



**Experian's response to
Ofgem's Consultation on**

"Framework for consumer standards and policy options to address priority customer service issues"

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1 Introduction

Experian is pleased to offer comments in response to Ofgem's consultation on a Framework for consumer standards and policy options to address priority customer service issues.

1.1 Background on Experian

Experian helps organisations around the world minimise their risk while delivering the sort of customer experience that people expect. We help them to lend and offer credit responsibly, to detect and minimise fraud and to comply with legal requirements. We help them identify new opportunities including more efficient ways to run their business and better ways to cross-sell their products. We are a global leader in credit reference and data analytics services. We provide these services direct to consumers and to businesses across several sectors including financial services, retail and catalogue, telecommunications, utilities, media, insurance, automotive, leisure, e-commerce, manufacturing, property and government. We also operate in the price comparison website market.

We serve hundreds of thousands of organisations in more than 30 countries, from small start-up businesses to multi-nationals and governments. We help organisations to:

- **Reduce fraud** – by making sure that whether the customer is getting in touch by phone, laptop or tablet, they are exactly who they say they are
- **Offer credit, Lend and borrow responsibly** - by gathering information on past and present credit commitments, such as loans, mortgages and credit cards, Experian helps lenders to understand whether people and businesses can manage their debt repayments affordably, so they can borrow and lend responsibly.
- **Assess a customer's ability to pay / affordability** – by providing an accurate picture of their financial information
- **Make decisions quickly and consistently** – by automating processes and using data effectively to make consistent, accurate decisions
- **Increase customer satisfaction** – by identifying cross-selling opportunities and unmet needs
- **Reduce churn** – by identifying patterns of behaviour that suggest a customer may not be happy

There are three main credit reference agencies in the UK. Experian is one of the largest. Over 700 organisations contribute data to us, and we process over 1.5bn consumer applications.

2. Consultation Response

Section 1. General Feedback

1. Do you have any comments about the overall process of this consultation?

Experian has no comment on this question.

2. Do you have any comments about its tone and content?

Experian has no comment on this question.

3. Was it easy to read and understand? Or could it have been better written?

The document was easy to read and understand.

4. Were its conclusions balanced?

Experian has no comment on this question.

5. Did it make reasoned recommendations for improvement?

Experian has no comment on this question.

6. Any further comments?

Experian would like to make the following 2 comments:

In the forward section of this consultation, Ofgem references stakeholder engagement. Experian would like to see representatives from the CRAs form part of Ofgem's standard engagement, both in relation to this consultation and future consultations relating to affordability, customer identification, fraud and debt.

The suggestions Experian have made align to Ofgem's focus areas. However, implementation would also help address a further societal challenge, 'Credit Invisibles'. c5 million people in the UK are virtually indiscernible to the mainstream financial system because there is no information available on their track record at a CRA. Without access to affordable relevant financial products, the 'Invisibles' have less choice and are forced to pay a 'poverty premium', often turning to subprime lending. There are many reasons people are invisible; divorce, foreign nationals, savers, renters (though this is now being addressed through the rental exchange data sharing initiative). For these groups, if you've never had credit, it's harder to get credit. By sharing data with credit bureaus, Energy Suppliers can make a huge difference to this marginalised population and aid financial inclusion.

Chapter 3 Our approach to addressing priority customer service issues

Please note that throughout this response Experian has no comment on the first part of Ofgem's proposals to improve the ability of consumers to be able to contact their suppliers. Our comments relate solely to the second part of Ofgem's proposals, i.e. to ensure suppliers identify and provide tailored advice and support for customers struggling with their bills as soon as possible.

Question 1: Do you agree with our assessment on what good looks like for the issues consumers are facing relating to the priority issues of contact ease and identification and support/advice for consumers struggling with their bills. Are there any issues missing?

Experian Response to Question 1:

As stated above, Experian's comments relate solely to the second part of Ofgem's proposals to ensure suppliers identify and provide tailored advice and support for customers struggling with their bills as soon as possible.

Ofgem's description of what issues consumers are facing and 'what good looks like' focuses on payment difficulty and debt. Accompanying references and statistics all relate to Energy debt alone and do not take into account the wider financial stress of customers. The proposals are, therefore, limited. Experian would like to see appropriate signposting used by Ofgem to ensure suppliers consider signs of payment difficulty beyond just those exhibited on their energy a/c. Experian would also like to see the description of 'what good looks like' reflect a wider, holistic view. For example, a person may keep up with their Energy payments through use of a credit card. The customer may look like they are up to date on their Energy a/c but may be in arrears and subject to high interest and increasing debt on their credit card. This could result in consumer detriment which would currently fall outside of the focus areas identified by Ofgem. Conversely, a consumer may fall into arrears on their energy account. Knowledge of this would benefit their credit card provider, so that they can flag potential financial stress and prevent further consumer detriment. This should benefit both the organisations and the consumer. Furthermore, a more holistic view of 'what good looks like', as suggested above, may enable closer alignment to the approach adopted by other sectors e.g. the FCAs Consumer Duty which is focused on driving good customer outcomes.

The credit data held by CRAs is used solely for the purposes of prevention of over-commitment, bad debt, fraud and money laundering and to support debt recovery and debtor tracing, to aid responsible lending. Currently, Ofgem does not signpost the use of CRAs and the role that we can play to help assess affordability / ability to pay and to identify customers at risk of falling into debt etc. By comparison, Ofwat, for example, include this in their recent Paying Fair Guidelines¹.

A crucial area in debt prevention and successful debt management is understanding customers 'ability to pay' / affordability. Experian has worked within the Energy sector over the last 2 years to share best practise across industries. For example, as part of the CONC (Consumer Credit Sourcebook CONC 5.2A.10), the FCA requires lenders to undertake a credit risk check (on behalf of the lender) and an affordability check (of the customer). Typically, lenders use a combination of self-collected data, open

¹ <https://www.ofwat.gov.uk/wp-content/uploads/2022/05/Paying-fair-%E2%80%93-guidelines-for-water-companies-in-supporting-residential-customers-pay-their-bill-access-help-and-repay-debts.pdf>

banking or CRA data to help with the affordability check. CRAs take a data feed of consumers' current a/c credit turnover data. We also have an accurate view of consumers' monthly commitments (mortgage payments, credit cards, loans, mobile contracts and some utilities). CRAs are, therefore, able to understand how much customers have left each month which can, in turn, be used by lenders when assessing whether the payments on a new credit facility are affordable. This data driven approach to affordability is especially useful in the Energy sector where suppliers are unable to make contact with customers in debt in order to set up an affordable debt plan on the basis of the best available information.

Experian suggests the following additions (in green italics) to Ofgem's descriptions of what issues consumers are experiencing and what good looks like to ensure a holistic view is taken of customers in financial difficulty. (We have only included row entries where we had a comment or addition to Ofgem's text):

Area of focus	What issues are consumers experiencing?	What does good look like?
Identifying customers who are <i>in financial stress</i> , struggling with their bills <i>regular commitments</i> or in payment difficulty <i>[on their energy account]</i> ,	Many of such customers are not being identified and offered support. <i>Note: Some customers may be keeping on top of their energy payments but using alternative interest bearing credit to fund this. It is important that consumers exhibiting wider signs of financial stress are identified and offered support. (Currently Experian Insights show that c7% of adults with 'up to date' utilities accounts are in arrears on other credit commitments).</i>	Suppliers make use of data and customer interactions <i>(where appropriate this could include CRAs in line with appropriate best practise guidelines)</i> to identify customers who may be struggling with their bills or <i>in financial difficulty on their regular commitments.</i>
Debt prevention <i>(note that this could be energy debt or wider use of credit to fund energy payments)</i>	Many consumers that are in debt are seeing these debts increase ² . <i>Since December '21 arrears on regular commitments (credit cards, loans, utilities or mobile contracts, etc.) have steadily increased. Around 5% of adults are currently 2 or more months in arrears on their regular commitments³.</i>	<i>Consumers at risk of payment difficulty are supported to help manage their finances (eg offered suitable debt repayment plans at the earliest opportunity, flexibility on billing timetables) and avoid building up debt (e.g. energy efficiency). The use of CRAs is considered to help with understanding customers' ability to pay (especially where the supplier has been unable to contact</i>

² The overall number of customers in debt fell in Q4 2022 but the average value of debt (for those in debt) increased. The overall value of domestic debt/arrears >91 days dropped by around £100m in Q4 2022

³ Source: Experian Insights statistics May 23.

Area of focus	What issues are consumers experiencing?	What does good look like?
		<i>customers to understand their affordability).</i>
Proactive engagement	Some suppliers are not proactively contacting customers in payment difficulty <i>or financial stress</i>	Suppliers make proactive contact with customers <i>in financial stress</i> or payment difficulty through a range of communication methods

In response to the question - are there any issues missing?

Experian believes that Energy suppliers should be encouraged to share data with CRAs in the interests of responsible lending (and the SCOR principles⁴) to prevent wider consumer detriment. (SCOR Principles of Reciprocity have been developed following extensive discussion among lenders, trade associations and regulatory bodies on the use of consumer information across sectors. The principles aim to ensure that data is shared “only for the prevention of over-commitment, bad debt, fraud and money laundering and to support debt recovery and debtor tracing, to aid responsible lending”).

As outlined above, when lenders are considering offering credit to consumers, the FCA require lenders to assess consumers through a specific affordability assessment. The latter assessment is typically facilitated through a combination of consumer supplied data, open banking and data provided by a CRA. CRAs have access to total credits into consumers current a/c's to facilitate this assessment. When combined with the data we receive on consumers' monthly commitments, such as, mortgages, loans, mobile contracts and some utilities, it enables Experian, and, in turn, lenders to understand customers' affordability. This picture could be incomplete due to the lack of consistent sharing of data from the energy sector. Consumer detriment could frequently occur as Energy suppliers are not encouraged to share data with CRAs. Therefore, a consumer could be unable to afford their energy bill and may have increasing debts which are hidden from the lending sector.

Ofgem's data portal indicates that energy debts are at their highest ever levels (£475 where a repayment plan is in place and £1,056 where there is no debt plan in place for electricity, for example). In the interest of responsible lending, to prevent consumer detriment and to ensure that customers overall indebtedness does not exceed their ability to pay, it is imperative that Energy suppliers are encouraged to share their data with CRAs. Without this, lenders affordability assessments are incomplete. To ensure CRAs have a holistic view of consumers' affordability and payment difficulty, Experian recommends the following addition to Ofgem's table of focus areas and what good looks like.

Area of focus	What issues are consumers experiencing?	What does good look like?
<i>Responsible Lending and prevention of over-indebtedness</i>	<i>Consumer energy debt is increasing and other sectors including financial services, telecommunications and water may be unaware that energy</i>	<i>Suppliers work with CRAs to ensure data is shared to support responsible lending and to prevent consumer over-indebtedness.</i>

⁴ <https://www.scoronline.co.uk/principles/>

Area of focus	What issues are consumers experiencing?	What does good look like?
	<i>customers are in payment difficulty on their energy account. Consumers may have energy debt repayments and / or debt with no repayment plan in place. As there is no 'best practise' signposting for energy suppliers to share data with CRAs, other sectors may inadvertently increase customer detriment through offering further unaffordable lending.</i>	

Question 2: Do you have any views on potential options to address priority issues and do you agree with the extra requirements we are proposing?

Experian Response to Question 2:

Experian would like to see the addition of signposting of the use of CRAs to help understand customers in financial stress (not just on their energy a/c) and to ensure that suppliers are cognisant of customers wider commitments and the need to take a wider view when identifying those in need of support. Appropriate signposting would also be used to ensure that Suppliers are aware and can use affordability data from CRAs to help 'ability to pay' assessments, especially where customer contact has not been possible.

Question 3: Do you have any evidence that suggests that we should be considering additional and/or different rules beyond what we have proposed?

Experian has no comment on this question.

Question 4: Do you agree with our proposed approach of introducing reputational incentives in our priority areas?

Experian has no comment on this question.

Chapter 4 Assessment and monitoring of the immediate options

1.5. Question 5: Do you agree with what we have set out in the assessment chapter? Please provide supporting evidence with your views. For evidence regarding additional costs, please provide quantitative data.

Experian has no comment on this question

1.6. Question 6: Using the list of prospective data items we present in the monitoring chapter as a guide, what other additional data items could we aim to collect and from what data sources? Do you consider there are any challenges you may face when collecting/providing these? If so, please provide any supporting evidence you have.

Experian Response to Question 6:

Experian recommends the inclusion of the following data items as part of the monitoring framework to monitor advice/support for customers struggling with their bills policy interventions.

Data Item	Description	Source	Frequency
<i>Use of CRAs to prevent over-commitment in line with SCOR framework⁵</i>	<i>No. of Suppliers sharing full and default data with a CRA</i>	<i>Experian or supplier provided</i>	<i>Quarterly</i>
<i>No. of customers in financial stress or arrears on regular monthly commitments (excluding energy)</i>	<i>No. of customers in arrears on regular monthly commitments that have fallen 2 or more months behind on loans, cards, mortgages, water, mobile, etc... or are considered over-indebted</i>	<i>Supplier data received from CRA</i>	<i>Quarterly</i>
<i>No. of customers experiencing income shock</i>	<i>No. of customers who have experienced a significant drop in income (say 20% or £X) in last 3 months in comparison to av. Over last 12.</i>	<i>Supplier data collected from customer engagement or received from CRA</i>	<i>Quarterly</i>
<i>No. of customers with no / limited affordability</i>	<i>No. of customers with no / limited affordability to afford</i>	<i>Supplier data received from CRA and / or internally collected customer data</i>	<i>Quarterly</i>

⁵ <https://www.scoronline.co.uk/principles/>

	<i>additional payment of up to, say, £25</i>		
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Chapter 5 Consumers Standards Framework

1.7. Question 7: Do you have any comments on the factors that should be considered in determining whether to use principle-based or rule-based approach to setting standards?

Experian has no comment on this question.

1.8. Question 8: Do you agree with our early view of reputational based incentive options for winter 2023 and the potential incentive options for development over the longer-term? Please provide explanations to support your responses.

Experian has no comment on this question.