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ENERGY REGULATOR DEMANDS IMPROVEMENTS FOR CUSTOMERS ON DIRECT DEBITS

- **Ofgem review criticises suppliers' practices on direct debit payments**
- **But regulator finds no evidence that suppliers are recovering more money from direct debit customers than they are due**
- **Regulator expects suppliers to meet new best practice standards and is consulting on need for licence changes**
- **Measures will help maintain consumer confidence in direct debits**

Ofgem has demanded significant improvements from energy suppliers in the way they manage monthly direct debit payments and is consulting on the need for changes to supply licences to secure improvements.

Ofgem's action results from a review the regulator has conducted into the direct debit arrangements of the six major energy suppliers, following complaints by customers late last year about significant increases in amounts they were being asked to pay. The review has been published today (Friday).

Ofgem's report confirms there is no evidence that suppliers were over-recovering, or of systematic errors in the payments they are requesting. But Ofgem has criticised a lack of transparency and poor communication by suppliers which has left customers struggling to understand why they are being asked to pay more, especially when they may already be well in credit on their account.

The regulator is also concerned about refund policies and wants suppliers to do more to make the grounds for refunds clearer and to give consumers more choice on how their credit balances should be used or repaid. Ofgem is also telling suppliers to ensure they adjust direct debits on a timely basis to avoid debt build-ups when prices rise and encourage customers to provide up-to-date meter readings, which lead to more accurate payment plans being set.

Ofgem Chief Executive, Alistair Buchanan, said: "Our investigation found no evidence that suppliers are recovering more money from direct debit customers than they are due. However, their explanations of the payment increases and their practices on refund policies are wholly inadequate. Suppliers need to manage customers' direct debit payments much better, especially at a time when household budgets are under pressure. We are calling on suppliers to meet and beat our best practice and will take new licence powers to back this up if necessary."

- Ends-

Notes to Editors:

New licence condition on direct debits

1. Ofgem's report identifies best practice on direct debits and action points for suppliers. It also invites views on the need for new supply licence obligations. For example, new licence conditions could require that suppliers provide each direct debit customer with an individual statement explaining the basis for any changes to their payments.

2. Ofgem's report on direct debit arrangements can be downloaded from:
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=2&refer=CONSUMERS/CCI>

3. How do direct debits work?

Direct debit is one of the quickest and easiest ways to pay your energy bills and over 40% of customers pay their energy bills in this way. If you are an existing customer, your direct debit payments will be based on energy use over the previous year including any price changes. If you are a new customer, the payments may be based on a number of things such as the number of rooms and/or the number of people living in the property. Suppliers will generally review direct debit payments twice a year, once at the six month mark and again on your 'anniversary date' – the date you became a customer.

4. Advice to customers on direct debits

Read your electricity and gas meters regularly - by providing regular meter readings to suppliers customers can make sure they are only paying for the energy that have used. This also gives suppliers an accurate starting point for reviewing monthly direct debit payments.

Check your bills when they arrive - if your bills are estimated, check the estimate against the dials on your meters. If they are different, contact your supplier to give an actual reading.

Ask about a refund - each supplier will have its own policy on the level of credit you can be in before a refund will be offered automatically. Before requesting a refund customers should remember that any credit built up over the summer will be used to pay for higher energy use over the winter, and if a customer's supplier has recently changed their energy prices this may affect the customer's future bills.

Don't be afraid to ask questions and if necessary complain - If customers are unhappy with any change to their direct debit payments or have any questions about why it has changed, they should contact their supplier. Suppliers have obligations to try and solve complaints within eight weeks. If after this time the customer doesn't receive an answer, or is unhappy with the response the Energy Ombudsman may be able to look at the complaint. The Energy Ombudsman was set up to sort out disagreements between gas and electricity companies and their domestic and small business customers. More information about the service the Ombudsman provides is available here: <http://www.energy-ombudsman.org.uk>

5. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004 as well as arising from directly effective European Community legislation.

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