the living wage. Or... like a charitable donation to a water charity, if it is based out in the country or it was going towards reduction in plastic in the seas or anything like that.... We take a lot of pride in where our produce comes from and I dare say water should be classed as a huge produce element of our business to be honest.”

### Interpreting the research findings

The survey indicates that, while there is an interest from consumers for evidence of ethical practice from their provider, they are more interested in seeing improvements to basic service provision firsts.





# Conclusion

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While there is certainly good practice within the non-domestic market in Scotland, there is scope to improve consumer-focused outcomes for all. Most SMEs are satisfied with their provider; however, such experiences are not consistent and not all customers feel that they receive a good standard of service, often related to basic service provision.

The findings in this report highlight two broad areas that would benefit from a stronger consumer focus and perspective as a priority; dissatisfaction in the market caused by poor billing and debt management practices, and the need to improve communication, information, and basic customer service. The two should not be considered as distinct from one another however: there appears to be a compounding effect that poor communication and customer service has upon service users, leaving them frustrated with the outcome and distrustful of the provider, and ultimately resulting in scepticism about the market generally. This is the opposite of what we wish for service users.

Without more detailed information on specific customers' contract terms, it is difficult to ascertain whether poor practices highlighted by SMEs are the consequence of poor communication and misalignment of

expectations between the customer and their provider. While there are opportunities within the market to better understand what is causing issues on a case-by-case basis, developing clearer principles around engaging and communicating with services users, will support the delivery of methods that work and given customers what they need. This would help address some of the challenges highlighted during the research, such as more accessible communications around responsibilities within the market and greater transparency of customer contract terms.

Designing aspects of policy and practice around customers' needs will ensure that customers better understand and support them. Greater consistency in the quality and level of information presented to customers will ensure improved understanding of the market and more points of access to support on billing and services.

Opportunities to collaborate with customers should be explored to identify where more can be done to ensure the market is working well for customers. This is particularly important for SME's, which often have less time, resources and bargaining power, and for whom systematised processes may have a disproportionate impact.

# Recommendations

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In considering the findings of the research as well as wider market initiatives and the policy space for non-domestic water in Scotland, CAS has developed a series of recommendations. We anticipate that these will inform ongoing discussions with key market stakeholders and will be used to shape future market offerings.

The establishment of the new Senior Stakeholder Group<sup>12</sup> (SSG) provides an ideal forum to consider where evidence-based market improvements are needed. Going forward, the group is anticipated to be an influential platform for exploring emerging market issues and developing evidence-based proposals for WICS on market improvements. As such, the SSG would be well-placed to further explore how more positive customer experiences of the market can be delivered.

## 1. Improve customer experience of the market through improved communications and the availability of information and support

Barriers to positive customer experience in the market, highlighted within the research findings should be given due consideration, and measures put in place to address these. This might include:

- > A clear understanding of what standards of service a customer can expect from the market should be available to all service users. Further consideration is required to improve and standardise simple, clear,

and impartial information and advice, particularly around services and switching, and improve access to information as will allow service users to make comparisons across the market and therefore better-informed choices.

- > Ensuring customers can easily access their licensed provider is essential, using a choice of communications channels, to discuss issues they are experiencing, particularly in relation to billing.
- > Further consideration is required on how to improve transparency and simplicity of billing for customers.
- > Prioritising fair contract renewal and debt recovery principles and practices.

## 2. Improve access to supplier comparison websites and offerings

Further consideration should be given by appropriate market stakeholders as to how price comparison services can be offered to non-household customers. This would provide customers with the means to improve and simplify their access to better deals more easily. However, such a service would also have to protect customers' interests, such as helping customers to better understand that the lowest price is not always the best option, and providing access to consistent and excellent service provision. It may also require consideration of regulation to ensure accountability and fairness at all times.

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<sup>12</sup> The purpose of the SSG is to: 'constitute an ideas and innovation group to promote improvements to the market, which will benefit business customers, participants (licensed providers and Scottish Water), and other stakeholders with an interest in its functioning, and which are consistent with the principles established by the Commission in 'The Water Services (Codes and Services) Directions 2007' (namely, proportionality; transparency; simplicity, cost effectiveness and security; non-exclusivity; barriers to entry; customer contact; non-discrimination; and core functions)'.

## Recommendations

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### 3. Implement a licensed providers' accreditation scheme

Further consideration would be welcomed by WICS and the SSG to develop a viable accreditation scheme that will incentivise suppliers to improve customer offerings, as well as help to guide consumers to the right supplier that meets their individual needs, related to price and standard of support.

### 4. Greater regulation and accountability for third-party service providers

While third-party service providers have the potential to deliver added value to the market, at times, engagement with such organisations can become problematic for customers. Further scrutiny is required to better understand the use of such services in the Scottish non-domestic market and the reasons for their need. As the market moves towards operating within a more ethical framework and seeks outcomes that protect the reputation of the market, and are in the best interests of customers, more is needed to improve market outcomes from third parties.

### 5. Collect and share information on experiences of the non-domestic water market in Scotland

The SSG has been tasked to operate at a strategic level to identify potential root causes of detriment to customers and inform measures required to address these.

A body of evidence now exists on aspects of the non-household market. This is comprised of research from CAS and Scottish Water, as well as market data held by the CMA and second tier complaints held by SPSO<sup>13</sup>. Such evidence will collectively support a better understanding of where and how market improvements can and should be delivered.

However, it is hoped that as the market moves towards operating within a clear ethical framework, that aspects of poor service delivery and unhelpful behaviours that impact consumers' experience of the market, can be more quickly recognised and addressed.

### 6. Strengthen the market's response to short-notice problems

Covid-19 has highlighted the need for resilient contingency measures that will allow the market to respond robustly during a time of crisis. Such contingency measures will ultimately rest with the Scottish Government, but it is hoped that the SSG's insight will contribute to discussions and policy making that strengthen protection for the market and its service users.

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<sup>13</sup> The Scottish Public Services Ombudsman (SPSO) is the second-tier complaints handling body for Scotland's water industry. Licensed providers 'opt in' to SPSO's complaints investigation process.

# Appendix A

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## Consumer Principles





# Appendix B

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## Summary of findings

### Overall

- > While good practice exists within the market, it is not a consistent customer experience.
- > Licensed providers could do more to understand what their customers need by way of basic service requirements, as this, at times, can be absent in how licensed providers' customers are engaged with.
- > There is an opportunity within the non-household market to review aspects of service delivery to improve customer outcomes.

### Inaccurate billing and aggressive debt management practises

- > Just under half (47%) of SMEs find it easy to contact their provider about billing. One quarter do not find it easy.
- > There is evidence of SMEs being billed for periods of time or for premises where they are not in occupation. Service providers are sometimes considered to be difficult to engage with to resolve problems. Overly aggressive and assertive billing management practices compound this issue, leaving little room to explain and negotiate and resulting in customer frustration with their provider and market offerings.
- > SMEs reported that contracts can be renewed or rolled over automatically with insufficient notice given.

### Switching

- > Just over one third of SMEs surveyed, who had switched provider, reported that it was easy to do. Just under a third said it had been difficult.
- > SMEs who had switched did so because the previous provider's price was too high, they were offered a better deal, it was standard practice to switch utilities contracts, or they had experienced poor service from the previous provider.
- > Some found switching to be difficult. Problems related to billing disputes with their previous provider, while a few noted issues relating to the new provider such as onerous and complicated paperwork.
- > Three fifths of those surveyed had never switched provider; some are satisfied with the service they receive or they are satisfied with the price of their current provider.
- > However, a lack of comparison websites is a barrier to some SMEs. To look into service offerings from other providers can be disruptive and time consuming. Others feel that there are not enough options in the market.
- > Concerningly, a small number of SMEs have tried to switch providers but feel they have been unfairly prevented from doing so by their current provider.

## Appendix B

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### Using third-party services

- > A fifth of SMEs surveyed who had said switching had been easy, had used an intermediary. In fact, those that had switched and said the process was easy, had used a third party.
- > Unfortunately, some SMEs did report that their engagement with third parties had resulted in unwanted, persistent sales calls.

### Support during Covid-19

- > Nearly three quarters of SMEs surveyed said their provider had not contacted them about support available during the Covid-19 pandemic.
- > Several had sought to contact their providers proactively to discuss available support. Of these, only a quarter were aided by their provider.
- > Of those customers who were made aware of help available, most declined to use it, considering it to be an unhelpful package of support.

### Embedding ethical business practice within Scotland's water market

- > There is a growing appetite in Scotland among SMEs for their providers to look for ways to improve their basic ethical business practices, such as transparent pricing, clear contract terms, responsive and accessible customer service, fair terms and conditions, and a clear and accessible complaints procedure.



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