



Phase 1 Project overview

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We have been working with the Bank of England, five market-leading firms and a research partner...



BANK OF ENGLAND

 ClearScore®



octopusenergy

 ATLANTA



Direct Line®

KANTAR PUBLIC

...to trial the Plain Numbers Approach in a range of settings.

The trials run by Kantar Public randomly selected participants to see and then answer...

2 Your charges

1 January 2021 to 31 March 2021 (90 days)
This billing period is based on our 2020/2021 rates

Fresh water			Wastewater		
	m ³	rate		m ³	rate
Charge for water used	33.0000	× £1.3818	Charge for waste removed	33.0000	× £0.8963
		= £45.60			= £29.58
Fixed charge		+ £4.74	Fixed charge		+ £15.65
Subtotal		= £50.34	Subtotal		= £45.27
Total new charges for this period			£95.61		

1 April 2021 to 30 June 2021 (91 days)
This billing period is based on our 2021/2022 rates

Fresh water			Wastewater		
	m ³	rate		m ³	rate
Charge for water used	33.0000	× £1.4619	Charge for waste removed	33.0000	× £0.9133
		= £48.24			= £30.14
Fixed charge		+ £4.79	Fixed charge		+ £15.86
Subtotal		= £53.03	Subtotal		= £46.00
Total new charges for this period			£99.03		

Summary

The cost of what you've used		
• From 1 January 2021 to 31 March 2021	£95.61	
• From 1 April 2021 to 30 June 2021	+ £99.03	
What you've paid since your last bill		
1 Feb 2021: £30	1 Mar 2021: £30	1 Apr 2021: £30
1 May 2021: £30	1 Jun 2021: £30	
We'll take one more payment of £30 on 1 July 2021.		- £180
What's left to pay		= £14.64
The cost of what we think you'll use over the next 12 months		+ £407.22

Your metered charges explained
We charge you separately for fresh water, which comes out of your taps, and wastewater, which goes down your drains.
Your fresh water charges pay for sourcing, storing and delivering water to your home, while your wastewater charges pay for removing, cleaning and returning wastewater safely to the environment.
If you need help understanding your charges, please head to thameswater.co.uk/bill

What's a fixed charge?
Your fixed charge helps to cover some of our essential running costs, like maintaining pipes and handling enquiries.

Your summary explained
We've looked back at the last 12 months to check you didn't over or underpay. As you can see from our calculations, your payment plan wasn't covering your water use. That's why we've carried £14.64 over to this bill.
We've also predicted how much you'll use over the next year based on your meter readings.

2 Your charges

What you have used:
You have used **66m³** of water (equivalent to around 800 baths) in the first half of the year at a total cost of **£194.60** (that's about 24p per bathtub).

What that costs:

Charge for water used:	£93.84
Charge for Wastewater removed:	£59.72
Fixed Charge:	£41.04
Total:	£194.60

What you've paid:
You've been paying **£30** per month so that's a total of **£180** for the first half of the year. This is **£14.60 less** than the cost of what you have used.

Our estimate of future costs
Based upon your meter readings, we estimate that the total cost of what you'll use in the coming year will be **£407.22**

Total cost and new monthly payments
When we add this to the £14.60 that you owe we get a **total cost of £421.82**

Splitting this into equal monthly payments means that your new monthly Direct Debit payments will be **£35.15**. This is around £1.16 per day.

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Your costs explained
How we calculate costs for fresh water used:
66m³ x £1.42 (£1.4219)
average cost per m³ = £93.84
How we calculate costs for wastewater removed:
66m³ x 90p (£0.9048)
average cost per m³ = £59.72

...questions about either the original communication from the firm or a Plain Numbers version.

Across the five trials, the questions sought to test a ‘basic’ understanding of the numbers and data being presented...

Your energy account
18th Feb 2021 - 17th Mar 2021

On 18th Feb 2021 Your balance was above zero:	£88.71
<hr/>	
1. We have charged you These charges are based on your meter readings. VAT is included.	
Gas 17th Feb 2021 — 16th Mar 2021	- £63.09
Electricity 17th Feb 2021 — 16th Mar 2021	- £76.05
2. You have paid Direct Debit collection 25th Feb 2021	£60.00
<hr/>	
As of 17th Mar 2021 Your balance is below zero:	£9.57

Your energy account
monthly update

On **18th February** there was **£89*** in your account with us.

On **17th March** there was **£10** in your account.

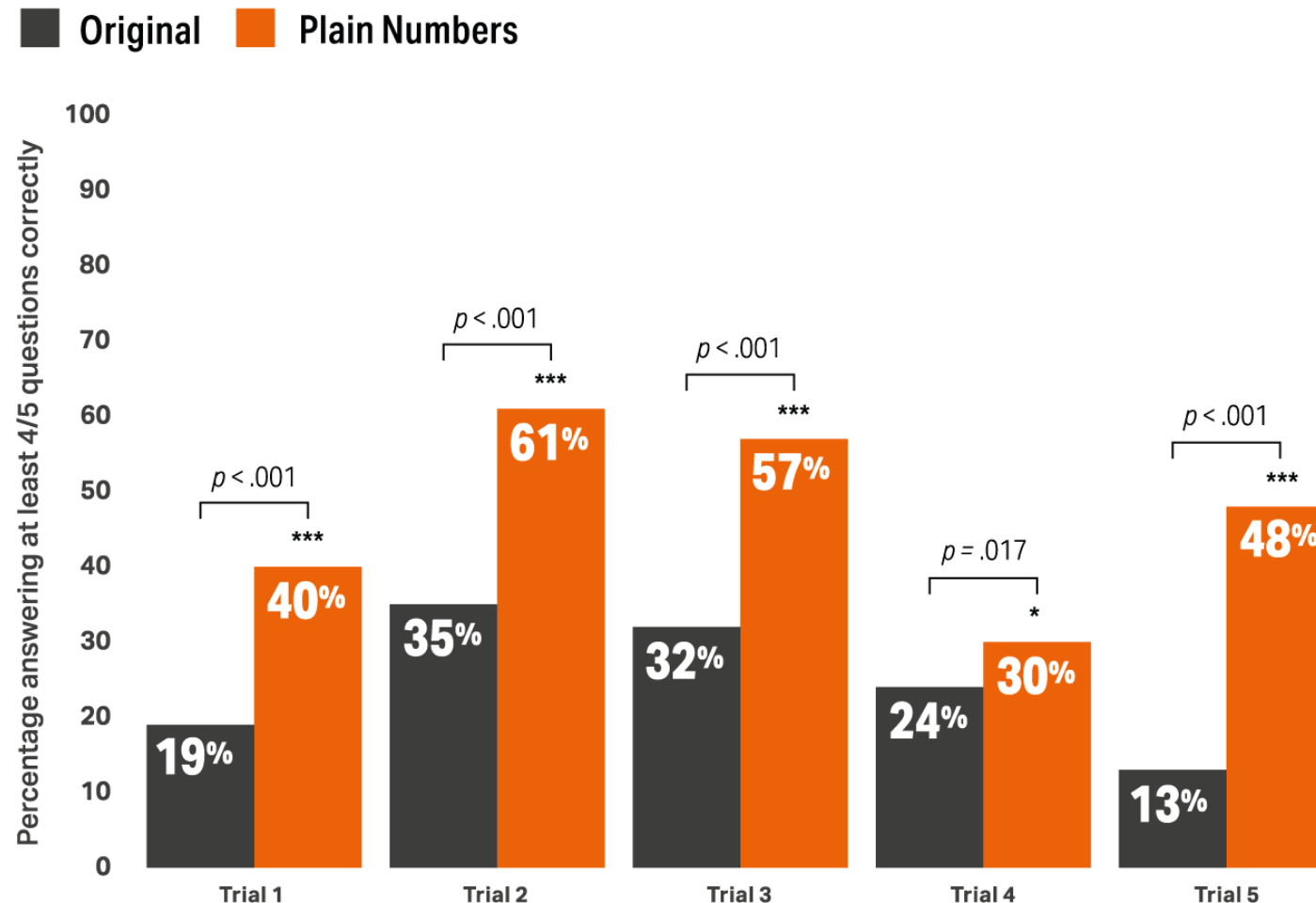
Between these dates, **you used energy that cost £139 in total** (£63 Gas and £76 Electricity) and we received a **Direct Debit payment from you of £60** – as we do each month.

So overall you used £79 more energy than you paid for this month – that’s ok, it’s winter and for most people it evens out over the whole year.

*We’ve rounded the numbers above to the nearest pound. See the attached PDF for charges and balance accurate to the penny.

...in all cases, participants’ answers showed a clear increase in comprehension for the Plain Numbers version.

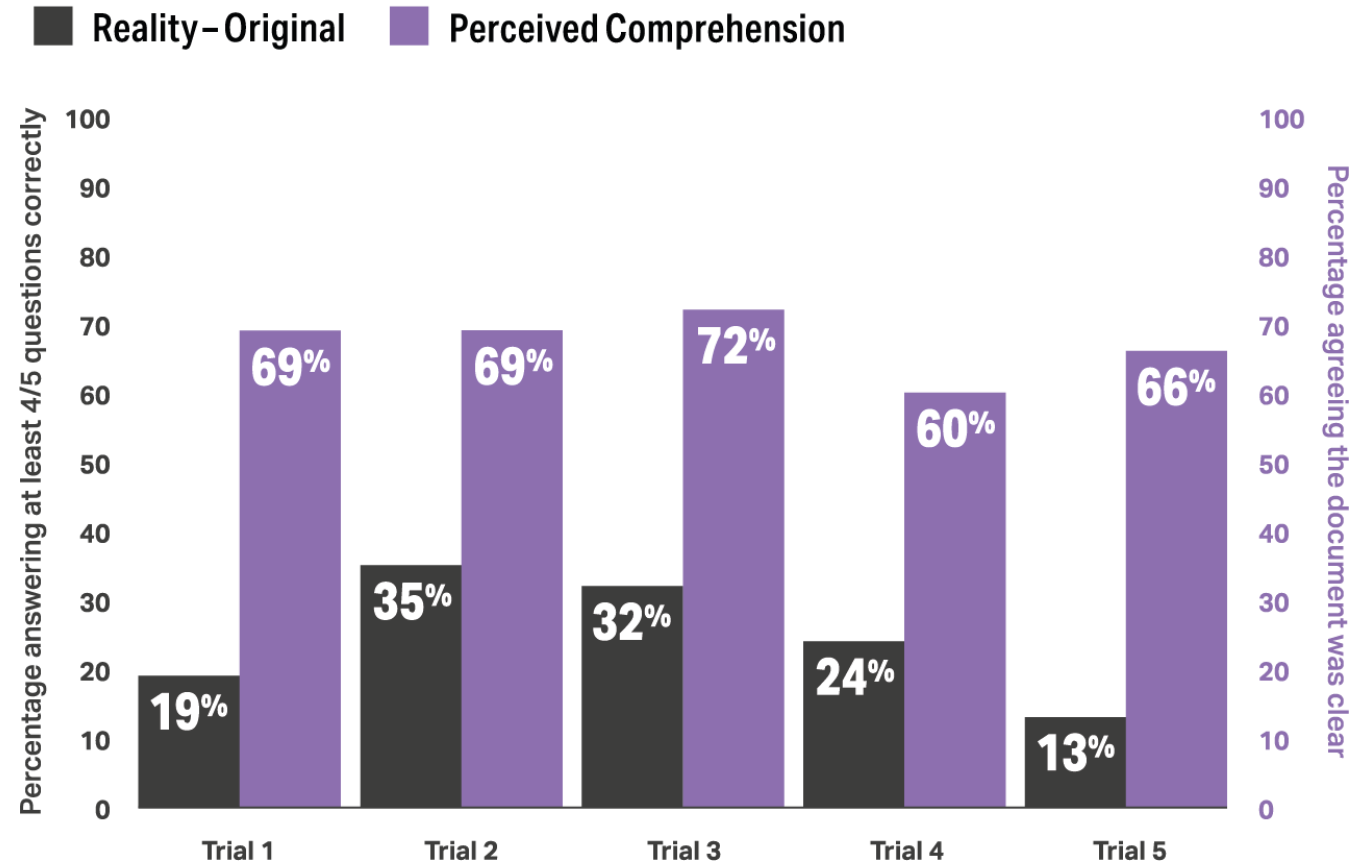
Overall, the number of people answering at least four out of the five comprehension questions correctly **DOUBLED**...



Analysis involved a two-tailed z-test for independent proportions, using the Bonferroni correction to correct for multiple comparisons. p-values for statistically significant differences between arms are indicated using * $p < .05$. ** $p < .01$. *** $p < .001$

We also asked whether the document was 'clear, fair and easy to understand' before assessing actual understanding...

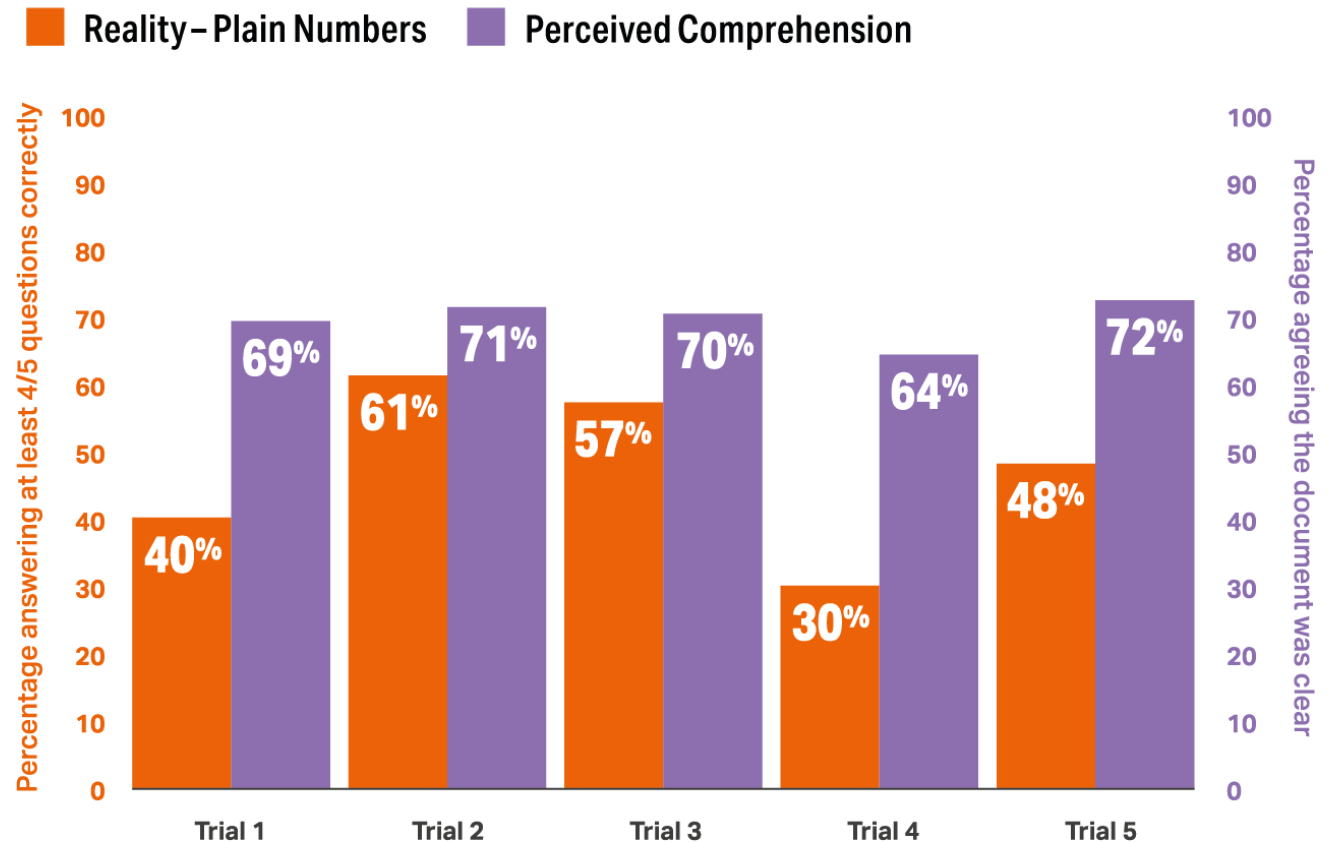
Across all trials the majority of participants' agreed that the document was 'clear, fair and easy to understand'.



... this revealed a stark disconnect between perceived and actual understanding.

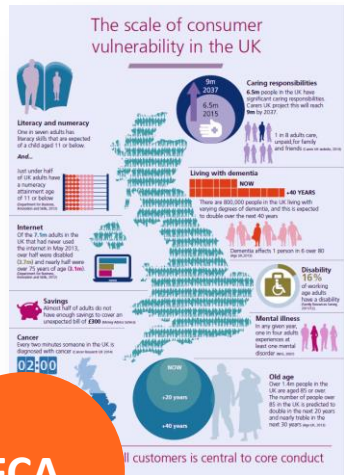
Adopting a Plain Numbers Approach...

However, only in the Plain Numbers versions was this matched by a reasonable level of actual understanding.



...reduces this disconnect, thereby creating the conditions for informed choice, even for vulnerable customers.

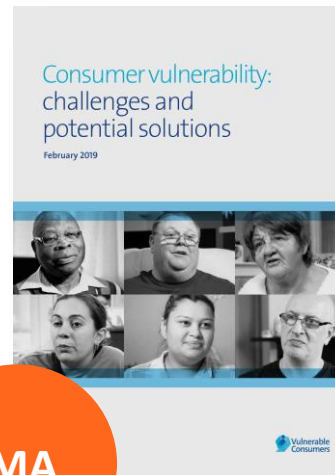
We are keen to share these findings widely given Regulators' increasing interest in vulnerable customers...



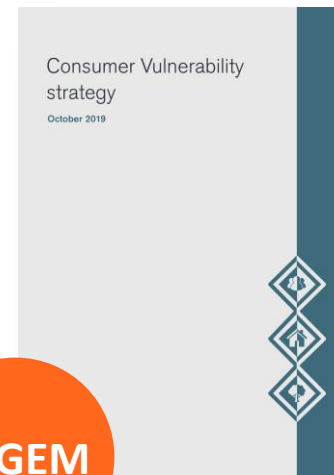
FCA



OFWAT



CMA



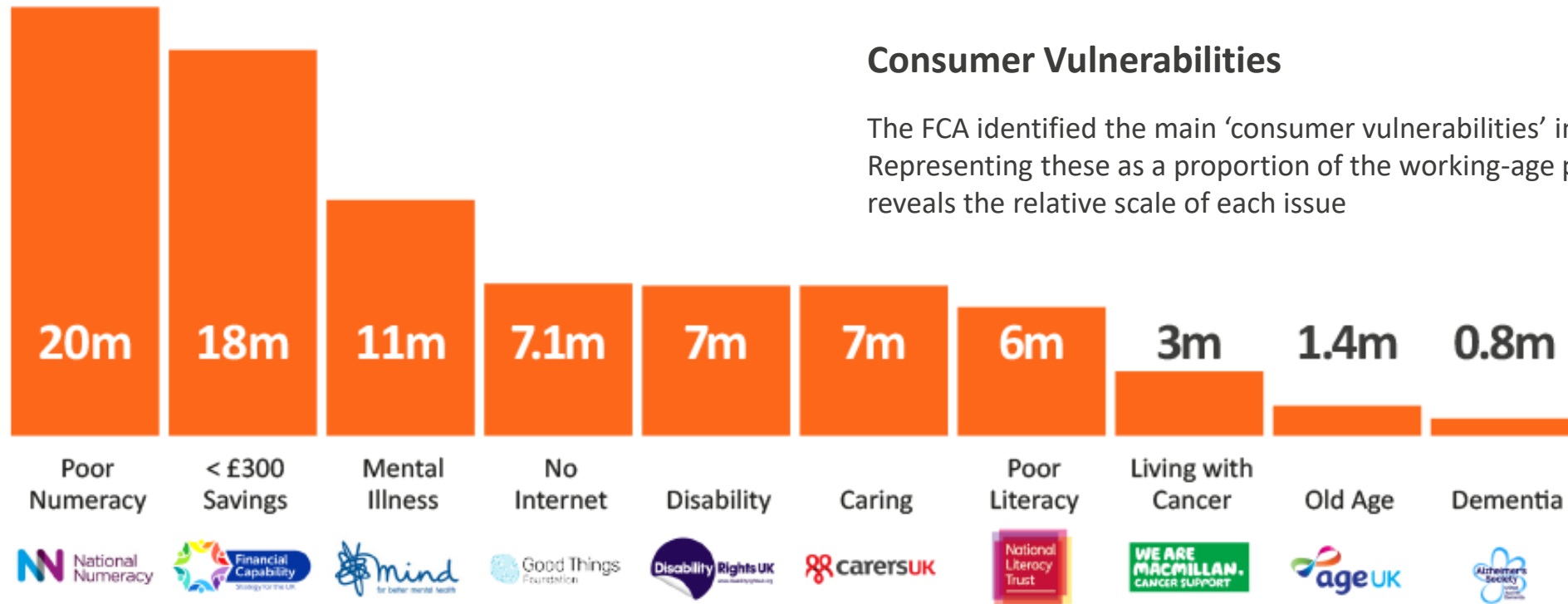
OFGEM



OFCOM

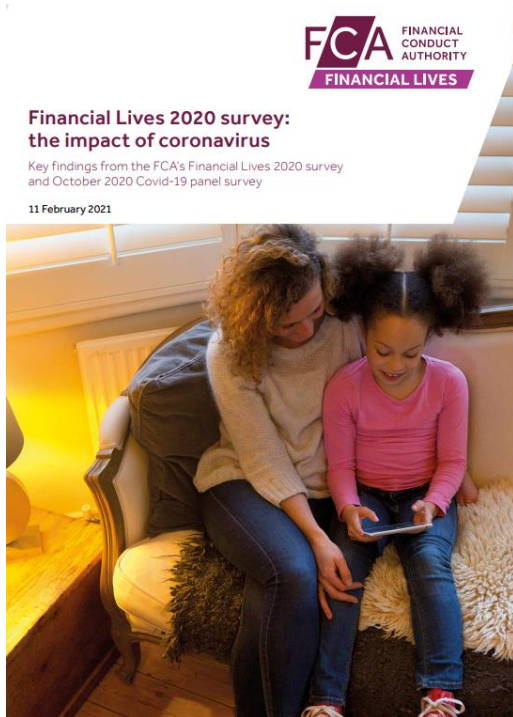
...and the growing recognition that comprehension is a struggle for many.

Data used by the FCA as long ago as 2015 suggests that poor numeracy is the single most common vulnerability...



...but most firms don't recognize this - yet.

The FCA recently tested customers' 'numeracy involving financial concepts'...

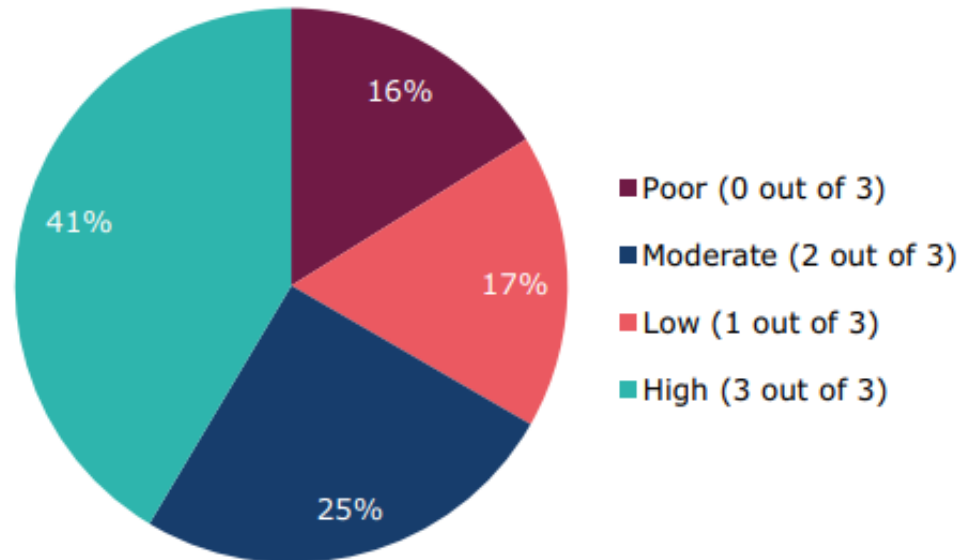


1. You put £100 in a savings account paying 2% interest. With no fees, tax, further payments or withdraws, how much would be in the account at the end of the first year after the interest was paid?
2. With same conditions, how much after 5 years?
3. Inflation is 5% and you get 3% interest on your savings. Will your savings have more, less or the same amount of buying power in a years time?

...what percentage of customers do you think were able to answer these three questions correctly?

These questions seem ridiculously easy to most “industry people” – but 59% of customers can’t answer them correctly...

Figure 7.5: Levels of numeracy involving financial concepts (Feb 2020)



Numeracy related to financial concepts questions:

NUM1. Suppose you put £100 into a savings account with a guaranteed interest rate of 2% per year. There are no fees or tax to pay. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made?

NUM2. And how much would be in the account at the end of five years (remembering that there are no fees or tax deductions)?

1. More than £110; 2. Exactly £110; 3. Less than £110; 4. It is impossible to tell from the information given; 5. Don't know

NUM3. If the inflation rate is 5% and the interest rate you get on your savings is 3%, will your savings have more, less or the same amount of buying power in a year's time?

1. More; 2. The same; 3. Less; 4. Don't know

Source: FLS Feb 2020 Base: All UK adults (2020:16,190) Question: Numeracy (Financial summary)

...recognising, and then addressing, this gap is critical to supporting vulnerable customers.

The FCA survey correlates with data from National Numeracy...

1. If a scarf costs £11.70 after a 10% reduction, what was the original price?

- a) £12.50
- b) £13.25
- c) £13.99
- d) £13.00**
- e) I don't know

2. Mike's lunch contains 640 calories of energy. What percentage is this of his target daily intake of 2000 calories?

- a) 45%
- b) 62%
- c) 65%
- d) 32%**
- e) I don't know

3. These are three offers on the same ketchup. Which is the best value for money?

- a) 275g for £1.05
- b) 454g for £1.99
- c) 650g for £2.20**
- d) 425g: buy two for £3.10
- e) I don't know

4. Rail tickets increased by 2% in year 1, and 5% in year 2. What was the overall increase over the two years?

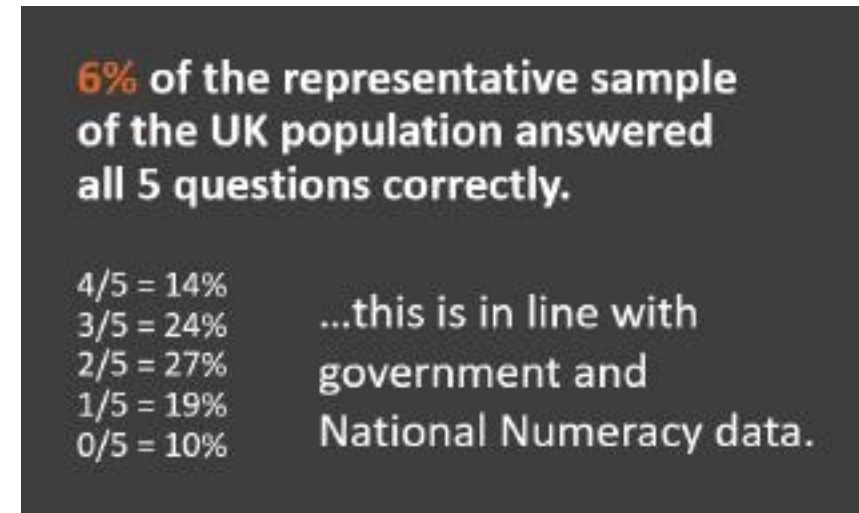
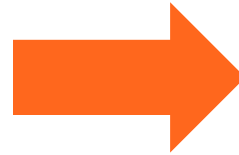
- a) 7%
- b) 7.1%**
- c) 10%
- d) 10.7%
- e) I don't know

5. A laptop costs £899, including VAT at 20%. How much of the purchase price is VAT?

- a) £179.80
- b) £89.80
- c) £125.00
- d) None of these**
- e) I don't know

...what percentage of customers do you think were able to answer these 5 questions correctly?

Only 6% of a representative sample of the population got all 5 correct...



...however, it's not just about skills.

Maths anxiety or conversely overconfidence with numbers can be issues, with many unwilling to engage.

Those in older age groups tend to be more numerate than younger people

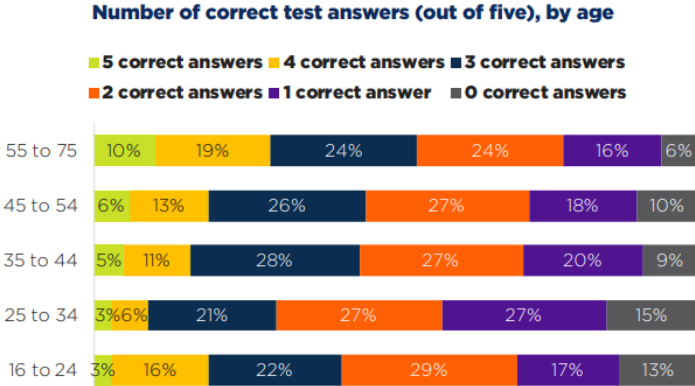
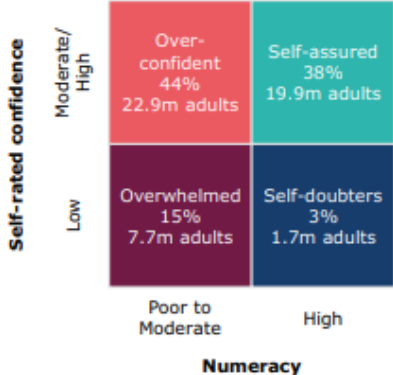
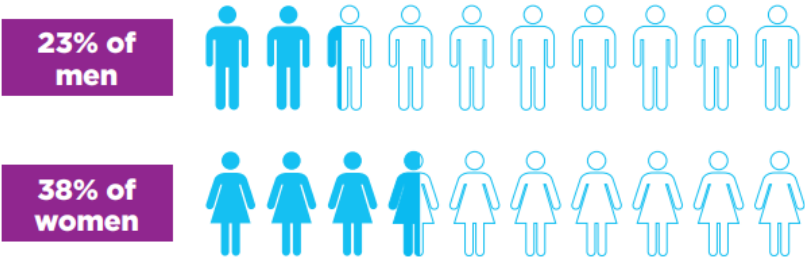


Figure 7.6: Comparison of self-rated confidence working with numbers to numeracy involving financial concepts (Feb 2020)



Source: FLS Feb 2020 Base: All UK adults (2020:16,190)
Question: AT1D (Rebased)/Numeracy (Financial summary)

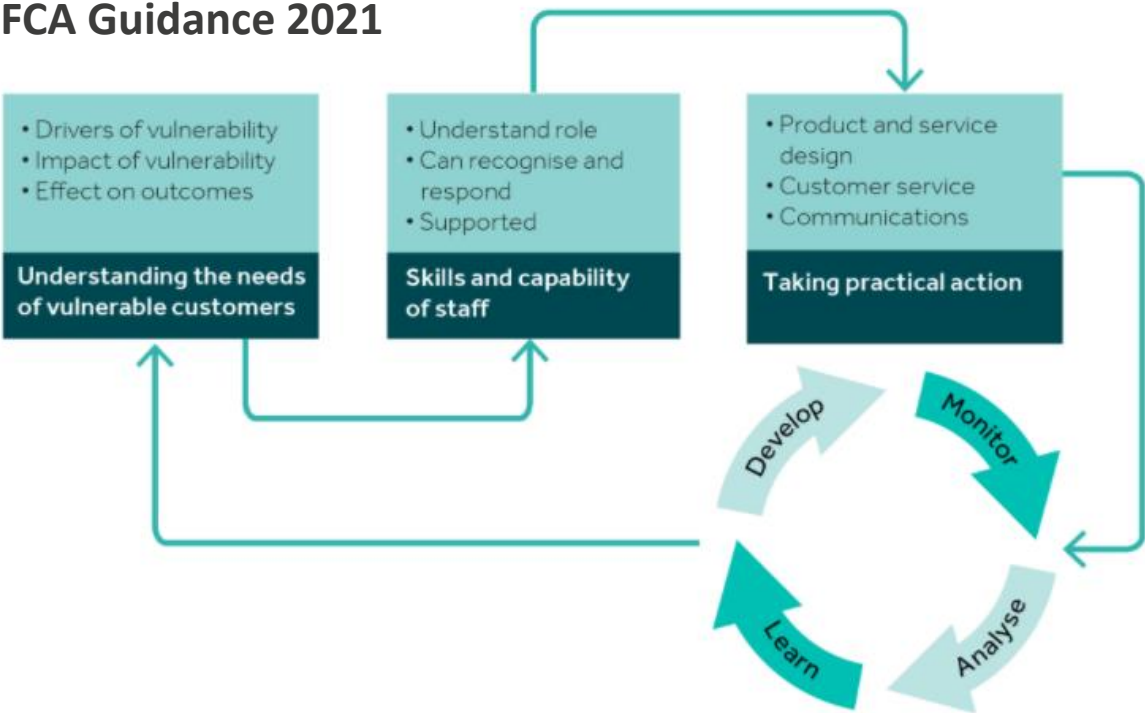
% who say they are “not a numbers person”, by gender



Recognizing, and addressing, these attitudinal barriers is at the heart of the Plain Numbers Approach.

Regulators' increased focus on vulnerable customers has led to renewed guidance...

FCA Guidance 2021



“Updating the Consumer Vulnerability Strategy is one of the most important things we are doing this year, and I look forward to working with you to achieve good outcomes for consumers in vulnerable situations”

CEO OFGEM in Decision on Consumer Vulnerability Strategy 2025

...the FCA updated their guidance in 2021, and others have also done so recently.

Comprehension by vulnerable consumers, is now a critical focus for many regulators...

Companies must publish clear, up-to-date policies which are easy to understand. These should be led from the top, with senior leaders accountable for embedding them in their organisation's culture. We recommend that providers consult with experts, consumer bodies and charities to strengthen their understanding of different vulnerable customers' needs.

OFCOM Guidance July 2020

Firms should ensure communications throughout the life-cycle of a product or service are clear and provided to vulnerable consumers in a way that they can understand

FCA Guidance for firms on the fair treatment of vulnerable customers Feb 2021

"A firm must pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading."

Principle 7, FCA Principles for Businesses

**...unsurprisingly, customer communications
are now a central element of guidance.**

Plain Numbers was founded to enable regulated firms to support customers who struggle with numbers...



Mike Ellicock

Mike is a social entrepreneur. For the past twelve years he has run organisations that support people who struggle with numbers and data, most recently founding National Numeracy



Alison Plant

Alison has worked with Mike since the launch of National Numeracy in an effort to address the psychological barriers preventing people from using everyday maths to make good decisions.

“We enable regulated firms to support their customers who struggle with numbers - and provide certification for firms that do so. Our experience of the gap in financial capability caused by low numeracy is unique”

...our experience is unique – more than 10 years working on issues caused by struggling with numbers.

So, what is the 'Plain Numbers Approach'?

We combine the latest insights from behavioural science with our in-depth knowledge of adult numeracy levels, and have expressed this in 3 key principles

1

Numbers themselves:

Numbers do not come naturally to most humans. They need to therefore be presented in ways that most humans can understand

2

Numbers in context:

Don't assume the customer understands "our little world". Avoid terminology around numbers and speak "Human to Human"

3

How we think:

Are the numerical concepts and the numbers and data we are presenting for 'fast' or 'slow' consumption – do we want to do anything to change this?

...our unique perspective enables firms to better support customers who struggle with numbers.

Using these Principles and with the benefit of 10 years focusing on this issue...

1. Numbers Themselves

	m ²	Rate
Charge for fresh water used	33.0000	£1.3818
Charge for wastewater used	33.0000	£0.8963



What you have used:
You have used 66m³ of water (equivalent to around 800 baths) in the first half of the year at a total cost of £194.60 (that's about 24p per bathtub).

2. Numbers in context

On 18th Feb 2021
Your balance was above zero: £88.71



On 18th February there was £89* in your account with us.

3. How we think

Balance transfer offer
duration 24 months
Balance transfer fee 3.00%

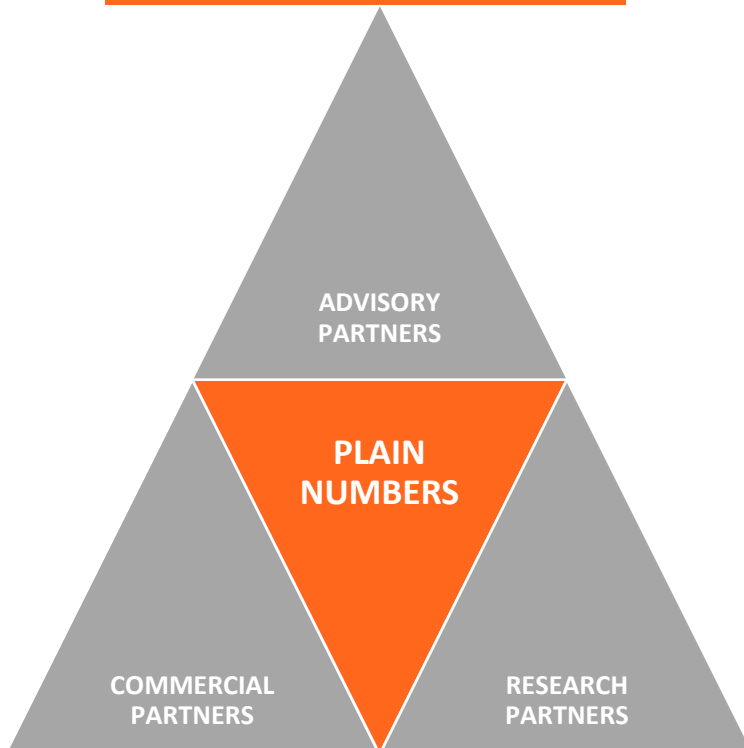


Pay off £86/month and get debt-free by May 2023. One-off fee £60, total saving: £306.

...we make seemingly small changes that generate substantial increases in comprehension.

We are now keen to work with firms to improve customer comprehension and to explore other benefits of the Approach...

The Plain Numbers "ecosystem"



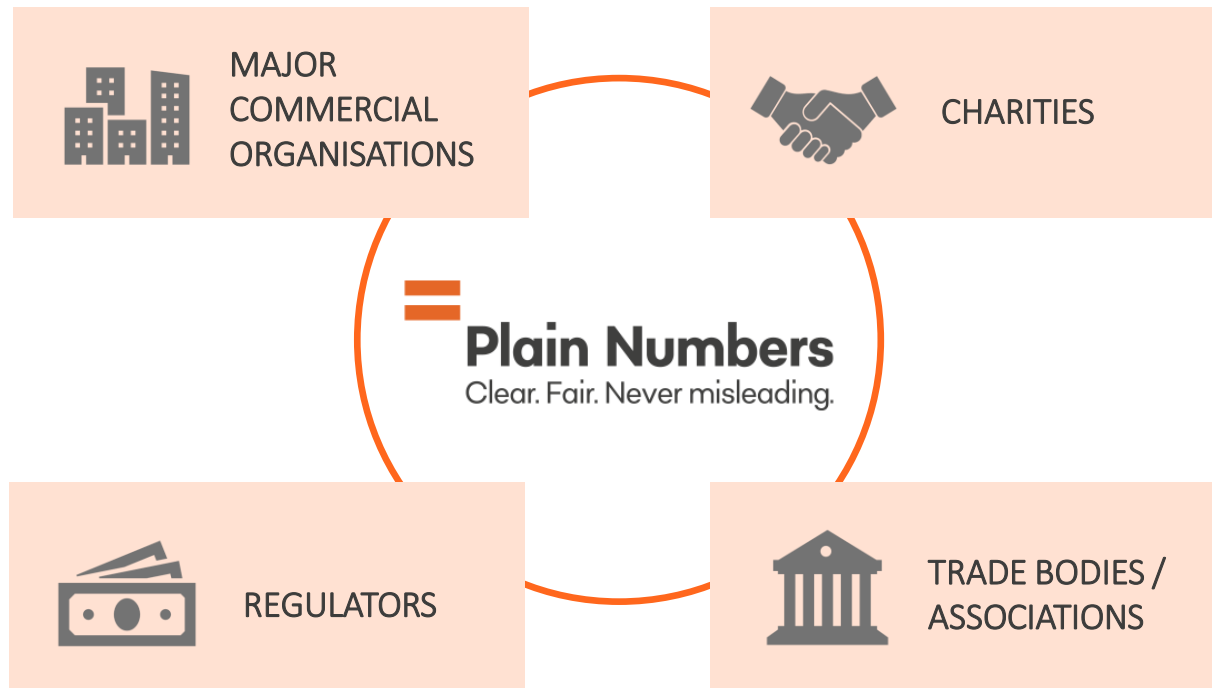
Plain Numbers will ally with leading regulators and other organisations focusing on vulnerability as **Advisory Partners**

Plain Numbers will work collaboratively with **Research Partners** interested in testing the Approach in new markets or with new forms of communication – including verbal or with new KPIs – including commercial benefit.

Plain Numbers has proven capability to raise awareness, improve skills and increase customer understanding of critical communications. We are here to enable **Commercial Partners** to better support customers who struggle with numbers.

...so that it can become the proven, best practice way of communicating numbers to customers.

Advisory Partners want to support vulnerable customers...



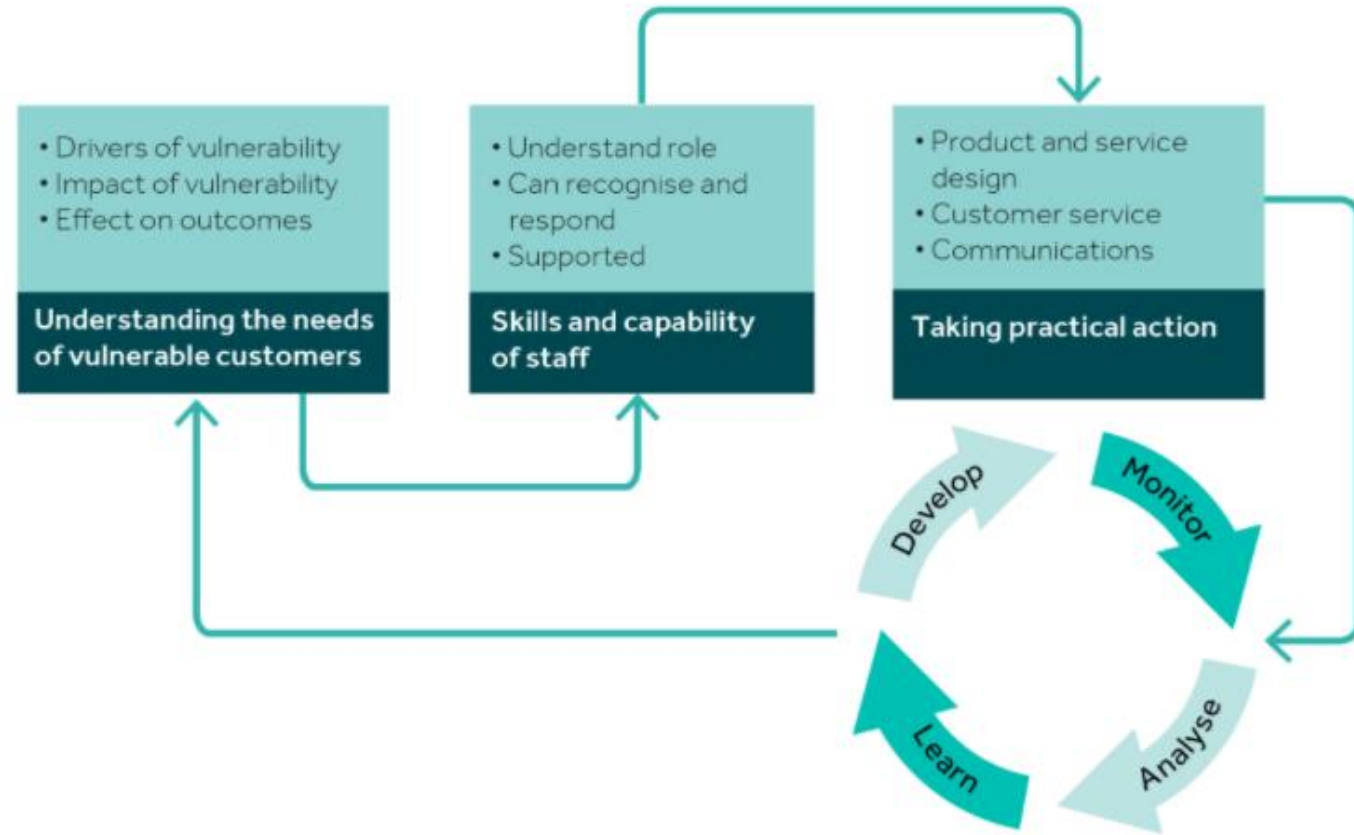
Advisory Partners

- Are interested in vulnerability and want to support customers impacted by the most common vulnerability
- Want to be at the forefront of initiatives to help these customers
- Support the Project in a range of different ways
- Will enable us to help firms support more customers more quickly.

...and are keen to work with us to enable all firms to improve.

Commercial clients might begin with staff awareness training or practical help around a piece of communication...

What firms need to do
(FCA example)



...in time leading to certification as Partners.

We are also seeking Research Partners to explore the further benefits of the Plain Numbers Approach...

Continue to validate the positive impact on understanding and engagement levels in different contexts

- We seek to test the Approach using different types of documents
- As the range of regulated sectors to be covered is very wide we also seek to test the Approach across all sectors
- We will also explore more deeply the impact on different KPIs such as perceptions of firms' brands, trust, likelihood of purchase

Demonstrate that appropriate training for staff improves understanding and comfort levels

- Staff with high context specific knowledge often struggle to understand the problems customers face
- We will test the effectiveness of raising awareness staff training on improving the quality of customer interaction and the resulting impact on understanding and behaviour

Demonstrate that the Plain Numbers Approaches can drive commercial benefit for firms via behaviour change

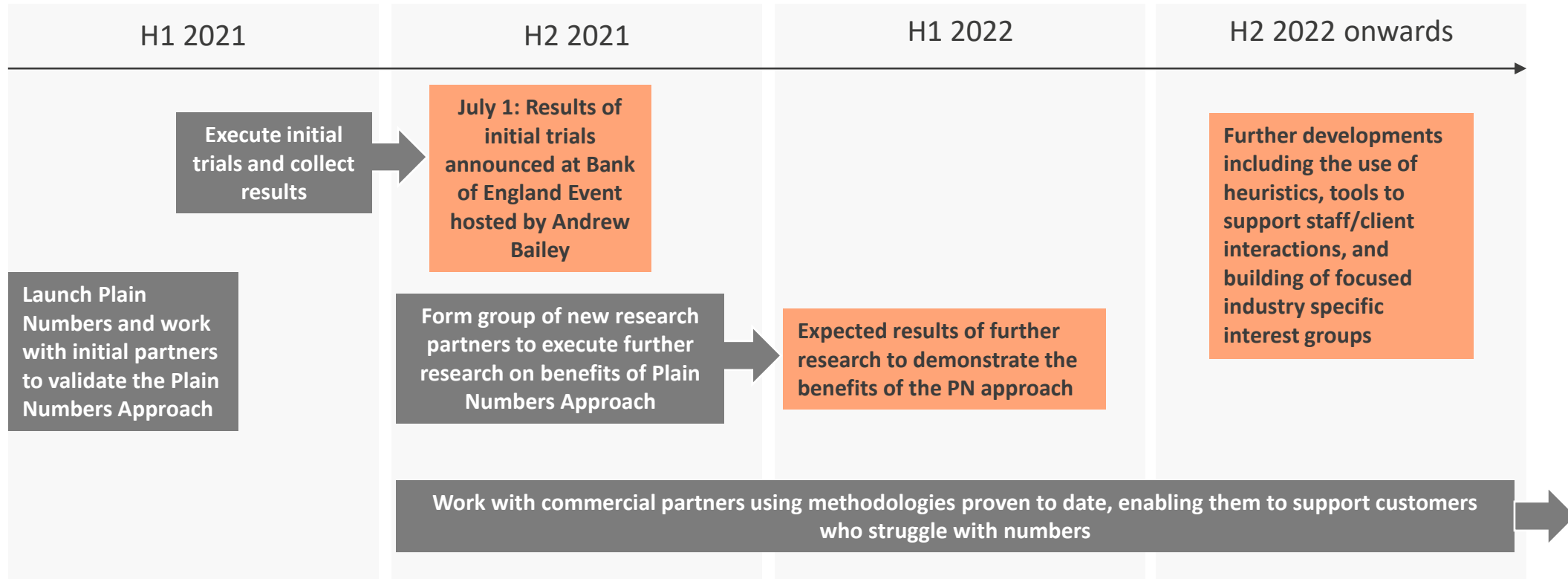
- Poor numeracy potentially drives undesirable behaviours that have costs for firms. Customers can drop out, need to call customer services, make a poor decisions or ignore critical communications.
- We want to test the impact of the Approach on these issues

Key Objectives

- Extend positive results to date to more sectors and contexts
- Demonstrate impact of training on outcomes
- Demonstrate commercial benefit for firms who ensure customers who struggle with numbers receive support

...including quantifying benefits to staff and commercial benefits for the firm.

We are now in discussion with potential Advisory Partners, Research Partners and Commercial Partners...



Discussion

- How does our work fit with your current strategy to support vulnerable customers?
- What is your appetite to focus on customers who struggle with numbers (with likely benefits for all customers)?
- Which services do you think will enable you to support customers most?
- How should we follow up with you?
 - Advisory Partner or Research Partner or Commercial partner...