

MONEY
ADVICE TRUST

StepChange
Debt Charity

**END FUEL
POVERTY
COALITION**



Action for Warm Homes

SCOPE = Equality for disabled people

christians
against
poverty
CAP

cma
Freedom from debt
Hope for the future

F **FAIR BY DESIGN**
Ending the extra costs of being poor

CIH | Chartered
Institute of
Housing

**energy
action
SCOTLAND**
for a future without fuel poverty

IMA Institute of
Money Advisers®

University of
BRISTOL
Personal Finance
Research Centre

**Debt
Justice**

**Warm
This
Winter**

Rt Hon Grant Shapps MP
Secretary of State for Energy Security and Net Zero
Department for Energy Security and Net Zero
1 Victoria Street
London
SW1H 0ET

13th June 2023

Dear Secretary of State,

We are writing to you to urge you to set-up a dedicated 'Help to Repay' scheme to support people struggling to repay energy arrears.

As part of this scheme, people would be able to access either repayment matching (to help them to get out of debt sooner) or full debt relief, depending on their level of need. Repayment matching would work, for example, by matching each pound repaid with an equivalent amount of debt relief or providing debt relief on the remaining arrears after a certain period of ongoing payments. Similar, supplier-specific initiatives have previously been used to good effect in the energy and water sectors. The purpose of this scheme would be to offer a temporary, consistent UK-wide support scheme in response to arrears that have built up during this period of high prices.

Government support – including through the Energy Bills Support Scheme and Energy Price Guarantee – has been very welcome.

However, as you know, even with Government support, bills have still been around double the level of Winter 2021/22, resulting in many people facing difficulty paying and therefore building up arrears:

- Ofgem figures show there to be around £2.28 billion in energy arrears, as of the end of Q4 2022 - an increase of almost £500 million from the same point in 2021.
- An estimated 3.2 million people in the UK have been asked by their energy supplier to repay arrears at an amount they could not afford.¹

Many people are now trapped in energy debt. Some will be able to repay these arrears through affordable repayment plans. However, for people who have little or no spare income, repayment will be difficult or take a very long time. This has a significant negative impact on individual vulnerable households. People subject to unaffordable repayments on one debt often fall behind on other bills or end up going without essentials, such as food, as a result. The stress of being in debt also has a significant impact on people's mental and physical health, their ability to concentrate at work and their family relationships. Recent research found that 15% of UK adults – equivalent to 7.9 million people – are regularly losing sleep worrying about money.²

We have appreciated your commitment and action to tackle poor practice on forced prepayment meter installations, and the wider work being undertaken by Ofgem on debt collection and enforcement. This needs to continue to be a priority, with further improvements driven at pace throughout the industry, to ensure that no one is subject to inappropriate collection or enforcement activity for energy debt.

Restrictions on the use of prepayment meters are very welcome. However, we need to ensure this does not lead to greater use of other harsh and expensive collection and enforcement methods – such as High Court Enforcement - which would be inappropriate for vulnerable households in financial difficulty. It also creates the need for a clear solution to help vulnerable people, including those who might otherwise have been put on a prepayment meter, to get out of debt safely.

High levels of energy debt are not just an issue for people struggling to pay. It leaves a high bad debt burden in the market which will drive up all consumers' bills, through the bad debt allowance in the price cap.

A Help to Repay scheme, funded by government, would address these issues, contributing to the Government's priority to reduce inflation by keeping energy bills lower for all consumers than they would be without such a scheme. It would also attract strong public support:

¹ Research of 2,000 UK adults, weighted to be nationally representative, conducted by Opinium on behalf of the Money Advice Trust, 25th – 28th April 2023.

² Ibid

- Almost **three quarters of UK adults (73%) think people who have fallen into energy debt due to high prices should be given help to reduce what they owe.**³
- This is backed by recent consumer research conducted by Ofgem which showed strong support for writing off energy debt, funded by taxation rather than higher consumer bills – with this being **spontaneously raised by consumers in focus groups.**⁴

The development of a scheme that would accelerate the repayment of energy debt through payment matching was also recommended by the Business, Energy and Industrial Strategy Committee as part of their inquiry into Energy pricing and the future of the energy market.

The initial funding allocation could be calculated based on best available data from Ofgem – including on arrears levels and the recent Requests for Information (RFIs) to suppliers on debt-related costs. There are various options for the administration of the scheme, which we would be keen to discuss further with your officials.

We would welcome the opportunity to discuss our proposals for a Help to Repay scheme with you. If this would be possible, the best contact for your officials is Grace Brownfield, Senior Influencing Manager at the Money Advice Trust, on grace.brownfield@moneyadvice.org.

Yours sincerely,

Money Advice Trust	End Fuel Poverty Coalition
Scope	Debt Justice
StepChange Debt Charity	Community Money Advice
National Energy Action	Christians Against Poverty
Institute of Money Advisers	Chartered Institute of Housing
Fair By Design	University of Bristol Personal Finance Research Centre
Energy Action Scotland	Warm This Winter

Enclosed: 'Help to Repay' energy arrears scheme proposal

CC: Jonathan Brearley, Chief Executive, Ofgem

³ Ibid

⁴ Ofgem - [Consumer attitudes to involuntary prepayment meter installation rule changes](#), April 2023