

MONEY
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Consultation Response:

Ofgem call for evidence on Prepayment rules and protections

Response by the Money Advice Trust

Date: March 2023

Contents

- **Page 2** Contents
- **Page 3** Introduction / about the Money Advice Trust
- **Page 4** Executive summary
- **Page 6** Issues we are seeing with prepayment meters
- **Page 9** Responses to individual questions
- **Page 14** Contact details

Introduction

About the Money Advice Trust

The Money Advice Trust is a charity founded in 1991 to help people across the UK tackle their debts and manage their money with confidence.

The Trust's main activities are giving advice, supporting advisers and improving the UK's money and debt environment.

In 2022, our National Debtline and Business Debtline advisers provided help to 140,980 people by phone, webchat and our digital advice tool with 1.87 million visits to our advice websites. In addition to these frontline services, our Wiseradviser service provides training to free-to-client advice organisations across the UK and in 2022 we delivered this free training to 2,780 organisations.

We use the intelligence and insight gained from these activities to improve the UK's money and debt environment by contributing to policy developments and public debate around these issues.

Find out more at www.moneyadvicetrust.org.

Public disclosure

Please note that we consent to public disclosure of this response.

Executive summary

We welcome the opportunity to respond to this call for evidence. For many months, the Money Advice Trust – alongside other charities and consumer groups – has been highlighting concerns around debt collection practices in the energy sector. We think there is a strong case for the introduction of stronger rules and protections for vulnerable people in debt, to reduce the harm we are currently seeing. In particular, we would like to see the following.

- **Stronger prescription** for PPM practice, not just on installation / switches but also on:
 - debt deductions from PPMs;
 - prohibition on using threats of PPMs as a route to secure higher, unaffordable repayments;
 - switching people back where the PPM is not safe or when debt is repaid.
- **A requirement for suppliers to assess financial vulnerability** when assessing whether a PPM is safe and practicable.
- Ofgem leading work with suppliers and charities to develop **proposals for a funded pot that would offer debt write-off and repayment matching schemes** to deal with debt that is building up in a fair way.

As a debt advice charity, we have limited our comments in this response to issues relating to debt and affordability, with other organisations better placed to comment on detailed energy policy points and reform. We have therefore focused predominantly on questions 1 – 10 and grouped answers to multiple questions where appropriate.

Note: In our response we draw upon our evidence of the issues people are experiencing, based on our insight as a frontline debt advice provider. All cases referenced are real cases from our National Debtline and Business Debtline services. They have been anonymised to protect the individual and supplier's identity. The cases included here only relate to prepayment meters, as the subject of the call for evidence. However, we also shared a larger list of cases covering wider debt issues and practice in the energy sector with Ofgem in December 2022.

Challenges meeting energy costs

Even with government support, the rise in energy costs has been significant. Lower income households are not just having to deal with higher energy costs, but increased costs for household bills across the board. With incomes not keeping pace, it is an incredibly difficult time for many people – with significant pressure on already stretched budgets.

It is therefore sadly not surprising that we are seeing an increase in people struggling to afford their energy bills or falling into energy debt.

- In 2022, one in five (19%) of National Debtline clients had energy arrears, with a similar proportion (17%) of Business Debtline callers having energy arrears.¹
- The proportion of National Debtline clients surveyed saying they had to use credit to pay their energy bill in the past twelve months doubled between 2021 and 2022 (17%, up from 8%).²
- One fifth (21%) of Business Debtline clients surveyed had used credit to pay their energy bill in the past twelve months, up from 8% in 2021.³
- Nearly two-thirds (62%) of National Debtline clients surveyed were worried they would not be able to pay their energy bill in the next six months, up from 47% in 2021.⁴
- Over half (56%) of Business Debtline clients surveyed were worried they would not be able to pay their energy bill in the next six months, a rise of 9 percentage points on 2021 (47%).⁵

Our wider research across the UK, conducted in August 2022 found that:

- 5.9 million people (11%) said they had gone without heating, electricity or water in the past three months as a result of the rising cost of living.
- 1 in 9 adults in the UK (11%) said their energy supplier had increased their monthly payments to a level they could not afford.
- Around 3.5 million people (7%) said their energy supplier had asked them to repay arrears at a rate they could not afford.⁶

¹ 2022 National Debtline and Business Debtline client data

² National Debtline client survey, conducted December 2022, Sample size – 587 National Debtline clients

³ Business Debtline client survey, conducted December 2022, Sample size – 587 National Debtline clients

⁴ National Debtline client survey, conducted December 2022, Sample size – 192 Business Debtline clients

⁵ National Debtline client survey, conducted December 2022, Sample size – 192 Business Debtline clients

⁶ Money Advice Trust (2022) [Impossible choices: An updated snapshot of the challenges facing households on the cost of living](#)

Issues we are seeing with prepayment meters

Safe and practicable rules not followed and/or health conditions not taken into account

Alongside many other charities, we are seeing cases where people are having prepayment meters fitted when this is not safe for them. In some instances, this appears to be a clear breach of the 'safe and practicable' rules, and in others it seems a very narrow interpretation of what this means has been taken by the supplier.

We are also seeing cases where people have made suppliers aware of significant health issues – including where they are reliant on their energy supply for medical equipment – but the supplier has continued with a prepayment meter installation or switch.

Client is in their 70s and has been moved onto a PPM by [supplier]. This was installed 7ft off the ground so client cannot reach it. Client has had two strokes and a heart attack, which has affected his reading and writing, and he has limited-to-no support.

[Supplier] has got a hearing for a warrant to install a PPM in the client's property. Client is in their 60s, suffers with their health and lives in an area where it would be difficult to go to a shop to put money on the meter.

Client has serious health conditions, and often forget things due to the effect of a stroke on his brain capacity. [Supplier] has now installed a PPM, and is taking deductions from this to repay debt. The warrant officer attended property when client wasn't in and installed the meter 7ft high on wall. Client has never used a PPM and was just left with a key, and no instructions.

Client and their partner are both vulnerable due to health conditions. [Supplier] has tried to get a debt collection agency to install a PPM but the meter is underneath a shop. The debt collection agency and [supplier] are aware of the client's situation and health conditions, but agency still coming to their property.

The client was recently fitted with a smart meter by debt collection agency due to accumulation of debt. Client have yet to be given cards, details etc for purposes of topping up so at this moment in time they still have electricity on demand (credit meter). The client is very nervous about the prospect of this being switched to prepayment mode as both she and her partner are reliant on nebulisers, meaning any self-disconnection would carry health risks. Clients are on Priority Service Register and have previously made [supplier] aware of the nebulisers by phone – but it is unclear whether this information was logged at the time. [Supplier] has also been made aware previously that client has an incurable condition which shortens her life expectancy and she had previously received help from their hardship fund (in 2017).

[Supplier] has appointed a debt collection agency to put a PPM into the client's property. The supplier is aware of the client's health issues, but client says they are not taking this into consideration. The client has been engaging with the supplier and has suggested other methods of dealing with the debt. Despite [supplier] saying on the phone they will agree to other methods of sorting the debt, they have still continued with the practice of putting in a PPM.

Proceeding with PPM installations despite affordable offers to repay debt

A common theme we are seeing is people offering affordable repayments towards their debt based on their budget only to be told this is not enough. Typically, suppliers demand a higher amount and say the only options available are for the individual to pay the higher amount or have a PPM fitted. This is often the case even where someone has been through a budget with a debt adviser, which shows what they can afford to pay.

In these instances, it seems that PPMs are certainly not being used only as a last resort, and that ability to pay principles are not being followed.

Client was told by [supplier] that they will install a PPM in 6 days' time if client did not pay £1,903 today. Client's only income is from benefits (Employment and Support Allowance and Personal Independent Payment) and he is unable to afford that amount.

Client moved house in March, and debt was accrued due to an error setting up the contract, which [supplier] said was an error on their part. Client cannot afford to pay the outstanding bill in one go. She offered to pay £127 today but the supplier refused this, and told her she needs to pay £500 per month direct debit from today or they'll change her to a PPM. The client relies on her fridge to store medicines and she also has a child (supplier is aware of both of these). The client asked for Fuel Direct to be set up but the customer service adviser at [supplier] said they cannot do it as she isn't house bound, so she can top-up a PPM. Client offered to pay an affordable amount weekly but [supplier] refused this. Client also reports that the customer service adviser told her she's getting help from the government so should be able to pay the bill.

[Supplier] has been constantly calling the client to chase an outstanding debt of £266. The client is on the priority services register and has advised [supplier] that the calls are affecting her mental health. [Supplier] has asked the client to pay £100 a month towards the debt (on top of £56 ongoing usage) and are threatening to install a PPM if they do not. The client cannot afford to pay £100 a month towards the arrears.

Unaffordable debt deductions being taken from prepayment meters

As well as issues relating to the installation of PPMs, we are very concerned about the treatment of people already on them. We have seen a number of cases of people having unaffordable debt repayments taken from their PPM, and suppliers being unwilling to change these payments. This is then causing significant hardship or leading people to go without the energy they need. We would argue this is in contravention of the ability to pay principles.

As we have previously highlighted to Ofgem, during this exceptional period of high prices, we think supplier should be pausing debt deductions that are unaffordable for individuals to enable them to focus on paying for their ongoing usage to meet their energy needs.

Client is in debt with [supplier]. They have been trying to speak to [supplier] but every time they try to get through, phone cuts off. The client cannot afford the deductions being taken from the PPM, which increased recently without any warning from £5 per week to £15 per week. The client keeps disconnecting as a result. The client's son has autism and gets very distressed when this happens. The client's main income is from Universal Credit, and they are having to use food banks and fuel vouchers regularly. *[Note: we would also suggest the supplier should be considering switching back to a credit meter given the impact on the client's son, which we would suggest meets the definition of 'severely traumatic to a customer due to an existing vulnerability which relates to their mental capacity and/or psychological state']*.

Client has been having deductions from their PPM of £20 a week each for their gas and electricity. The client is on benefit-only income and cannot afford the deductions. Client was told by [supplier] that the only way they could reduce this amount is by contacting ourselves – giving the client the impression we would reduce the deductions directly.

Client has been moved onto a smart PPM by [supplier]. The client told [supplier] he was able to afford £3.50 a week to be deducted towards the debt. However, the supplier has started taking £6.50. The supplier sent a letter to client saying they agreed this when he had not. When client spoke to [supplier] about this, they told him that this is the amount he now has to pay. In the first two-weeks of being on the PPM (between it being installed and client contacting us), he has already self-disconnected twice.

Client is having £15 a week deducted from the PPM for gas arrears and £10 a week for electricity arrears. This has been causing the client hardship, leading her to fall behind on other bills including her council tax and water bills. She is also struggling to afford essentials. [Supplier] have said this is the minimum amount they can take and are refusing to lower it.

Client is having deductions from PPM to repay debt. These have previously been reduced, from £43 a week to £24, and now £16. However, the client is still struggling to afford this and is having to go without food and other essentials as a result. The supplier is refusing to reduce the deductions any further. The client recently had a baby and is a single mum. She has health issues and is on benefits.

Responses to questions raised in the call for evidence

Increased use of prescription

Question 1: Does Ofgem have the right balance between principles-based regulation (Standards of Conduct and Vulnerability Principle) and prescriptive rules (SLCs, guidance) to guide suppliers when installing or remote switching to PPMs? Please explain.

Question 2: Should there be prescriptive processes and questions suppliers must seek to answer before progressing to PPM in the debt journey? Should this be set by Ofgem?

Firstly, we would highlight that we think there is a strong case for a ban on forced installations of prepayment meters. We acknowledge that Ofgem may not currently have the power to do so, however we would welcome them working with Government to propose this.

We also acknowledge that this would require wider work to consider the implications to avoid any unintended consequences and to consider other, safe routes to be used to collect debt affordably from individuals. However, given the level of harm we have seen occurring and the difficulties that have been faced in appropriately enforcing compliance with the current rules, we think a full ban is worthy of consideration. We are not convinced that the collection of energy debt should be given greater powers and therefore priority status when compared to other types of essentials such as water

If forced installations are allowed to continue, then we think there needs to be much more prescription in relation to installation and remote switches, and the use of PPMs more generally. This should include greater prescription on the steps a supplier must take before they can put in place a PPM. We would like this to include a clear rule that suppliers must not continue towards a PPM install / switch when an individual has made an offer of repayment. Suppliers should never be allowed to threaten to install / switch to PPM to try and get higher repayments from someone. We note, for example, that FCA rules include a provision which explicitly forbids firms from threatening to commence court action ‘in order to pressurise a customer in default or arrears to pay more than they can reasonably afford’.⁷

If an individual is in contact with a supplier and offering repayments, it is clear they are engaging and trying to resolve their debt. This should never be met with threats to escalate collection activity or demands for unaffordable repayments.

As we explore further in our response to questions 3 – 5 below, we would also support there being stronger rules and greater prescription around the ‘safe and practicable’ rules as we are concerned that, as currently drafted, these are being interpreted very narrowly.

⁷ FCA Handbook, CONC 7.3.18 – “A firm must not threaten to commence court action, including an application for a charging order or (in Scotland) an inhibition or an order for sale, in order to pressurise a customer in default or arrears difficulties to pay more than they can reasonably afford.”

We are also concerned that people are not being moved off PPMs where there is evidence they are no longer safe, or when debt has been repaid.

Finally, we think more work is needed to enforce rules around ability to pay when it comes to deductions from PPMs to repay debt. We are seeing too many examples where the level of deductions that has been set is causing significant hardship, and leaving people going without essentials. Suppliers must not take deductions for debt unless they have done a thorough assessment of someone's ability to pay and set them at an appropriate level. Suppliers should not be refusing to lower or pause deductions as a blanket policy – this should be based on customer's needs and suppliers should be acting to lower amounts to what a customer can afford to pay based on their budget.

We need to see a policy shift to recognising energy for the essential service it is. While we recognise the need to have clear policies to collect debt, this must always be done affordably for that individual. It should never be done at the expense of someone's health or in a way that leaves them without access to the level of energy they need to live. Other options such as genuinely affordable repayment plans or pauses on arrears payments should always be used wherever possible.

Finally, we would highlight that increased prescription and stronger rules should be:

- Clear, public and transparent so people know what their rights are and how suppliers should be behaving;
- Underpinned by strong supervision and enforcement activity (recognising that much of the harm we have seen has come from suppliers not following current rules);
- Updated and reviewed regularly to check they are fit for purpose;
- Consistent across PPM types to offer the same level of protection for traditional and smart PPMs.

Expanding the definition of 'safe and practicable' and consideration of financial vulnerability

Question 3: SLCs 27 and 28 require suppliers to only install PPM if safe and reasonably practicable and Ofgem published updated guidance on it in 2016. In your view is the term "safe and reasonably practicable" still sufficient or should this be changed?

Question 4: Should we expand the list of vulnerable characteristics for which customers should never have PPM force-fitted or (if on a smart meter) forced-remote switched? If so, what additional characteristics should we include in our guidance, and why?

Question 5: Should we require suppliers to assess financial vulnerability when assessing whether a PPM is safe and reasonably practicable? Please explain.

As highlighted in the cases shared at the start of this response, we are not convinced the current rules on only installing PPMs where it is 'safe and reasonably practicable' are being properly followed or are fit for purpose as they stand.

We are also concerned that there is currently a very narrow interpretation of what 'safe and practicable' means relating to whether someone can physically top-up, rather than considering the implications for their safety if they cannot *afford* to top-up. We would therefore support proposals to require suppliers to assess financial vulnerability when assessing whether it is safe to install / switch to a PPM.

A decision to put someone on a prepayment meter without knowing if they can afford this is effectively a decision to disconnect them, or at the very least to severely restrict their energy use. This is not a fair, proportionate or appropriate way to treat people on low incomes who are financially vulnerable. This reflects what we are currently seeing where suppliers are moving people to PPMs because they cannot afford to pay their ongoing usage bill during this period of exceptionally high prices. In these instances, suppliers know that someone will not be able to top-up their meter in full to pay for their necessary energy usage and that there is a high risk of them self-disconnecting or going without the energy they need. The effect is to disconnect people from supply without the supplier having to physically switch off the supply, which is measured by Ofgem as an adverse statistic for the supplier.

We also support calls from other charities and consumer groups that, for the purposes of PPM installation/ switches, there should be a presumption that a customer is vulnerable. The responsibility would then be on the supplier to show if this is not the case, and therefore that a PPM is an appropriate debt collection method.

Finally, as the charity that runs Business Debtline – the UK's only dedicated free debt advice service for small business owners and self-employed people – we would highlight the particular challenges faced by self-employed people reliant on a domestic energy supply contract. Four in five (79%) of callers to Business Debtline operate their businesses from home, and many of the people we help at Business Debtline are on low incomes – more than half (54%) have a total household income of less than £20,000. The challenges for small business owners at the moment is particularly acute given the combination of rising business and household costs. Interruption to their domestic energy supply can not only have a profound impact on their own health and wellbeing but also on their ability to run their business, and therefore on their income. We would expect suppliers to be alive to the additional challenges that self-employed people may be facing during this period of high energy prices and to take this into account in the way they treat customers facing difficulty paying their bills.

PPMs as a last resort

Question 6: Should the licence or guidance clearly state that installation of PPM under warrant is a 'last resort'?

As set out above, we would support a full ban of forced installations on PPMs. However, if that is not implemented then we strongly believe the licence conditions should set out very clearly that installation of PPMs under warrant is a 'last resort'.

We are currently seeing a number of cases where installation seems to be progressed even where someone has tried to engage with their supplier and has offered affordable repayments, or demonstrated they are not currently able to afford repayments towards the debt.

It can be a particularly distressing experience to have a PPM fitted under warrant and, as we have seen, there is a high risk of harm occurring. Therefore, if such installations are to be allowed at all, they should always be the absolute last resort and suppliers should have to clearly demonstrate this by producing a record of what checks have been carried out. The Ofgem rules could be strengthened to include a type of pre-action protocol checklist as is common in the County Court rules.

The licence conditions should also state that forced switches to a smart prepayment meter must always be a 'last resort' too, so that there is consistency across meter types.

Oversight of third parties

Question 9: Suppliers are responsible for the acts of their contractors and their compliance with relevant licence conditions, but should we consider specific guidance for suppliers on how they manage third parties involved in the installation of PPMs?

Having the power to enter someone's home to enforce a debt (including installing a PPM) is a significant power. Recent investigations have re-emphasised the high risk of poor practice when such activity is not properly regulated or supervised.

We think there is a need for better standards and oversight of enforcement or debt collection firms hired by suppliers to enter people's homes, whether to install PPMs or collect energy debts.

The Enforcement Conduct Board (ECB) has been set up to provide independent oversight of bailiffs to ensure those who are subject to enforcement action are fairly treated. It does not yet have full, statutory underpinning but the Government has committed to reviewing this within two years, and it is something that debt advice agencies and the ECB itself are pushing for.

One option Ofgem could consider is requiring suppliers to only use firms signed up to the ECB and, if so, these firms *and* suppliers should help fund the ECB to ensure effective oversight of firms they are using for intrusive enforcement actions. The ECB itself appears to be open to this proposal.⁸

Dealing with arrears

Question 10: Are there any other proposals you have that would support PPM customers? Please explain the proposal and provide evidence if available.

Discussions around proposals to change rules around PPMs inevitably lead to questions about dealing with the debt that builds up as a consequence. We believe there are better, more appropriate and fair ways to deal with energy debt.

⁸ See: https://enforcementconductboard.org/eyes_on_enforcement/

We would like to see **Ofgem leading work on how to deal with increased energy debt as a result of exceptionally high energy prices**. Having a clear plan on this would enable Ofgem to put in place increased protections for consumers while being confident there is a longer-term plan to bring debt down in an affordable way.

Note, these proposals on arrears would serve to complement thinking around social tariffs, and not be a substitute for discussions on how to make ongoing bills more affordable.

We are thinking specifically about people who are building up arrears and currently unable to afford to put anything towards these, or only a token amount. While recognising this is an oversimplification, when prices fall in due course back to more 'normal' levels, we expect **customers will broadly fit into one of three groups**.

1. Able to now repay towards arrears (as ever, this always needs to be done affordably by suppliers and based on an accurate assessment of someone's ability to pay, and the time they need for this) and not according to arbitrary timescales.
2. Able to repay something towards arrears but only a relatively small amount, meaning it would take them a long time to pay back arrears.
3. Not able to afford to pay anything back towards arrears on top of paying ongoing usage.

For the first group, we need to see good enforcement of existing ability to pay rules and supervision of suppliers by Ofgem to ensure they are putting in place genuinely affordable repayment plans over the necessary timeframe – rather than plans that are restricted by an arbitrary repayment period limit set by the supplier.

For the second and third groups, our preferred option is **for a funded pot that would offer debt write-off and repayment matching schemes** (for example, where customers could afford a small amount, for every £1 they pay, £1 could be written-off etc). We are aware that such schemes have been used to good effect in the water sectors and by energy suppliers too (see examples in box 1).

The recent [Citizens Advice discussion paper](#) on dealing with energy arrears also highlighted this option of a funded pot for debt forgiveness. We think such a pot would need to have **Government funding** – for example, from repurposing some of the fiscal savings from the EPG as prices fall. It could also include a contribution from suppliers, given the benefits to them / the wider market of reducing bad debt.

We appreciate the proposal would need to be developed further, including looking at what amount might be required for the initial funding pot and how many customers may need to benefit from it. Given Ofgem is best-placed with this insight into debt levels, we would be keen for Ofgem to lead on working with consumer groups and suppliers to develop a proposal that could be taken to Government.

Box 1: Payment matching scheme examples

Wessex Water 'Restart' programme⁹

The Wessex Water 'Restart' scheme began in 2004 and is aimed at getting people into a payment habit and back on track with their regular payments, while helping them to clear existing arrears. The scheme works as follows:

- The customer makes their regular payments for the current year's bills.
- If they successfully do so, at the end of the year their debt is reduced by an equivalent amount.
- If the customer continues to make all their payments for their current charges in the second year, then the remaining debt is cleared.

To be eligible, individuals may have to first access free, independent debt advice – where they will complete a Standard Financial Statement showing details of their income, expenditure, debts and savings.

Wessex Water report that the scheme is very effective in getting customers back on track with more than 90% continuing to engage and pay their ongoing water charges.¹⁰

nPower Energy Fund

Customers could apply to the nPower Energy Fund for help with their energy debt. If successful, the customer was required to meet their regular payments for energy consumption for three months, at which point the award from the Fund is applied to the individual's account and the debt is cleared.

For more information on our response, please contact:

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⁹ Example sourced from Money Advice Service (2017) *Working collaboratively with debt advice agencies: A strategic toolkit for creditors*

¹⁰ Wessex Water Business Plan 2020-2025, Available: <https://www.wessexwater.co.uk/corporate/strategy-and-reports/business-plan-2020/appendices>



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