



Joint Autumn Statement submission from seventeen organisations

Proposal for a ‘Help to Repay’ scheme on domestic energy arrears

Summary

This submission sets out a proposal for a temporary, government-funded ‘Help to Repay’ scheme. This would offer support to eligible people struggling to afford to repay energy arrears incurred during this period of high prices, via repayment matching and debt relief.

By focusing on bringing arrears down, the scheme would provide highly targeted support to financially vulnerable households in a way that contributes to reduced inflation (through reduced bad debt allowance in the price cap).

Similar schemes in the water industry have shown high levels of success: 90% of customers who completed [Wessex Water’s Restart scheme](#) (debt repayment matching) have gone on to maintain up to date payments of their regular water usage.¹

The scheme would be in line with public attitudes on how energy arrears should be dealt with: **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.**²

Why is a Help to Repay scheme needed?

Government support on energy bills – including through the Energy Bills Support Scheme and Energy Price Guarantee – has been very welcome. However, even with this support, bills in Winter 2022/23 were around double the level of the previous year. Unfortunately, this has meant a significant number of people have faced difficulty paying and have fallen into arrears on their energy bills.

¹ Money and Pensions Service, [Working collaboratively with debt advice agencies: A strategic toolkit for creditors.](#)

² 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. See Money Advice Trust, [Under Pressure: Tracking the impact of the high cost of living on UK households](#) for more information.

As of Q1 2023, total domestic energy arrears stand at £2.25 billion – an increase of £460 million since the end of 2021.³

The average amount of debt among customers without an arrangement to repay has risen sharply in recent months – up by £346 for electricity and £246 for gas in the past year. This reflects the challenges some households are facing, where their arrears are growing and they have little to no money to put towards repaying these.

Government and Ofgem have rightly acted to better protect vulnerable households from poor debt collection practices, including restrictions on the use of prepayment meters. This is very welcome.

However, it also means we need a new and effective solution to help vulnerable people, including those who might otherwise have been put on a prepayment meter, to get out of debt safely. This will help avoid further debt building up in the market, and ensure we do not see increased use of other harsh and expensive collection methods by suppliers. A government-funded Help to Repay scheme would achieve this.

How would a Help to Repay scheme work?

A dedicated 'Help to Repay' scheme would offer support to eligible people struggling to afford to repay arrears.

- The government-funded scheme would offer access to two different forms of support, depending on the level of need of the individual:
 - o Debt relief in the form of writing off eligible energy arrears.
 - o Repayment matching – for example, by matching each pound repaid with an equivalent amount of debt relief, or providing debt relief on remaining arrears after a certain period of ongoing payments.
- To ensure the scheme is targeted and efficient to administer, standardised eligibility criteria would be used as a proxy for people who are likely to struggle to repay arrears. For example household income level, receipt of means-tested or disability benefits or eligibility for existing support, such as the Warm Home Discount. This also creates the option to use data matching to automatically identify eligible customers.

Average debt level where there is no arrangement to repay the debt (arrears)



Information correct as of: June 2023

Source: Ofgem data

³ Ofgem, [Debt and Arrears Indicators](#).

- There could also be an additional, discretionary route for people who can show they would struggle to repay arrears in a reasonable timeframe, but who do not fit into the standard eligibility criteria.⁴
- There are different options for the administration of the scheme. For example:
 - o Individual suppliers could administer the scheme for their own customers based on the eligibility criteria and scheme guidance, with costs claimed back from government.
 - o The scheme could be centrally administered – either by government itself or by commissioning an existing, experienced energy sector grants administrator.⁵ Applications and administration would be dealt with centrally and then communicated to suppliers to implement debt relief or repayment matching to the individual customer’s account.
- It is envisaged that the scheme would sit alongside existing supplier-specific support, for example through trust funds. 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.

What would the benefits be?

1. Strong public support

- Nationally representative polling of 2,000 UK adults found that **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.**⁶
- Recent consumer research conducted by Ofgem highlighted support for writing off energy debt, funded by taxation rather than higher consumer bills – with this being **spontaneously raised by consumers in focus groups.**
- *“While consumer support for protecting vulnerable customers from being moved on to PPMs without their consent is strong, many instinctively opposed paying for this through higher bills themselves. Many focus group participants said that energy suppliers should cover the costs, either by writing off debt or by some form of taxation / industry scheme... Some participants also said they would be willing to see an increase in their taxes to pay for these as preventative measures.”⁷*

⁴ We propose this would be based on an individual’s income and expenditure, as calculated using the Standard Financial Statement - an agreed, objective tool for assessing affordability, run by the Money and Pensions Service and used by FCA-authorized debt advice providers and the Insolvency Service. Where this showed that people would struggle to afford to repay energy arrears, or to do so in a reasonable timeframe, they would become eligible for support from the scheme.

⁵ Examples of grant-administration organisations already operating in the energy sector include [Charis](#) and [Auriga Services](#).

⁶ 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. See Money Advice Trust, [Under Pressure: Tracking the impact of the high cost of living on UK households](#) for more information.

⁷ Ofgem - [Consumer attitudes to involuntary prepayment meter installation rule changes](#), April 2023

2. Contributes to two of the Prime Minister's key pledges to:

a. Halve inflation this year

- The scheme would be highly effective in bringing down energy debt levels. This would reduce energy bills, through a lesser bad debt allowance in the energy price cap and a more stable energy market. In doing so, the scheme would contribute to the Government's priority to reduce inflation.
- Crucially, the scheme provides highly targeted support to financially vulnerable households, in a way that is not inflationary (due to its specific focus on energy arrears).

b. Reduce NHS waiting lists

- Research shows that financial difficulty significantly reduces recovery rates for common mental health conditions. Analysis by the Money and Mental Health Policy Institute, based on NHS Talking Therapies outcomes, found that people who have depression and financial difficulties are **4.2 times more likely** to be still experiencing depression 18 months later, compared to those who have depression but no financial issues.⁸
- Supporting people to reduce their debts could therefore have a direct effect on recovery rates for mental health conditions. This would reduce demand on NHS Talking Therapies and other mental health services and create savings which could be redirected into reducing waiting times in other areas of the health service, too.

3. Beneficial for suppliers and customers – promoting ongoing payment of bills

- Provides suppliers with a route to recover energy arrears, to balance against additional restrictions (rightly) put in place on the use of prepayment meters.
- Crucially, restores positive link between customers and suppliers, prompting improved engagement. Similar schemes in the water industry have shown high levels of success: **90% of customers** who completed [Wessex Water's Restart scheme](#) (debt repayment matching) **have gone on to maintain up to date payments of their regular water usage.**⁹
- Provides a safe route out of debt for financially vulnerable customers, significantly reducing the risk of them being pushed into further hardship through inappropriate or unaffordable debt collection. Wider benefits for economy and public purse through reduced mental and physical health impacts of debt and reduced incidence of falling behind on other bills, such as rent and council tax.
- Beneficial for customers more widely through reduced bills (due to reduced bad debt allowance).

⁸ Money and Mental Health Policy Institute, [Breaking the cycle](#), July 2023

⁹ Money and Pensions Service, [Working collaboratively with debt advice agencies: A strategic toolkit for creditors.](#)

4. Backed by Parliamentarians

- The development of a scheme that would accelerate the repayment of energy debt through payment matching was recommended by the-then Business, Energy and Industrial Strategy Committee as part of their inquiry into Energy pricing and the future of the energy market¹⁰, and would attract widespread, cross-party support.

What would it cost?

- The scheme would be temporary, and a set budget could be allocated from the start.
- To establish the budget allocation, Government should work with Ofgem, suppliers and charities to establish the amount needed based on the best available data – including the recent Requests for Information (RFIs) Ofgem issued to suppliers on debt-related costs.¹¹
- Not all energy debt currently on suppliers' books will be held by people struggling to repay, and therefore eligible for the scheme. For the repayment matching element of the scheme, only part of the debt cost would need to be met.

For more information, or to discuss this proposal further, please contact:

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¹⁰ Business, Energy and Industrial Strategy Committee, [Energy pricing and the future of the energy market: Final report](#), July 2022 – Paragraph 193

¹¹ Ofgem [Call for Input on allowance for debt-related costs](#)