

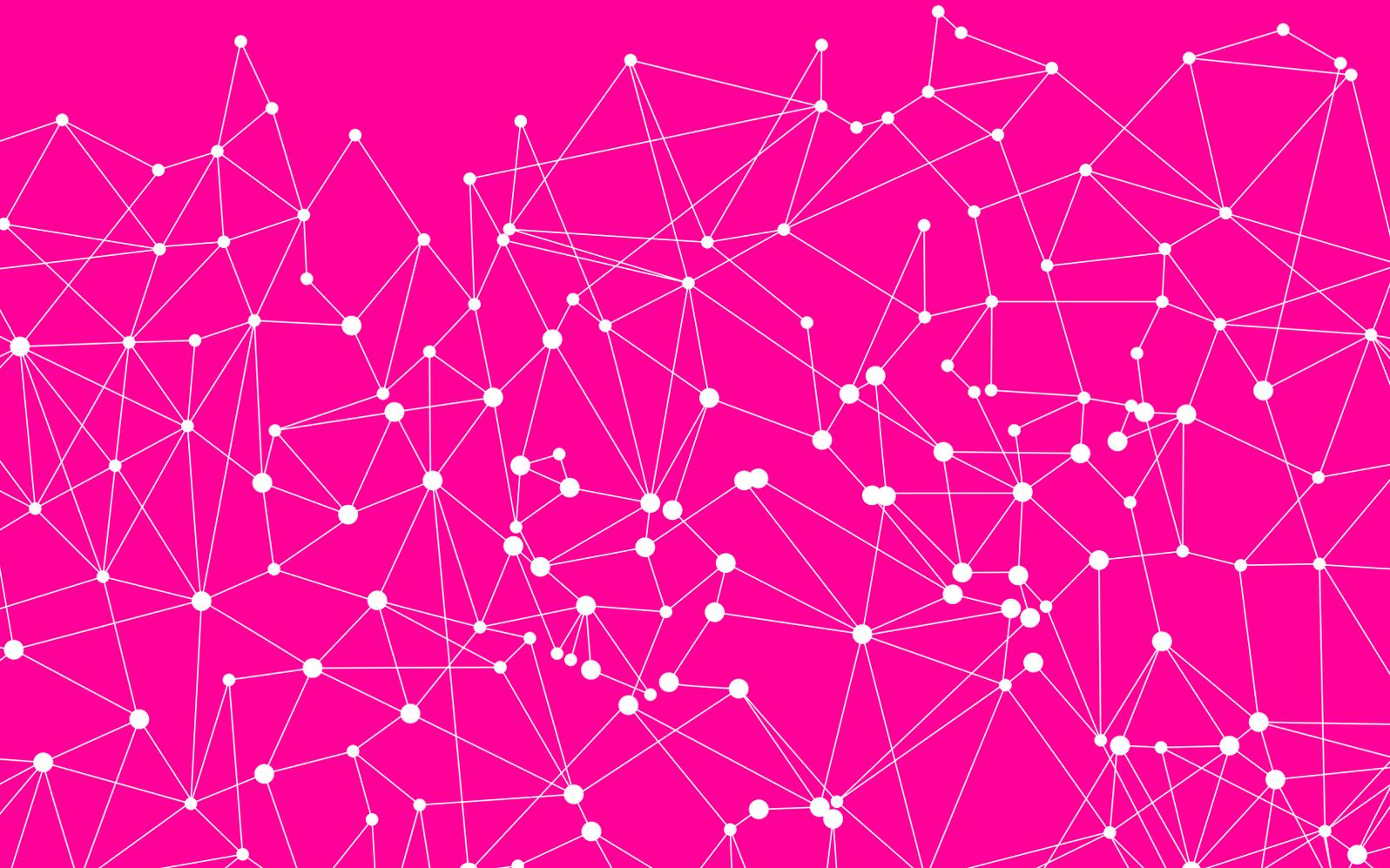
Bad Billing: How the Cost of Living Crisis is being worsened by poor data and a lack of trust

An investigation into the impact of the energy price rise and how utilities suppliers can do more to help struggling households



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Executive Summary

With the cost of living crisis in full swing and [inflation rising at its fastest rate in 40 years](#)¹, consumers are feeling the squeeze, particularly when it comes to utilities bills. According to the [Office for National Statistics](#) (ONS), around three quarters of the rise in inflation in April came from higher electricity and gas bills, making utilities bills headline news. With warnings to expect the [worst drop in living standards](#)² since records began in the mid-1950s, many people are worried about how they will pay bills in the future.

Energy and water are essential services and critical to people's health and wellbeing. Utilities suppliers have a social obligation – as well as a regulatory obligation in the case of water – to support customers who are struggling to pay their bills. From social tariffs to one-off government payments (such as the [Winter Fuel Payment](#)), there are various forms of assistance suppliers in different industries can offer.

However, despite the availability of this support, it appears help is not reaching the people who need it most. Since the [energy price cap increased](#) in April 2022, affecting 22 million customers, we are increasingly seeing reports of people resorting to extreme measures to pay their bills – from [pensioners riding the buses all day to stay warm](#), to people [skipping meals or using sleeping bags](#) to save money. With the [energy price cap due to increase](#) further in October, [up to ten million families are on the brink of fuel poverty](#)³.

Issues around affordability are being further compounded by a lack of data maturity in the utilities sector. Poor data quality and data management is driving an increase in billing errors. At a time when consumers are having to watch every penny, such errors mean many are facing bill shock, or even having debt collectors at the door. Not only are these mistakes distressing – contributing to a growing lack of trust in suppliers – but it is also driving up bad debt, i.e. debt that is unlikely to be recovered, which ultimately leads to rising prices for everyone.

To understand the full extent of these problems, Sagacity surveyed 2,010 utilities bill payers in the UK and asked how the cost of living crisis is affecting them and their ability to afford essential services. It also aimed to identify a path forward for utilities suppliers to help consumers overcome any financial challenges they may be facing as a result.

The findings paint an alarming picture of modern Britain where many are experiencing financial hardship, resulting in stress and anxiety. This study demonstrates the extent to which the current crises are affecting everyone in society, not just lower income groups, and reveals the risk of vulnerable people slipping through the net.

Key Findings

1

Two thirds (66%) of the UK – 18.5 million households³ – worry about their ability to pay utilities bills in light of the energy price cap rise and cost of living crisis

2

37% worry they will be forced to choose between heat and food – a figure that rises to 53% for those aged 18-34

3

Despite these concerns, only 6% of respondents have considered asking suppliers for help — fewer than the 9% who plan to hug a pet for warmth, or the 18% who have considered sitting in the dark and/or washing less frequently (22%)

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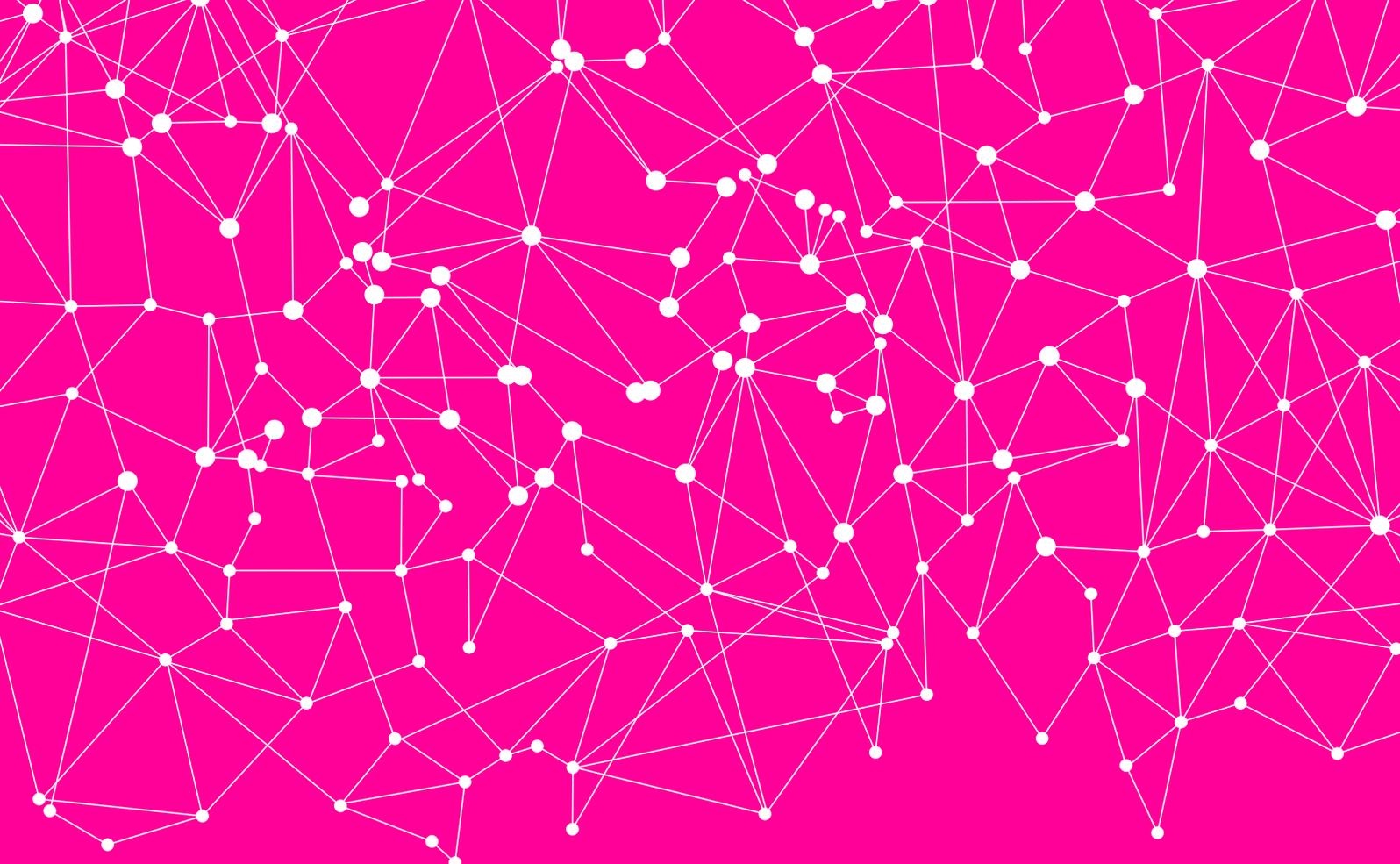
40% of consumers who have moved suppliers in the last 12 months have experienced issues – 54% of whom said these issues related to billing

5

More than one in ten (11%) of respondents that have experienced billing errors had calls from a debt collection agency, while 7% said debt collectors even came to their door

6

60% of consumers say they don't trust energy suppliers and think they are out to rip them off



**Consumers fear they won't be able
to afford to heat their homes or
pay their bills**

It's been well documented that energy prices are on the rise, and this was reflected in the data. On average, utilities bills have increased by 38% since last October – a figure that rises to 48% in Wales. Price rises have affected three quarters (76%) of respondents – one in five of whom (20%) have even seen bills increase by 50% or more. Spiralling costs are not only taking their toll on consumers' bank balances – they are negatively impacting mental health and wellbeing.

With prices set to rise even further later in the year, two thirds of respondents (66%) – 18.5 million UK households⁵ – say they worry about their ability to pay utilities bills in light of the energy price cap rise. 28% say rising bills are keeping them awake at night, with this number increasing to 48% among 18-34 year olds. Almost half of all respondents (47%) worry that if bills rise further, they won't be able to pay. Again, such worries were more acute among 18-34 year olds, with 59% expressing concern about their ability to pay bills in the future.

"The impact of rising utilities bills is very worrying, especially with prices set to continue increasing for the rest of the year. The idea that families should be considering extreme measures, such as giving up food or having to compromise on hygiene, should be unthinkable in 2022. And this isn't just a problem for low income families – the pinch is being felt across the board."

Anita Dougall
CEO & Founding Partner, Sagacity

Middle income families are also feeling the crunch

Almost half (47%) of households on lower incomes (under £10,000 per annum) worry that rising prices could result in home insecurity and whether they will be able to juggle utilities bills with their rent/mortgage. Furthermore, 57% are concerned about their or their family's wellbeing if they need to forego water, gas or electric. Yet, while lower income families are set to be hit the worst, middle-income families are also feeling the pinch: 44% of people earning between £30,001 and £40,000 say they are very worried they won't be able to pay their bills and a third say they may have to choose between heating and food.

The research also revealed that women are more stressed than men about bill rises. Half of all women surveyed (50%) said they were concerned about their or their family's wellbeing if they need to forego hot water, gas or electricity, compared to 41% of men.

Help is available but people aren't asking for it

As costs rise across the board, more people will need support from their utilities suppliers than ever before to help them stay afloat throughout this difficult period. Suppliers and the government offer support, such as advice on managing debt, or initiatives including the [Warm Home Discount Scheme](#) or the [Winter Fuel Payment](#). Schemes such as [WaterSure](#), a programme offered by water suppliers to help certain people pay their bills, can also help alleviate some financial pressure.

However, our research indicates that most consumers are unaware that such support exists. Instead, people are needlessly living in fear of what might happen if they cannot afford their bills.

Out of all our survey participants, just 6% said they had considered asking their suppliers for help — in fact more people (11%) said they had considered using candles or hugged a pet or a loved one for warmth (9%) instead. Of those who would speak with their supplier, almost two thirds were not confident they could help. Just 2% of people reached out to a specialist agency, and only 2% requested a payment holiday. A mere 4% of respondents requested to change tariffs.

Instead, people are cutting down on food and gaming the system

Rather than ask for help, many are finding other ways to save money. When asked which bills they would prioritise paying if they were short on money and forced to choose, electricity was the first priority, followed by mortgage and then food – although those on lower incomes (£20,000 per annum or less) would prioritise food over rent.



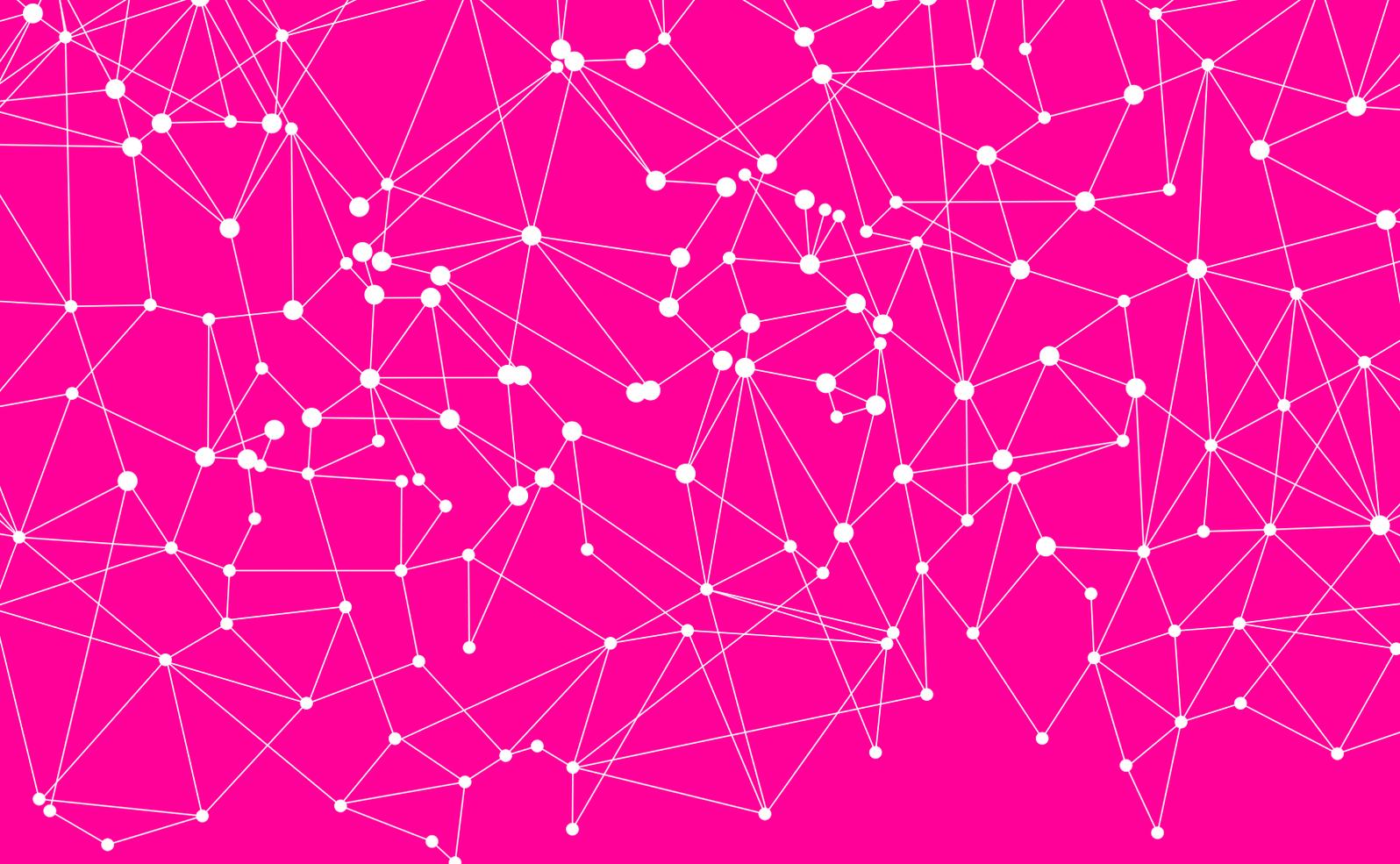
More than half (51%) of respondents said they have tried to reduce their energy use, while more than a quarter (28%) have cut back on non-essential purchases. One in five (19%) said they had cut down on food and 22% wash less frequently. 18% of respondents said they sit in the dark rather than switch on a light and more than half (51%) have put on extra clothes to keep warm.

Some customers are trying to game the system and lower their bills – 16% avoid giving meter readings in a bid to keep bills down, a figure which rises to 38% among 18-24 year olds. Furthermore, about one in ten 18-34 year olds (12%) admitted that they had either entered a false utilities meter reading (lower than their actual usage) or considered doing so. Unfortunately, such actions could have the opposite effect – either opening individuals up to the risk of bill shock later down the line, or ending up with higher bills due to a lack of meter data, which leads suppliers to estimate usage.

Despite seeing news reports about bill hikes, more than half of us (52%) still don't know to what extent the situation will affect us. Only a quarter (25%) of consumers say their energy supplier had helped them to understand the energy price cap increase, and over a third (37%) said they were not aware of being sent any communication about it at all.

"In a bid to provide much-needed support, the [government announced a support package](#) in May 2022 to help vulnerable people cope with soaring energy prices, funded through a windfall tax on suppliers. However, as we have seen, those most in need are unlikely to step forward to check their eligibility and make sure they receive the support they are entitled to. The onus must therefore be on suppliers to make all customers aware of what is available to them, as well as identify vulnerable customers, and make sure they are getting the help they need."

Malka Townshend
COO & Founding Partner, Sagacity



**Poor customer data quality
is causing further stress
and anxiety**

In recent years, utilities suppliers have seen more changes to customer data than ever before. More than a third (37%) switched utilities suppliers in the last 12 months – a figure that rises to 55% for those aged 18-34. While the COVID-19 pandemic – and subsequent lockdowns – prompted many people to [reassess their living situation](#)⁶, 4.4m households have had no choice but to find a new supplier after [27 UK energy suppliers went bust in 2021](#)⁷ due to spiralling energy costs and bad debt.

Regular modifications to customer data inevitably lead to more mistakes, inaccuracies and gaps in records. Two fifths of our survey respondents (40%) said they experienced problems when switching utilities suppliers – a figure that rises to 55% for those aged 18-34. Of those experiencing problems, more than half noted poor communication and customer service (55%) and billing errors (54%). Almost a fifth (18%) found gaps in their personal information, such as incorrect names and contact information, which is a key contributor to billing errors.

“Mistakes within customer data records can occur for several reasons. Consumers might fail to inform a supplier when they move house or not take a meter reading before they leave. Equally, mistakes are even more common for those living in rented accommodation, as there tends to be greater turnover in such properties with transfers managed by a third party letting agency – which could account for why we see more issues for those under the age of 34. Discrepancies can also creep in during data transfer due to simple human error on the customer or supplier’s side, such as spelling mistakes or inconsistent data-entry methods. But such errors can lead to bills going astray, building up bad debt for suppliers, while also eroding customer relationships and trust as issues go unresolved.”

Malka Townshend
COO & Founding Partner, Sagacity

Debt collectors and bill shock are making matters even worse

Of the respondents that had experienced billing errors, some said their bill had arrived with a demand for the wrong value, others received bills addressed to the wrong person, while some had not received a bill at all. As a result, the survey found one in ten of us, 2.8 million⁸ UK households, have experienced bill shock – whereby a customer receives a large, unplanned bill out of the blue.

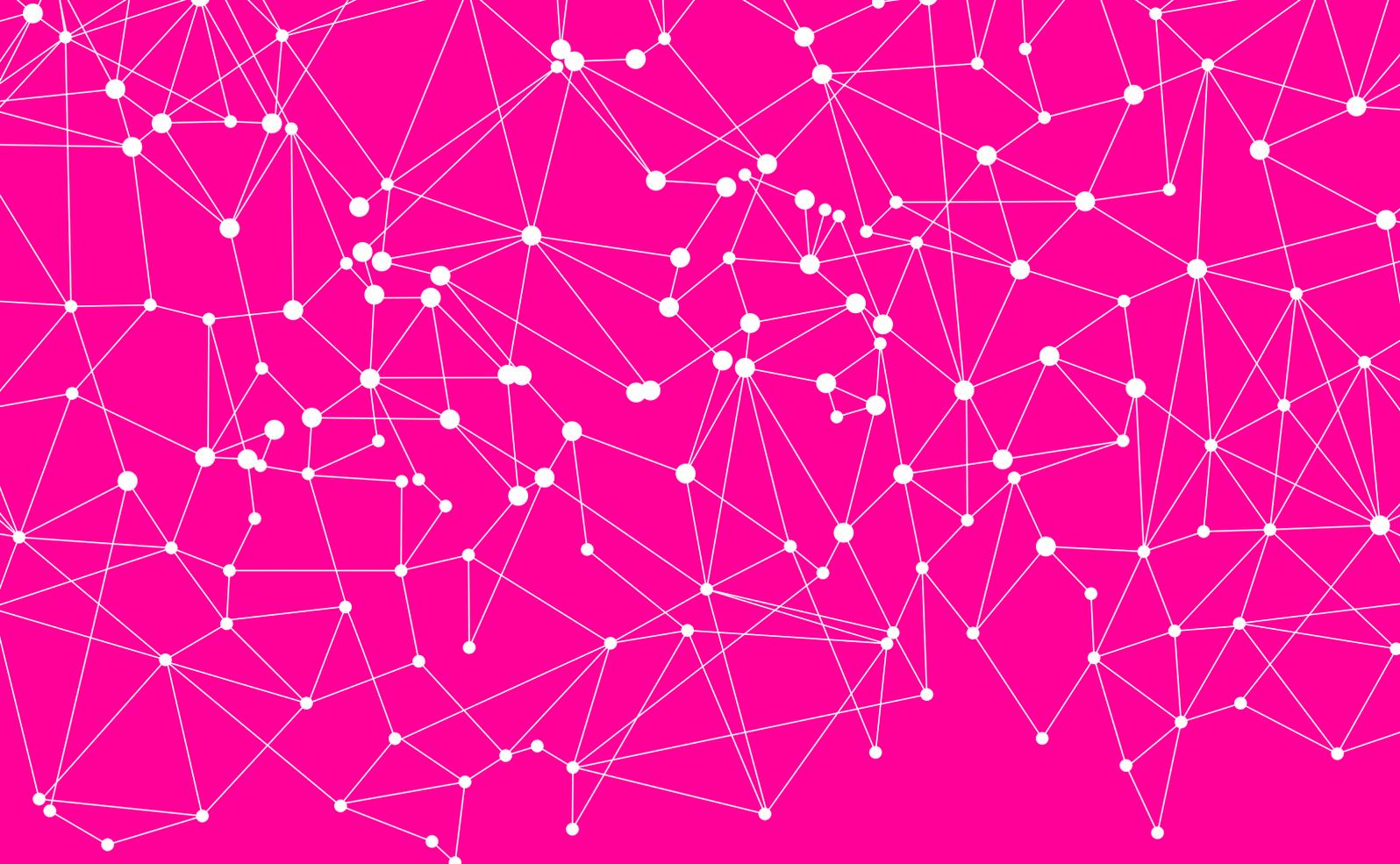
One of the common causes of bill shock is when suppliers do not have billing information and therefore send letters addressed to 'The Occupier'. Only 5% say they would pay a bill addressed to the occupier, while less than a quarter (24%) would notify their supplier to get their details updated – over one in ten (11%) wouldn't open the letter at all. Since 8% of respondents said they receive bills addressed to 'The Occupier', this suggests 2.1 million households are not paying their bills due to a lack of personalisation⁹.

Despite not being at fault, 31% of respondents noted that billing errors had made them feel stressed and anxious, while 11% were contacted by a debt collection agency – 7% even had debt collectors knocking on their door. The mental health ramifications of billing errors appear to hit women and low earners the hardest – 39% of survey respondents who experienced stress related to a billing errors earned £20,000 or less, while 36% of women reported feeling stressed and anxious compared to 26% of men.

To make matters worse, consumers are also finding it challenging to rectify errors. More than half (60%) of respondents who contacted their supplier about an error said it was unable to completely fix the mistake. Almost a quarter (23%) said they don't inform suppliers about mistakes in the first place, suggesting they lack confidence in the supplier's ability to resolve the problem, or they believe it will take too much time and isn't worth the effort.

"Errors in customer data result in miscommunications meaning bills do not reach the correct addressee. For example, if someone has moved and not notified their supplier, they may continue to get billed for a property they are not living in, leaving debt to mount up and resulting in a nasty surprise for customers. If suppliers continue to make errors in customer billing data, they will soon see an impact on their bottom line. Most customers are unwilling to pay a bill if it is not addressed to them directly, and are also unwilling to proactively contact their supplier to rectify issues. Unless suppliers get on the front foot to proactively manage their data then bad debt is going to rise and more customers will vote with their feet."

Anita Dougall
CEO & Founding Partner, Sagacity

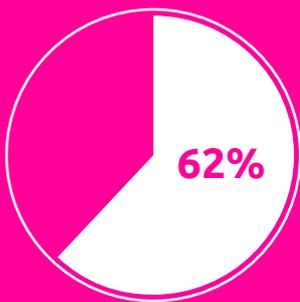


Suppliers have a 'consumer trust crisis'

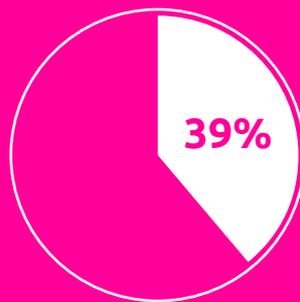
Unsurprisingly, the fallout from sky-high bills coupled with ongoing errors are eroding the relationship between suppliers and consumers. A quarter (24%) of respondents said the problems they have experienced with a supplier have damaged their relationship with the company, with almost a fifth (17%) choosing to switch to another supplier. When coupled with a seemingly constant barrage of bad news headlines, trust has hit rock bottom. The research reveals that most consumers (60%) do not trust utilities suppliers, believing they are 'just trying to get as much money as possible'.

Trust has been further eroded by recent reports that some energy suppliers may have been [increasing direct debit payments](#) by more than necessary, or directing customers to tariffs that may not be in their best interest, prompting compliance reviews from the industry regulator Ofgem. Such reports not only damage the reputation of energy suppliers, but also leave consumers wondering if suppliers are using the energy price crisis to boost profits.

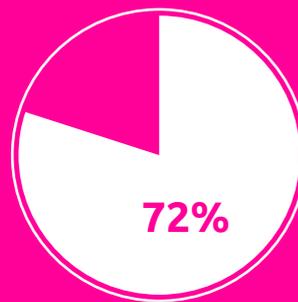
The findings suggest that many believe utilities suppliers are being deliberately duplicitous in billing:



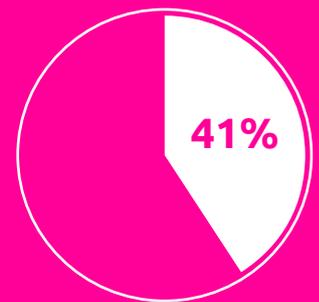
62%
of respondents think suppliers calculate direct debits as a way to build up large credits in their own bank accounts



39%
Almost two fifths think suppliers just make up the numbers on bills completely - a figure that rises to 55% of 18-34 year olds



72%
feel certain their bills shouldn't be as high as they are - suggesting that they suspect they may be being over-charged



41%
think smart meters are just a way for suppliers to charge more - with those in the higher income brackets earning £80k-£100k per annum being most suspicious

“Fighting back against misinformation is another challenge facing suppliers, one exacerbated by the current crisis in confidence in suppliers. Consumers are sharing conspiracy theories about energy bills on social media, prompting [experts to intervene and clear up confusion](#). Some people believe utilities suppliers are using data they collect from smart meters to set up a system to charge more during peak periods or that they are charging you for having a meter – rather than fuel usage. In reality, the more data consumers give to suppliers, the more accurate their billing will be, potentially leading to cost savings. Unfortunately, this message does not appear to be breaking through to customers.”

Malka Townshend
COO & Founding Partner, Sagacity

Education and data are key to building bridges

Part of the issue could be that many consumers don't understand how their utilities bills are calculated. Almost half of respondents (44%) said they had no idea how bills are calculated and view utilities billing as a 'dark art'. Among 18–34 year olds, this number rises to 56%. These results suggest that suppliers can do much more to further engage and educate younger customers.

Consumers are also concerned that their supplier will pull them into a situation where they will suffer bill shock and fear being caught out. Half of respondents (49%) said they worry bill estimates will lure them into a false sense of security and that they would eventually receive a large bill. This figure rises to two thirds (66%) among respondents earning between £80,000 and £100,000, indicating that higher earners could be concerned about running up substantial bills since they are more likely to live in larger properties.

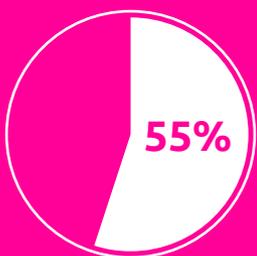
“This issue of trust needs to be addressed urgently. With many customers suspicious of their suppliers’ motives, they are not welcoming innovations that could in fact help them – like smart meters. Equally, consumers’ lack of understanding around billing could mean they are shooting themselves in the foot. For example, by not submitting meter readings, many are in fact increasing their bills and not lowering them – and entering false information is just delaying the inevitable. Suppliers need to work on building bridges, which starts with greater education and transparency.”

Anita Dougall

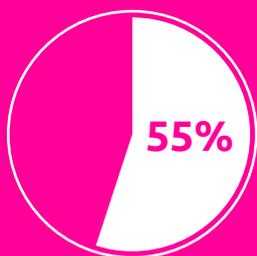
CEO & Founding Partner, Sagacity

Better communication could help to improve relations between suppliers and customers. Almost three quarters (70%) of respondents say suppliers should be using data to help customers much more than they do. In fact, only 28% believe suppliers use their data to help customers, while 52% think they only use data to help themselves.

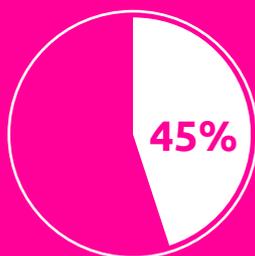
When asked what they would like to see from suppliers:



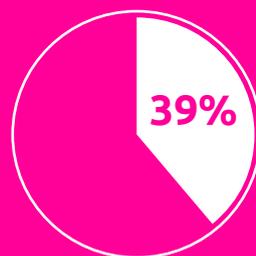
would like an explanation of how their bills are calculated



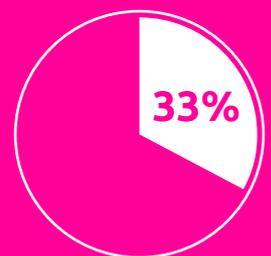
are keen to get personalised advice on whether they are on the best tariff



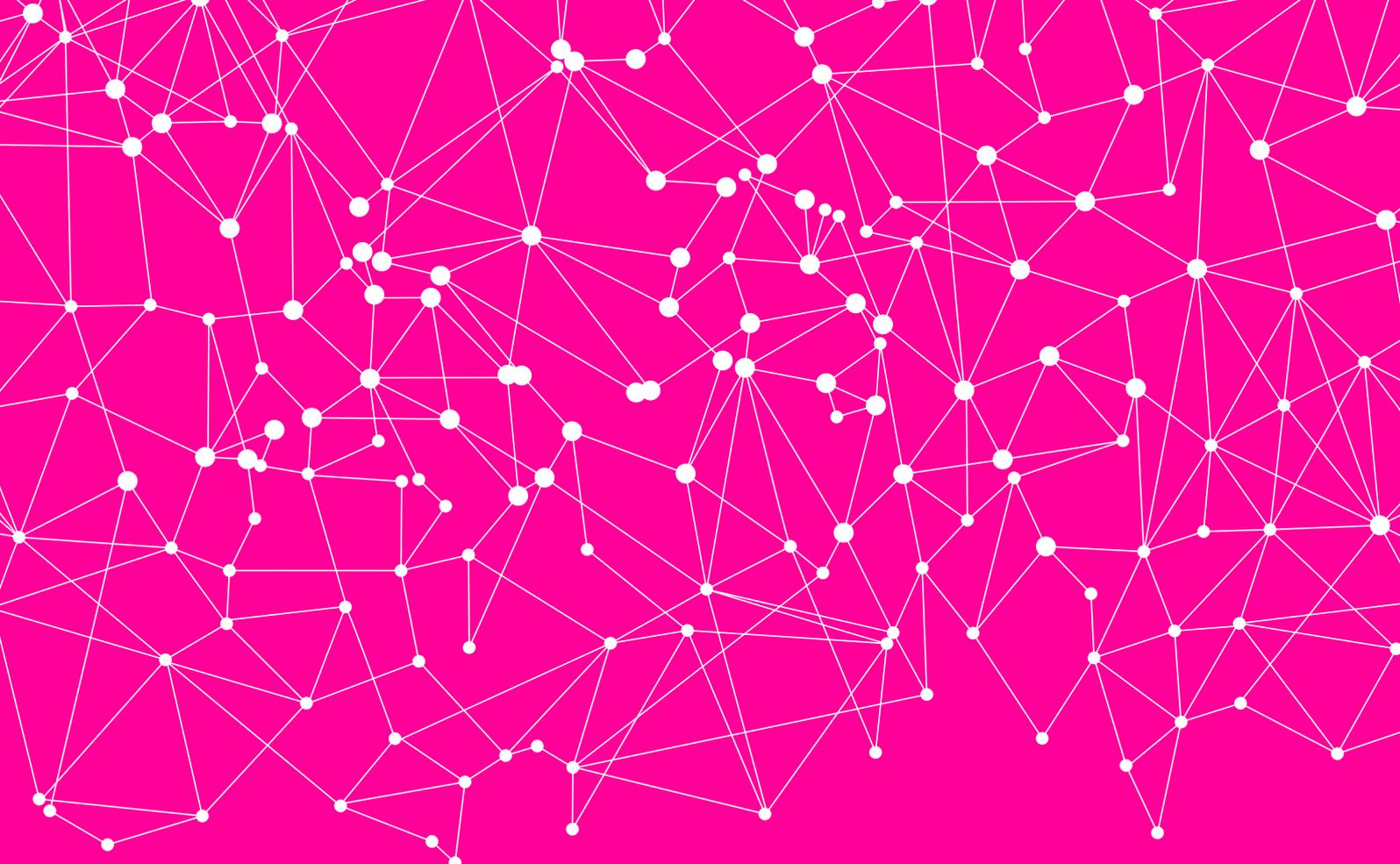
would like personalised data which highlights areas of high/above average consumption



would like to know how their consumption compares to other similar sized properties



would like personalised advice on how changing their regular habits could lower their consumption



**Harnessing the power of
data to establish proactive
customer communication**

The report clearly shows suppliers need to be as proactive as possible in extending the olive branch to customers, both to help regain trust and reduce bad debt. Yet to do so, they need to get to grips with their data.

Having complete and accurate customer data *should* be the absolute baseline of customer service. But at present, for many suppliers, it is not: they have millions of records stored across a sea of different systems, many of which are not interoperable, which often results in data getting lost and miss-recorded. These kinds of mistakes can be very costly, both for suppliers and their customers.

Utilities suppliers need to act fast, getting on top of these issues so they can regain customers' trust. If they don't, the bad debt will continue to pile up. Here are some concrete steps they can take to turn things around:

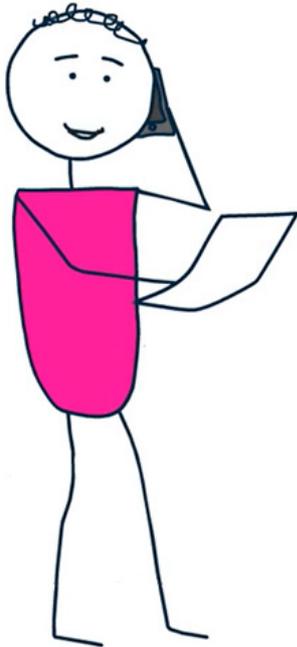
Improve data quality, ideally working with a data expert that can help to ensure that data is not only cleansed but also the right processes and systems are put in place to keep it that way. This means closing any gaps in records to ensure bills are sent to the correct person and setting out processes to ensure all data is captured in a consistent way to prevent future gaps.

Stitch together datasets to plug the gaps in customer records. Having a complete and accurate view of customers is crucial to identifying those who might need financial assistance or who are on the wrong tariffs and potentially over-paying. Taking the time to correct records will not only assist customers, it will also benefit suppliers by giving them the information that they need to bill correctly, and plan for the future.

Proactively communicate with vulnerable customers. Often people don't even realise they qualify for social tariffs, or are too embarrassed to apply for government payments, so it is paramount that utilities suppliers proactively identify those customers who are in need to help and ensure that they get the help they need before this picture gets even worse

Apply analytics and machine learning to identify who might be vulnerable. One of the biggest issues they face is being able to identify vulnerable customers within a database containing millions of people. Even if suppliers do have a system for flagging accounts, people's situations are fluid – someone who was fine last year may have now hit upon hard times – so the data is constantly changing. Applying analytics and machine learning can help suppliers to search for clues in the data that may indicate that a customer is struggling – for example, seeing where a customer is falling behind with payments – and ensure they are given assistance.

Enrich data with third party information – such as credit reference data or other specialist third parties to identify the credit footprint of potential bill payers, financial vulnerabilities, property ownership etc.



Create more personalised and helpful communication with customers to help improve their relationships and address customer concerns relating to transparency. By putting data to work, suppliers can give meaningful advice to consumers on how they can lower consumption and the different means available to lower costs.

Methodology

The report is based on a survey conducted between 29 April and 5 May 2022 by Opinium, an independent market research organisation, of 2,010 utilities bill payers in the UK.

References to third party statistics

¹Office of National Statistics: [Consumer price inflation, April 2022](#)

²Office for Budget Responsibility: ['Economic and fiscal outlook - March 2022'](#)

³The Resolution Foundation, 24 May 2022: ['A £2,800 energy price cap could push almost ten million families in England into fuel stress – unless the Government provides further support'](#)

⁴Calculation based on a total number of households in the UK of 28.1 million in 2021, source: [the Office of National Statistics](#)

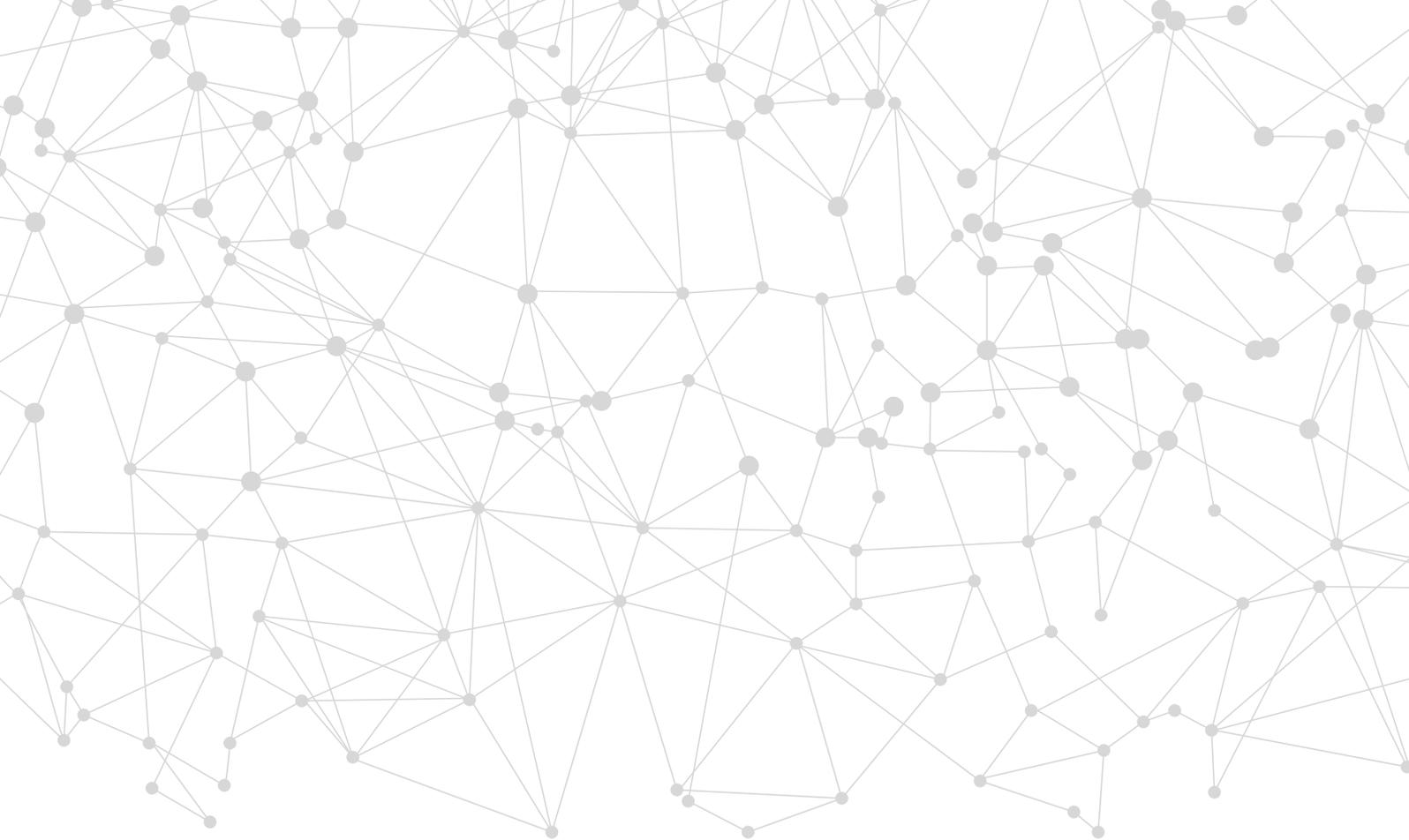
⁵Calculation based on a total number of households in the UK of 28.1 million in 2021, source: [the Office of National Statistics](#)

⁶Survey by [rightmove](#) in August 2020 found that enquiries from city residents about village homes for sale rose by 126% across June and July 2020 compared to the same period in 2019.

⁷The Guardian, 1 December 2021: ['Zog Energy becomes 25th UK supplier to go bust in three months'](#)

⁸Calculation based on a total number of households in the UK of 28.1 million in 2021, source: [the Office of National Statistics](#)

⁹Calculation based on a total number of households in the UK of 28.1 million in 2021, source: [the Office of National Statistics](#)



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