

End child poverty

Johan Jensen explains how Citizens Advice is helping to ensure that the Government keeps its promise to halve child poverty

The Citizens Advice service has a track record of successful campaigns to make life easier for families with children, such as reducing school costs and limiting hardship from excessive recovery rates of tax credit overpayments. Now, we've joined the national Campaign to End Child Poverty and are working in coalition with over 100 organisations, such as Barnardos and Save the Children, to make sure the Government keeps its promise to halve child poverty by 2010.

One in three children in the UK live in poverty today. It's time for the Government to listen to parents who are struggling to meet even the most basic living costs, such as gas and electricity bills, or who are unable to celebrate their child's birthday. In June and July, Citizens Advice asked parents from England and Wales to tell their stories of how their financial struggles affect their children.

"My kids don't have birthday parties like their friends as I can't afford it. If the kids need new clothes, then one of my bills don't get paid so then I end up falling behind with the payments, therefore our phone got cut off. My kids don't have pocket money on a regular basis." Sue, 31, has six children under 14.

"I have three children. After trying to pay my bills I only have £100 left to buy foods

for my children for a month. I have to go to the market in the evening to pick whatever foods the market people throw away to cook for my children. I am fed up and feel like dying. I am really tired." Jane, 40, has three children under 14.

On the basis of the stories we received, and the ongoing analysis of the 5.7 million client problems Citizens Advice help resolve every year, we will recommend a way forward for the Government, to support them in keeping their promise.

Amongst our recommendations, we urge the Government to improve the benefits and tax credit system, and to increase benefits and tax credits take-up. As almost £10 billion of means-tested benefits went unclaimed in 2007, the Government needs to do more to enable families to access the money they're entitled to. As many parents struggle to meet school costs – such as uniforms and school trips – Citizens Advice also urges the Government to provide children and families with an education which is truly free of charge.

Citizens Advice End Child Poverty report will be launched at the Citizens Advice annual conference in September.

Johan Jensen is a social policy campaigns officer.
johan.jensen@citizensadvice.org.uk

INSIDE...

BENEFITS

Lizzie Iron responds to the 2008 Welfare Green Paper 2

CREDIT

Peter Tutton explores the principles of responsible lending 4

DEBT

Alex MacDermott examines how the credit industry responds to

clients with financial problems 6

LEGAL

James Sandbach looks at how the economic downturn will affect legal aid provision 8

CONSUMER GOODS AND SERVICES

Susan Marks asks whether UK businesses and government

departments who use contact centres will demand services that meet the new EU industry standard 10



No-one written off?

Lizzie Iron asks whether new Government proposals to reform the welfare system will be effective in getting people back to work

At July's launch of the latest Welfare Green Paper, No-one Written Off, Citizens Advice – along with most other organisations representing vulnerable people on low incomes – approved the Government's principle that work is the best form of welfare.

This Government has improved employment rates since 1997, and has now set an ambitious target of 80 per cent national employment. This was optimistic even in a strong economy, but the situation looks very different in the face of impending recession, as illustrated by falls in vacancies and employment, together with a dramatic rise of over 20,000 more people claiming out-of-work benefits in July 2008¹.

The latest reforms continue the Government's principles of combining rights and responsibilities. Considerable support is offered, but there is increasing compulsion to take it up, and greater threat of losing benefits if claimants refuse to participate. The Government is unashamed in its intention to toughen the conditionality associated with out-of-work benefits, while those already on benefits, and the organisations who represent them, are concerned about the impact of

these sanctions on the most vulnerable.

A Berkshire CAB saw a 41 year-old man, who was claiming jobseekers allowance, but because he suffered from emphysema, he could not work far away. Because he was restricted in his availability for work, his benefit was cut. He had no money and could not afford to telephone employers to continue to try and find work, and ended up relying on his elderly mother to keep him.

The Government is undertaking further research on the effectiveness of sanctions, but is confident that they are necessary to engage the unemployed in seeking work. No doubt this is true for some, but certainly not for all. Citizens Advice evidence on lone parents shows that there are legitimate barriers which make it difficult for lone parents to return to work, and that sanctions can have a negative impact.²

A CAB adviser found that her client had been living on reduced income support for three years. Jobcentre Plus said that she had been sanctioned in June 2004, but couldn't explain why, adding that because she had missed a work-focused interview in April 2007,

the sanction remained in place. The client said she had always attended her interviews and could provide names of the advisers she'd seen. The CAB adviser commented that for this woman the sanctions regime had only led to debt, stress and anxiety, and affected her ability to provide for her son.

Predictably, then, an equally consistent thread at the launch event was the question of how the latest reforms will impact on the clients of each different interest group – and here's the crux of it all: how will the government deliver these ambitious reforms in ways that engage the unwilling, but protect the vulnerable?

*Work for those who can; support for those who can't.*³ There is no argument with this as a principle, but let's examine more closely who it is who can, or can't work: Citizens Advice has long been concerned about the effectiveness of the existing personal capability assessment (PCA) for people claiming incapacity benefit (IB). It is recognised as the most rigorous welfare test in Europe, and is applied with varying degrees of care and accuracy. Many resulting decisions to refuse or withdraw benefits are incorrect, and among

1 Office for National Statistics website, 21 August 2008

2 Barriers to Work, Citizens Advice Evidence briefing, September 2008

3 2006 Welfare Reform Green Paper – "A new deal for welfare: empowering people to work"

the cases that go to appeal, success rates are very high: 57% of IB decisions are overturned at oral appeal hearings, and around 70% when clients are represented by advisers⁴. Not only is this a desperate waste of resources, but it can cause unnecessary delay in people receiving the money they need to live on. The new work capability assessment (WCA) for employment and support allowance (ESA) is even more stringent, and the Government's faith in its effectiveness lies in the fact that there are several more tick-box criteria for doctors to use – does this really represent a personalised approach?

We have consistently argued for a more personalised service, but what does the Government's version look like? Assuming that clients are properly assessed as capable of work, how will the tailored support operate? How many specialist advisers will be available to support the 300,000 lone parents heading for work – advisers who really understand the complex and variable reasons why it's hard for a single parent to work? How will advisers be trained to recognise a client whose mental health means that he's articulate on the day of his interview, but the next day he can't get out of bed? How many times do we hear that drug and

alcohol abusers can't be helped until *they* decide they need it?

Even assuming there will be funding for the required numbers of advisers, the Government has recognised that they will only be effective if they're given the authority to be flexible in decision-making. This requires a significant investment in their training, and while we fully support the principle, we fear it will lead to inconsistency in judgments by different advisers in different parts of the country.

A client interviewed for Citizens Advice research had taken up a bricklaying course and was still signing on every two weeks. When he was told he must sign on to New Deal, he explained his course to the New Deal adviser, who was initially really helpful. When literacy and numeracy tests found he needed further support, he was told he'd have to go on ND Gateway, which would mean leaving his bricklaying course. The New Deal programme was due to start the same day as his exam – which he didn't want to miss – but he was told that he'd lose his benefits if he went to the exam instead of the New Deal programme. He felt that the system was preventing his return to quality work. 'It's as though you're just processed as a number. You do

what they say whether it actually works to get you in work or not.'

Assuming yet further, that these clients are successfully prepared for the work-place, what guarantee is there that employers will co-operate? The Government cites the success of the 600 major companies who have signed up for local employment partnerships,⁵ but John Cridland, Deputy Director of the Confederation of British Industry (CBI) warns that "Taking on staff with limited recent work experience and often complex personal problems is not straightforward"⁶, while a 2006 survey by the Chartered Institute of Personnel and Development (CIPD) found that one in three employers say they deliberately exclude people with a history of long-term sickness or incapacity when recruiting staff.⁷

In conclusion, then, we at Citizens Advice are watching very closely how the Government delivers the reform agenda: IF the assessments are accurate, and IF there are enough personal advisers, and IF they are properly trained and given discretion, and IF employers are engaged – only then can we truly look forward to a society in which no-one is written off.

Lizzie Iron is the Head of Welfare Policy at Citizens Advice.
lizzie.iron@citizensadvice.org.uk

4 What the doctor ordered: CAB evidence on medical assessments for incapacity and disability benefits (2006)

5 DWP Touchbase Edition 51 June 2008

6 Politics.co.uk 22 July 2008

7 http://www.cipd.co.uk/pressoffice/_articles/pr_23012006.htm

Can lenders afford not to?

Peter Tutton looks at what lenders can do to lend responsibly

Let's start with some relatively good news. After a decade of consistent rapid growth, consumer debt enquiries to the CAB service seem to be levelling off – and even declining – for some types of debt. This tentative trend may not survive any downturn in the economy, but at least it gives an optimistic start to an article about responsible lending.

But the good news is relative, as the CAB service continues to see a very large number of enquiries about consumer debt problems. In 2007/08 we gave advice on over 900,000 consumer credit and debt problems, helping over 140,000 people with credit card debts alone. We are still seeing heavily indebted borrowers who have run up tens, or even hundreds, of thousands of pounds of debt, over multiple agreements – for example:

A CAB in the West Midlands saw a 77 year old woman who owned her own home. She had received an unsolicited approach from a bank to take out a loan. The bank convinced her that the loan was in her best interests and that she could afford to pay it. However, the client used all her state retirement pension to make the repayments, and was going without necessities, including food.

A CAB in Somerset saw a 22 year old woman whose relationship had broken down two years earlier. She had taken out a bank loan of £7,000 'to make her feel better'. Her income was about £700 month and she got into problems with the repayments. The bank then encouraged her to increase the loan to £13,600. When she came to the bureau, the loan was £18,000 with accumulated interest. The worry of this caused medical problems, and the client decided to go bankrupt as the best way of dealing with her situation.

Our solution to this fall-out from the rapid development of a mass consumer credit market could be bundled up into the concept of *responsible lending*. In part, this is about ensuring that customers always enter credit agreements on a firm footing, with lenders only granting credit where they are sure the loan is affordable and suitable for each customer. Really big multiple debt cases should become a thing of the past, as a result of recent initiatives on improving the use of shared data and Banking Code guidance, which require subscribers to contact customers who seem to be getting into trouble.

However, we are not convinced that these measures alone will deal with the many cases of poor lending practices still seen by money advisers. The Office of Fair Trading's new project to define *irresponsible lending* as an unfair practice, under section 25 of the Consumer Credit Act, will be essential to tackle irresponsible lending. This provides a timely opportunity to consider the essential elements of good lending practice.

Citizens Advice believes that responsible lending is more than just not lending irresponsibly. It means taking a wider view of what can be done to minimise consumers' exposure to the risk of debt, while also trying to reduce the financial and human costs when things go wrong.

So, alongside best practices in lending, we would hope to see lenders offering better and much cheaper protection products. Lenders should also help borrowers to be more responsible in some of the purchasing decisions they make. This means looking closely at the information given to consumers in marketing material and post contract information. Lenders need to ask themselves two key questions:

- Are borrowers being told what they really need to know, and are they given an honest appraisal of what to expect?
- Are borrowers given adequate tools to make their own assessments of whether credit is affordable and suitable for their needs?

CAB evidence is consistent in highlighting how a lender's response to financial difficulties has a major influence on the degree of detriment experienced by people with debt problems. Generally, we believe that lenders (or collection agents) should be careful not to make a debt problem worse by adding unnecessary charges, or placing debtors under so much pressure that they have no opportunity to try and put things right. People in financial difficulties need help and support to get their debt problems under control, and they are less likely to make the right choices if requests for help are met with inflexible and overly aggressive collection practices. Sadly, too many people tell us that this is how they were treated.

A CAB in Gloucester reported that a man had taken out a personal bank loan for £5,000 in 2001. When he lost his job and got into arrears with payments,

the bank insisted he had to repay that loan by taking out another loan for £6,000, to cover the original debt and arrears. The bank knew he was unemployed at the time. The client had struggled ever since to repay this debt. The bank passed the account to debt collectors, who have been adding interest and charges and have been harrasing him for payment. At the time of seeking advice, the client owed the bank £9,825. He told the CAB that he felt very stressed by the debt collectors as he could not afford to pay what they wanted.

We are at an interesting place in the development of both a mass credit market and of consumer protection. As more people have experienced credit and debt problems, we have seen more evidence of unfair practices and their consequences. Policy makers have responded with a range of improved consumer protection measures – in the Consumer Credit Act 2006 and elsewhere – that aim to establish some of the fair and transparent practices implied in our concept of responsible lending.

Citizens Advice has welcomed these reforms, but we are also keenly aware that consumers are only ever partially protected by

regulation. Effective protection depends on the implementation and enforcement of regulation, and on consumers actually being able to understand and apply their rights. In consequence, being – or becoming – a responsible lender must mean more than simply complying with the rules. Firms must work hard to establish and maintain a clear vision of 'the right thing' – an attitude which commits to continuous engagement, to solve the problems that consumers actually face. Of course this may have costs and other consequences in the short term, but we believe that lenders need to hold such a dialogue with customers for the long-term health and sustainability of a mass consumer credit market. This is what we mean by lending responsibly, and Citizens Advice would be happy to work with lenders to meet this challenge.

Peter Tutton is a social policy officer working on credit and debt issues.
peter.tutton@citizensadvice.org.uk

A square peg in a round hole

Alex MacDermott looks at the problems people have in persuading creditors to accept offers of repayment

In 2007/08 over half a million people sought advice about debt problems from the CAB service. CAB advisers helped many of these people work out affordable offers of repayment for their creditors. It might be expected that this would be relatively easy – a trained adviser scrutinises a person's finances, helps them draw up a budget and negotiates fair and equitable offers to all their creditors. Indeed, with some lenders it is easy to set up such a repayment plan. With others, however, setting up repayments is like trying to fit a square peg into a round hole.

The credit industry deals with huge numbers of accounts in arrears. The industry has designed standardised systems to deal efficiently with the majority of these accounts, where the borrower has only missed a couple of payments and can resume contractual payments relatively quickly.

For short-term problems these systems are good. They reduce the cost to the lender, and the borrower's credit file is not adversely affected. However, this sort of system is less effective in dealing appropriately with people in long-term financial difficulties, or people with large numbers of

creditors. If the creditor cannot persuade the borrower to repay the arrears within a set time or at a set rate, they will continue to make contact even if the borrower has made it clear that they cannot afford to pay the creditor's demands.

A CAB in Dorset saw a 62 year old woman receiving disability benefits and Pension Credit, who could no longer afford the minimum payment on her credit card. Her situation was never going to improve, so the bureau helped her make an affordable offer of repayment. The lender, being fully aware of her situation, would not freeze interest or accept her offer until she was at least seven months in arrears. As a result, an elderly disabled woman had to pay months of extra interest, and faced endless letters and phone calls. Unsurprisingly, she became very distressed.

These contacts are designed to put pressure on the borrower because collections staff have targets to meet. If a borrower has 15 creditors, all of whom are phoning them at least once a week asking for unaffordable payments, they can feel under enormous pressure and stress.

A CAB in Wales helped a client send a breakdown of her income and expenditure to each of her creditors, along with a list of her debts and an offer of repayment. The client's creditors refused the offer and called her repeatedly, from 8 am to 9 pm, leaving messages asking her to call them back. Eventually the client blocked some of the lenders' numbers, but they just started using different ones. The calls did not stop and the client was stressed and upset.

These standardised systems also cause advisers many problems. Instead of making straightforward agreements with creditors to accept their clients' offers, advisers become involved in drawn-out negotiations which waste time, effort and money. They also spend a great deal of time repeatedly explaining the systems to clients who are upset and anxious.

The new Banking Code expects lenders to identify people who are facing financial difficulties, and direct them promptly to advice. What use will this be if the person's problems turn out to be long-term and they are unable to meet the banks' standardised requirements? Some borrowers will be left in limbo, with no firm

repayment plan in place, while advice agencies – already under pressure – will have to take on even more lengthy, time consuming and costly debt cases.

Eventually, creditors will accept that the borrower has long-term problems, and will accept the offer, or pass or sell the debt to a specialist team or debt collection agency. The specialist teams and collection agencies are not bound by time limits or repayment rates. They assess offers of repayments on the borrower's ability to pay, not on what they want to collect. However, this could be as long as eighteen months after the borrower has made the offer of payment.

A CAB in Hertfordshire saw a single parent living on a low income and struggling to repay debts of over £15,000. She had set up direct debits to pay £1 per month to each of her creditors but out of the blue one creditor simply took £344.42. When the adviser asked why, they were told the client's "once in a life time" twelve month reduced payment plan had ended. The client's situation had not changed and she was still unable to pay more than £1 per month. The client was offered two three-

month temporary repayment plans, before the account could be passed on to a team who could accept her offer on a long-term basis.

If the credit industry is seriously committed to working with borrowers in financial difficulties, they need to change these standardised systems. Lenders need to be flexible, dealing appropriately with borrowers in both short- and long-term financial difficulties. The specialist teams need to be brought into the mainstream, and lenders need to work with the advice sector, show greater appreciation for clients' long-term problems, and respect the experience of CAB advisers at identifying and helping people with long-term financial problems.

The credit industry could benefit in another way from making its systems more flexible. It takes a lot for some people to admit they are in debt, and most want to repay what they owe, even if it takes them years. If their offers are rejected, or if they feel there is no end in sight, they will go bankrupt and leave lenders with nothing.

A CAB in the Midlands first saw a client on benefits, with debts

of over £25,000, in 2005. They discussed bankruptcy, but he wanted to repay his debts. He eventually found work, but as the pay was very low he still could not afford the contractual payments, so he carried on with a reduced repayment plan. When he missed one payment in 2008, one creditor refused to reinstate his arrangement and started applying interest and other charges to his account. Feeling disheartened and unable to carry on, he petitioned for bankruptcy and his creditors got nothing.

We believe another answer to these problems can be found in part 5 of the Tribunal, Courts and Enforcement Act 2007, which contains provision for a scheme compelling creditors to accept a debtor's time-limited repayment plan. The legislation lacks any detail about how it would be implemented, but such a scheme could revolutionise debt management, and we hope the Ministry of Justice implements it as soon as possible.

Alex MacDermott is a social policy officer working with individual creditors on behalf of the free money advice sector.
alex.macdermott@citizensadvice.org.uk

Justice in recession?

James Sandbach looks at the implications for legal aid, of the economic downturn and the credit crunch

While one of the key drivers of demand for legal aid is the level and complexity of statutory rights, another is undoubtedly economic circumstances – so changes in the economic cycle can affect legal advice needs. Compared with previous years' surveys, the 2007 civil and social justice survey shows a small increase overall from 33 to 36% in the level of legal problems experienced by the general population, and a significant increase in reported incidence of neighbour, consumer and welfare related problems over the past year.¹ We know from our own evidence and figures from the Ministry of Justice and Council of Mortgage Lenders that repossession actions are on the rise – by over 40% compared with last year.² Bankruptcies have increased steadily since 2003, and average household debt increased approximately 30 per cent between 2003 and 2006. Finally, several studies of the migrant and agency worker economies show that these groups have a high and growing level of advice need.³

So, there is abundant evidence

that economic difficulties fuel demand for legal advice, and those at the most socially excluded end of the spectrum will have significantly greater needs. At the same time, the MoJ are strapped for cash for legal aid, under the terms of last year's Comprehensive Spending Review. The Legal Services Commission's total spend on legal aid is capped at a maximum of £2.2 billion – their corporate plan estimates £844 million Community Legal Service (CLS) expenditure for 2007-8 and £1,199 million for the Criminal Defence Service (CDS), with an administration budget of £116.8 million. The squeeze on the legal aid budget can also be seen in the declining service coverage – around 25% of the population are eligible for publicly funded legal aid today, compared with 52% in 1998.

The Government has managed the legal aid budget by redistributing money within the system, for example between the criminal and civil budgets. The full effects of reform of the CDS – including the introduction of means-testing – have yet to be felt, and may generate additional

resources for the CLS. However, this policy may have unintended consequences, where a defendant's right to liberty and a fair trial are at stake – for example:

Milton Keynes CAB saw a remand prisoner charged with harassment, which he strongly denied, who was unable to get representation for his case. He owned a small business, and even though he normally claimed housing benefit and had a prescription charge exemption certificate on the grounds of low income, he still failed the LSC's means test. He was so upset by the refusal of legal aid that he went on hunger strike for 18 days.

Another way the LSC is looking to redistribute resources is through their procurement strategy, which increasingly uses best-value tendering to purchase a combined bundle of services. The next contracting round (2010) envisages the commissioning of "integrated social welfare law services" through a preferred provider, or potentially through Community Legal Advice Centres (CLACs) or

1 Causes of Action: Civil and Social Justice Survey 2006-7, Legal Services Research Centre

2 See <http://www.justice.gov.uk/docs/stats-mortgage-land-q2-2008.pdf> and <http://www.cml.org.uk/cml/statistics>

3 See for example the TUC's report <http://www.vulnerableworkers.org.uk/>

Networks (CLANs), where local authorities are prepared to co-operate with their advice funding. The size and scale of these single area contracts will depend on a new model for needs analysis, based on the Legal Services Research Centre (LSRC)'s survey methodology, enabling the LSC to assess 'indicative spend' by procurement area, and whether any particular area is over or under-supplied. Our evidence suggests that some of the greatest access problems occur in relatively affluent areas such as suburban Surrey, and sparsely populated areas such as rural Rutland – for example:

Guildford CAB saw a 20 year old woman with a 4 year old daughter, needing family legal help. She originally lived with her mother, who, on occasions, threw her out and looked after the child herself, but still allowed the client access. This happened again in March 2008, and the client has since had no contact with her mother or daughter. She wanted to challenge the legality of her mother's actions and was clearly eligible for legal aid, but the bureau could not find a solicitor in Guildford or Woking able to take on the case on a legal aid or pro-bono basis.

It is hard to see though, within a cash-strapped environment, how the LSC can establish new

services in these areas, without abandoning needs in other parts of the country. Other government departments are now increasingly coming to the rescue of legal aid – for example, DCLG have supplied additional funding for the establishment of new court desk schemes in repossession hot-spots, and the Financial Inclusion Fund has been used to provide additional debt advice in prisons. Indeed, the LSC's own policy of raiding local authority funds to commission CLACs or CLANs looks set to continue.

However, redistributive formulas for commissioning, and the LSC's rigid adherence to the cumbersome practices of best-value tendering, are leading to a worrying growth of the LSC expenditure on administration. They also increase providers' costs, as they must manage the casework services in ways that meet procurement targets and contractual restrictions, as well as keeping within the fixed fee regime. Moving money and targets around in this way can increase advice transactions in some areas, but is unlikely to overcome failings of public administration, or the underlying economic problems in an area.

So, the LSC's approach to getting greater "bang for bucks" is through increasingly centralised micro-management of a scarce

public fund. Even if we accept that legal aid is adequately funded, and that the problem is about transferring funds to where there is greatest need, and delivering the most efficient service model, it is unlikely that the three year spending and research rounds will ever keep up with the emergence of new problem clusters. It is hard to see how the centralisation of all services within a sub-regional area into a single entity, operating under one roof in an urban centre, will actually get the advice to where it is needed.

So it is now time for a rethink. Above all, legal aid should be about problem-solving, and problem-solving, by its nature, involves a range of different approaches – from outreach to education and prevention – and innovative public policy solutions to clients' problems. The legal aid system could make a huge contribution to improving public service delivery, tackling social exclusion and helping people through times of economic crisis – but it must be designed around the problems that clients experience, and must be properly funded to provide not just quantity of service, but also the highest quality.

James Sandbach is a social policy officer working on legal issues.
james.sandbach@citizensadvice.org.uk

Are contact centres up to standard?

Susan Marks asks if UK businesses and government departments who use contact centres will demand services that meet the new EU industry standard

Countries across the EU are now in the last stages of compiling an industry standard for contact centres¹. The proposed standard addresses challenges in poor customer service delivery. UK businesses are major users of contact centres, and the sector is a big employer, but will UK providers take the trouble to look at the draft during the current consultation period, before it's too late?² Are these providers interested in meeting the requirements of the standard, in time for its adoption in the UK? Will the UK's contact centres qualify for this European badge of best practice?

Across government and business sectors, CAB clients and advisers have found that trying to communicate with everyday providers, such as benefits agencies and banks, or utility providers, such as mobile phone companies, has been frustrating, expensive and time consuming.

A CAB client from North Wales tried unsuccessfully to reach the billing team of a telecoms firm. After a series of press button options, the client was put through to mobile phones, the

technical department, the TV section and finally back to the options loop. Each contact thought they were transferring to billing.

In 2004 Citizens Advice published a report on CAB clients' experiences of call centres³, in which we suggested a new European standard to deliver a customer focused service. We also recommended some key principles for developing and improving delivery:

- a focus on delivering for all consumers
- services accessible to all
- resolving problems, not just logging them
- investing in and empowering contact centre agents
- reducing costs to consumers

In January 2008, we published a further short report on continuing CAB evidence about problems contacting utility companies across fuel, telecoms and water & sewage⁴.

A Somerset CAB saw a client looking after a daughter with Aspergers syndrome and relying on benefits. She was worried about fuel bills and wanted a prepayment meter fitted. After

spending 15 months unsuccessfully trying to get the new meter fitted, she finally gave up. For three months she was phoning daily and left on hold, at a cost of £7 a day. She spoke to about 50 people and on five occasions she did not even get past the robotic voice.

We suggested in that report, that the quality of customer service provided by utility companies should feature in information designed to help consumers compare and choose from different provider companies. In a 2007 Citizens Advice survey⁵, one in five respondents said they would choose their provider wholly on customer service quality, and two in every five said customer service would be a deciding factor between companies with similar prices.

An article in Utility Week, the industry magazine for the sector, reported almost one in five people saying they had stopped using a company solely because of a bad experience with a contact centre⁶.

Contact centres are the virtual face of any organisation, providing a major link between service providers and their

1 European Committee for Standardization (CEN), shadowed in the UK by a BSI committee.

2 Draft BS EN 15838, <http://drafts.bsigroup.com/> deadline 31 October 2008

3 Hanging on the telephone – CAB evidence on the effectiveness of call centres. Sept 2004

4 Are you being served? – CAB experience on contacting utility companies. Jan 2008

customer base. The consumer experience of that contact thus reflects the public view of that business or provider. So a provider who wants a good reputation for dealing fairly and efficiently with their clients, needs to pay for good contact centre services. CAB experience shows that there remains plenty of room for improvement, particularly where: there is an evident lack of investment in adequate call centre provision; contact centre agents are not properly trained; agents are not empowered to access relevant information or to deliver on promises made during the call; and time and money is spent by clients and advisers paying for the customer service that should be provided as a matter of course.

A CAB client in North Wales had been trying for seven months to get a landline telephone connection. Despite many calls to the contact centre – including one lasting three hours – unanswered letters, failed call-backs, two visits from engineers, and intervention from the telecom regulator OFCOM, she still had no dialling tone. She had spent money using her mobile, and wasted time repeatedly explaining the problem to call centre agents.

The importance of customer service has been recognised in

new consumer protection legislation. Under the Consumer, Estate Agents and Redress (CEAR) Act, Energywatch and Postwatch will merge with the National Consumer Council to create a new pan-industry consumer champion, called Consumer Focus. The overall call-handling role will be passed to Consumer Direct, the government-funded consumer advice call centre, based with the Office of Fair Trading. The new Act also encourages fuel and postal companies to deliver better customer service themselves, thus avoiding the need for cases to go to an ombudsman for which those companies pay. Under this Act, which comes into play in October, new regulations require: a procedure that must be followed to handle a complaint; adequate resources for complaints handling; and annual publication of data about complaints.

Businesses in the post and fuel sector will have to comply, or face action by their regulator, which can lead to fines of up to 10% of turnover.

So, does the EU standard help ensure that contact centres will be capable of delivering these new customer service requirements? Does it mean they will offer a service to tempt

consumers in a competitive marketplace?

The European Commission's mandate for the new standard⁷ aims to provide quality of service requirements for all contact centres, irrespective of sector or technical approach. So whether a contact centre handles calls about state benefits or mobile phones, whether it uses email or telephone as its main technology, whether it takes incoming contacts or makes sales calls, and whether it is provided in-house or is out-sourced, the contact centre applying these standards must deliver: improvements in quality, designed to deliver good service for customers and to provide a competitive edge for the provider; cost efficient processes that provide quality outcomes, showing understanding of customer needs; recognition that staff are valued, to improve retention; and customer satisfaction

So the burning question is: are the businesses and service providers whose client interface relies on contact centres, confident enough to provide only those facilities that can meet the EU standard? Are UK contact centres up to standard?

Susan Marks is a social policy officer working on consumer goods and services issues
susan.marks@citizensadvice.org.uk

5 691 responses were received online from the general public and 100 CAB clients were surveyed at their local bureau. Sept-Oct 2007.

6 Customer Satisfaction – are you bovvered?, Tim Burfoot, Utility Week, 26 October 2007.

7 mandate M/378

Evidence reports published in the last six months

- > **Are you being served?** (*Free, February 2008*)
CAB evidence on contacting utilities companies
- > **Unfinished business** (*Free, May 2008*)
Housing associations' compliance with the rent arrears pre-action protocol
- > **Understanding tax credits** (*Free, May 2008*)
Client and adviser experiences of the tax credit system
- > **Barriers to work** (*Free, September 2008*)
CAB evidence on challenges faced by lone parents seeking work

Recent briefings and responses to consultation papers June 2008 – August 2008

- Briefing for parliamentary debate on the conduct of solicitors (July)
- The Saving Gateway: operating a national scheme – a response to HM Treasury's consultation (June)
- Briefing for opposition day debate on cost of living (June)
- Response to OFGEM's monitoring of suppliers' corporate social responsibility initiatives (June)
- Briefing for adjournment debate on support for people with poor credit histories (June)
- Submission to Social Security Advisory Committee on proposals to introduce increased lone parent obligations from November 2008 (June)
- Citizens Advice's submission to the EHRC's inquiry on human rights (July)
- Citizens Advice response to the Competition Commission's statement on PPI market inquiry possible remedies (July)
- Response from Citizens Advice and Citizens Advice Scotland to BERR's call for evidence on the Consumer Law Review (August)
- Submission to DWP review of housing benefit for working age claimants (August)

Copies of all these briefings and responses to consultation papers are available free of charge from the Citizens Advice Social Policy Department.

Join our mailing lists

If you would like your name added to our mailing lists to receive **evidence** and/or information about our publications on any or all of the following topics please contact the Social Policy Department on 020 7833 7191 or email social.policy@citizensadvice.org.uk

evidence journal
Debt and consumer affairs
Employment
Health
Housing
Immigration
Legal affairs
Social security/tax credits
Rural issues
Tax

To order publications

You can order all of these publications through our website at www.citizensadvice.org.uk or by emailing Daniela Perdoni daniela.perdoni@citizensadvice.org.uk

When ordering evidence reports for which there is a charge, please send us a cheque made payable to 'Citizens Advice' and send order with payment to Social Policy, Citizens Advice, 115 Pentonville Road, London N1 9LZ.

www.citizensadvice.org.uk
 Visit our website for instant access to reports and briefings on the 5.7 million problems dealt with every year by the network of Citizens Advice Bureaux.

Published by Citizens Advice Social Policy Department
 115-123 Pentonville Road, London N1 9LZ
 T: 020 7833 2181
 F: 020 7278 7142
www.citizensadvice.org.uk
www.adviceguide.org.uk

Registered Charity No. 279057