



Payment Difficulty Framework Review: Response to Key Questions

November 2021

Introduction

Council on the Ageing (COTA) Victoria is a not-for-profit, member-based organisation that represents the interests of people over 50 in Victoria. Our focus is on promoting the interests and protecting the rights of older people. We see ageing as a time of opportunity. We also recognise that there are characteristics of older age that need to be considered when assessing the effectiveness of mechanisms such as the Payment Difficulty Framework (PDF). COTA Victoria does not provide assistance in relation to payment of utility bills. Our expertise is rather in understanding the nature of a particular group of consumers. In our Policy and Advocacy work we seek to consult with older people and support them to represent in consultative forums.

The experience of debt for older people

Many older people live on fixed incomes that require great care in budgeting. The Council on the Ageing *State of the Older Nation, 2021* survey identified that 16% of those surveyed were experiencing difficulties paying their bills. The number one item on the list was electricity or gas at 9% (up from 7% in 2018). Older Australians who were more likely to have overdue bills due to payment difficulties included those who:

- were in their 50s
- rated their long-term financial security as poor
- had a household income of less than \$30,000 per year
- had experienced a significant reduction in their income during the last 12 months
- were living with a disability
- preferred to speak a language other than English at home.

While many affected were unemployed, some with a full-time wage were still vulnerable to experiencing financial strain and keeping up with their expenses.

Older people may fall behind on bill payments as a result of large and unexpected financial outlays due to events such as a funeral or a health crisis. Recovery from debt can be difficult and require an extended period of time and planning. Stressful events, such as those outlined above, make it more difficult to engage in discussions such as the negotiation of payment plans. Confronted with an array of debts consumers including older people may feel embarrassed if this is a new experience for them.

Communication challenges for older people

Over the last few years, especially during the COVID-19 pandemic we have seen the migration of many services to on-line. In 2019, more than half of people over the age of 70 were not online and 23 per cent of people aged 50-69 had limited or no digital literacy. Access to some aspects of the energy market such as the Best Available Offer rely on being able to receive bills by email or arrange direct debit. An additional complication is that many retailers are using chat bots that older people without computers cannot access and do not meet their need to talk to someone for advice.

Smart phone ownership also remains low. 71% of people over 50 owned a smart phone, compared with 43% of people aged 70-79 and 66% of people over 80. Older people may therefore not be able to use apps which are increasingly preferred by retailers or receive text messages – a key form of communication from many retailers. They may also have hearing difficulties making phone communication problematic and those from CALD communities can struggle to understand information in English over the phone, online or in writing. It can also be expensive to use 1300 phone numbers and wait extended periods of time to access assistance.

Implementation challenges of the Payment Difficulty Framework

In response to three of the key questions, we would like to build on several aspects of the discussion at the *Payment Difficulty Framework Review: Early Observations Workshop* on 16 November.

Question: How are the entitlements under the framework communicated to customers (from a single retailer, and across the sector)? From your experience, are the ways they are communicated clear and consistent?

As noted at the workshop on-going engagement with consumers is crucial to the development of and adherence to payment difficulty plans. While this is acknowledged by retailers there is little understanding of what factors can foster engagement. As noted in the discussion the nature of interaction with call centre staff may assist but a business culture focussed on debt recovery may obstruct engagement.

One positive action that was cited by retailers was inclusion of information on the PDF in welcome packs received by consumers when signing up to a new energy contract. However, if the consumer does not have access to a smartphone or computer, is not computer literate or is not comfortable reading English this information may not be accessible to them. CALD consumers are reported as often being unaware of protections or initiatives designed to support consumers. It is not sufficient to rely on the possibility that customer service staff may speak the same language, as discussed at the workshop. In relation to older people potentially faced with both the stressful circumstances and communication challenges outlined above, there is a need to actively explore other ways to foster engagement.

The timing of communication of information about the PDF can be very significant. Delivering information at times when consumers are not aware that they may need it is not an effective communication strategy. At the same time, discussion also needs to commence before the level of debt becomes unmanageable. Yet, from the workshop it appeared that negotiations with many consumers on payment difficulties did not commence for over 60

days from a non-payment. This means that, from information tabled at the workshop, the average arrears level at the time of obtaining assistance in 2020-2021 was over \$1,000, making the task of repayment more daunting. There is a need for earlier triggers for retailers to hold discussions on energy affordability with customers.

Question: How much do you think customers are aware of, or understand, their entitlements?

Although one of the conclusions from the workshop was that there is a greater awareness of entitlements, we are not sure what evidence supports this statement. As well as awareness and understanding, consumers need to feel confident to access these entitlements and concessions. For older people unfamiliar and uncomfortable with accessing their rights this may be a particular challenge. This can be exacerbated especially as it seems from the workshop that the attitudes of retailers to assisting customers access entitlements is variable and may not always be encouraging.

Question: Are there other problems faced by energy customers that may not be covered by the payment difficulty framework?

The experience of the Payment Difficulty Framework for energy consumers is within the broader context of the energy market which is confusing for many. They may also not distinguish between gas and electricity bills, where there is an avenue for relief through the PDF, and other services such as insurance. The PDF needs to be considered alongside other components of the consumer experience and initiatives to make energy more affordable for those on limited incomes. These include energy audits and provision of efficient appliances. Additionally, while the review looks at hardship it needs to be viewed in conjunction with a broader examination of the adequacy of the Victorian State Government energy concessions such as the Medical Concession.

Conclusion

The review of the implementation of the Payment Difficulty Framework is a welcome step. It is important to consider both quantitative and qualitative data in this process. The experience of COTA Victoria is that those with lived experience are well able to provide feedback but also to suggest improvements. We look forward to the involvement of older people and the opportunity to further discuss these issues in the co-design process planned for 2022.