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## **OFGEM MOVES TO PROTECT CONSUMERS PAYING BY DIRECT DEBIT**

- **Vital that customers have confidence in direct debit arrangements**
- **New obligations would require suppliers' calculations of direct debit payments to be more soundly based and transparent**
- **Obligations likely to be in place for coming winter giving Ofgem power to take action if problems persist**
- **Final consultation opened on measures to better protect customers following retail market probe**
- **New rules banning unjustified pricing take effect from 1 September**

Energy regulator Ofgem is to introduce new obligations on suppliers to ensure direct debit payments are accurately set and clearly explained. The regulator has today (Friday) also published its final consultation on remedies to better protect customers following its retail market probe.

Ofgem reviewed the direct debit arrangements of the six major suppliers after customers complained about significant increases in amounts they were being asked to pay. Ofgem was concerned that suppliers were doing a poor job in explaining the basis for payments.

Ofgem's March investigation also highlighted best practice. Since then energy suppliers have said they will make some improvements in the areas identified by the investigation. But Ofgem wants to ensure it can take action to protect consumers if there are significant problems in future.

The new condition in suppliers' licences would mean they must ensure payment levels are clearly and accurately explained and based on the best available information. Suppliers will also need to be able to justify why they are holding onto credit surpluses built up by a customer.

Alistair Buchanan, Ofgem Chief Executive, said: "Direct debit is one of the cheapest ways to pay for energy and we are concerned that if customers cannot clearly understand how their payment plan works they will lose confidence. The proposed licence condition will help give customers peace of mind that the amount they are being asked to pay is based on their likely energy use. It will help ensure suppliers are more transparent about how they calculate payments."

In a separate move to protect customers, Ofgem has today opened the final stage in consultation on a package of remedies emerging from last year's retail market probe. The measures are designed to help consumers engage more effectively in the energy market. They include tougher rules on doorstep sales, better information for customers via their energy bills and new annual statements on their energy use and how much it costs them each year. The package also includes increased protection for small businesses through curbing and controlling automatic roll-over of energy contracts.

Ofgem has also today confirmed that new supply licence conditions banning unjustified price differences will come into force on September 1 2009. The licence conditions will prevent

overcharging for example on pre-payment meters and for customers off the gas grid, identified last year by Ofgem's retail probe. In direct response to this energy suppliers have already removed more than £300 million of unfair price premiums.

-Ends-

### **Notes to editors:**

1. Ofgem will shortly consult on the wording of the direct debit licence condition with the aim of having it in place for the coming winter.

2. Ofgem published its review on direct debit arrangements in March. The review identified best practice among the big six suppliers. It 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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