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Consultation Response:

Ofgem Affordability and debt-call for input

Response by the Money Advice Trust

Date: May 2024

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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 2023, our National Debtline and Business Debtline advisers provided help to 127,390 people by phone, webchat and our digital advice tool with 2.38 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 2023 we delivered this free training to 800 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 contribute to the Ofgem Affordability and debt call for input. We would highlight the following points from our response.

- ✓ The significant rise in energy debt in recent years is clearly unsustainable and reflects the severity of the affordability challenge for some households.
- ✓ At National Debtline, the proportion of clients with energy debt has soared from **18% of calls in 2018 to 30% of calls in 2023**, peaking at 38% in 2022.
- ✓ More than one in five (21%) Business Debtline clients have energy arrears – up from 16% six years ago.
- ✓ At National Debtline, the average arrears amount for energy have **risen by 34% between 2019 to 2024** (from £1,150 to £1,541).¹ Among Business Debtline clients, the average arrears amount for energy has **more than doubled** since 2019 (from £852 to £1,738).²
- ✓ Ofgem and government must work together to a) bring down the high levels of debt currently seen in the market and b) put in place longer-term affordability measures to ensure people can afford the energy they need.
- ✓ To bring down debt, we would like to see the introduction of a **Help to Repay scheme** to offer debt relief and repayment matching for people unable to afford to repay their energy arrears in a reasonable period of time (see question 3). This would bring significant benefits for both people in debt, wider consumers and suppliers and could be part-funded through the additional bad debt allowance that Ofgem has temporarily added to bills.
- ✓ We welcome the work Ofgem has undertaken over the last year to improve debt collection practices by energy suppliers, including the introduction of the Consumer Standards and involuntary PPM rules. We hope this will help drive a shift in culture within suppliers and the industry more generally towards better identifying and supporting people in financial difficulty. However, this will only be achieved if **Ofgem takes a robust approach to supervision and enforcement to ensure that the rules they have put in place are being followed** (see question 6).
- ✓ While there are several examples of good practice, we unfortunately still see issues with some suppliers' customer service and debt management processes (see question 6). This includes issues around: **poor billing practices, communications, accepting affordable offers of payment, liaising with third parties, use of High Court Enforcement Officers and processes around debt sale or use of debt collection agencies.**

¹ 2024 National Debtline client survey

² 2024 Business Debtline client survey

- ✓ Ofgem need to be **prepared to take further action, including strengthening their rules**, to tackle poor practice and ensure all suppliers uphold high levels of standards in their interactions with customers in financial difficulty and/or vulnerable circumstances. Further detail on the actions we'd like to see are set out in question 6.
- ✓ To tackle the wider affordability challenge, **a social tariff** is urgently needed. Ofgem should work with government to introduce a discounted, targeted tariff to ensure people are able to afford their energy bills and live in warm homes (question 2).
- ✓ We also need to see greater investment in energy efficiency measures, as well as action by Ofgem and government **to ensure the way in which costs are spread (particularly future policy costs, as well as the costs of failed suppliers) is fair** and does not disadvantage low-income customers or those with high energy usage due to health conditions or disabilities (question 3).

Responses to individual questions

Energy affordability and impacts on consumers

Question 1: What are the key drivers of energy affordability challenges and how do we expect those to change in the future?

We would all agree that consumers have faced significant increases in their energy bills in recent years through the impact of international events and global economic factors. This is despite the protections put in place by the government interventions by way of the Energy Price Guarantee and the Energy bill Support Scheme.

Although the price cap has now fallen in April 2024, it is still 28% higher than before the crisis, as pointed out in the paper. This means that the crisis is very much not over, for people on low incomes who find it difficult to afford their household bills.

Debt can be both a symptom and a cause of affordability issues – although we would agree with the assertion in the paper that it is more often a symptom of affordability challenges, and this is certainly what we have seen in recent years.

The significant rise in energy debt in recent years is clearly unsustainable. This reflects the severity of the energy affordability challenge with the total debt rising to over £3 billion and around 2.2 million households in debt and arrears by the end of 2023 according to Ofgem figures.³ Many households are simply unable to afford the ongoing consumption they need, let alone pay anything towards their debt.

We have seen this trend among people we help through our debt advice services. At National Debtline, the proportion of clients with energy debt has soared from 18% of calls in 2018 to 30% of calls in 2023, peaking at 38% in 2022. Despite the drop in 2023, we are seeing higher levels again at the start of 2024 - with 35% of clients reporting energy arrears in March.

Although the rise in energy arrears has not been as significant among Business Debtline clients, we have still seen an increase. More than one in five (21%) Business Debtline clients have energy arrears – up from 16% six years ago. As with National Debtline, we are seeing a small increase so far this year, with 23% of Business Debtline clients in March having energy arrears.

³ Ofgem (2023) [Debt and Arrears Indicators](#)

Proportion of clients with energy arrears, by year

% of clients with energy arrears	2018	2019	2020	2021	2022	2023
National Debtline	18%	24%	30%	34%	38%	30%
Business Debtline	16%	17%	19%	21%	22%	21%

We note that the rise in total energy debt across the whole energy sector has been particularly driven by a rise in arrears where the individual customer has no arrangement to repay. Our analysis of Ofgem debt figures shows that the amount of energy debt (where there is an arrangement to pay) has grown by 16% in the previous year (Q4 2022 – Q4 2023). In contrast, the level of arrears (where there is no arrangement to pay) has grown by 72%. Going back over two years (Q4 2021 – Q4 2023), the change is even more significant, with arrears more than doubling (103% increase) compared to a 25% increase in ‘debt’.

		Debt levels (where there is an arrangement to repay)	Arrears levels (where there is no arrangement to repay)
Q4 2022 – Q4 2023	Change (£bn)	0.118	0.946
	Change (%)	16%	72%
Q4 2021 – Q4 2023	Change (£bn)	0.168	1.142
	Change (%)	25%	103%

The average amount owed by customers in this situation has also risen sharply. Over the past year, the average amount of energy arrears (where there is no arrangement to repay) has risen by 27% for electricity and 48% for gas. Over the previous two years, the rise is even higher (44% for electricity and 60% for gas).

Increase in average amount of energy arrears (where there is no arrangement to repay)		
<i>Source: Money Advice Trust analysis of Ofgem figures</i>		
	Electricity	Gas
Increase in amount owed (Q4 2022 – Q4 2023)	+£275	+£356
% change (Q4 2022 – Q4 2023)	27%	48%
Increase in amount owed (Q4 2021 – Q4 2023)	+£398	+£413
% change (Q4 2021 – Q4 2023)	44%	60%

This suggests that high debt levels are particularly being driven by poor affordability. We are seeing situations where a household cannot afford their ongoing consumption so falls behind. Not only do they have little to no money to put towards repaying these, their arrears often grow further month on month as the underlying affordability challenge remains. It could also point to issues with supplier practice on affordable repayment plans, and accepting affordable payment offers (explored further in question 6). Nationally representative, UK-wide research we conducted in October 2023 found that one in four people in energy debt (24%) could not currently afford to repay their arrears.⁴

The same research also highlighted the drastic steps some households were having to take to keep up with energy bills.

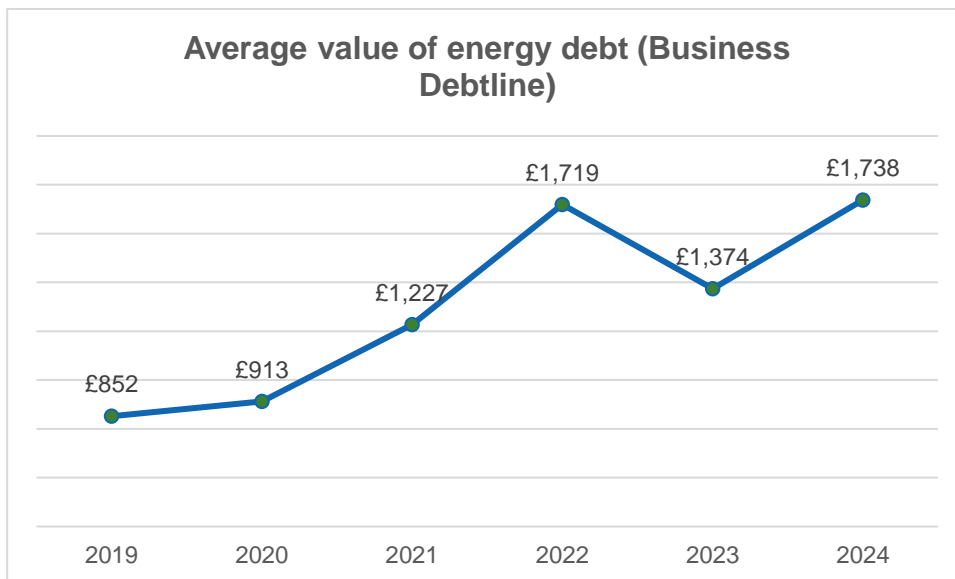
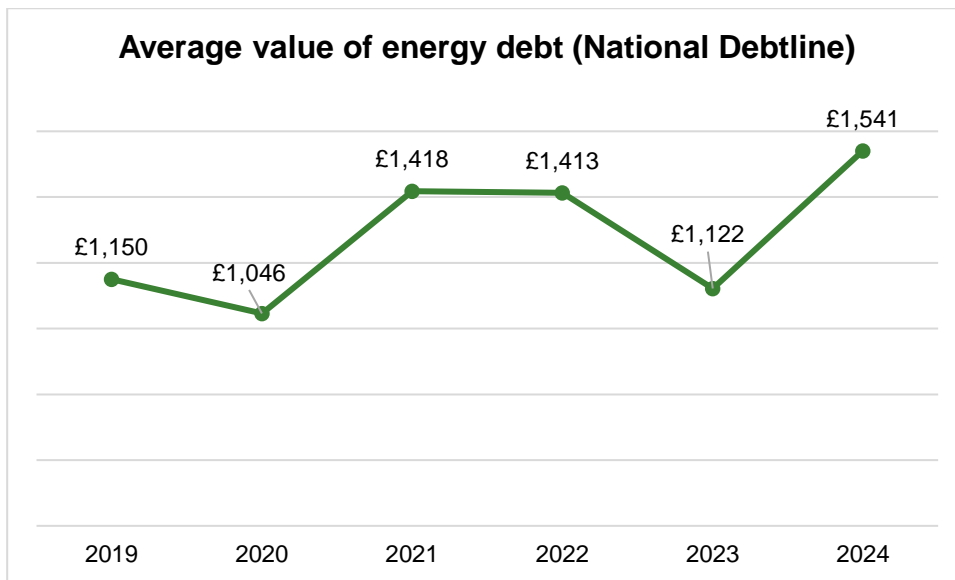
- ✓ More than one in five UK adults (22%) say they have cut back on food and other essentials in order to keep up with energy bills (an estimated 11.6 million people).
- ✓ One in ten (9%) – equivalent to 4.7 million people- have sold personal possessions, while 7% have used their overdraft and 4% of UK adults turned to high-cost credit in an effort to stay on top of high energy costs.
- ✓ Two thirds (66%) of UK adults said they would reduce how much they use the heating during the winter.

The trend of increasing amounts owed on energy debt is something we are seeing in our services. At National Debtline, the average arrears amount for energy have risen by 34% between 2019 to 2024 (from £1,150 to £1,541).⁵ Among Business Debtline clients, the average arrears amount for energy has more than doubled since 2019 (from £852 to £1,738).⁶

⁴ Nationally representative research of 2,000 UK adults commissioned by National Debtline (run by the Money Advice Trust) and undertaken by Opinium. Fieldwork conducted 17-20 October 2023 - for more information, visit www.moneyadvicetrust.org/help-to-repay/

⁵ 2024 National Debtline client survey

⁶ 2024 Business Debtline client survey



In our view, there are multiple drivers of energy affordability, but these can broadly be categorised as relating to income levels, the cost of energy, and the level of usage required by the household (which itself can be impacted by multiple factors such as energy efficiency levels, health conditions etc). The combination of high prices across essential goods and services, including energy, has led to a situation where many people simply do not have enough money coming in. More than two in five (43%) National Debtline clients and half (51%) of Business Debtline clients have a deficit budget – meaning their income is not enough to cover their essential costs.

The most common reason for financial difficulty among National Debtline clients is that their income is too low for their basic needs (16% of clients). For one in ten (9%), the cause of their debt was an increase in their outgoings – a four-fold rise since 2021, when this was the cause of financial difficulty for just 2% of clients. It is also worth highlighting that the majority of National Debtline clients are in work (37% in full-time employment and 21% in part-time employment), highlighting the sheer scale of the challenge many people face just to keep up with the essentials.

For our clients, energy affordability is therefore closely tied to income levels, which themselves are impacted by factors such as whether household incomes rise, through wage rises, and through substantial reforms to the social security system, in particular increasing benefit levels.

In terms of cost, people on lower incomes, or with stretched budgets (such as the people we support) are much more exposed to price fluctuation – when energy costs rise, they have less resilience to cope with this – and costs can therefore be a key driver of energy affordability. We expect the factors impacting on costs to remain similar in the future to now: impacted by the international context, environmental and ecological factors, global economic factors, as well as domestic policy decisions – for example, decisions over where social, environmental and policy costs sit, and the level of intervention that government and Ofgem are prepared to take within the domestic energy market. It is worth noting that, typically, we would see the regulators' role as ensuring that consumers pay a *fair* price for their energy, and that it is the wider role of government and public policy to ensure that all households can *afford* this price (or if they cannot, that it is reduced to an affordable price for them).

However, given the scale of the current challenge, the unsustainability of the current energy debt situation and where we are in the political cycle, we think it is reasonable for Ofgem to take a more proactive and robust approach here, working with government. We have set out some widely considered suggestions for affordability measures in our response to question 2.

On costs, we would also highlight that our clients are also affected by increases in household bills in addition to energy, with rent costs and mortgage interest rates being of particular concern here. Difficulty affording other bills can impact on energy affordability – for example, an individual may prioritise their rent or housing payments, while falling behind on other bills. If inflation were to rise again, and interest rates increase, then such factors will severely impact affordability further for our clients.

In addition, it is of course vital to note that the level of energy needed by a household and the resulting costs will be impacted by different factors. These will include extra heating needed for many health conditions and disabilities, as well as the age of people in the household and whether there are young children in the home.

Finally, as a debt charity, we are not experts in energy efficiency. However, it is clear to us that this remains a key driver of energy affordability levels. If action is not taken to tackle the poor state of insulation and to accelerate the introduction of energy efficiency measures in the UK, then there will continue to be higher bills due to poor insulation of homes, and problems such as damp and disrepair.

Question 2: What options should be explored to tackle energy affordability?

The price cap was intended to ensure customers paid a fair price for their energy bills, and that customers on a Standard Variable Tariff were not charged excessively high prices. While it is important, and right, to debate the calculation and level of the price cap to ensure it reflects the accurate and fair cost of energy, ensuring that people can *afford* this cost is clearly another issue, and one which requires alternative intervention. The price cap itself is not a suitable mechanism for ensuring consumers can afford their energy bills, nor for protecting consumers from high energy prices. It is challenging to put forward one single solution to the issue of energy affordability, as multiple interventions may be required (reflecting the multiple drivers discussed above). Here we set out a number of options that we think would help improve energy affordability across the UK.

A social tariff

We would support Ofgem working to develop, alongside government, a targeted support mechanism in the form of a social tariff for the energy market. This should consist of a discounted, targeted tariff aimed at those in greatest need to ensure they are able to pay their energy bills and live in warm homes. We are very supportive of the Fair by Design and National Energy Action proposals⁷ for how a social tariff could work and believe such a tariff could form a vital tool in protecting low-income consumers and those with extra energy costs such as people with disabilities.

An energy social tariff would have significant benefits. Analysis by Age UK found that, if a social tariff had been implemented ahead of Winter 2023/24, 2.2 million households would no longer be in fuel poverty— a reduction of around 65%.⁸ The benefits of a social tariff not just for the households that receive this but for wider society, too. The money saved by households would likely find its way into local economic growth. By ensuring people can heat their homes properly, it would reduce cold-related illnesses, reducing the pressure on the NHS (including waiting lists).

As Ofgem will be aware, there is widespread support for a social tariff (see for example, Citizens Advice and the Social Market Foundation report “Fairer, warmer, cheaper”⁹ and Age UK’s work leading a coalition of charities in support of such a scheme.¹⁰

We acknowledge that a social tariff is referenced in the consumer price protection objective and welcome the Ofgem intention “*to work closely with Government to develop options for price protection that continues to protect those who need it*”. However, we would like to see a stronger objective for Ofgem to proactively develop models demonstrating how a social tariff could work in practice to push forward the debate, as the Government has not yet consulted on an energy social tariff as promised.

⁷ Fair by Design and NEA, (2022) [Solving the cost of living crisis](#)

⁸ Age UK (2024) [Social Tariff Analysis](#)

⁹ The Social Market Foundation (2023) [Fairer, warmer, cheaper](#)

¹⁰ Age UK and Coalition of charities (2024) [Energy social tariff would have lifted 2.2 million households out of fuel poverty this winter](#)

Age UK (2023) [Keeping the lights on: The case for an energy social tariff](#)

Age UK (2024) [Cold at home: how winter cost of living pressures continue to impact older people](#)

We would suggest that Ofgem should be putting aside an area of its forward work programme to urgently investigate alternatives to the price cap which clearly does not deliver effective consumer price protection in the current energy landscape.

Warm Home Discount Scheme

The Warm Home Discount Scheme is currently the main route for providing support to households that the government deems to be at greatest risk of fuel poverty / energy affordability issues. The help it provides can be a vital lifeline to some households. However, there are a number of issues with its current design that make it inadequate as the sole form of energy affordability support and, in our view, it is in need of further reform. In particular, these issues need to be resolved.

- ✓ Changes to the scheme have simplified some elements of the scheme, but have meant that substantial numbers of people who used to be eligible have missed out (particularly those on disability benefits). For example, Scope, in their Cost-of-Living report,¹¹ found:

“Recent changes to the Warm Home Discount (WHD) and Energy Companies Obligation (ECO) schemes have meant around 300,000 disabled people receiving DLA, PIP or AA are no longer eligible for the schemes.”

- ✓ Some households have missed out despite being eligible for the scheme where their living circumstances are not standard (e.g. a park home).
- ✓ The rebate has only been raised by £10 in the last ten years and is not adequate to compensate for the recent huge rise in energy bills.
- ✓ The eligibility rules exclude low-income households who do not qualify for the relevant benefits or who do not have the correct high energy cost score. It is difficult to assess the number of people who this might affect, but there have been many reports of people who previously qualified now missing out as a result of how the high-cost energy score is calculated.¹²

While recognising that Ofgem has limited power over the design of the scheme, in the short-term, Ofgem could look to work with suppliers to both increase the level of support provided (above the support set out in the statutory scheme), as well as developing and distributing support to those who are no longer eligible for the scheme but are still in need.

Over the longer-term, we would like to see further reform of the scheme. It is possible that eligibility for the scheme could be expanded and used as a basis for eligibility for a social tariff. In our view, given the scale of the affordability challenge, the Warm Home Discount is insufficient on its own as a mechanism to support people unable to afford their energy bills.

¹¹ Scope (2022) [Cost of living: the impact for disabled people](#)

¹² MSE news (2023) [Warm Home Discount complaints](#)

Energy efficiency

Energy efficiency measures are vital. As we have said, if action is not taken to tackle the poor state of insulation and the lack of an urgent programme of energy efficiency measures in the UK, then there will continue to be higher bills due to poor insulation of homes, and problems such as damp and disrepair. This needs substantial government and energy sector investment to make this happen. Otherwise, the costs will continue to fall upon individuals through increases in their standing charges to pay for energy efficiency improvements and ongoing high heating bills from poorly insulated homes.

Network cost increases

We cannot comment on how best to deal with the expected increase in network costs for upgrades to infrastructure to develop a cleaner energy system. However, these costs should not fall upon those who can least afford to pay them and may require government intervention to ensure these are affordable.

PPM premium

We are pleased to see Ofgem and government action to remove the PPM premium on standing charges. This helps to address a longstanding inequality of treatment for households with PPMs, who are likely to be the most vulnerable and on low incomes. However, the temporary government support for this measure has been withdrawn and this will now be funded through the price cap by increasing the costs for direct debit customers and standard bill paying customers instead.

Impacts of affordability and debt on the market

Question 3: What factors should be considered when redistributing costs?

We note that the consultation paper sets out the limitations of the price cap as it currently operates.

“2.9 While the cap remains one of the tools that Ofgem can use to tackle cost allocation challenges, as demonstrated by the examples above, there is a limit to which costs can be moved around the system without impacting other customers. The price cap was not designed to address affordability concerns, but rather to address issues of a fair price for default customers. The price cap reflects the underlying costs of supplying energy to consumers but cannot subsidise the cost of energy.”

We share the recognition that the price cap has the effect of moving the costs around the system and adding some costs to groups of customers when relieving the costs of other groups of customers.

In terms of redistributing costs, we have set out below some of the factors that, in our view, need to be considered.

Additional debt related costs allowance

Recent policy changes have made prepayment the cheapest payment method as the prepayment premium has been distributed to direct debit and standard credit customers.

Ofgem has made an allowance in the price cap for energy suppliers to recover reasonable costs of collecting debt. This allowance is set at £28 for an average dual fuel bill payer from April 2024.¹³

As we understand it, such an extra allowance will benefit suppliers in allowing them to charge more to offset against their costs for recovering debt, but no individual consumer will have their debt written off, remitted or payment matched. With energy debt hitting a record level, interventions should be focused on bringing this down, and ensuring specific, targeted support for people in debt.

This allowance does not translate into a requirement for suppliers to *actually write off or remit* any customer's individual debt. The allowance for debt related costs appears to be used by suppliers in part as an accountancy exercise to remove the costs from their books and relate to the costs of servicing the debt. It does not prevent the supplier from taking action to recover the individual debt from their customer.

We are not convinced by the argument that an increase in the bad debt allowance in the price cap will ensure suppliers will offer support to their individual customers in debt. This might be Ofgem's partial intention behind the bad debt allowance, but there is no requirement on suppliers to actually do so. There are some examples of good practice from individual suppliers, but this is not compulsory.

We believe that there should be compulsory requirements on all suppliers to provide a defined level of support for their customers struggling with energy arrears and these should be required by Ofgem.

Help to Repay scheme

Our preferred approach would be that suppliers use part of the allowance for bad debt towards the introduction of a "Help to Repay" scheme, with assistance from the government, to write off debt or enter into payment matching schemes.¹⁴

The government-funded scheme would offer two tiers of support, depending on the level of need of the individual.

- ✓ 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.
- ✓ Debt relief in the form of writing off eligible energy arrears in full.

¹³ [Ofgem \(2024\) Additional debt related costs review decision](#)

¹⁴ Money Advice Trust (2022) [Help to repay proposal](#)

There are many benefits of the Help to Repay scheme.

Strong public support

Our 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.**¹⁵

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.”*¹⁶

Helps bring down energy bills, providing benefits to consumers, suppliers and the wider economy

By bringing down energy debt levels, it would lower the bad debt allowance in the energy price cap and contribute to the stability of the energy market. Additionally, it would provide suppliers with a route to recover energy arrears, to balance against additional restrictions (rightly) put in place on the use of prepayment meters.

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).

Promotes ongoing payment of bills

The scheme would restore a positive link between customers and suppliers, following the prepayment meter scandal, and prompt improved engagement. Similar schemes in the water industry have shown high levels of success: **90% of customers** who completed Wessex Water’s Restart scheme¹⁷ (debt repayment matching) **have gone on to maintain up to date payments of their regular water usage.**¹⁸ 87% of customers supported through a specific EDF debt write-off scheme last year have **remained debt free.**¹⁹

¹⁵ Research of 2,000 UK adults, weighted to be nationally representative, conducted by Opinium on behalf of National Debtline 25th – 28th April 2023. See: [Under Pressure: Tracking the impact of the high cost of living on UK households](#) for more information.

¹⁶ Ofgem - [Consumer attitudes to involuntary prepayment meter installation rule changes](#), April 2023

¹⁷ Wessex Water [Restart scheme](#)

¹⁸ Money and Pensions Service, [Working collaboratively with debt advice agencies: A strategic toolkit for creditors.](#)

¹⁹ See: [Energy UK, Additional Support for customers](#)

Tackles impact of problem debt on mental and physical health, reducing 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.²⁰

Supporting people to reduce their debts (of which energy debts are a key component) 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.

Standing charges

We note that Ofgem acknowledged the scale of the problem in its call for input on standing charges.

“Standing charges for domestic electricity customers have increased significantly since 2021. For a customer who pays for their electricity bills by direct debit, they have more than doubled from £86 per annum to £186 per annum on average between 2021 and 2023. The reason for this increase in electricity standard charges is that suppliers are now having to pay more fixed costs and are passing them on to customers in the form of standing charges rather than a unit cost basis.”

Over the years both government and Ofgem have made policy decisions that have loaded a variety of costs on to the standing charge, in particular increased network charges and the costs of failed suppliers.

This series of decisions has had a disproportionate impact on the most vulnerable energy users, and consumers on prepayment meters in particular. We would urge Ofgem to work with government to consider how future policy costs should be allocated across bills.

We would suggest that Ofgem needs to consider each element of the standing charge including policy costs, operating costs and network and transmission costs, to decide whether it would be more appropriate for these costs to be moved to unit charges, or whether some elements such as legacy supplier costs should be removed altogether. **It is not reasonable**, in our opinion, to start from the assumption that all costs must be reallocated across consumer bills in some way rather than be down to suppliers to bear from their own resources, or to consider whether certain costs should be borne by government, perhaps through general taxation.

²⁰ Money and Mental Health Policy Institute, [Breaking the cycle](#), July 2023

Ofgem needs to consider the impact of future net-zero policies on changes to energy usage, and the costs of electricity and gas for consumers in the light of its new net zero duty under the Energy Act.²¹ Potential eco-savings need to be factored in, where it is policy for low usage savings to be encouraged or promoted through a change in use patterns. However, the standing charge limits the amount that people can reduce energy generally and could be a disincentive to do so.

Prepayment meters

Whilst the requirement to pay increased standing charges has been felt across all consumers, whatever method of payment is used, only PPM customers have to pay the standing charge before they receive any energy when they top up their meter. This has led, for example, to people being awarded a fuel voucher but finding that a substantial amount of their voucher has not given them a vital supply of energy but has gone on accrued standing charges. People who have self-disconnected or cut down the amount they top up their meter will find that they have accrued months of standing charges when they next top up, again meaning that their payment does not give them as much energy as expected, but just goes towards their standing charges.

We set out a number of policy options to consider that could mitigate the effects of standing charges on prepayment meter customers in our response to the Ofgem standing charges call for input.²²

Vulnerable high user groups

Common groups who may have higher energy use include the following.

- ✓ People who need to keep warm or need electricity due to a health condition, disability, or a terminal illness.
- ✓ Older people who may be more vulnerable to the cold.
- ✓ People who live in rural areas have higher network costs, and there is a regional disparity for Scotland in particular.
- ✓ Electric-only households such as people who live in flats with all electric heating perhaps through electricity storage heaters.
- ✓ People who live in poorly insulated, energy inefficient homes, typically who are more likely to be on a lower income in private rented accommodation.

We would suggest consideration of a cap on standing charges to put a final limit on what a household with unusually high costs due to medical costs and those on lower incomes with high energy needs are expected to pay towards standing charges.

²¹ Ofgem (2023) press release [Ofgem welcomes Energy Act getting Royal Assent](#)

²² Money Advice Trust (2024) [consultation response to Ofgem Standing charges: Call for input](#)

Cost of failed suppliers

We would make the point that it is extremely disappointing that failed suppliers have cost consumers about £83 per household since 2021 according to Ofgem's own figures.²³ We hope that the measures Ofgem have put in place will help to prevent such failures in the future. The burden of costs for supplier failure appears to have primarily fallen upon consumers which has helped to create an extremely challenging cost of living situation for consumers grappling with high bills. We would like to see Ofgem reconsider how the costs are allocated in the event of supplier failure in future.

We have set out how our clients are affected by debt collection activities following a supplier failure in our response to question 6 below.

Question 4: To what extent is debt a factor that puts suppliers off taking on new customers or offering certain types of services and tariffs to them?

We are unable to comment on how suppliers will react to taking on new customers if they are already in arrears with their energy bills. We would expect that suppliers will not want to take on new customers in debt where this might put them at a competitive disadvantage.

As the paper says, suppliers already have different existing customer bases with varying amounts of energy arrears per customer to manage.

Question 5: With reference to the themes and indicators in our Competition Framework, to what extent is the affordability of energy and the build-up of legacy debt affecting competition and innovation (including new entry) in the domestic retail market?

As a debt advice charity, we are unable to respond to this question.

Addressing the affordability and debt challenge

Question 6: What represents best practice in debt management by suppliers?

We welcome the work Ofgem has done over the last year to improve debt management practices by suppliers and to take a more assertive approach to consumer protection issues – for example, through the introduction of the Consumer Standards and the involuntary PPM rules. We hope this will help drive a shift in culture within suppliers and the industry more generally towards better identifying and supporting people in financial difficulty. However, this will only be achieved if Ofgem takes a robust approach to supervision and enforcement to ensure that the rules they have put in place are being followed.

²³ Ofgem (2024) [SoLR Levy Offset consultation paper](#)

However, there is no room for complacency, and we are pleased to see Ofgem exploring what best practice exists, so that Ofgem can consider how to spread this across industry. This should include applying additional rules and standards where needed, while also creating a culture where suppliers compete to adopt additional best practice that goes over and above compliance with the rules. In our experience, it is not sufficient in itself to rely solely on suppliers' good practice initiatives to significant people in energy arrears and/or in vulnerable circumstances face, so Ofgem must be prepared to take further action in rules and licence conditions where needed.

Citizens Advice's recent report on the Debt Protection Gap²⁴ sets out some of the good practice by suppliers that is out there, as well as the voluntary industry commitments. However, as Citizens Advice also highlight, we would caution against relying solely on best practice guidance or voluntary measures to increase standards across the industry.

"However, this isn't enough to protect all consumers and enable Ofgem to respond to emerging risks, which may grow as suppliers seek to recover more debt. Ofgem should close the gaps in protections for the most vulnerable consumers." – Citizens Advice, Debt Protection Gap.

We have previously shared many case studies with Ofgem, setting out how the poor communications, billing mistakes and inflexible recovery methods affect clients at National Debtline and Business Debtline. We are pleased to see that many of the concerns we have raised are reflected in the paper.

Our research shows the difficulties consumers can face in dealing with their energy supplier when they are in energy arrears.

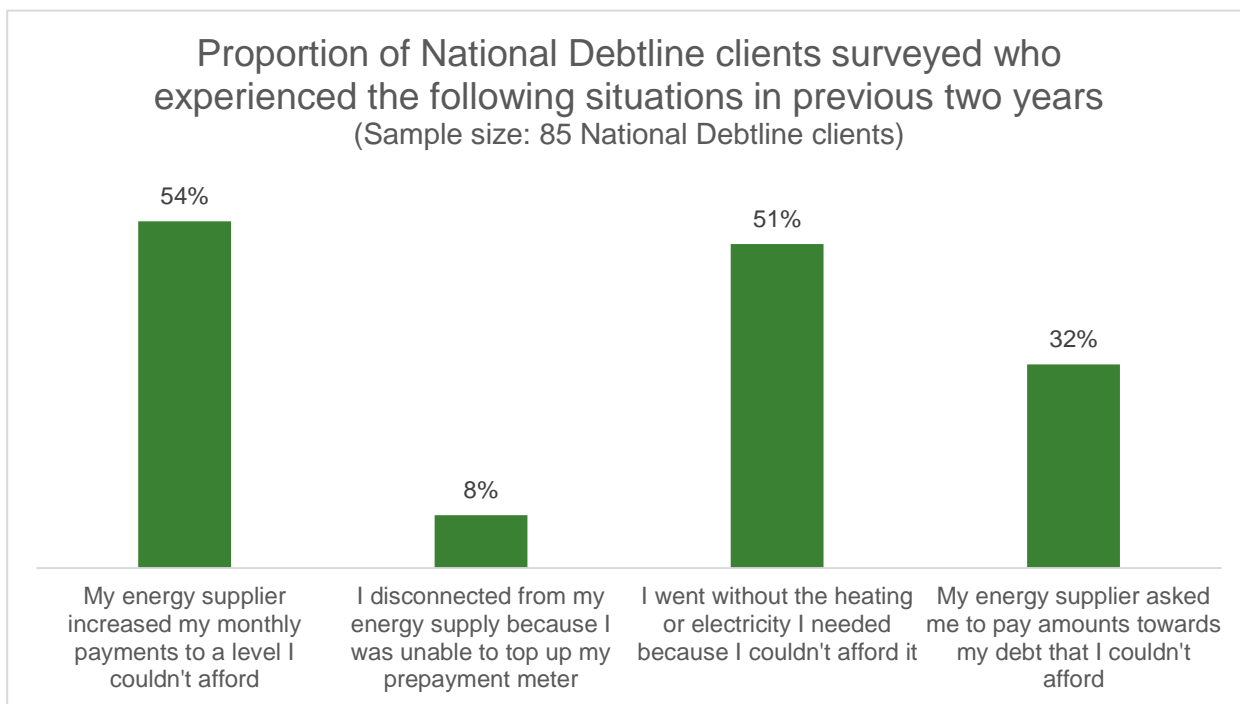
In a small sample of 804 National Debtline clients with energy debt, we found that the actions of energy suppliers had the most negative impact on client wellbeing compared with all other creditors, with 63 people (79%) agreeing.²⁵

Of 90 National Debtline clients surveyed, a third (30 people, 33%) said that a creditor had refused an offer of affordable repayments and half (45 people) said a creditor had threatened legal or enforcement action if they did not pay more towards their debts. We then asked clients which creditors they had experienced this from, and, in both instances, energy suppliers were the most common creditor people cited having experienced this from.

The same, wider survey found that 43% of National Debtline clients (sample: 136 people) were concerned they would be unable to pay their energy bills in the next six months – the highest proportion out of all essential household bills.

²⁴ Citizens Advice (2024) [The debt protection gap report](#)

²⁵ National Debtline client survey, fieldwork conducted between 24 November 2023 - 2 January 2024. Sample sizes vary by question.



Our recent external research²⁶ finds that:

- ✓ 21% said their supplier had not accepted an affordable offer of repayment.
- ✓ The same proportion (21%) have been threatened with enforcement action by their supplier, even though they had told them they were struggling to repay.
- ✓ A quarter (24%) are regularly losing sleep worrying about their energy debt.

In this answer, we examine a number of areas, highlighting best practice, where we believe Ofgem should strengthen the rules, or ensure that the current rules are followed by suppliers.

Poor billing practices

Ensuring accurate and effective billing processes is crucial in preventing debt in the first place. We have seen some good practice in terms of suppliers simplifying bills (and language) to make it easier for customers to understand, which can help with some – but not all – of the issues we see here.

Unfortunately, we are still seeing vulnerable clients who have not been able to resolve issues such as incorrect bills, estimated amounts and arranging affordable arrangements to pay.

By the time they approach us for advice they may be facing increased stress and anxiety as a result. They may be being pursued for arrears that they do not owe or cannot afford to pay.

²⁶ All statistics taken from nationally representative research of 2,000 UK adults commissioned by National Debtline (run by the Money Advice Trust) and undertaken by Opinium. Fieldwork conducted 17-20 October 2023 - for more information, visit www.moneyadvicetrust.org/help-to-repay/

- ✓ We see cases where clients have had various bills of different amounts-typically lower bills followed by the shock bill.
- ✓ Leaving a property seems to be a key moment where suppliers fail to provide an accurate final bill. This can lead to credit reference problems if a county court judgment is recorded which the client knew nothing about.
- ✓ There are frequent reports of meter mix ups causing people to be billed for other people's meters.
- ✓ Problems around smart meters not sending automated readings. Suppliers not doing enough to resolve issue or to encourage manual readings from customers until situation is resolved. When bill is provided on actual reading, clients find they have accrued a large debt or in some cases they find they were paying more than they needed to (but have struggle in getting credit refunded).
- ✓ We often see cases where direct debits are set too high which leads to high credit balances, that suppliers do not return promptly.

Ofgem could do more to ensure that suppliers are following the rules on billing to reduce the issues seen above, while also encouraging suppliers to go further in adopting best practice by simplifying bills, and working with customers to design communications and billing processes.

Case study

Client is a pensioner with multiple serious physical and mental health conditions. He has an ongoing dispute with his supplier over his electricity debt. They claim that he has a smart meter but he disagrees. He also disputes the consumption they are charging him for based on the fact that he lives alone in a one-bed flat. He has requested them to visit his property to check the meter and confirm, but they have not done so. On one occasion he returned from hospital to discover that his supply was off (not clear if disconnected or power cut) but he had not received any notice of this. He needs a constant supply to store his medication and also due to needing a nebuliser. On another occasion the supplier threatened him with a pre-payment meter which would be wholly inappropriate for his circumstances. This was done whilst his dispute and complaint were unresolved. The client also reports that the supplier is calling him repeatedly and at unreasonable times.

Communications

We welcome the new consumer standards which have put in place stronger rules for suppliers to provide a range of communication methods and improved customer service.

It should be possible to set detailed and measurable rules for suppliers offering a variety of contact methods, answering queries within a designated timeframe, and resolving customer queries within set parameters. It is too early to judge what effect this has had on peoples' ability to get through to their supplier in a reasonable length of time. We would like to see Ofgem publishing their findings from monitoring factors such as supplier response times.

On the other hand, getting through is not the same as getting a resolution to the problem. We have seen too many case studies where queries are not resolved at the point of contact, notes are not kept, and the consumer has to start their query all over again after another lengthy wait. There should be a requirement on suppliers to resolve the query, and to ensure that any queries that cannot be resolved at that point, are followed up and resolved. This follow-up process should be rigorously monitored by the supplier. In addition, there should be a clear escalation route for consumers who want to take their query further.

Clients report mixed experiences when speaking to their suppliers. Some supplier staff are empathetic and make effort to look at clients' ability to pay as well as advising on energy efficiency, whereas other staff seem to make less effort and insist that they have minimum debt repayment thresholds for plans they can set up.

Suppliers should 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 would suggest that there should be standards set for debt communications that adopt a more sympathetic tone in the approach suppliers take. This could be coupled with a standard "what to do if can't pay" information sheet. Otherwise, there is a high risk of mixed messages for people getting an intimidating letter from the supplier at the same time as an offer of support.²⁷

²⁷ StepChange Debt Charity (2022) [Mixed Messages report](#)

Case study

Client has dual fuel supply from their supplier with pre-payment meters for both gas and electricity. She is on their priority service register due to physical and mental health conditions. She also has two children under 16 in the household and they are at home due to half term. Her gas has run out, so she called her supplier to ask for emergency credit. She spoke to four different people over her four calls to them, and none of them have been aware of the previous conversations she has had with them, so she has had to repeat her situation and problem each time. During her final call with them she was told that the supplier would not help her until she had taken advice from a debt advice agency, thus leaving her with no gas despite her vulnerabilities. This situation is seriously affecting her mental health.

Accepting affordable offers

We very much support the decision to end the ability of suppliers to set minimum repayment rates for debt repayment plans.²⁸ Whilst this is a good step forward, supplier compliance with these rules needs to be supervised and enforced where necessary. There should be no suppliers putting pressure on people to pay unaffordable amounts or reverting to making a minimum payment set at an arbitrary level.

All payment plans should be worked out with the consumer, or their adviser, and based upon what is affordable for them using an objective tool such as the Standard Financial Statement. This can result in a consumer with no available income to pay arrears, or who is in a negative budget (their household bills are higher than their income) paying nothing towards the arrears. We welcome the rules that now explicitly state that suppliers can set a zero payment or payment freeze with a regular review of circumstances for any customer in this situation.

We have seen cases where different staff for the same supplier take a very different approach to repayment discussions. It appears to be inconsistent within teams even in the same supplier. Potentially, this raises issues about the quality of the training of supplier staff and whether specialist teams that are trained to a higher level are a better approach.

Suppliers should not be pushing people to organize a repayment plan without exploring whether they have other debts, as the plan is likely to be unsustainable. Where it is clear that a customer has multiple debts when the supplier discusses their financial situation with them, they should be signposted or referred to independent free debt advice.

²⁸ Ofgem licence condition 27.8A (d) (iv)

Liaising with third parties

We would recognise that lots of energy suppliers will have put in place best practice measures to do with their relationships with debt advisers. For example, some suppliers have warm referral arrangements with free debt advice agencies. Energy suppliers will signpost to free debt advice, and highlight the benefits of debt advice to their customers.

However, there are variations in approach from suppliers that can make it hard for advisers to talk to suppliers and resolve their clients' issues speedily. We would like to see Ofgem require suppliers to adopt the following measures as standard practice.

We would strongly support the call for suppliers to be required to provide a **dedicated third-party line for debt advice charities and other consumer groups** to contact specialist trained teams within energy suppliers on behalf of vulnerable clients. As well as resolving the cases of consumers in vulnerable circumstances, this would have an enhanced impact on the ability of the debt advice sector to deal with cases smoothly and efficiently. Crucially, the specialist teams must be empowered to actually deal with the query and not refer on to other teams in an endless contact loop. We remain to be convinced that the licence condition is strong enough to ensure such queries are given priority.

On referrals to debt advice, we like to think of “**closing the loop**” as it is not sufficient to signpost or refer to debt advice, if the supplier then takes no notice of the intervention, ignores the offer of payment from the adviser or the client after advice has been taken or refuses to accept the Standard Financial Statement. It is vital that suppliers do not add to the work for advice agencies by routinely refusing payment offers which leads to more work to deal with failed plans, extra arrears, or trying to contact suppliers to ask them to reconsider and set up an affordable plan.

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.

Vulnerable circumstances

Generally, we would favour generalist teams with staffing enhanced so that waiting times are reduced at peak times with better staffing levels. They should be required to transfer to specialist vulnerability and debt teams that have extra training and are empowered to resolve queries and remedy complaints. These teams should be a requirement in all energy suppliers.

People will fall through the cracks if they do not assess themselves as “vulnerable” and contact their supplier. It is also likely that people who are in vulnerable circumstances will be less likely to contact their supplier and run the risk of being treated as “refusing” to pay.

It should be incumbent upon suppliers to realise that this is the potential impact of their assumptions about why people do not respond to their communications. It should not be used as an excuse for further debt recovery action without a great deal more requirements on suppliers to make contact.

Debt collection

Ofgem should ensure suppliers are complying with existing licence requirements that people should not be subject to inappropriate debt collection if they cannot afford to pay. To strengthen this, we would like to see guidance that suppliers need to proactively establish ability to pay before they can proceed to collection and enforcement methods such as: pursuing court action, issuing warrants to install prepayment meters, referring to debt collection agencies, issuing county court judgments, and instructing high court enforcement officers. This will help to avoid the additional stress and costs for vulnerable consumers of enforcement action.

It is important to be clear about the difference between a debt collection agency (DCA) that is acting on behalf of the original creditor and a debt purchaser who has bought the debt from the original creditor. This makes a difference in that the energy supplier should still be in control of the account and be able to set how they want the DCA to behave, accept payment offers and so on. Once the debt is sold, it is unclear if there is any requirement on the debt purchase company to follow Ofgem rules or if there is any complaints mechanism for the consumer to either the Energy Ombudsman or the Financial Ombudsman Service. If this is the case, then debt purchasers are not under the supervision of either Ofgem or FCA rules and are not responsible to any regulator for their actions.

- ✓ The Ofgem affordable repayment licence conditions rules should apply to any third-party debt collection agencies appointed to collect arrears on behalf of the supplier.
- ✓ One key requirement that Ofgem could put in place is that suppliers should only deal with either debt collection agencies or debt purchasers that are FCA authorised. This means that the agency complies with FCA rules on debt collection in CONC and the FCA supervises and monitors their behaviour.

Supplier failures

As we understand it, when a supplier fails, Ofgem will appoint a Supplier of Last Resort (SoLR) and the failed supplier enters the insolvency process. Once the administrator is in charge, they will attempt to recover energy arrears from individual consumers of the failed supplier. These customers are no longer subject to Ofgem regulations and cannot make a complaint about the way the administrator or their old supplier has behaved to the Energy Ombudsman. In theory, a complaint could be made to the Insolvency Gateway about an insolvency practitioner acting as administrator, but this is unlikely to apply. This means that customers' only option of redress is through the courts which is more complicated, stressful and potentially expensive.

A debt collection firm appointed by an administrator to collect utility debt is not required to follow Ofgem licence conditions or be FCA authorised or supervised and follow FCA rules. This post from Money Saving Expert illustrates the problems inherent in these practices.²⁹

As we said in our response to the Ofgem Supplier of Last Resort Levy Offset consultation,³⁰ this is a considerable gap in consumer protection and is likely to cause very real detriment to vulnerable people in debt if not addressed before any future supplier failures.

County Court

We would also raise our concerns about how debt will be recovered following restrictions on PPM installation and disconnection. It is possible that suppliers will decide to substitute the installation of a PPM or a payment arrangement with the use of county court judgments to recover energy arrears. This adds extra costs and stress for the consumer and comes with the threat of further enforcement through charging orders, attachment of earnings, and a transfer to the High Court for enforcement. It is not always an appropriate step to take to recover energy arrears.

We would like to see a compulsory pre-action protocol for energy suppliers to follow before court action can start. There are equivalent protocols in place for debt, rent and mortgage actions³¹ in the County Court, amongst others. This would go some way to ensuring that court action is only taken as a last resort. A protocol can help to protect vulnerable consumers who may not have felt able to engage with their energy supplier to access help and support to remit the debt or to put an affordable payment plan in place.

Use of High Court Enforcement Agents HCEOs

We welcome the Energy UK Winter 2023 Voluntary Debt Commitment which included a requirement for policies on the use of High Court enforcement to be signed off at board level. However, these have not been published. It has not been possible to discover the policies that have been agreed by individual suppliers or what has happened in practice as a result. This means there is no transparency about the nature or quality of the policies adopted. This should form part of Ofgem rules and not be left to individual suppliers to decide behind closed doors.

As energy debt is not regulated under the Consumer Credit Act 1974, any forthwith judgment or a judgment that is defaulted upon that is over £600, can be transferred to the High Court for enforcement.³² This is an arcane, intimidating and complicated process which can result in addition fees added by High Court Enforcement Agents (HCEOs) of £760 plus 7.5% on any amount owed above £1,000. It also involves a very complicated formal procedure in court to suspend the process and to propose affordable repayments. County court judgments can be enforced in other ways

²⁹ [Money Saving Expert news report \(2024\) Michael Jackson chases former Igloo Energy and Together Energy customers for debts](#)

³⁰ Money Advice Trust (2024) [Response to Ofgem Supplier of Last Resort Levy Offset consultation](#)

³¹ [Pre-Action Protocols - Civil Procedure Rules \(justice.gov.uk\)](#)

³² National Debtline [High Court enforcement fact sheet](#)

including by county court enforcement agents who do not follow the same rules as HCEOs.

Citizens Advice have issued a new report on energy debt collection entitled “The debt protection gap”.³³ We share their concerns about the increase in the number of people coming for help because their energy supplier is pursuing court action. We agree that court action can lead to significant further detriment for consumers who are already in vulnerable circumstances. We agree with the Citizens Advice recommendation that Ofgem should introduce rules on the acceptable use of court action and high court enforcement.

We would go further, as we believe that Ofgem should consider a licence ban on the use by suppliers of High Court enforcement to recover energy arrears except in exceptional circumstances. This ban should apply in particular to vulnerable groups, people with mental and physical health conditions and people on low incomes who cannot afford to pay.

At the very least there should be a robust protocol in place to protect consumers who are in energy arrears from such action. This should also apply to consumers who have failed to engage or respond to intimidating requests for payment. They may be too afraid to do so and may be in vulnerable situations where they feel unable to respond.

We do not accept the argument that suppliers have removed people in vulnerable circumstances from the system before court action and the use of HCEOs. This does not appear to have happened in cases we see. There should be the end to the assumption that failure to engage means that a consumer is not vulnerable, and that further action is therefore allowed.

Case study

Client has energy arrears with their supplier. They are unemployed and in ill health with a financial statement showing a deficit budget. The client told us that they were not notified of the court action being taken, and that the supplier did not look at their ability to pay. Debt was passed on to High Court Enforcement Officers and this then came to the attention of the client. Extra fees and costs have been added, and now the client has an unaffordable arrangement to pay in place with the HCEO. Attempted to escalate and complain to the Ombudsman who told them that they can only help if the client was to set aside the court judgment. The client cannot afford to pay the court fee to set aside the judgment and dispute the claim.

³³ Citizens Advice (2024) [The debt protection gap report](#)

PPMs and debt collection

We welcome the actions taken by Ofgem to address the harms caused by suppliers installing PPMs in unsuitable circumstances. We note the Involuntary PPM supplier code of practice is now in force.³⁴ We expect Ofgem to be rigorously monitoring supplier behaviour around PPMs. This needs to ensure that PPMs are only fitted in appropriate situations. We would be very concerned to see any culture developing where suppliers encourage people to agree to a voluntary PPM installation by implying that they have no real choice, and setting out the intimidating sounding alternatives such as court action and sending in HCEOs.

As we said in our response to the Ofgem involuntary PPM statutory consultation,³⁵ we think there is a strong case for the introduction of stronger rules and protections for vulnerable people in debt who are faced with the installation of a PPM.

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.

We understand that PPM debt deductions can be paused when people are unable to make any repayments. It is vital again, that this is monitored to ensure supplier compliance.

This is the ideal time to look at the priority of payment deductions in PPMs more broadly.

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.

³⁴ Ofgem (2023) [Involuntary PPM-Supplier Code of Practice](#)

³⁵ Money Advice Trust (2023) [Response to Ofgem Involuntary PPM installation statutory consultation](#)

Case study

The client is 70 years old pensioner and has a disability and is in receipt of a retirement pension and disability benefits. However, they fitted a PPM into the property today. They are unsure how to top the meter up, and this was not explained, and they were not given a PPM card. The supplier told the client to contact an advice agency for a PPM payment card, but not explained how to top up his meter. Client is only in about £150 of energy arrears.

Disconnection

It is very encouraging that there are few disconnections taking place these days and suppliers are treating such action as a drastic last resort. Clearly, we do not want to see any return to the use of disconnection as a substitute for involuntary or voluntary PPM installation. Ofgem and suppliers will need to come up with innovative repayment schemes and address wider bill affordability issues, as has been the case to an extent in the water sector, where disconnection was banned years ago. (See below).

Case study

Client is in debt of £6,000 with their supplier. A debt collection agency came out threatening to install a prepayment meter with a warrant from the court. Client asked the supplier for a prepayment meter voluntarily, but the supplier declined and said to try a direct debit arrangement and see how they get on. Direct debit set up for £2,000 pm which is unaffordable as client is not even working or on benefits at the moment.

Payment matching schemes and help to repay

We are very pleased to see examples where suppliers have put in place extra support for their customers with innovative schemes to allow payment matching and remit unaffordable energy arrears. Here are some examples of good practice we have seen in the industry.

E-ON Winter Support Scheme

“Through our new ‘Winter Support’ scheme, E.ON Next is funding up to 50% of eligible customers’ energy bills from the time they sign up through to the end of winter in March 2024. This offer is available exclusively to existing E.ON Next customers on low incomes (i.e. household income of less than £19,000 a year) and customers who have certain medical dependency needs and a household income of less than £31,000 a year. As part of this package E.ON Next will also write off debt an existing customer has on joining the scheme up until 31 March 2024.”

EDF repayment matching scheme

“This winter, EDF will once again be offering some customers in need a ‘fresh start’ by clearing their debt, alongside payment matching customer top-ups for its prepayment meter customers. 87% of customers supported last year remain debt free, with 67% of those still in debt seeing a reduction. So far this year, we have set up 251,000 repayment plans for residential customers. This is up 25% on last year.”

OVO debt repayment holidays

“Although the cost of standing charge is increasing from 1 October 2023 for pay monthly customers, OVO is not passing this permitted increase onto any of its customers. For OVO’s most vulnerable pay as you go customers, it’s also offering debt repayment holidays – so every penny on the meter will go towards what they use, not paying back debt.”

However, some of these schemes are time limited and temporary. We believe that these examples of best practice should form the basis of a requirement for all energy suppliers to consider on an extended basis. This is because there will be 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 over-simplification, when prices fall in due course back to more ‘normal’ levels, we expect customers will broadly fit into one of three groups.

- ✓ 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.
- ✓ Able to repay something towards arrears but only a relatively small amount, meaning it would take them a long time to pay back arrears.
- ✓ 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.

We would like to see a requirement in Ofgem rules on suppliers to utilise a proportion of the bad debt allowance in the price cap to be used in *actual debt write off* or payment matching for consumer bills. It should not be acceptable for suppliers to utilise allowance as an accounting tool to remove “bad debt” from their books but does not grant debt relief to individual consumers.

Funding of advice

As we have set out throughout this paper, the significant rise in energy debt issues in recent years means energy is now a key driver of demand for debt advice. Energy is the third most common debt type we see among callers to National Debtline (behind credit cards and overdrafts) – see our answer to question 1 for more detail – and similar trends have been observed among other debt advice charities.

Free, independent debt advice is crucial in ensuring that people receive holistic advice across all their debts and wider financial situation, to find a sustainable solution to their debt situation. It is welcome that Ofgem, in recognition of this, amended the Licence Conditions, as part of the Consumer Standards work, to require firms to proactively make customers aware of debt advice services.

However, the main bulk of funding for free debt advice provision currently comes from the FCA financial services levy, and there is a mismatch between the demand for debt advice generated by the energy sector, and the support provided in terms of funding for this advice.

We have seen positive steps taken by suppliers in recent years to increase their engagement with debt advice and to provide greater support through funding. For example, we have seen our funding from energy grow from two suppliers in 2021, to nine suppliers in 2024 - who have been keen to implement best practice in signposting and referring to debt advice, and supporting debt advice charities to deliver the holistic support their customers need.

While this is welcome, it is not seen across the whole of the industry and, overall, the funding received by the debt advice sector from energy suppliers is not consistent or long-term.

We believe it should be a standard of practice for suppliers to support and fund the provision of free, independent debt advice. There are a number of ways this could happen. Firstly, a centralised system where a levy was collected on energy companies, could be implemented to provide an efficient way of ensuring adequate and appropriate funding.

In the absence of this, we would encourage Ofgem to look at how it can strengthen its rules and expectations on suppliers to fund free debt advice. Ofgem could also improve accountability by playing a stronger monitoring and supervisory role when it comes to support for the debt advice sector. For example, we'd welcome Ofgem collecting and reporting – at a supplier level – on the contributions suppliers are making to debt advice agencies. Alternatively, they could require suppliers to publish this information themselves. This would help incentivise good practice, provide recognition for suppliers who are supporting the provision of free debt advice and – over time – give stakeholders across all sectors clarity and confidence over the energy sector's contribution to free debt advice.

Question 7: What lessons can we learn from other sectors and countries on managing affordability and debt? And how should they be applied to the energy sector?

We have reviewed the examples given in the paper and made some comments on each in turn.

However, we note that the paper does not refer to the FCA approach for consumer credit collections.

FCA regulation and the Consumer Duty

We think there is a case for Ofgem exploring the equivalent of the FCA consumer duty³⁶ in energy. Citizens Advice has set out the case for a consumer duty in energy in its report “Raising the bar” in 2022.³⁷ This sets out what Ofgem can learn from the financial services approach to put an emphasis on firms to achieve good outcomes for their customers. The consumer duty goes well beyond an overarching requirement to “treat customers fairly” and allows for more robust monitoring and enforcement processes to be put in place. Such an approach could form part of the framework for consumer standards.

We appreciate that Ofgem has put in place a number of reforms to improve standards of customer service. The new customer service standards³⁸ which came into force in December 2023 are a good starting point. These amend the licence conditions and guidance to require suppliers to make it easier for customers to contact their supplier and to provide support for people struggling to pay their energy bills. However, these changes do not go as far as an all-encompassing consumer duty would do.

³⁶ FCA [Consumer duty resources](#)

³⁷ Citizens Advice (2022) [Raising the bar report](#)

³⁸ <https://www.ofgem.gov.uk/publications/new-customer-services-standards-energy-suppliers>
<https://www.ofgem.gov.uk/publications/consumer-standards-decision>

There are other lessons to be taken from FCA regulation, too. One of the problems with debt collection and debt purchase in the energy sector, is that it is not clear what rules are in place to govern collection practices, and it is not clear where a complaint can be made where there is a problem. A collections agency or debt purchase firm collecting utility debt is not required to be FCA authorised or supervised or to follow FCA rules. This is because the agency is not collecting consumer credit debts. This report from Money Saving Expert illustrates the problem, particularly for debt collection firms appointed by administrators.³⁹

There may be different levels of control over the activities of a debt collection agency acting on behalf of the original supplier and that supplier selling the debt on to a debt purchase firm. This makes a difference in that the energy supplier should still be in control of the account to an extent, and be able to set how they want the debt collection agency to behave. Ofgem can also require the supplier to ensure that the debt collection agency follows Ofgem rules. However, once the debt is sold, presumably there is no requirement for the debt purchase firm to follow Ofgem rules. If this is the case, then there is little or no consumer protection at this point.

We would like to see Ofgem adopt FCA authorisation as a minimum requirement for debt collection and debt purchase firms in the energy sector. Ofgem also needs to resolve the uncertainty about how far such firms are governed by Ofgem rules.

Water

Social tariffs in water provide an important precedent for an energy social tariff – albeit we are not convinced the cross-subsidisation approach works for energy and we would like to see this funded either from government funding (general taxation) or supplier profits. One downside of water social tariffs is that they vary between companies so eligibility and help available for each tariff varies between regions. This makes it harder for customers to understand and access support, creates a postcode lottery, and makes it harder for national support services and debt advice charities to refer people to the schemes. There was much consensus on a single social tariff for water,⁴⁰ with proposals for this developed between industry and consumer groups, in discussion with government. This has not yet been taken forward by the government but provides an important lesson for energy that a single social tariff is preferable to individual supplier schemes.

We are not convinced that WaterSure is a good model to adopt in energy as it is very complicated and has restrictive access to a very limited group of consumers in specific circumstances. This means it is unlikely to be applied for by all those who would be eligible. Any equivalent support or social tariff in energy could be built on a much more generous model with broader access and with elements of automatic enrolment and data matching where possible.

³⁹ <https://www.moneysavingexpert.com/news/2024/03/michael-jackson-together-igloo-energy-debt/>

⁴⁰ [Single social tariff research - CCW](#)

[Water companies 'need single social tariff in England and Wales' | Water industry | The Guardian](#)

While only briefly touched upon in the paper, there is much that can be learnt from the debt payment matching schemes that are common in the water industry. There are numerous examples, but to highlight a couple: Thames Water Customer Assistance Fund⁴¹ enables customers to access a payment plan where their contribution towards arrears over two years is matched by Thames Water. Thames Water will then pay off the remaining arrears balance if the customer continues to pay their ongoing usage charges. This is available for people who can afford their ongoing charges but cannot afford to pay back their arrears within four years and are in receipt of a means-tested benefit.

Wessex Water's Restart scheme⁴² offers debt write-off and payment matching to customers who pay their ongoing usage. If a customer pays their charges for the year, Wessex Water will reduce the customers' debt by an equivalent amount at the end of the year. If the customer continues to pay their current charges in year two, they will clear the remaining debt. The scheme has had a high success rate: 90% of customers who completed it have gone on to maintain up to date payments of their regular water usage.⁴³

Telecoms

The social tariff model in telecoms - where a normal package is offered at a lower price – provides another precedent and could be a good model for energy.

However, the voluntary nature of broadband social tariffs means that not all providers offer these, despite work in recent years to encourage providers to do so. In addition, limited promotion of social tariffs by providers means there is little take up. This suggests that any energy social tariff needs to be a single social tariff which should be compulsory for suppliers to offer. In addition, the telecoms model has failed to use automatic enrolment and data matching to ensure that eligible customers receive the social tariff. The eligibility is restricted to people in receipt of certain benefits, which we would argue is too restrictive a model to adopt in energy.

Other countries

The examples from abroad set out in the paper are interesting as they illustrate how their approaches are similar to proposals we have made in relation to a "Help to repay" scheme.

Australia

"Supporting consumers who are unable to pay by improving access to financial counselling support and offering debt relief through a shared funding pool. Some funds would come from a consumer's retailer supplier and the rest would be made available via an approved financial counsellor or community organisation drawing on the shared pool."

⁴¹ <https://www.thameswater.co.uk/help/account-and-billing/financial-support/apply-for-payment-matching>

⁴² [Debt support scheme - Restart | Wessex Water](#)

⁴³ Money and Pensions Service (2021) [Working collaboratively with debt advice agencies: a strategic toolkit for creditors | Money and Pensions Service \(maps.org.uk\)](#)

Their “shared pool” approach sounds very reminiscent of our “Help to repay” proposals for the UK.

Netherlands

“In the Netherlands, suppliers must contact a customer to offer a payment plan. If a customer is in contact with a supplier regarding a payment plan but is unable to agree a plan or unable to meet it, the supplier will refer them to the municipality [local government]. The customer will receive debt counselling services and the counsellor will decide whether they can support the customer, until then disconnection is forbidden.”

Their approach includes a pause on disconnection following referral to debt advice. This is an interesting model which we could adopt by an informal breathing space where suppliers should not install a PPM, disconnect, or refer to debt collection.

California

“Arrearage Management Plan which provides an opportunity for qualifying residential customers to have their eligible past due bills forgiven. Once enrolled, every time a current bill is paid in full and on time, the utility company will forgive 1/12 of the eligible debt. After 12 consecutive monthly gas bills are paid in full and on time, the full amount of the eligible debt will be forgiven (up to a maximum of \$8,000 per enrolment period).”

Their approach sounds very reminiscent of our “Help to repay” proposals for the UK in relation to payment matching.

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