

# Tackling the taboo of debt collection amidst the growing energy crisis

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As we approach the depths of winter, the growing energy crisis has seen many customers struggling to pay rising bills, with many going into arrears before the coldest months are yet to hit us. For energy providers, while recovering debt is core to their survival as a business, how they approach this issue will be of paramount importance, particularly as many of their customers face challenging financial situations.

## The taboo of debt collection

As well as rising energy bill costs, rising inflation and cost of living, cuts to Universal Credit, and the end of the Government's furlough scheme are also putting increased pressure on people's finances despite the Government launching a £500M fund to support vulnerable households

this winter.

For energy providers, while recovering debt is core to their survival as a business, how they circumvent this issue is becoming yet more important – particularly as many of their customers face challenging financial situations in the coming months.

By taking a different approach to debt resolution, energy providers can transform their technical and operational processes, while strengthening customer relationships and improving their reputation as a business.

## Living with debt

The words 'debt collection' have for a long time carried a whole load of negative connotations.

From a customer's perspective, being contacted by a debt collector often brings on feelings of shame or embarrassment, despite the fact that most people fall behind on payments due to unexpected life events.

In fact, *62% of consumers agree* they would feel more comfortable getting chased for a late or failed payment by an automated message, such as an email or text, rather than a call or notice from a human being, though industry practices have traditionally used the latter methods.

When it comes to businesses, a long history of poor customer service, the use of bailiffs, and aggressive tactics that operate on the outer lines of legality by old-school debt collectors has generated a callous and uncaring image in the public eye.

As such, this widespread stigma of debt is a very real problem, and only serves to compound the problem for customers who are often in already-difficult financial situations. Furthermore, poor debt collection processes simply aren't beneficial for either party – customers can feel intimidated,

helpless or off-put and may be less likely to clear their debt as a result.

For businesses, this not only impacts their ability to stay afloat financially, but can also damage their reputation if customers are vocal about a negative experience or decide to leave.

## Supporting the vulnerable

Debt is a very personal issue, and is something that everyone has or will have to deal with at some point in their lives. Being personal in its nature, it can be an extremely sensitive and stressful topic to discuss, even when people are at their most financially vulnerable.

As energy costs continue to rise, energy providers in the UK will increasingly have to tackle conversations with vulnerable individuals struggling to pay their bills, or in debt arrears. According to a recent study from Age UK, older people will be hit the hardest, with around 150,000 households expected to plunge into fuel poverty this winter.

When dealing with sensitive situations such as these, it is vital for energy providers and other businesses to identify vulnerable customers and help resolve their arrears as soon as possible. This requires not only having a capable technology stack, but a committed and empathetic customer services team with a strong support network, but most importantly, company values that revolve around the wellbeing of your customers.

Caring for vulnerable customers means going beyond niceties and providing practical, long-lasting help. Are there flexible solutions to help them repay their debts? Can you give them actionable advice to avoid future pitfalls? Can you refer them to a specialist debt advisor? If a business can help a customer out of a particularly tough financial situation, it will only help to deepen their relationship with the brand.

# How technology is empowering debt resolution

Thanks to advancements in financial technology today, it has never been easier for us to access our bank accounts, pay for goods and services, or send each other money. Challenger banks such as Monzo, Starling and *Revolut* are leading the charge in this space, with apps that give us the ability to track our finances whenever, wherever.

Access to credit has also become easier. Be it a loan, finance, credit card or BNPL product, we as a society and economy are fundamentally reliant on consumer credit. However, while the motions of getting into debt are relatively straightforward, getting out of debt can be an entirely different story.

This rings true across any industry, including the energy sector. For too long, businesses have relied on outdated and counterintuitive approaches to resolving their debts, which only demonstrate a lack of consideration of their customers' needs. It's for this very reason we founded Ophelos: to use modern technology to help people feel empowered to resolve their debts, on their terms.

It's not about harassing or intimidating people until they can pay, but speaking with customers the way they want to be spoken to, at a date and time they feel comfortable engaging with us through a digital or non-digital channel they prefer. For example, we use machine learning to determine the best way to communicate with a customer facing a debt. This means formal debt collector and bailiff communications are replaced with the most convenient and effective way to engage with customers, be it via email, WhatsApp, SMS or post. Using our platform, customers are then empowered to resolve their debts anytime and anywhere, through more affordable repayment plans.

This approach also has a positive impact on businesses, as more customers choose to self-serve, reducing the need for manual staff intervention. In fact, 88% of our customers never speak to our customer services team. At a time when many organisations are struggling with resources due to COVID, increased call volumes and staff attrition, triaging customers to the right outcome without the need for human intervention is of crucial importance.

While this may be a longer-term solution, energy providers should be considering the technology they can implement to help their customers feel more empowered about resolving their debts and improve their operational processes.

## Deepening customer relationships

All in all, it is likely that energy providers will be in the spotlight during the next few challenging months. While keeping their business afloat will be a priority for most, they should also consider how to keep their customer relationships intact, and in particular, how the debt resolution process can play an important role in maintaining their reputation and brand values.

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