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Sustainable payment plans

A good practice framework for assessing customers’ capacity to pay

##### Version history

##### Draft v0.1 – 10 November 2015

##### Draft v0.2 – 23 November 2015

##### Draft v0.3 – 8 January 2016

# Section 1 – Good practice principles

While each energy retailer has its own approach to considering a customer’s capacity to pay when establishing payment plans, there are some principles that should guide all retailers’ interactions with customers when discussing payment plans.

The relationship between a customer and their retailer involves mutual rights and responsibilities, including a customer’s responsibility to engage with their retailer throughout a payment plan.

Applying the principles below creates the foundation for constructive ongoing engagement between a customer and their retailer. Payment plan customers will, in turn, be more likely to proactively maintain contact with their retailer, including when their circumstances change for better or worse.

This framework and the principles below aim to achieve better outcomes for customers and retailers by increasing the likelihood of customers and retailers agreeing to sustainable and successful payment plans.

## Empathy and respect

* Understand that financial difficulty can happen to anyone, and avoid blame and judgement.
* Act in good faith and treat the customer as though they are doing the same.
* Recognise the power imbalance that often exists between a retailer and a customer, and be mindful of how this can influence the interactions between the retailer and the customer.
* Listen to what the customer is telling you about their circumstances and what they can afford to pay.
* Avoid unnecessarily asking the customer for personal information.
* Explain to the customer the consequences of a proposed repayment amount under a payment plan (such as how long it will take to repay what is owed).
* Give the customer an opportunity to fully consider a proposed payment plan before agreeing to it.

## Flexibility

* Treat customers as individuals and apply discretion when appropriate.
* Understand that some customers may not be able to make sufficient payments to cover their energy usage and/or debt repayment, and that this situation could be short-term or long-term. In most cases, small payments are better than no payments.
* Accept that a customer’s circumstances can change, and respond respectfully to these situations.
* Work with the customer to find a solution that is acceptable to both parties.
* Recognise that a missed payment is not necessarily a sign of non-engagement or unwillingness to pay.
* Be flexible and supportive when communicating with customers. Examples may include:
  + translation services for customers from non-English speaking backgrounds
  + callbacks for mobile phone users
  + speaking with the customer’s authorised representative
  + offering to resume the conversation at another time if the customer becomes distressed.

## Consistency

* Build positive relationships with customers by providing a consistent contact person whenever possible.
* Maintain thorough notes of all conversations (and refer to these notes when appropriate) to avoid customers having to repeat information.
* Fully train all staff dealing with payment plans to ensure that customers receive the same standard of treatment regardless of whether or not they are in a hardship program.
* Follow through on any commitments made.

**The customer makes payments as agreed under their payment plan**

*Monitoring usage*

The retailer should monitor the customer’s payments and usage and contact the customer if their usage changes to the extent that the payment plan may no longer be appropriate. The reason for the change must be clearly stated. Ideally, payment plan amounts should not be unilaterally increased without discussing this with the customer first. Reasonable attempts to contact the customer by phone must be made prior to making any change to the payment plan if:

* it involves a significant increase and/or
* the customer is in the retailer’s hardship program.

*Routine checks*

Even in the absence of any changes to usage, occasional follow up conversations with the customer may be useful. These conversations should occur at intervals that have been previously agreed between the customer and the retailer.

A customer who is making agreed payments that cover their usage and reduce any debt should not be contacted repeatedly to increase their payment amount. However, if a customer’s financial situation improves, it may be appropriate to start a new conversation about what they can afford.

**Section 2 – Good practice guide chart**

**The retailer starts the conversation by asking the customer what they can afford**

Asking the customer what they can afford to pay (without first prompting or stating a preferred amount) is the ideal starting point. It allows the customer to consider their circumstances and nominate an amount they consider they can realistically afford, rather than feeling pressured to accept an amount suggested by the retailer.

Retailers can check with a customer whether an amount is appropriate. This can be done by:

* explaining how it compares to the customer’s ongoing usage
* explaining how long it will take to repay any debt
* asking questions such as “will you be able to regularly afford these payments when you take into account your other expenses?”

Centrepay should be offered to customers receiving income from Centrelink.

**Option A**

*The customer nominates an amount that the retailer agrees to that will cover their ongoing usage and repay any amounts owing over a period of up to 12 months.*

**The customer successfully completes their payment plan**

The retailer and the customer should discuss whether another payment plan or more frequent billing will help the customer better manage their ongoing energy bills.

**Option B**

*The customer nominates an amount that the retailer agrees to that will cover their ongoing usage and repay any amounts owing over a period of 12 to 18 months.*

Consider whether more support is appropriate, such as that available under the retailer’s hardship program.

**Option C**

*The customer nominates an amount that is less than the amount needed to cover their ongoing energy usage and reduce any debt. This signals that the customer would benefit from more tailored support and should be assisted under the retailer’s hardship program.*

The customer and retailer should try to agree on an affordable repayment amount that is as close as possible to the amount required to cover the customer’s ongoing usage. This limits the growth of the customer’s debt, keeps their energy supply connected and encourages their engagement.

Payment plans that are less than ongoing usage should be reviewed at least once every 3 months.

The customer and the retailer should work together to try to close the gap between the current repayment amount and the amount required to cover ongoing usage and reduce debt. This might include (but is not limited to): reviewing the customer’s tariff, checking that they are receiving available concessions, providing tailored energy efficiency advice, offering incentive payments, and referring the customer to a financial counsellor or government assistance schemes.

**If it isn’t clear what the customer can afford**

Depending on the customer’s and the retailer’s preferences, any of the following options may be appropriate:

* the customer and the retailer have a conversation about the customer’s circumstances in order to determine what the customer can afford. Specific questions about a customer’s income and expenses may be asked if the customer is comfortable discussing that type of information.
* the customer completes a budget on their own (for example, they may be referred to the MoneySmart budget planner ([https://www.moneysmart.gov.au](https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/budget-planner))) and contacts the retailer to advise what they can afford
* the customer is referred to a financial counsellor.

A referral to a financial counsellor must not be a prerequisite to starting a payment plan, but may be necessary if the customer’s financial difficulties are severe, if the customer does not want to discuss their financial situation with the retailer, or if the retailer and customer cannot agree on a payment plan.

If the customer is referred to a financial counsellor:

* An affordable temporary payment plan should be established while the customer waits for a financial counsellor to become available, except in circumstances where this is not practical or appropriate. Retailers should accept advice from the financial counsellor about what the customer can afford to pay.

**The customer:**

* **misses a payment or**
* **tells the retailer that the payments are not affordable**

This should trigger another conversation about what the customer can afford. The customer’s circumstances may have changed or the previously agreed amount may not have been affordable. This conversation may result in the customer and retailer agreeing to a new payment plan.

Retailers should follow up missed payments with customers, but should wait at least three days before attempting contact. This prevents unnecessary contact where the payment is affordable but simply a few days late.

Multiple broken payment arrangements may indicate that the customer would benefit from a referral to a financial counsellor or further support.

**Customers who miss payments and do not engage with their retailers are at risk of disconnection.**

*Retailers remain free to offer additional support to any customer regardless of which of the above categories the customer falls into. In particular, customers identified as being at higher risk of further payment difficulties should be given additional support.*