RESPONSIBLE COLLECTIONS:

the guide to protecting customers during tough times

SIGMA CONNECTED

Why is it so important to support your customers right now?

It feels like we've been talking about the cost-of-living crisis for a long time now, but unfortunately it is still very much an issue. Inflation may have now reached 'normal' levels, at around 2.0% in the year leading up to June 2024, but high costs remain a big challenge. Nearly all households (97%) are seeing higher gas and electricity bills, and 69% are facing increased rent or mortgage costs. Food prices and essentials are also up, with half of UK adults reporting higher spending in these areas.

Personal and household debt is on the rise too. The UK's total personal debt increased from £1.78 trillion in 2023 to £1.85 trillion in 2024 and average household debt went up from £63,830 in 2023 to £65,239 in 2024.

With so many people facing financial precarity, it's essential to know how to provide sufficient support to customers and understand the best ways to protect them during the collections process.

The link between debt and mental health

There is a significant link between debt and mental health in the UK. As of early 2024, around 58% of individuals in problem debt report experiencing medium to high levels of anxiety, compared to 37% of those not in problem debt .

This anxiety can make managing finances more challenging, exacerbating the debt cycle . Even more worrying, at the height of the cost-of-living crisis in 2022, 1 in 8 people who were behind on a bill attempted suicide.

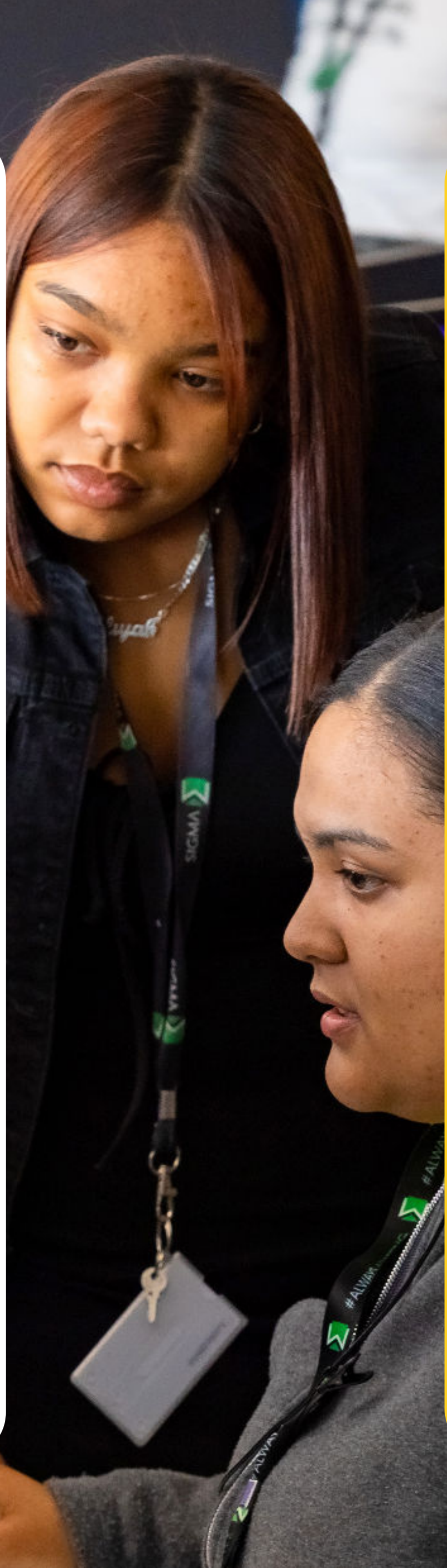
So with many people still in financial difficulty, your business must know how to best protect these customers. In this guide, we will explore how to recognise vulnerable customers, and what your business can do to support them as they move through the collections cycle.

Difficult life circumstances and common challenges in debt collection

While some potentially vulnerable customers might seem easy to spot - elderly customers, customers with disabilities or health problems, or those from a lower socio-economic background – using limited identification criteria can mean that many of those struggling to pay can slip through the cracks.

Introducing personalised assessments of individual customers' circumstances can help create a much clearer picture of those at risk. In some cases, service teams can pre-empt problems by using customer data to pinpoint individuals in potentially vulnerable situations and establish communication measures to ensure these individuals receive the necessary support before it's too late.

Successfully identifying vulnerable customers is of paramount importance because it allows the right support to be offered early to those who need it.



What makes identification difficult?

Customers who are struggling are often disengaged, distrustful of their supplier companies, and unlikely to open up about their issues. Sometimes customers don't voice the problems they're facing out of shame, fear, or because they are unaware that they're vulnerable in the first place.

This disengagement is damaging for both parties. It means that customers aren't aware of the support that may be available to them and that they can be reluctant to engage with or participate in correspondence from the company. Any stress or hardship they are feeling related to their finances is unlikely to be relieved - in fact, it's likely to be perpetuated.

Identifying and supporting these customers in the right ways will reduce the strain on them and on your business – because companies that genuinely address people's difficulties with empathy can not only collect more payments, but also build long-term customer loyalty. You're not just dealing with money; you're often dealing with people in complex situations. Mishandling these situations can lead to fewer payments, distressed customers, and customers at behavioural risk.

This is why relying on expert organisations, such as Sigma Connected, is paramount to ensuring both the fair treatment of vulnerable customers and to successful collections. Organisations like Sigma Connected have specialist advisors who are trained in spotting and supporting vulnerable customers, acting in a way that keeps them feeling safe and comfortable throughout every interaction.

Identifying vulnerable customers:

Self-disclosure

Ensuring that every customer has the opportunity to self-disclose is the easiest method of identification.

Look out for limitations

Identify any verbal or behavioural indicators of distress, drops in income or significant life events that could point to an underlying vulnerable situation.

Look out for red flags

Identify customers who experience trouble with their memory, understanding, or communication during your interactions.

Third-party disclosure

From a carer, GP, hospital, or debt advice administrator.

> ***37% of people who have experienced a mental health problem exhibit significant levels of anxiety when dealing with essential service providers.*** *If a provider delivers poor service or creates unnecessary difficulties for vulnerable customers, this could make their situation worse.*

- OFCOM

What are the rules, regulations and guidelines?

Protecting your customers is not only a moral obligation but, in many industries, a regulatory one too.

Energy

Read OFGEM's Consumer Vulnerability Strategy 2025.

The strategy focuses on improving accessibility to essential services, ensuring fair treatment, and addressing the specific needs of those in vulnerable situations, such as low-income households, elderly individuals, and those with health conditions.

Water

Read OFWAT's Paying Fair Guidelines.

OFWAT'S Paying Fair guidelines were last reviewed in May 2022, but they are currently consulting on a new customer-focused licence condition that will require companies to provide excellent customer services for their customers.

Telecommunications - OFCOM

Read OFCOM's Fairness to Customers programme (last reviewed May 2021)

Financial Services

Read FCA's Guidance for firms on the fair treatment of vulnerable customers.

The FCA emphasises the need for firms to ensure that vulnerable customers experience outcomes as good as other consumers. It outlines four key areas:

- understanding the needs of vulnerable customers
- designing products and services to meet their needs
- ensuring effective customer service
- monitoring and responding to changes in customer vulnerability.

Firms are expected to embed this into their culture, policies, and processes to ensure fair treatment and prevent harm to vulnerable customers.

As well as industry regulations and codes of practice, your organisation needs to fulfil its legal responsibility to comply with broader laws that uphold ethical standards. These encompass:

- The Data Protection Act (1998)
- The Mental Capacity Act (England & Wales, 2005)
- Adults with Incapacity Act (Scotland, 2000)
- Mental Capacity Act (Northern Ireland, 2016)
- The Equality Act (2010)

How you can support vulnerable customers in early arrears collections

Traditional method of collections

Previously, collections involved hiring a 3rd party collections agency, whose primary motivation was to track down customers who weren't responsive. This service tends to be impersonal, focusing solely on collection without considering customer well-being, discussing extenuating circumstances, or understanding the reasons for loss of contact.

This process is particularly detrimental to vulnerable customers facing financial difficulties and it reinforces the perception that the business is solely interested in extracting money without regard for their circumstances. This negative experience erodes trust and leaves the customer without any opportunity to address the underlying issues causing financial strain.

An alternative approach: empathetic collections

Implementing a newer, ethical approach to collections can improve your business' relationship with its customer – but what does it involve?

1 Personalise your approach

By collecting customer data, your business can create a more effective, personalised collections strategy to understand your customer's:

- Online behaviours.
- Shopping habits.
- Purchasing patterns.
- Timings and reasons for their interactions with your company.
- Most predominantly used communication channels.

This can make it easier to recognise a specific customer's typical journey, so you can determine common themes across financial issues and predict late payments **before they happen.**

2 Early intervention

It’s crucial to offer help early to customers before debts and payments become unmanageable. Reaching out to customers as soon as their payment fails – if not before - means that support can be provided before the customer falls into the collections cycle. Use early intervention tactics like:

- Predictive modelling techniques outlined in section 1).
- Frequent reminders and proactive communication.

Reaching out to a customer early leads to both an improved likelihood of debt recovery and preserves positive, trusting customer relationships.

3 Open, empathetic communication

In instances where a customer fails to make a payment or is struggling to meet costs, customer service teams should encourage open communication.

- Avoid aggressive, pressurising language – this is only likely to drive customers to disengage.
- Start conversations to understand why a customer might be struggling.
- Keep communications focused on support options – if your company offers payment holidays, grants, or other financial support, make sure the customer is aware.
- An omnichannel approach allows a customer to engage using their preferred method of contact. This makes their life easier, which in turn drives positive engagement with their debt.

4 Outsource your collections service

Your customer service advisors need to be armed with the expertise to tackle intricate issues with care and be empowered to find solutions for customers. One way to ensure that payments are collected with empathy is by outsourcing your collections to expert organisations like Sigma Connected. This will give you:

- Access to qualified professionals who have the necessary training and skills to deal with the earlystage collections process.
- Advisors that are trained in customer engagement, questioning and probing skills with strong adherence to process.
- A scalable workforce that has the right capacity to deal with varying volumes of customer support and collections.

5 Extra support

It is important that your business aims to re-engage potentially vulnerable customers if earlier contact has been ignored – disengaged customers need to know that there is support and help available to them.

Services like Sigma Connected’s ReachOut scheme, which focuses on re-engaging customers who the service provider has lost contact with and making them aware of the support that is available to them, can assist customers in resolving issues and regaining financial stability.

Sigma Connected's ReachOut

reachout
BY SIGMA CONNECTED

What is it?

- ReachOut is a unique service that is implemented when a customer disengages with a supplier.
- It reconnects with the customer to make them aware of the support that is available to them and attempts to reconnect them with the supplier.
- A confidential service that doesn't collect payments but creates a safe environment to get to the root cause of the customer's debt.

The results

- This service has a 15-25% customer engagement rate.
- Out of those re-engaged, 2 in 3 customers reconnect with the supplier.
- Outreach over escalation is usually the beneficial course of action for all parties.
- Customers are more educated about support systems and are better equipped to get the help they need.

Why choose Sigma Connected?

At Sigma Connected, we approach the collections cycle differently. Our Collections Ecosystem is designed to engage your customer throughout the collections journey to ensure that they are taken care of and have a positive experience with your brand whilst still delivering you the best collections rates in the UK.

The steps in this system are easy to identify, and your organisation can rely on us to manage the whole cycle, or just the areas you need help with:

- **Predelinquency**
- **Early arrears**
- **ReachOut**
- **Late stage collections**

Our goal is to provide a human touch in everything we do – in early arrears collections and every other step of the way. We specialise in delivering an empathetic service that goes the extra mile to support customer well-being.

At Sigma Connected:

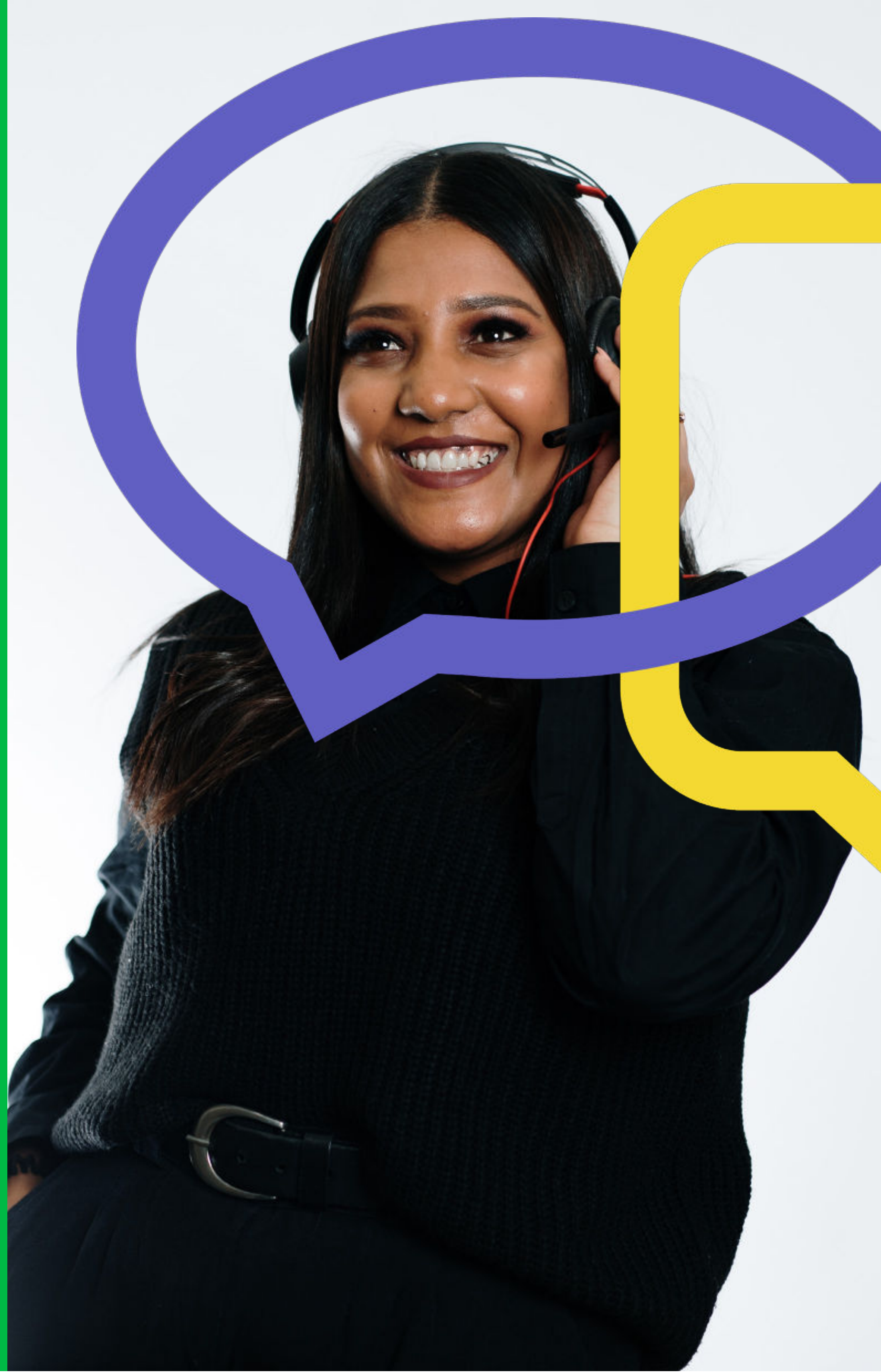
- We always have a compassionate, knowledgeable team member on hand.
- Our collections solutions are tailored to your business and customers.
- Our dialler team excel at finding the right strategies to continuously improve collections rates.
- Our advisors are skilled and fully trained in customer engagement, questioning and probing skills, with strong adherence to process.
- We offer our award-winning ReachOut service which won Vulnerable
- Customer Strategy of the Year at the 2023 Credit Awards.
- 90% of our work is done in regulated industries.
- We are FCA authorised.
- We take an omnichannel approach to collections.
- Our approach works, we are the UK’s market leader at collections, and we have plenty of case studies to prove it.

Connect with
Sigma Connected

At Sigma Connected, we believe that customer service based on open outreach is the best way to strike the balance between supporting customer well-being and protecting your business. And, by outsourcing your payment collections to the Sigma Connected team, you ensure that your business' collections service is in safe, expert hands.

We offer our services to businesses operating in the energy, water, telecommunications, financial services, or retail sectors. If your company needs support with empathetic collections, don't hesitate to get in touch.

Connect with us today



Where people

with people

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