

MONEY
ADVICE TRUST

BUSINESS
DEBTLINE

NATIONAL
DEBTLINE

WISER
ADVISER

Consultation Response:

Ofgem Consumer Standards statutory consultation

Response by the Money Advice Trust

Date: August 2023

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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.

Introductory comment

A timely response by suppliers for all consumers

As we have said in discussions with Ofgem, we would favour licence conditions that enable all consumers to contact their supplier and get a timely and appropriate response. We do not want to see customer services teams that only provide good outcomes for people who have been classified as vulnerable. Good customer service should respond to specific needs as well as providing good outcomes for everyone. We are concerned that building specific contact methods around vulnerable situations will be complicated, and people will fall through the cracks when not assessing themselves as “vulnerable”. We agree that focussing on the customer’s characteristics or circumstances, rather than the consumer having to decide what vulnerable group they are in, might be a more successful route to good outcomes.

It may be simpler for suppliers to provide a freephone contact for everyone rather than to try and categorise people in advance of contacting them or during the call. This could cause unnecessary complexity and mean that perfectly valid enquiries are not dealt with or resolved.

A separate route for advice providers and charities

We are pleased that Ofgem has recognised the particular issues facing advice providers and charities who are trying to get through to a supplier to help support their vulnerable clients. We remain to be convinced that the licence condition is strong enough to ensure such queries are given priority.

Supervision and enforcement

We would urge Ofgem to implement a robust and comprehensive supervision system to ensure suppliers are complying with the requirements to answer calls within five minutes and to consider a reduction to the three-minute best practice response. In our view, if all customers, whether vulnerable or not, were provided with a response within three minutes, then much of the complicated extra conditions to require suppliers put in place special measures to deal with vulnerable customers and third parties would become less vital.

Removing minimum payment requirements

We are very pleased to see that Ofgem has removed references to minimum payments in its revised wording for licence condition 27.8A (d) (iv). As we said before, we agree that removing the minimum payment level is both stronger and clearer. It is also less open to suppliers putting pressure on people to pay unaffordable amounts or to revert to making a minimum payment set at an arbitrary level.

27.8A (e) (ii) *For prepayment meter customers repaying debt by a weekly amount explaining that debt will be recovered regardless of usage.*

PPM debt payments

Despite not being the subject of this consultation, we wanted to flag that this licence condition should be looked at again. It seems to us to be manifestly unfair that suppliers are guaranteed payment towards their debt under a PPM before the consumer can use any energy. This seems to be the wrong way round when dealing with the PPM group of customers who are generally found to be in more vulnerable situations. This clause is a very good illustration of how it has become possible to get used to the existing PPM system “as it must be” without taking a step back to observe that this is not a good outcome for PPM customers. At the very least the minimum payment that is defaulted to, should be set by Ofgem at a really low amount of £1.00 a week or similar. Ideally the debt should be recovered after a certain amount of usage has been allowed, and systems adjusted to enable this.

As the proposed licence condition amendments would allow for PPM debt deductions to be paused when people are unable to make any repayments, this is the ideal time to look at the priority of payment deductions in PPMs more broadly.

Responses to individual questions

Question 1: Do you have any comments or questions on our proposed licence changes to improve supplier contact ease?

We very much support the intention behind the proposed licence changes to improve how easy it is to contact a supplier. We are pleased that Ofgem has recognised the particular issues facing advice providers and charities who are trying to get through to a supplier to help support their vulnerable clients. We remain to be convinced that the licence condition is strong enough to ensure such queries are given priority. The licence condition now states:

31G.3B *When providing the enquiry service, the licensee must implement appropriate processes to identify and prioritise enquiries from:*

(a) Domestic Customers in Vulnerable Situations who, due to their circumstances or characteristics, may require immediate assistance, guidance or advice;

(b) Any representative acting on behalf and in the interest of a Domestic Customer in a Vulnerable Situation who, due to their circumstances or characteristics, may require immediate assistance, guidance or advice.

We would suggest that the definition of “*require immediate assistance, guidance or advice*” needs to be clarified. We are concerned that suppliers could interpret this very narrowly and restrict its scope to customers who are off supply only. The definition must be much broader than this, and it should be included in the licence condition and guidance to avoid an inconsistent and narrow approach by different suppliers. For example, we have many vulnerable clients who for many reasons have not been able to resolve issues such as incorrect bills, estimated amounts and affordable arrangements to pay. By the time they approach us for advice they are in a state of stress and anxiety. They may be being pursued for arrears that they do not owe or cannot afford to pay. Anyone who is being pursued by a debt collection agency or subject to high court enforcement after a court judgment is very much in need of immediate assistance.

The new clause **31G.3B (b)** in the licence conditions will help to ensure suppliers deal with third-party representatives such as charities, debt advisers, energy advisers and so on. We think the intention behind this clause could be undermined by a supplier arbitrarily deciding that a certain category of customer is not vulnerable so will not deal with the third party on their behalf. They may for example, make a policy decision that all debt clients are not vulnerable, so an adviser has to prove some extra vulnerability on top to be able to speak to the customer services team.

It would be a lot simpler, in our view, to require a separate dedicated contact route for third-party contacts. We still see the possibility of a third-party agency being put on hold for a significant amount of time, as can be the case now, before they are prioritised once they get through.

It should be possible to agree a simple process to ensure that suppliers accept a single authority to act so that advice agencies can speak on behalf of their clients. There should be no restrictions on the range of charities and advice agencies that suppliers will deal with. We would not want to see any repeat of the recent issues where certain suppliers refused to deal with a range of advice agencies and would only deal with a specific agency. This approach would be very restrictive and make it impossible for vulnerable people to get advice from their chosen agency.

We remain concerned that the proposals in licence condition **31G.3A** talk only about how to contact the supplier in different situations. There is no stated requirement on the supplier to respond to the query and deal with it so that it is resolved. Being “*available to receive enquiries and offer assistance, guidance, or advice*” does not sufficiently emphasise the importance of resolving the enquiry in our view. It is not just a matter of prioritising enquiries from third parties but ensuring that the query is dealt with and recorded and followed up if required. This should be in the licence condition.

We very much agree that suppliers should not receive additional funding via an increase in the price cap to provide basic levels of customer service.

We understand it is Ofgem’s view that licence conditions already cover customers experiencing extended waiting periods to get through to their supplier. We note that the consultation paper states at point **3.107**:

“Based on previous industry performance we currently consider that best practice is to answer the phone on average in 3 minutes or less.”

However, best practice is not the same as a licence condition requiring a response within three minutes. We note that the paper goes on to say:

“3.111 We would expect a supplier to be able to justify and explain its level of performance if it took, significantly or consistently, longer than 5 minutes on average to answer phone calls.”

If that is the case, then we can only urge Ofgem to implement a robust and comprehensive supervision system to ensure suppliers are complying and to consider a reduction to the three-minute best practice response. In our view, if all customers whether vulnerable or not were provided with a response within three minutes, then much of the complicated extra conditions to require suppliers put in place special measures to deal with vulnerable customers and third parties would become less vital.

We would note that there should be a requirement on suppliers to assist with the provision of language support services for people who need interpretation services. This should be emphasised as a requirement in the range of contact methods a supplier should provide to support customers in vulnerable circumstances. Otherwise, the costs will fall upon charities and advice agencies who are providing support to their clients.

Question 2: Do you have any comments or views on our proposed contact ease guidance document? We would welcome evidence of ways in which suppliers are already delivering best practice.

We welcome the proposed contact ease guidance document although it has a particularly unhelpful title. We would like to see the title “**Guidance on Expectations of Supplier Contact Ease**” made into simpler, more accessible language.

We still think it would be simpler for suppliers to provide a freephone contact for everyone rather than to try and categorise people in advance of contacting them or during the call. This could cause unnecessary complexity and mean that perfectly valid enquiries are not dealt with or resolved.

We note that the guidance at point **1.69** sets out expectations for third party contacts. However, in the absence of a requirement for a dedicated line for third party contacts, such as debt advisers, we struggle to see how suppliers will put in place processes to “*identify and prioritise enquiries from representatives contacting them on behalf of Domestic Customers in Vulnerable Situations that require immediate assistance*”.

The guidance does not include any good practice examples of how these processes could be made to work. This may help suppliers to understand how to put the requirements into place in practice.

In addition, we think that the guidance should go much further in stating requirements on suppliers to not just answer queries, but **to deal with and resolve the query**. It is unclear how Ofgem will monitor the number of queries resolved satisfactorily. There need to be good consumer outcomes as a result of the licence changes and the new guidance. Answering 95% of calls in three minutes will not help if calls then drop before the query is resolved, or no notes are made of previous contacts when a consumer rings again, or there is no ownership taken by the supplier to ensure that the query is resolved.

Question 3: Do you have any comment or questions on our proposed licence changes to better support customers struggling with their bills?

27.8A (b) (iv) *Making customers aware of debt advice services when they raise concerns about their ongoing ability to pay, in accordance with Supply Licence Condition 31G.*

We would suggest this licence condition is strengthened to ensure that suppliers include details of free independent debt advice services in all correspondence. Suppliers should be required to place this information in a prominent page on each website. The current licence condition leaves it open to only mention debt advice once a consumer raises their concerns about their ability to pay.

We also think this licence condition should be amended to require suppliers to only reference “free” debt advice services. Ideally, there should be a prescribed format with set wording for suppliers to use in the licence or guidance, so that at very least they refer to the Money and Pensions debt advice finder tool. An example that could be examined is the FCA information sheets which authorised lenders are required to send out using prescribed wording and format to borrowers in arrears.¹

27.8A (d) (iv) *Pausing scheduled repayments for an appropriate period of time as part of the customer’s repayment plan and reviewing a customer’s ability to pay at regular intervals before re-instating scheduled repayments as part of the customer’s repayment plan.*

We are very pleased to see that Ofgem has removed references to minimum payments in its revised wording for licence condition **27.8A (d) (iv)**. As we said before, we agree that removing the minimum payment level is both stronger and clearer. It is also less open to suppliers putting pressure on people to pay unaffordable amounts or to revert to making a minimum payment set at an arbitrary level.

Having looked at this clause, we think it is too open for suppliers to make poor decisions particularly around the pausing repayments for an “appropriate” period of time. Unless this is defined, we fear that supplier interpretation of an appropriate length of time will be more in line with business requirements rather than the needs of the consumer. This clause needs to be strengthened. We do not see why a supplier should be able to reinstate the previously scheduled repayments unless these remain affordable. They should be required to reinstate affordable repayments that are agreed with the consumer to be affordable at that point.

A minimum repayment should only apply where there has been no contact or interaction so there is no idea of circumstances. If the supplier has had sufficient contact to know that someone is struggling to pay, then they should know not to reinstate an arbitrary minimum payment.

Question 4: Do you have any comments or questions on our proposed licence changes to require suppliers to publish information on their customer service performance, as measured by Citizens Advice?

We welcome these proposals. We would only caution that a requirement for suppliers to display the Citizens Advice star ratings “at a prominent location” is too vague. We would expect a requirement to display the customer service performance ratings on the home page of the website and for the licence condition to be more prescriptive as to the form this information should take so that it is not hidden away in the small print and is presented in a prescribed format using simple language.

We would have liked to see this requirement to be displayed prominently on customer bills online and on paper as well as many consumers who are potentially more vulnerable may be digitally excluded. The information could be very simply presented, to avoid complicating bills and communications still further, but a star rating is not too complicated to present simply.

¹ <https://www.fca.org.uk/firms/information-sheets-consumer-credit>

We would expect Ofgem to carry out robust supervision to ensure suppliers are not able to “game” these ratings in any way, by presenting the length of time to answer a call as less than it is, e.g. calls disconnect on answer, or by enquiries appearing to have been dealt with when they have not.

Question 5: Could you provide any further, detailed evidence on the potential costs and benefits of our revised proposals?

We are unable to provide any further evidence on potential costs and benefits at this point.

Question 6: Could you provide detailed evidence or information on the proposed timescales for implementation of our revised proposals

We would urge Ofgem to implement these proposals as soon as practicable. It is imperative that the measures are in place before this Winter, to mitigate the impact of consistently high bills on vulnerable customers who are struggling to pay.

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