Water and sewerage debt issues in Scotland

In Scotland, domestic water and sewerage charges are collected through the Council Tax system rather than billed directly by Scottish Water. Charges are based on Council Tax Band, not water use, and are issued and collected by local authorities alongside Council Tax: one notification – two bills.

This collection model has contributed to debt issues, particularly among low-income households. While households on low incomes may be eligible for Council Tax Reduction, which can reduce their Council Tax liability by up to 100%, this does not remove liability for water and sewerage charges those receiving the maximum 100% Council Tax Reduction are entitled to only a 35% reduction in water and sewerage charges and therefore remain liable for the remaining 65%, while those receiving partial Council Tax Reduction receive a proportionate discount.

As water and sewerage charges are included within Council Tax notifications and reminders, some households receiving full Council Tax Reduction assume they have nothing to pay, overlook these charges, and fall into debt. Local authorities collect unpaid water and sewerage charges using the same legislative powers as for the collection of Council Tax debt[1].

Consumer Scotland research

Consumer Scotland commissioned Thinks Insight & Strategy to carry out qualitative research into the lived experience of domestic water and sewerage debt in Scotland. We have published the full Thinks research report.. The research aims to understand how water debt arises, how debt recovery affects consumers, and where changes to policy and practice could lead to better outcomes. A three-stage qualitative research approach combined lived experience with frontline, professional insight.

- **Set up and scoping:**
  The research began by engaging two key groups: scoping interviews with experts working within water debt and water policy and focus groups with advisers who support individuals affected by water debt.
- **In-depth interviews with consumers:**
  This was followed by a series of in-depth interviews with consumers who had or were currently experiencing water debt. Recruitment prioritised low-income households to ensure the research captured the experiences of those most affected.

- **Co-creation workshop:**
  In the final stage of the research, advisers, consumers, Consumer Scotland and Thinks took part in a co-creation workshop to develop proposals for improving outcomes for consumers in water debt. Proposed solutions focused on the water debt journey identified through the research and addressed the issues identified in the earlier stages of the research.

Key findings

Our findings indicate that, **water debt in Scotland is driven primarily by affordability pressures** rather than an unwillingness to pay. Most consumers who participated in the research were experiencing wider financial hardship, often linked to the rising cost of living. Many were in debt for the first time. While there was some confusion about how water and sewerage charges are billed in Scotland, particularly among households receiving Council Tax Reduction, most participants understood they were liable for charges.

Water debt was rarely seen by participants as separate from Council Tax debt. The combined billing and recovery process for Council Tax and water charges reinforces this perception for both consumers and advisers. As a result, water debt can be overlooked as a distinct issue. **Council Tax, and therefore water charges, is often deprioritised by the low-income householders who participated in the research to protect other essentials such as rent, energy and food.** Consumers reported uncertainty or dissatisfaction about what they received in return for their Council Tax and perceived fewer immediate consequences for non-payment, compared to other essentials, contributing to disengagement and delayed taking action on arrears.

Research participants' experience of water debt typically followed one of two routes. A minority of participants were able to engage early with their local authority and agree a repayment plan. More commonly, local authorities passed debt cases to external debt collection agencies or Sheriff Officers, often with no notification, and those seeking resolution were told that once this process had begun, they were no longer able to engage directly with their local authority. At this stage, recovery mechanisms may include repayment plans, summary warrants and enforcement action such as wage arrestment or home visits by representatives of debt collection agencies or Sheriff Officers.

Recovery of water debt follows the same statutory procedure as Council Tax debt, even for financially vulnerable households receiving 100% Council Tax Reduction. Affordability checks are not always undertaken, with many local authorities moving quickly to enforcement action. This can feel punitive to those affected and may contribute to escalating debt, increased stress, and longer-term financial harm.

Communication during escalation was often described by research participants as unclear and overly legalistic, contributing to confusion and low engagement. Feelings of stress, shame and embarrassment from being in debt were common and frequently prevented participants from seeking help early. Repayment plans were widely seen as unaffordable, and recovery processes were perceived as 'aggressive' and punitive. While escalation of debt recovery can also act as a trigger for consumer contact, some participants stated they felt pressured into agreeing to repay more than they could afford to avoid enforcement action.

Opportunities to tackle water debt

The research identified several potential interventions that should be explored further to assess their effectiveness in reducing the number of people falling into water debt and in providing more effective support to those already in debt to help them recover.

1. **Preventing consumers from getting into water debt**

The risk of consumers falling into water debt could be reduced through a combination of policy and practice changes, including:

- Better aligning water and sewerage charges with Council Tax Reduction, so that households receiving full Council Tax Reduction are not still liable for water charges they cannot afford. Where closer alignment is not possible, opportunities should be considered to provide clearer and more proactive information to ensure consumers who are not liable for Council Tax understand their ongoing liability for water and sewerage charges and the support available to them.
- Faster processing of changes in household income, particularly where income falls or benefits change, so that water charges are updated promptly to reflect reduced ability to pay and households do not accrue avoidable arrears while waiting for adjustments.
- Prompt referral by local authorities to money advice where consumers are unable to pay.

2. Improving support for those in water debt to recover

The quality of support for consumers in water debt could be improved through a range of service and process changes, including:

- Reviewing debt recovery processes to reduce escalation and introduce earlier points for engagement - such as standardised guidance with additional pre-escalation steps.[2]
- Strengthening customer service training for council and debt recovery staff, with a focus on empathy, providing clear and simple written communication for those in debt, and providing appropriate financial guidance to reduce stigma and barriers to engagement.

- Providing flexible and affordable repayment plans that take account of an individual's ability to pay, particularly for households receiving full Council Tax Reduction, to support more sustainable and fair outcomes.
- Providing improved, early and more supportive communication (such as clear, informal contact when payments are missed) to encourage consumers to engage with local authorities about the difficulties they are experiencing and help avoid escalation.
- Early affordability checks before recovery action is taken, so that local authorities understand a household's financial situation at an early stage and can offer appropriate support or repayment options, rather than moving directly to enforcement.

What will Consumer Scotland do next?

Water debt in Scotland is driven by affordability pressures, is closely linked to wider Council Tax and debt recovery processes and has a disproportionate impact on consumers in vulnerable circumstances.

These findings point to a complex, systemic challenge, where water debt cannot be addressed in isolation from broader issues of low income, affordability, council tax debt recovery powers and processes, and hence, water debt collection practices. The findings also suggest that these issues are longstanding, with limited progress in tackling these during the past decade.

Consumer Scotland has published the full Thinks research report..

Building on this, our next steps will focus on engagement and evidence development to inform future action. We will:

- Engage with key stakeholders, including local authorities, advice providers, debt advisers, charities and others involved in debt recovery and consumer support
- Convene a stakeholder workshop to share findings and gather insight from those working directly with affected consumers
- Explore, in collaboration with stakeholders, the most effective approaches to addressing the causes of water debt
- Use this evidence and engagement to develop a set of practical proposals for action aimed at reducing water debt and improving outcomes for consumers

This further work will enable Consumer Scotland to further assess the most appropriate and effective interventions, with a view to setting out clear recommendations and actions.

Endnotes

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[1] The Water and Sewerage Services to Dwellings (Collection of Unmetered Charges by Local Authority) (Scotland) Order 2020

[2] For an example of how this works in practice, see Ofwat (2022) Paying fair – guidelines for water companies in supporting residential customers pay their bill, access help and repay debts