

MONEY
ADVICE TRUST

BUSINESS
DEBTLINE

NATIONAL
DEBTLINE

WISER
ADVISER

Consultation Response:

BEIS Warm home discount better targeted support consultation

Response by the Money Advice Trust

Date: August 2021

Contents

- **Page 2** Contents
- **Page 3** Introduction / about the Money Advice Trust
- **Page 4** Executive summary
- **Page 6** Responses to individual questions
- **Page 21** 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 2020, our National Debtline and Business Debtline advisers provided help to 161,560 people by phone and webchat, with 1.86 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 2020 we delivered this free training to over 920 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 consultation on the warm home discount, particularly in the context of concerns about growing energy debt. Increasing the energy price cap could not come at a worse time for the many households struggling to meet day-to-day costs. The rise in the price cap and increasing energy prices means this will be a challenging winter for many people.

More than 20 per cent of the people we help at National Debtline are already in energy arrears¹ – any increase in cost is likely to push more into the red.

It is therefore very welcome to see the proposals for the reform of the warm home discount (WHD). At a time when fuel poverty is likely to increase substantially due to the increase in the energy price cap, the removal of the £20 a week uplift in Universal Credit payments, and the end of Covid-related support schemes, it is vital that the eligibility criteria are set as widely as possible. As a result, the changes to the scheme should be brought forward from Winter 2022 if at all possible.

We welcome the increase in the proposed rebate to £150. However, we are not convinced that this amount will be sufficient to adequately support people in energy debt and ongoing fuel poverty.

We are very concerned about the energy price cap rise from October 2021 which at £139 almost exactly eradicates the amount set for the new WHD of £150 from 2022.² We would suggest that the parameters for the energy price cap needs to be reviewed and the WHD increased for the duration of the scheme for individual households and a larger pot of funding allocated. The government should look carefully at calls from energy suppliers and charities to legislate to establish a social tariff for energy.³ This could emulate a similar social tariff scheme set up by water companies.

- ✓ We agree with the proposal to keep the eligibility for the current core group as pension credit guarantee recipients.
- ✓ We very much support the proposal to replace the broader group with a new core group 2.
- ✓ We would suggest changing the proposals to make everyone in core group 2 eligible to receive the warm home discount. We do not feel it is necessary to assess an average energy property cost and factor this into the equation.
- ✓ We would strongly support increasing the funding available for the scheme to enable this outcome.

¹ National Debtline client data, July 2021

² [Record gas prices drive up price cap by £139 – customers encouraged to contact supplier for support and switch to better deal if possible | Ofgem](#)

³ [Energy firms join charity push for social tariff to offset fuel poverty | Energy industry | The Guardian](#)
[Calls for social tariff on UK energy bills as rises push extra half million homes into fuel poverty | Fuel poverty | The Guardian](#)

- ✓ We are not convinced by the suggestion that a separate scheme is set up to assist people with disability benefits at risk of fuel poverty. We would suggest that anyone receiving eligible means-tested benefits, or a disability benefit should automatically qualify for the warm home discount.
- ✓ We welcome the increase in the total spending target on the scheme over the next four years. This will help the scheme reach more people in energy debt and help to alleviate fuel poverty for recipients. However, we are concerned that this pot of money will not be sufficient to help the extra groups of people in energy debt due to the effects of the Covid-19 pandemic.
- ✓ We suggest that there should be a mid-term review of the effectiveness of the scheme to ensure that there is sufficient funding to ensure its aims are met.
- ✓ We support the proposal to make industry initiatives spending mandatory on firms rather than optional.
- ✓ We do not agree that the cap on debt write-off should be reduced at this point. Writing off debt helps households who are at risk of self-disconnecting or rationing their energy use. Lowering the cap will reduce the number of households who can benefit from debt write-off.
- ✓ We would like to see a commitment to debt payment matching schemes, common in water suppliers, that have been used successfully to reduce debts by acting as an incentive for customers to pay what they can, in return for a matched payment from the supplier. This sees debt reduce and encourages regular payments.
- ✓ We strongly support reducing the supplier threshold for offering the WHD to 1,000 domestic customer accounts. This will ensure nearly all firms are covered (by market share) and cover nearly all customers. This is a great step forward and will substantially remove the barrier to switching for consumers who might inadvertently have signed up with a new supplier who did not offer the WHD.

Finally, we would highlight the importance of energy suppliers being proactive in looking for early signs that customers are struggling to pay and offering the help they need.

The broader criteria for the scheme will mean many more people are eligible for the offer. Energy suppliers need to ensure that they are working closely with debt advice providers to equip them with the details of their offering and to ensure that the debt advice provider can better advise the energy supplier's customers when they speak to them. If there are routes for referrals, then closer partnership working will mean customers can access this support as soon as required.

This issue is not for suppliers alone and the Government needs to work with Ofgem and the energy industry and the debt advice sector to ensure there is proper support for the increasing number of people unable to pay their bills.

As the amount of energy customers needing debt advice increases and the amount of debt owed also increases, energy providers need to continue to look at their broader obligations to funding debt advice providers supporting their customers.

Responses to individual questions

Improving the targeting of the scheme

Question 1: Do you agree with the proposal to keep the eligibility for the current Core Group (Pension Credit Guarantee Credit recipients) unchanged, becoming Core Group 1?

Yes, we agree with the proposal to keep the eligibility for the current core group as pension credit guarantee recipients. However, this support is dependent upon the proposed expansion of the broader group to become a wider core group of low-income households who receive the rebates automatically.

Question 2: Do you agree with the proposal to replace the Broader Group with a new Core Group 2 who receive the rebates automatically, rather than having to apply?

We very much support the proposal to replace the broader group with a new core group 2. It is vital that this element of the scheme is reformed to remove the current limitations on eligibility and in particular, the “first-come, first-served” basis of the current scheme.

It is important that as many potentially vulnerable people are automatically passported into the scheme as possible as relying on people to know about the scheme and to be able to make an application at the right time, is too onerous a requirement.

Question 3: Do you agree with the proposed methodology to determine the Core Group 2 and the proposed eligibility criteria, which we estimate would increase the number of fuel poor households receiving the rebate from 47% under the Broader Group to 59% under the Core Group 2?

At a time when fuel poverty is likely to increase substantially due to the increase in the energy price cap, the cut in Universal Credit payments, and the end of Covid-related support schemes, it is vital that the eligibility criteria are set as widely as possible.

We therefore support the expansion in eligibility for the proposed core group 2. This should help to prioritise rebates to low-income households who are likely to have higher energy costs and live in poorer energy efficient housing.

Whilst it is welcome that the widened scheme will enable more people to qualify, this does not go far enough.

As far as we understand it, core group 2 will not automatically receive help, but will only be eligible if their dwelling fits into a certain group with high heating costs, based on a proposed calculation set out in the paper. We have significant concerns about this approach.

By definition, people on the eligible benefits listed will be on low incomes and will struggle to afford to pay for their energy bills. We would suggest changing the proposals to make everyone in core group 2 eligible to receive the warm home discount.

We do not feel it is necessary to assess an average energy property cost and factor this into the equation. As is clear from the paper, to do so with a more limited pot of money creates some winners but many losers. This approach leads, for example, to the situation where people with a disability and on disability benefits are not automatically prioritised within the scheme. We would strongly support increasing the funding available for the scheme to avoid this scenario.

Question 4: Do you agree with our approach that Government should work with energy suppliers and third-party organisations to ensure there is dedicated support for households with a disability at risk of fuel poverty as part of an Industry Initiative? Please give views on the design and administration of such an Initiative, including the amount of overall funding, the amount of funding available to households, and eligibility.

We are not convinced by the suggestion that a separate scheme is set up to assist people with disability benefits at risk of fuel poverty. In particular, we are concerned about the proposal to require disabled people to make a separate, specific application to the scheme. This is likely to significantly reduce the number of people who apply and are therefore helped by the scheme. Indeed, this consultation focuses on moving the 'broader group' away from an application model based on evidence that this resulted in fewer people being helped, and issues around 'first-come-first-served' support. It therefore seems counter-intuitive to set up an application-based rebate scheme for disabled people, which is likely to experience the same issues as was seen with the current broader group process.

There is a danger that the schemes are likely to become too complex and difficult to navigate, purely because of an -arguably unnecessary – focus on high energy costs in the eligibility methodology. Being on a low-income (demonstrated by a means-tested benefit) is likely to be a good proxy that someone is likely to struggle with energy costs. At this level of income, even an average energy bill is likely to be challenging (particularly given rising unit costs). Similarly, receipt of disability benefits is likely to be an indicator that someone will face higher than usual energy costs.

To keep the scheme simple, we would suggest that anyone receiving eligible means-tested benefits and/ or a disability benefit e.g. PIP, DLA or AA, should automatically qualify for the warm home discount. If the requirement for properties to fit into the high energy costs model is removed for this cohort, automatic passporting into the scheme is possible.

Data matching and sweep-up

Question 5: Do you agree with the proposed data-matching process, including the data-matching process with energy suppliers, to identify households eligible for the rebate under the Core Group 2 and provide rebates automatically on bills?

We support the expansion of the existing data-matching process to identify households who are eligible for a rebate under core group 2. Any progress on the development of a seamless process that provides rebates automatically on bills is to be welcomed.

Question 6: Do you agree with Government's proposed use of an imputation methodology to fill in missing data or non-matched data to enable rebates to be delivered automatically to a greater number of people?

This approach appears to be sensible, and we certainly agree with an approach to the data that allows rebates to be sent automatically to more people. However, it looks like a complex process to carry out in practice and will need to be sufficiently resourced to ensure it can happen in a timely manner.

Question 7: Do you agree with the proposed approach to setting a qualifying date?

We have no comments on the proposed approach in this area.

Question 8: Do you agree with the proposed sweep-up and high-energy-cost verification and challenge process?

It would be helpful for the scheme to allow people to contact the WHD service in a variety of ways, as well as via the helpline. It is helpful for people in a variety of vulnerable situations to have alternative contact methods in place. Research has consistently demonstrated that telephone channels can be inaccessible for some groups, particularly those with mental health conditions – for example, over half of people with mental health problems (54%) have serious difficulties using the phone to carry out essential admin (compared to 32% of people without mental health problems).⁴ With half (46%) of people in problem debt also having a mental health problem,⁵ it's vital that people can contact in different ways – such as via email or webchat – if the scheme is to achieve the stated aim of supporting people in, or at risk of, fuel poverty and energy debt.

People on low incomes may also be 'time poor' – working long hours, multiple jobs and managing caring responsibilities. Having to wait on the phone to speak to someone may be time they don't have, so offering multiple channels through which they can contact is crucial. In addition, people may want a relative or friend to be able to contact the service on their behalf. This should be made easy to do under the scheme.

We are concerned that the complexity of the evidence required for challenging the high-energy-cost verification process will mean many people will be deterred from following this through. We are pleased to hear that an online tool will be made available to help people to check their eligibility, and to decide whether to contact the WHD helpline for further assessment. It would appear likely that many people in that situation will require specialist energy advice before proceeding. As we set out earlier in our response, these concerns add to our questions about whether the high-energy-cost criteria is needed in the scheme, or whether this over-complicates it and risks undermining the aim to offer support to more households.

Question 9: Do you agree with the proposed permitted alternative data sources for proving eligibility for the rebate?

The permitted alternative data sources proposed in the paper are very limited in scope and would appear to be quite complex to source. We hope there will be useful suggestions made of additional data sources in responses to this consultation, but it is not our area of expertise.

⁴ Money and Mental Health Policy Institute (2018) *Access Essentials: Giving people with mental health problems equal access to vital services*

⁵ Ibid

Overall spending targets

Question 10: Do you agree with the proposed overall spending targets for Great Britain?

We of course welcome the increase in the total spending target on the scheme over the next four years. This will help the scheme reach more people in energy debt and help to alleviate fuel poverty for recipients.

We cannot state that we agree with the proposed overall spending target as we are concerned that this pot of money will not be sufficient to help the extra groups of people in energy debt due to the effects of the Covid-19 pandemic.

We appreciate that the government is attempting to provide certainty as to the size and parameters of the scheme over a set period, but suggest that there should be a mid-term review of the effectiveness of the scheme to ensure that there is sufficient funding to ensure its aims are met. This would reflect the realities of responding to the uncertainty caused by Covid-19 and the potential for greatly increased levels of energy debt and fuel poverty.

Question 11: Do you agree with the proposed approach to apportionment of the total spending targets to Scotland from April 2022, currently equivalent to around 9.4%?

This seems to make sense, but we are not close enough to the detail to comment.

Question 12: Do you agree with the proposal to make Industry Initiatives spending mandatory rather than optional?

We support the proposal to make industry initiatives spending mandatory on firms rather than optional.

Question 13: Do you agree with the proposed approach to use Industry Initiatives targets to balance the spending uncertainties created by the two Core Groups, through an adjustment before the start of the scheme year and a further, more limited adjustment in year, which are capped at £10 million from the Industry Initiatives' base spending obligation each scheme year?

We are not close enough to the detail to comment on this proposal. However, we would caution against using money from other funding initiatives in this way. It appears to us that it will inevitably reduce the availability of assistance to households in energy debt, where the size of the fund available is reduced.

Question 14: Do you agree that the value of the rebate should be set at £150 for the duration of the scheme and that payment of the rebate should be as per current rules?

We welcome the increase in the proposed rebate to £150. However, we are not convinced that this amount will be sufficient to adequately support people in energy debt and ongoing fuel poverty.

We are very concerned about the energy price cap rise from October 2021 which at £140 almost exactly eradicates the amount set for the WHD. We would suggest that either the parameters for the energy price cap needs to be reviewed, the WHD increased for the duration for individuals and a larger pot of funding allocated, or the government looks at setting a social tariff for energy.

At the very least, there should be a review of the rebate value part way through the scheme to ensure that the amount is adequate.

Question 15: Do you agree with the proposal to keep the scheme year as now, running from April to March?

Yes, we agree with the proposal to keep the scheme year running from April to March.

Industry Initiatives

Question 16: Do you agree that spending on the provision of financial assistance with energy bills to households particularly at risk of fuel poverty should have a minimum spend of £5 million overall, with an overall cap of £10 million? If you think an alternative minimum and/or maximum spend should be set, please provide your reasons.

We welcome the proposed increase in spending on the provision of financial assistance with energy bills to an overall cap of £10 million. However, we are not convinced that the £10 million pot is large enough when looked at in relation to the proposed cap of £150 available to help individual households via industry initiatives.

We believe that this could benefit a total of nearly 67,000 households in any one year. This seems a very low number of households assisted relative to the numbers in fuel poverty in the UK. We therefore suggest that the overall pot should be increased substantially beyond £10 million a year for industry initiatives.

Question 17: Do you agree that such financial assistance should continue to be capped per household per scheme year? If so, should this be capped at £150, or at a higher level?

We appreciate that within the context of a limited fund, it makes sense to cap the amount that a household can be offered in financial assistance per year. However, we do not think that setting the cap to £150 offers an adequate amount to make a substantial difference to individual households with energy debts.

We would like to see the cap increased as suggested in our response to question 16 and the amount available to individual households increased substantially. While setting parameters helps to ensure people get consistent support across suppliers, individual circumstances will vary so we think suppliers should have flexibility to offer a greater level of support to individual households where this is needed and is in their best interests to reduce fuel poverty or the risk of energy debt.

Question 18: Do you agree that a £3 million portion of the energy debt write-off cap should be reserved for customers with pre-payment meters (PPMs) who are self-disconnecting or are at risk of self-disconnecting?

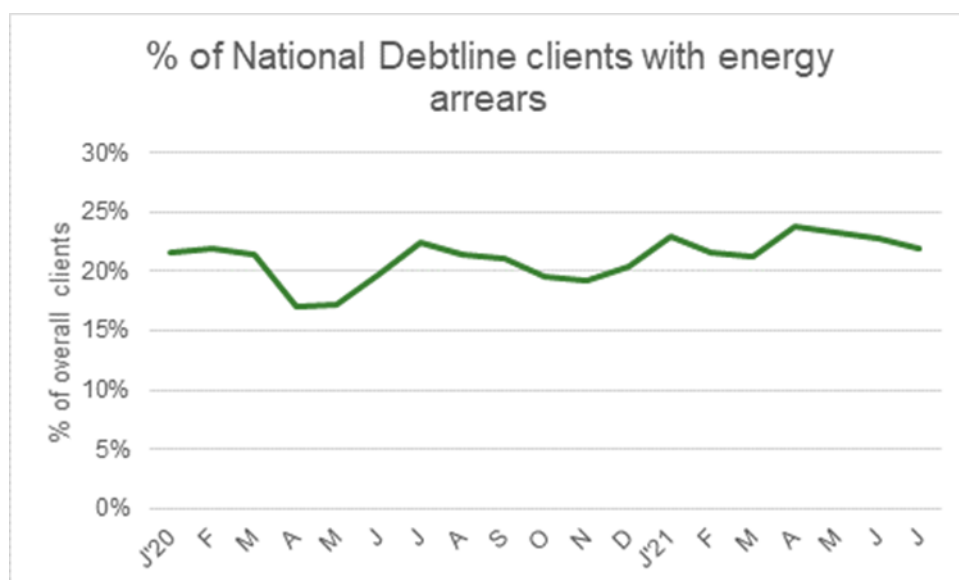
We support a write-off fund for customers with pre-payment meters. However, we do not see why this should come from the existing fund. The fund should be increased to ensure that both customers with pre-payment meters and customers on other types of meter are able to access debt relief. We do not think this is the time for any reduction in the help available to people in debt following the Covid-19 pandemic.

Question 19: Do you think that the cap on debt write-off should be reduced from £6 million to £5 million overall, and from which scheme year should this take place?

We do not agree that the cap on debt write-off should be reduced at this point. Writing off debt helps households who are at risk of self-disconnecting or rationing their energy use. It can also be crucial in helping households to get back on track with their energy bills, ensuring that their available income goes towards meeting their ongoing energy costs rather than paying off historical debt – helping to prevent recurring debt, which can be costly to suppliers and particularly damaging to individuals. Lowering the cap will reduce the number of households who can benefit from debt write-off.

We are opposed to reducing the amount that firms can write off at a time where our clients are facing huge financial difficulties due to the effects of the Covid-19 pandemic, and many may have built up energy debt.

We have seen an increase in clients with energy arrears at National Debtline and Business Debtline over the course of the pandemic. Over 1 in 5 people contacting National Debtline for advice have energy arrears,⁶ and on average they owe £1,418.⁷ The chart below shows the increase in energy debts, which are now the second most common debt reported by National Debtline clients.



National Debtline client data 2020 to 2021

⁶ National Debtline client data, July 2021

⁷ 2021 National Debtline client survey, sample size: 716

It would appear to us to be reasonable in the circumstances to increase the debt write-off cap at this point, rather than reduce it. It is also worth emphasising the merit of debt payment matching schemes, common in water suppliers, that have been used successfully to reduce debts by acting as an incentive for customers to pay what they can, in return for a matched payment from the supplier. This sees debt reduce and encourages regular payments.

Payment matching schemes are common in the water sector and are also used by some energy companies. They work on the basis of agreements between individuals to keep up with either their ongoing bill payments or a certain level of repayments on their arrears, in return for which the company write-off equivalent amounts (and usually, after a set time, any remaining debt). For example, customers can apply to the Eon Next Energy Fund⁸ for help with their energy debt. If successful, the customer is 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.

The Wessex Water 'Restart' scheme⁹ 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

⁸ <https://www.eonnextenergyfund.com/>

⁹ <https://www.wessexwater.co.uk/your-account/help-paying/apply-for-restart>

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

Question 20: Do you agree that the individual debt-write off cap should continue to be capped at £2,000? If you think an alternative cap should be set, for instance more in line with average energy debt levels, please provide your reasons.

The paper states that the average debt for a gas customer was approximately £400 in 2019 but this was before the impact of Covid-19 has been taken into account. As we have said, on average people contacting National Debtline for advice on energy arrears owe £1,418.¹¹

We strongly support a cautious approach to lowering the cap given the potential impact of Covid-19 on individual households and the amount that energy arrears may have grown over the pandemic period.

This leads us to conclude that the write-off cap should remain at the same level or be increased, at least temporarily.

Question 21: Do you agree that the installation of mains gas boilers to replace existing boilers that have ceased to function properly should only be permitted in households with a specific vulnerability to cold, as outlined?

From the paper, this is a complex issue relating to switching from fossil fuel heating but needing to respond to emergency needs with replacement gas boilers. We do not have the expertise in this area to respond.

¹¹ 2021 National Debtline client survey, sample size: 716

Question 22: Do you agree that boiler replacements should be limited to £8 million per scheme year from 2022/23?

We are unable to comment on this question.

Supplier participation

Question 23: Do you agree that the obligation threshold for the whole scheme should be reduced from April 2022 to 50,000 domestic customer accounts? If not, what would you suggest is a more appropriate threshold and why?

Yes, we agree that the obligation threshold should be reduced to 50,000 domestic customer accounts from April 2022. From the information provided in Table 5, this will still cover 99.54% of market share of customers.

Ideally, we would prefer the supplier threshold to be reduced to 1,000 domestic customer accounts as soon as possible. However, we recognise that BEIS supports a phased approach to allow smaller energy suppliers to prepare for the change and can appreciate that this is a reasonable approach to take.

Question 24: Do you agree that from April 2023 the supplier threshold should be reduced to 1,000 domestic customer accounts?

We strongly support reducing the supplier threshold for offering the WHD to 1,000 domestic customer accounts. This will ensure nearly all firms are covered by market share, and cover nearly all customers. This is a great step forward and will substantially remove the barrier to switching for consumers who might inadvertently have signed up with a new supplier who did not offer the WHD.

Question 25: Please provide evidence of costs of delivering Core Group rebates, your estimated costs of delivering to Core Group 2, and the costs of setting up Industry Initiatives (specifying if this is a multi-supplier scheme), in cost per pound of support delivered.

As a debt advice charity, this question is not relevant to us.

Question 26: Do you agree with the proposed continuation of the arrangements for the reconciliation mechanism, extending to cover both Core Group 1 and Core Group 2, and that this should similarly continue in Scotland, in the event that the current WHD scheme continues in Scotland?

This proposal appears to make sense, but is somewhat outside our remit.

Question 27: Do you agree that we should continue with the current Supplier of Last Resort (SoLR) arrangements and not introduce a mandatory requirement for an SoLR to take on the WHD obligations of a failing supplier? What alternative arrangements could be put in place that may encourage the SoLR to take on those obligations, including in relation to Industry Initiatives?

We would like to see a mandatory requirement for a supplier of last resort (SoLR) to take on the WHD obligations of the failing supplier. Whilst we appreciate that Ofgem takes into account proposed arrangements for honouring WHD obligations when appointing the SoLR, we do not see why it is sufficient to rely on SoLRs to voluntarily honour rebates offered by failing suppliers.

Question 28: Do you agree with the proposal that Ofgem should assess and approve applications from suppliers seeking to participate voluntarily in the scheme?

We agree with the proposal to give powers to Ofgem to assess and approve applications from suppliers to voluntarily participate in the scheme if they are below the threshold.

Question 29: Do you agree that from 2023 we introduce a second customer number reporting date?

Yes, this approach makes sense to us.

Administration of the scheme

Question 30: Do you agree that Ofgem should continue to act as the operator of the reconciliation mechanism for the scheme?

Yes, we agree that Ofgem should continue to act as the operator of the reconciliation mechanism for the scheme to avoid disruption in the next phase of the scheme.

Question 31: Do you agree that energy suppliers with multiple licences should be permitted to consolidate under one licence?

This approach appears to be sensible, but is outside our remit so we may not be aware of any potential drawbacks to this approach.

For more information on our response, please contact:

Meg van Rooyen, Policy Lead

meg.vanrooyen@moneyadvicetrust.org

07881 105 045



The Money Advice Trust

21 Garlick Hill

London EC4V 2AU

Tel: 020 7489 7796

Fax: 020 7489 7704

Email: info@moneyadvicetrust.org

www.moneyadvicetrust.org