



Exclusive Virtual Roundtable Summary

Improving Collections in Utilities

The cost-of-living crisis is hitting consumers hard, but what is the impact on the utility industry and their customers? Six senior finance professionals discussed key issues at a recent Bottomline-hosted roundtable. Main points that prevailed included **Direct Debit failures, indemnity claims, customer verification, payment collection, and internal process challenges.**

Trends

1. DIRECT DEBIT FAILURES

The most significant pain point experienced by this group reflects the current economic climate, where organisations have seen an increase in customers cancelling their Direct Debits due to the cost-of-living crisis. The most frequent reason for a failed Direct Debit is 'refer to payer', which commonly means a lack of funds in the customers' accounts.

Seasonal spikes in the run-up to and after Christmas and during the summer holiday are a common trend in the industry. When customers choose to move off Direct Debits, this creates additional complexities for organisations, including cash flow and additional costs and resources to chase late payments.

2. ALTERNATIVE PAYMENT METHODS

For customers that do not sign up for Direct Debits to pay their utility bills, the most-common alternative is using a card for one-off payments, often resulting in customers falling into arrears. This is an enormous challenge for utility companies as many don't tend to hold card details on file and rely on the customer to make timely payments.

This method highlighted several challenges, including how the customer makes the payment, e.g., via an automated system or by calling the contact centre within their opening hours. Incidences where card payments appear

to be processed 'successfully', only later to find out it failed, were also highlighted as a frustration.

When payments are unsuccessful, the organisation must chase down the outstanding balance, impacting resources and creating a poor customer experience.

Apple Pay and/or Google Pay were discussed as alternative payments options that many attendees were investigating to broaden how customers can pay.

Reconciliation was a hot topic - especially from errors inputting the correct reference number, which impacts reconciliation and potentially flags payments as 'lost'. A time-consuming, manual process follows to contact the bank or customer directly, making for a poor user experience.

3. IDEMNITY CLAIMS

Attendees shared that they saw the rise of indemnity claims and an increase in websites providing information on how to flout the Direct Debit rules to claim payments back.

Payers can claim their payment back under the Direct Debit Guarantee. Banks must offer an immediate refund if a Direct Debit has been taken incorrectly or without authority. Indemnity claims need to be reconciled whilst chasing for the outstanding payment, causing an additional headache for the collections team.

Top Tip:

Open Banking can help improve reconciliations by enabling businesses to provide a link to the customer to make payments against their debt. The link can include the reference number aiding faster and more accurate reconciliation.

4. REFUNDS

Another topic discussed during the session was the process of refunding payments. Some organisations are still issuing cheques, whilst others are spending time trying to retrieve bank details from customers as they don't store bank details in their systems. This process was time-consuming, and most customers wanted to keep their bank details private over the phone.

There is also added pressure from a compliance perspective regarding the time a company must issue a refund. With challenges like data capture, cost, and security being essential to attendees, Bottomline outlined ways to enhance the customer experience by making a secure one-off digital payment to customers, even when the customer's bank account details are unknown. This can be through a branded data capture form integrated into an organisation's website, which ensures the claimant receives their money faster and there is no need to manage Personally Identifiable Data (PII).

5. PAYMENT INNOVATION:

The Bottomline team shared insight into:

Open Banking payments ('PISP'): Rapidly impacting the industry, Open Banking provides corporates and payers with a viable alternative to Direct Debits. The UK has seen 7 million active users of Open Banking, with major brands adopting the technology to benefit from an improved digital experience, near-real-time settlement via Faster Payments and easier matching and reconciliation.

Confirmation of Payee (CoP): An industry-wide, regulated banking initiative in the UK that provides payers with additional peace of mind that payments are being sent to the right person, which is now available for corporates and is ideal for account opening, refunds, invoice payments, payroll, and loan applications.

In summary, there are a lot of commonalities in the challenges and the trends faced by this group and the wider industry, with customer experience at the forefront. Whilst there is no one silver bullet, there is value in leveraging the latest in payments innovation to help with reconciliation, immediate payments, and cloud-based solutions. We're here to help you improve your payments and collections strategy and identify areas to reduce operational inefficiencies whilst creating a more streamlined approach to your payments and collections.



Please get in touch with your Account Manager or our team for further advice and more information.



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