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Consultation Response:

Ofgem Debt Relief Scheme: Policy update working paper

Response by the Money Advice Trust

Date: August 2025

Summary

Overall, we support the proposed approach set out in the working paper. While we are keen for households in need to get support as soon as possible, we understand the rationale for splitting the scheme into two phases, and think this is sensible given the work still needed for phase 2. We are pleased to see Ofgem taking on board feedback about the need to reduce barriers to people engaging in the scheme, as well as the recognition that receipt of means-tested benefits is a strong proxy for affordability. We strongly support this approach and urge Ofgem to move forward with phase 1 on this basis, and to retain this focus on reducing barriers to access as the design of phase 2 is developed further.

We continue to strongly support the overall concept of the scheme, which we believe will have a very beneficial effect on people struggling to pay their energy arrears on top of their ongoing energy bills. Given the significant time that has already been devoted to developing different iterations of the scheme, we would encourage Ofgem to now move forward with implementation, recognising that an effective, deliverable scheme (as we believe the proposals for phase 1 are) is better than trying to achieve a perfect scheme, that meets every possible consideration, which is often not achievable in reality.

We have provided our feedback and suggestions on specific elements, as requested by Ofgem, below.

Eligibility – Phase 1

Questions responded to in this section:

- Are there any alternative engagement pathways that customers could choose to demonstrate a commitment to resolving debt sustainably?
- Do you agree with the conditions proposed for both engaged and currently disengaged customers, or do you believe that the threshold for accessing DRS should be lower or higher (and if so, please clarify how)?
- Are there any improvements that could be made to existing processes or rules to make the scheme more effective – e.g. to the Fuel Direct Scheme?

We support the proposed approach around eligibility and engagement – particularly that the vast majority of people on means-tested benefits will qualify automatically. We would not support any plans to increase the conditions or add additional barriers, nor do we see any good arguments for doing so. **Ensuring minimal barriers to people in need receiving support is crucial.** In particular, we support the concept that anyone who has paid something towards their most recent bill will be automatically eligible automatically, as will PPM customers.

Ideally, we do not think there should be any further engagement conditions over receipt of means-tested benefits, as we have consistently argued that this is a strong proxy for affordability. However, we acknowledge that this element of the scheme is important to Ofgem. It is vital that it is as easy as possible for customers who have not paid anything towards their most recent bill ('disengaged customers') to show engagement and access the vital support the scheme provides.

Other points we would make are that:

- Ideally, all suppliers should be accepting partial payments, but we understand there are some different approaches across the industry. While that may not be possible to rectify in the confines of this scheme alone, Ofgem should set rules that mean if a supplier cannot accept a partial payment for any reason, customers must be deemed eligible for the scheme regardless of payment history on the most recent bill.
- **We support the concept of this being a consumer-led process**, leaving them in control of which option they discuss with their supplier, recognising they know their circumstances best. We also support that a discussion / consideration of one option will count as engagement, and that customers are not required to do anything further before debt write-off can be applied. This is likely to need strong guidance, oversight and assurance from Ofgem to check suppliers are following the rules and not leading them to favour one engagement option over another, or insisting that one of the engagement conditions is put in place before debt write off can be considered. This may need to be added to licence conditions, rather than just in guidance.
- As the working paper alludes to, there are some existing challenges with **Fuel Direct** – particularly around the fact that this requires ongoing usage to be taken from people's benefit, alongside debt repayments. Given the high level energy bills remain at, in comparison to benefit levels, this can leave people having a significant – and often unaffordable – amount deducted from their benefits. This worsens, rather than helps, their financial situation. Therefore, we would see that Fuel Direct is unlikely to be appropriate for many people in the phase 1 cohort. The scheme guidance should highlight these challenges, set the expectation that Fuel Direct is unlikely to be appropriate for many customers in this cohort, and make clear that suppliers should only recommend this to customers if they are confident it is affordable and where it has the full consent of the customer.

The working paper asks if there are any other engagement condition options which should be included in the scheme, to which our suggestions would be the following.

- If someone has **already received debt advice** (for example in the last six months) and can provide evidence of this (such as a budget or reference number) then this should count as suitable engagement and nothing else should be required of the customer. Having sought debt advice shows a high level of

commitment to dealing with debt issues, and also removes the risk of duplication where people are signposted to debt advice when they have already received this recently.

- Discussion of **signposting to other charities** (beyond debt advice) could also count as engagement, for example to energy advice agencies.
- Linked to both these points, if a debt advice charity or other support organisation (e.g. energy advice charity) **contacts the supplier on the customer's behalf**, to show the customer is engaging with them, this should count as 'engagement' and qualify the customer for the scheme.
- Any **evidence of attempts to pay the most recent bill**, including failed direct debits or declined payments, should qualify someone for the scheme – as these signal an attempt to engage and make payments.

While a minor point, we would highlight that speaking to a supplier should have a broad definition, and not be limited to having to physically speak to the supplier over the phone. For example, it should include interacting via webchat, automated chatbots, email and/or engaging in digital content provided by the supplier e.g. following a link to content about seeking debt advice.

Phase 2 plans

Any information Ofgem can give on when it expects to provide more details on phase 2 would be helpful. We recognise that phase 2 will require income and expenditure assessments (ideally using the Standard Financial Statement) to be completed and would reiterate our view set out in the very initial consultation that **free debt advice providers are best placed to undertake these**. While this would of course need to be funded appropriately, we remain committed and willing to play a role in this element of the scheme, as a large free debt advice provider. We believe this would be better for both consumers and suppliers, rather than suppliers conducting income and expenditure assessments themselves. This is because of the existing expertise debt advice providers have in putting together budgets for people, and in understanding their financial circumstances in a holistic way.

Our understanding is that the data matching exercise for phase 1 will take place in August 2025, as it is utilising the Warm Home Discount data matching. We therefore wanted to confirm that **people who are not on means-tested benefits at this point, but subsequently go on to receive means-tested benefits** because their circumstances change **would have a route to access the scheme via phase 2?** i.e. although they have missed out on the automatic data matching route, they would still qualify for the scheme through phase 2? In which case, we wanted to confirm that means-tested benefits will continue to be seen as a proxy for affordability during this stage so anyone receiving them will not have to also have an income and expenditure completed?

Eligible debt

Questions responded to in this section:

- We welcome stakeholder views on whether we should cap available DRS support as at statutory consultation date?
- We invite stakeholders to provide views on how energy crisis (eligible) debt might be calculated for individual customers.

We appreciate the rationale for an eligible debt period. However, we have always argued for it to be a longer time period - **through to at least Q3 2024, but ideally longer**. We believe an extended period is justified because:

- Debt and arrears grew at a faster rate between Q1 – Q3 2024 (15%) than the equivalent last two quarters of the current eligible debt period (13%).
- Debt has continued to grow since then – rising by 25% (£0.84bn) between the end of Q1 2024 and the end of Q1 2025.
- Energy bills have remained high. The current price cap level (1 July – 30 September 2025) is 35% higher than the price cap level was in the quarter immediately preceding the proposed eligible debt period (1 October 2021 – 31 March 2022) i.e. before the energy crisis began. While prices have fallen since the end of the proposed eligible debt period, current prices are - even now - only 11% below where they were in the final quarter of the proposed eligible debt period (1 Jan – 31 March 2024).

We would encourage Ofgem to use their data to consider extending the eligible debt period, given their objective to reduce the amount of domestic energy debt and arrears.

However, we recognise that Ofgem has been consistent in their view on the eligible debt period ever since first developing their plans for the scheme. If the proposed eligible debt period remains in place, and Ofgem proceed with the plan to cap available DRS support at the statutory consultation date, it makes it even more important that Ofgem moves to introduce the scheme as soon as possible. Any lengthening of the time between the end of the eligible debt period and people receiving support increases the risk of people being left with unaffordable debt, that is not dealt with by the DRS.

We would also highlight that, if the eligible debt period remains as proposed, **suppliers should be required to consider whether they can write-off any remaining debt for customers who are eligible for the scheme**. Ideally, the guidance would set this out and suggest steps suppliers should take to see if further write-off is needed. Given these people will have been identified as unable or seriously struggling to repay, continuing collection or enforcement action is unlikely to be appropriate, or in keeping with suppliers' obligations under wider Ofgem financial difficulty rules.

Importantly, we think that **Ofgem need to set a clear, prescriptive approach to how eligible debt is calculated, and how repayments are applied to accounts.** This is to ensure fairness for customers across suppliers, given the funding mechanism for the scheme. If suppliers take different approaches, this could see some suppliers (and their customers) benefit more from the scheme than others.

Whatever approach Ofgem decide to take, it needs to be set out clearly and prescriptively. Our preferred approach, which we think is the most appropriate way to manage this is as follows.

- 'Eligible debt' is the total debt the customer accrued during the eligible debt period.
- As long as the customer accrued debt during this time, and still has an outstanding debt, they are eligible for the scheme.
- The maximum support they can receive is capped at the amount of 'eligible debt' they have.
- Any outstanding debt, up to the capped amount, is written off.

This means that any repayments made are allocated to the non-eligible debt **first**, maximising the support people can receive through DRS.

The below examples illustrate how we would see this working in practice.

Example A

- Customer A accrued debt of £1,000 during the eligible debt period.
- Since then, their debt has grown by a further £400.
- They have managed to make some repayments to their debt, totalling £300. This means their outstanding debt balance is £1,100.
- They are eligible for the DRS, to a maximum of £1,000. This is applied to their account, reducing their debt balance to £100.

Example B

- Customer B accrued debt of £500 during the eligible debt period.
- They then accrued a further £100 of debt, after the eligible debt period.
- They have been making repayments, totalling £200.
- Their outstanding debt balance is £400. As this is below their capped level of support (£500), the full amount is written off and their outstanding debt balance is reduced to £0.

There are a number of reasons why we think this is the most appropriate approach.

- This will have the maximum impact in reducing the levels of domestic energy debt and arrears, in line with Ofgem's objectives for the scheme.
- This approach does not penalise people who have made some repayments towards their debt, nor does it disincentivise further repayments being made while waiting for support to be applied – supporting Ofgem's objective for the scheme to encourage and reward engagement.
- There are no complicated calculations required about when repayments were made and how they should apply.
- The proposal is simple and easy to understand, for all suppliers, for customers and for advice agencies.

Communications

Questions responded to in this section:

- We welcome input from stakeholders on how to promote DRS and its benefits to customers, and insight on how to reach disengaged customers.

The commitment to developing a holistic approach to communicating the DRS to customers is welcome. The communication challenge is significant: suppliers need to get customers who are not engaging with them to do so. Many customers may have had previous negative experiences with their suppliers, be sceptical of support offerings and/or not opening communications from suppliers. It is for this reason that we support as much automation as possible, and why we welcome the proposal that data-matched, engaged customers will have support automatically applied to their account. We also think Ofgem is right to be looking at how consumer groups and charities can help communicate the scheme, too. As identified in the working paper, phase 2 in particular is likely to require some general public communications and awareness raising, to reach eligible customers and make sure people in need get support.

In response to the request for input on how to best promote the scheme and reach disengaged customers, we would make the following points. Please note, in developing these we have been thinking of both phase 1 and phase 2 of the scheme.

- **Customer research and testing:** We would urge Ofgem to commission some customer research to identify the most effective channels and messaging for motivating disengaged customers to engage with the scheme. This should include testing potential messaging and wording to see what works. Ofgem should then share the results with suppliers and consumer groups to make use of the findings. We believe Ofgem should commission this centrally, for efficiency, consistency and to avoid duplication.

- **Routes in via debt advice:** Ensuring there is a clear and simple route to transfer people identified by debt advisers as potentially eligible, but who need to speak to their supplier to ‘engage’.
- **Reaching people via other trusted organisations:** To overcome barriers to engaging, we recommend trying to reach people in spaces they trust. For example, briefing staff and volunteers in these organisations to mention it to people they are supporting, and providing handout materials to be given to people who may be eligible. Exactly where to target people through this approach should be informed by further discussions and any data from suppliers on the demographics of eligible customers. However, indicative suggestions would include food banks, libraries, children centres and family hubs, GP surgeries, local advice centres, community centres and religious buildings.
- **Segmenting communications approach:** People will have different reasons for not engaging with their suppliers, so ideally any communications and engagement plan should be segmented; offering different approaches to different groups using age and demographic profiles. We would be happy to discuss this further and work with Ofgem on this.
- **Clear, easy to understand scheme name:** While ‘Debt Relief Scheme’ works for a stakeholder and supplier audience, it is unlikely to be the best name for a consumer audience, as it is not easily understandable. We would, naturally, suggest ‘Help to Repay’ as an alternative, as we think this is clearer and will resonate more effectively with people, although we do appreciate it could downplay the write-off offered in the scheme. Either way, a clear, simple name and distinct branding for the scheme will help raise awareness and trust in the scheme (and in supplier communications about it). This will also help advisers in debt advice charities and consumer groups speak to customers about it (e.g. “has your energy supplier been in touch about the Help to Repay scheme, which you may be eligible for?”). If suppliers end up referring to the scheme in different ways and using different terms to describe it, this can be much harder for us to ask about or to know what to tell the customer to look for in the communications.
- **Show customers this is something new and different:** We have been reflecting that if the messaging focuses on the fact that you need to have a conversation with your supplier, some customers may be sceptical. Rightly or wrongly, they may think that conversation is going to focus on trying to get them to repay, when they can’t afford to do this. We therefore think consideration should be given to how to make clear this is a new and different scheme – i.e. it’s different from what has gone before and has opened up support that might not have been available to customers in their previous conversations with their supplier. This can be achieved by having a clear scheme brand and ensuring this is included on supplier comms, as well as through the wording and messaging used.

- **Role of DWP:** While there will be different levels of trust in the DWP among customers, the DWP does have a good level of access to be able to communicate with means-tested benefit customers. We think that the DWP and Gov.uk could be explored as a channel for phase 1 customers who need to engage. In addition, this messaging will help for people who are not on eligible benefits when the data matching is carried out, but then do move onto them and therefore become eligible for phase 2. One example might be to push out messaging via Universal Credit journals.

Other things Ofgem should consider:

- Ensuring the communication from suppliers to ‘disengaged customers’ includes a clear ask setting out what people need to do next, and what is in it for them (the ‘**value exchange**’).
- How to **reduce the risk of scams and frauds** – for example, through clear messaging that customers will never be asked to give bank details to access the scheme, and that if in doubt about the legitimacy of any contact, they should contact their supplier directly themselves via the contact details on suppliers’ websites (and ideally Ofgem’s website too).

We recognise there is a cost to some of these suggestions, such as audience research and awareness raising activities. But we believe this would be an appropriate and reasonable investment in ensuring the scheme achieves its objectives to reduce energy debt and improve engagement, delivering longer-term benefits beyond the scheme itself.

Reimbursement and funding mechanism

We have **no comment** to make in response to the questions on the reimbursement approach and funding mechanisms. Given the commercial and competition elements of this, we recognise this is for Ofgem and suppliers to liaise on. However, we are pleased to see the **strong recognition that suppliers should not be over-compensated**, including by recognising the real value of the debt and by accounting for the compensation already received via the bad debt allowances. A central element to our case for the scheme to be introduced is that it would bring down costs for all customers by reducing the bad debt allowance. Therefore, getting this element of the scheme right is, of course, important.

Closed accounts

We understand from the paper that closed accounts where the customer is not actively engaging will be excluded from phase 1. We would encourage Ofgem to ensure people in this situation do **have a route to access support via phase 2** of the scheme.

Evaluation and future support

As we have highlighted in previous responses, effective evaluation of the scheme and its impact will be crucial in understanding any further support that may be required. For example, if – as we expect - the scheme proves effective in reducing debt and delivering improved longer-term outcomes and engagement, then this would provide **clear evidence to extend the scheme in future**, potentially to other debt accrued outside the eligible debt period set for this scheme.



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