

**16 July 2021**

Ofgem  
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Retail Policy  
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## **Consultation: Microbusiness Strategic Review**

FSB is a non-profit making, grassroots and non-party political business organisation that represents 160,000 members in every community across the UK. Set up in 1974, we are the authoritative voice on policy issues affecting the UK's 5.9 million small businesses, micro businesses and the self-employed.

FSB has engaged previously with Ofgem's Microbusiness Strategic Review Call for Inputs and appreciates Ofgem's continued commitment to better understand the issues faced by microbusinesses and to act where necessary. The theories of harm outlined by Ofgem in the paper resonate with FSB's perspective on the issues that our members face.

As a result, FSB supports Ofgem's finalised package of proposals – including the decision to increase the transparency of broker costs which will allow consumers to make more informed contract choices and assess the value of services offered by brokers.

However, a significant regulatory gap remains when it comes to Third Party Intermediaries. Many microbusinesses will use Third Party Intermediaries in a similar way to private individuals when comparing energy suppliers. If these intermediaries face no regulatory oversight, the effectiveness of Ofgem's other reforms could be undermined.

We note that Ofgem will be supporting Government as it consults on regulation of Third Party Intermediaries, and we would encourage this issue to be treated as a priority, as the importance of these intermediaries is only going to grow in the future.

Yours sincerely,

*Paul Wilson*

Paul Wilson, Policy Director  
Federation of Small Businesses

# **FSB response to the Consultation on the Microbusiness Strategic Review**

**July 2021**

## Consultation questions

**Question 1: Do you agree that 1 January 2022 represents an achievable start date for implementing a 14-day cooling-off period for microbusiness consumers?**

**Question 2: Do you agree that 1 January 2022 represents an achievable start date for fully implementing both the proposed supply licence obligation and the associated scheme needed to introduce independent dispute resolution for microbusinesses in dispute with a broker?**

FSB welcomes the introduction of a 14-day cooling-off period for microbusiness consumers. This is a long overdue reform.

We furthermore agree that 1 January 2022 represents an achievable start date for implementing a 14-day cooling-off period for microbusiness consumers as well as the supply licence obligation and the associated scheme needed to introduce independent dispute resolution.

In fact, it will be paramount to have both implemented swiftly with no further delay.

## Additional comments

In addition to the two questions put forward as part of the consultation, we would like to take this opportunity to comment on a few issues highlighted in the consultation.

### **Cold Calling by brokers in the energy market:**

FSB welcomes the Information Commissioner's Office (ICO) plans to run a new workstream on cold calling. As highlighted in the previous consultations, unsolicited calls cause significant disruption to small businesses.

### **Microbusinesses and the Covid-19 pandemic:**

FSB welcomes the recognition of the colossal economic burden small businesses have shouldered during the pandemic. As businesses are emerging from the pandemic, the accumulated debts remain a significant concern. FSB surveys have shown that, since the pandemic began, of those businesses carrying debt, as many as four out of ten feel the debt is unmanageable.

### **Transparency around brokerage costs:**

FSB welcomes and supports the decision to increase transparency around brokerage costs. The cost should furthermore be presented in the clearest possible terms. For instance, having the annual commission rate displayed as an absolute and as a

percentage of the annual bill should be sufficient. As highlighted in a previous FSB consultation response, conversion into a 'per kWh' figure could cause unusually high and misleading figures on very low consumption supplies.

### **Broker conduct principle:**

We are especially disappointed to see that Ofgem is not pursuing the proposal for a Broker conduct principle at this stage. FSB has repeatedly advocated for the regulation of Third Party Intermediaries (TPI) and is concerned that yet another consultation into third parties will continue to put a number of small businesses at a disadvantage.

TPIs will continue to play a vital role in helping businesses secure the best possible energy deals. As Net Zero will play a larger role and as we are moving towards a smart market, these will also include additional products and services, such as energy efficiency advice, renewable energy and smart technology.

Fair and transparent customer focused support will be vital. Small businesses need to be able to trust their energy broker and should be assured that they will be provided with the best possible service and deal for their businesses and needs.

### **Signing up to a new contract:**

As previously mentioned, we welcome the introduction of a cooling-off period whilst retaining a workable registration process. However, we would welcome a reduction of the 28-day window once faster switching is implemented.

FSB supports Ofgem's view that termination notices are an unnecessary barrier to switching and we see no issue with a prohibition of such terms being immediately applied to existing contract.

FSB furthermore supports the introduction of an alternative dispute resolution (ADR) scheme. Small businesses often do not have the resources to deal with disputes. We, therefore, believe that the responsibility should sit with the Energy Ombudsman as proposed by Ofgem.

### **For further information**

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