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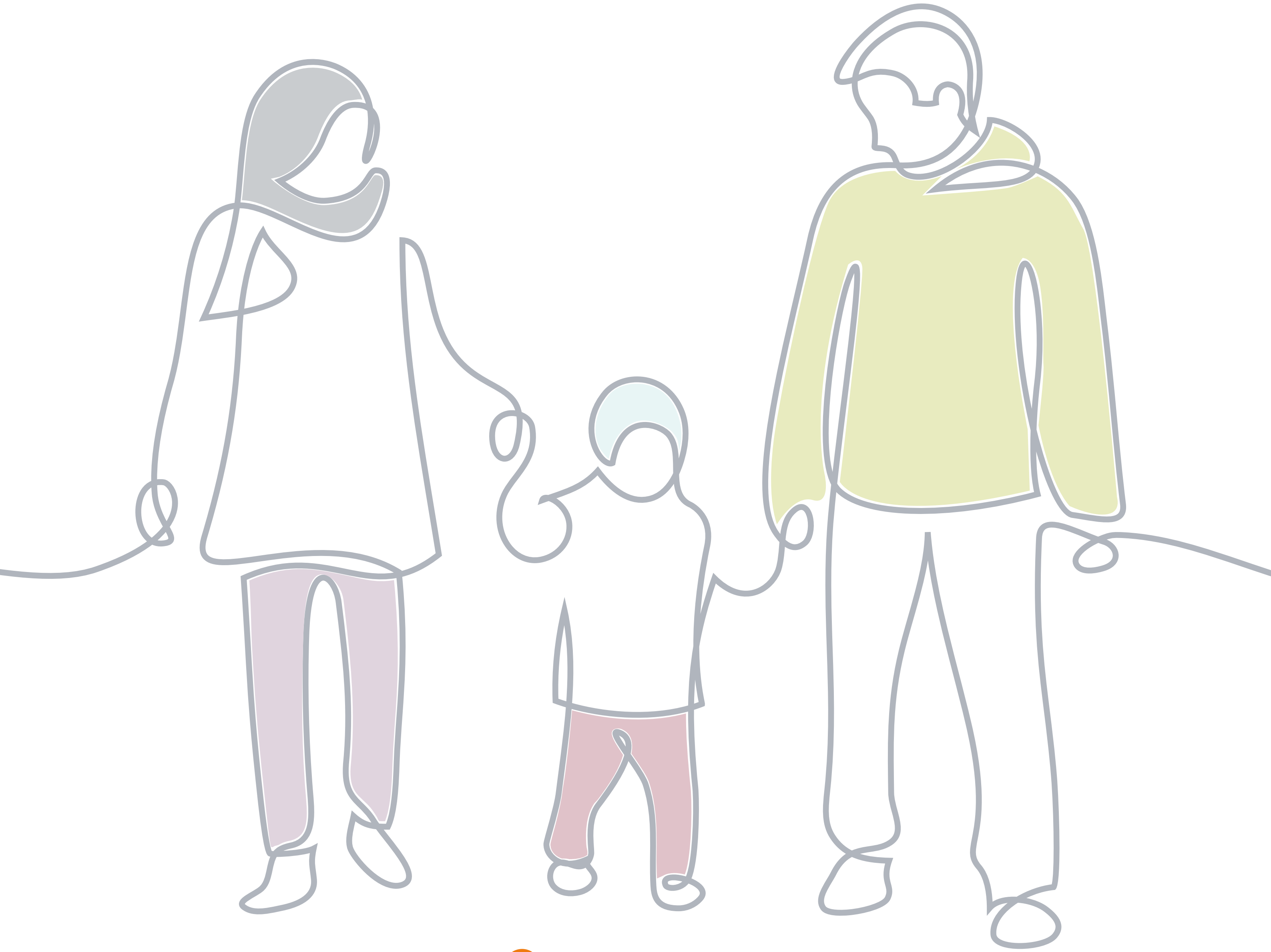


Good practice for **supporting customers** in payment difficulty

Contents

Overview

We know millions of domestic consumers will struggle with their energy bills this winter and beyond. Suppliers will play a crucial role in helping their consumers if they get into payment difficulty, and the right approach can ensure consumers receive a good outcome at a difficult time.

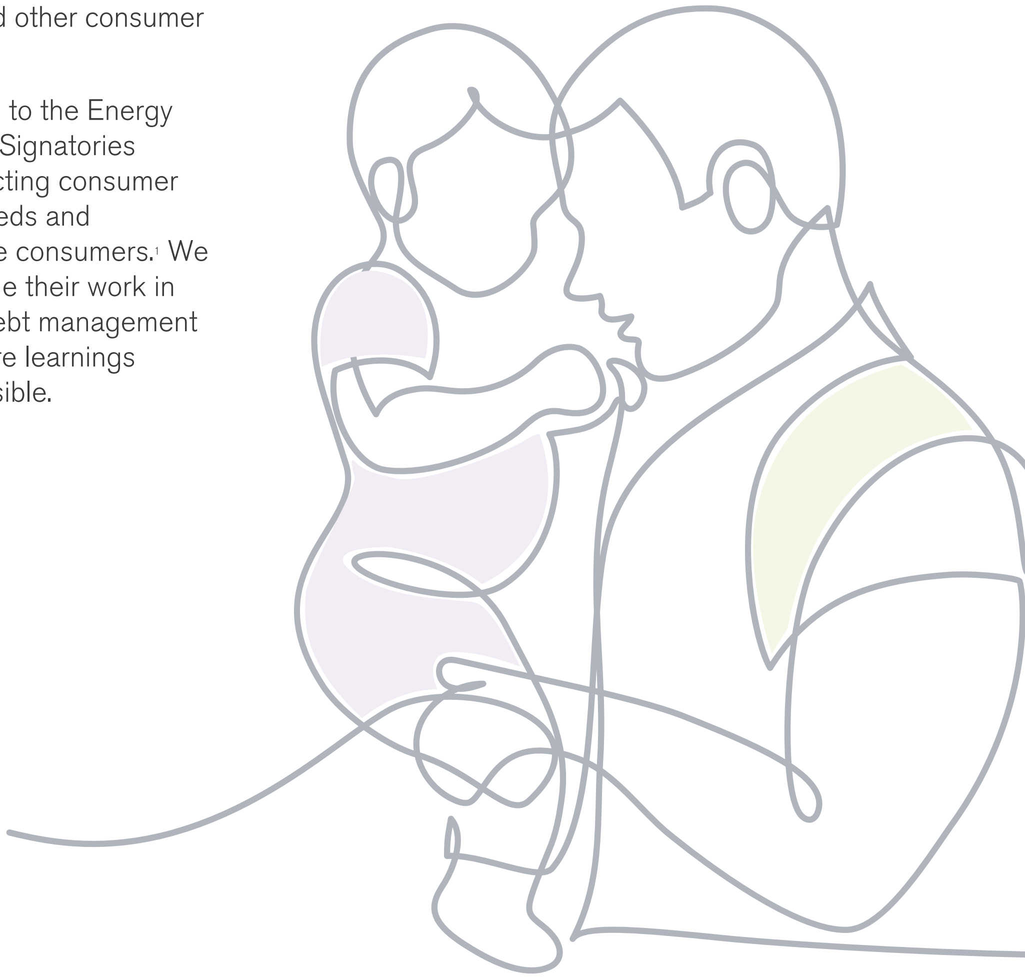
With the current situation in mind and themes set out in our Consumer Vulnerability Strategy 2025, we are sharing examples of good practice to support people struggling with their bills as we think their wider adoption by suppliers can secure positive outcomes for consumers in vulnerable situations.[1]

Our good practice is drawn from Ofgem research and publications, engagement with consumer groups and charities, publications by Citizens Advice, Energy UK and other consumer groups (see References).

Many suppliers have signed up to the Energy UK Vulnerability Commitment. Signatories have also committed to conducting consumer research to understand the needs and expectations of their vulnerable consumers.[1] We encourage suppliers to continue their work in this area, particularly around debt management and support with bills, and share learnings across the industry where possible.

For the avoidance of doubt, this document does not place new requirements on suppliers but suppliers are required to comply with their standard licence conditions (SLC), including those relating to Treating Consumers Fairly (SLC 0), Payments, Security Deposits, Disconnection and final bills (SLC 27), Self-disconnection (SLC 27A), Prepayment Meters (SLC 28), Warrants relating to Prepayment Meters and other supplier actions to recover debts (SLC 28C), Encouraging and Enabling engagement (SLC 31F) and Assistance and advice information (SLC 31G).

The rest of this good practice document sets out four key areas in the consumer debt journey. These are debt prevention, debt communications, debt support, and debt recovery.



1 Energy UK (2020) Vulnerability Commitment

Debt prevention

Billing

Suppliers that are flexible in the frequency of their billing periods can help consumers manage their finances and avoid building up debt, particularly for consumers on irregular incomes. More frequent billing may also allow earlier management of any debt issues that may arise.

Suppliers who regularly contact consumers through preferred contact methods can drive up engagement and to ensure accurate billing and reduce the likelihood of shock bills.

Suppliers could introduce processes, if they haven't done so already, that incorporate a wide range of information including seasonality and historical consumption to help ensure estimated bills are calculated based on the best information available.

Monitoring of accounts

We have seen suppliers make use of data from smart and traditional meters to identify consumers that are struggling to pay and who would benefit from a conversation with a representative about their options before getting into problem debt. Suppliers can look at vending behaviour, levels of gas and electricity dependency, time off supply and any known vulnerabilities.

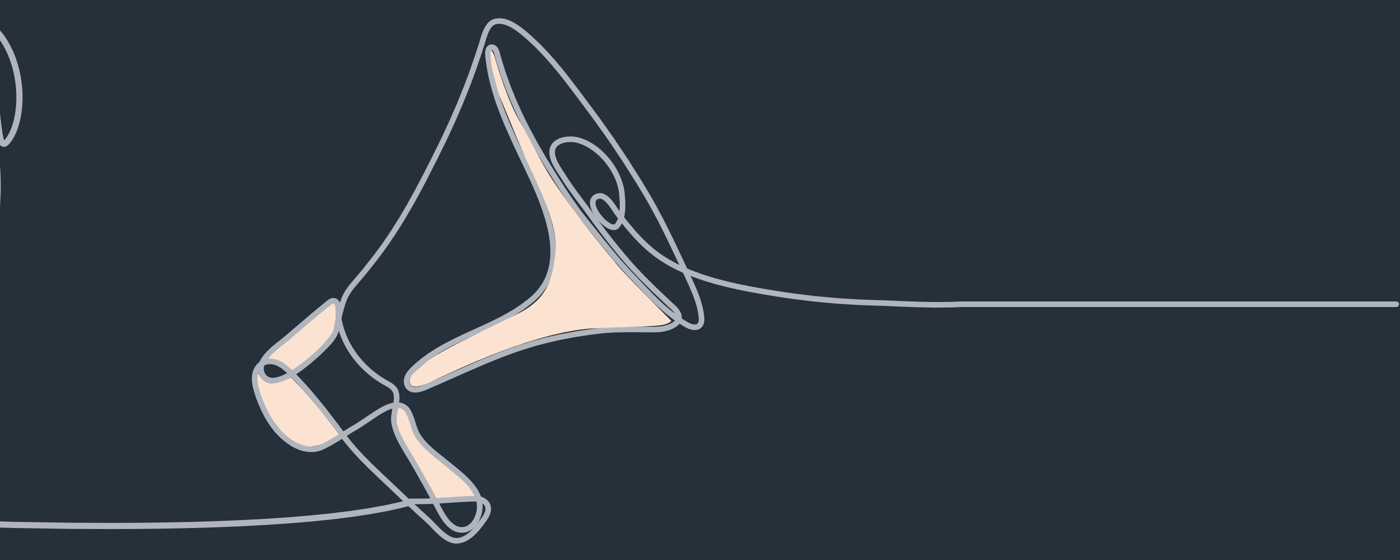
Consumer data can be complemented by specific tools (eg built in reviews, tailored prompts, search tags) and software to help their advisors recognise financial vulnerabilities and present possible services available to them. Such tools can also flag changes in consumer behaviour that could suggest they are in payment difficulty and prompt a conversation that can reduce the likelihood of reaching crisis point, self-disconnecting and/or self-rationing.

In continually updating consumer information on the Priority Services Register (PSR), we have seen some suppliers using automated prompts on monitors, and date stamps for consumers in temporary vulnerabilities for their consumer service agents to update the consumer's PSR information if it has not been refreshed in over a year.

Staff training

The right level of staff training can help suppliers identify financial vulnerability. For example, some suppliers train their representatives, field agents and engineers on wider categories of vulnerability, holding regular refreshers and having quality assurance mechanisms to ensure the training has been successful.

Most suppliers have 'extra care' or 'extra support' teams to help provide consumers in payment difficulty with the tailored assistance and advice they need. This can include the



setting of payment plans over a longer than normal period where the consumer is in a vulnerable situation.

Identification of clinically vulnerable consumers

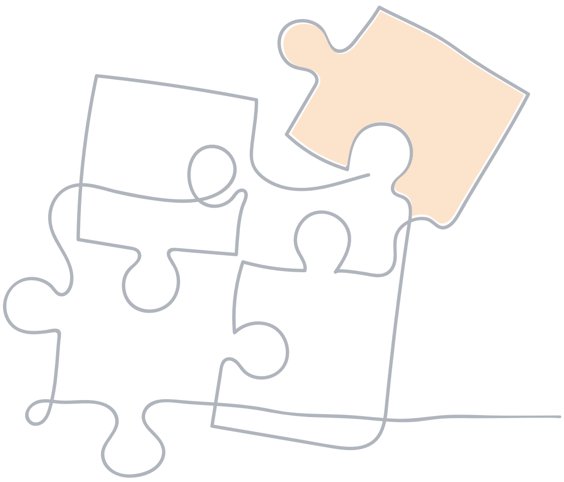
It is essential to identify and monitor the needs and sometimes changing circumstances of consumers who are clinically vulnerable. This can ensure suppliers provide the right support to reduce the harms associated with falling into payment difficulty.

Suppliers could designate a senior responsible officer who could be the lead in engaging with the NHS when considering disconnection.[2] Suppliers could form partnerships with relevant NHS organisations and referral systems could be set up to improve supplier identification of clinically vulnerable consumers at points of increased risk, such as being discharged from hospital.

Partnerships with charities can provide practical support to clinically vulnerable consumers who may be finding it hard to stay warm. We have seen supplier support and funding to local charities who have used home visit services and provided heating systems and a range of white goods to consumers who have received a cancer diagnosis.[3]

Identification of financial vulnerability

A good mix of reactive and proactive support is crucial to help those in payment difficulty. We recognise this can be challenging for suppliers and a sensitive topic that needs to be approached with care.



Suppliers could increase their outbound communication efforts to proactively contact those they identify as possibly in payment difficulty, using a range of technologies (eg two-way SMS) alongside traditional contact methods. Positive outcomes can be achieved by contacting those not yet in arrears but at risk of slipping into debt.

We encourage suppliers to build on the innovations some introduced during the Covid pandemic. This includes the use of financial vulnerability flags on accounts, so consumers struggling with their bills can be provided with the right support before they reach a crisis point.

Debt communications

Our previous consumer research has outlined good practice for the first communications that a supplier may send to a consumer in debt.[4] The research found that communications that were 'harsh' in tone and focused on immediate repayment did not increase intention to engage with suppliers. In fact, engagement may reduce when compared to communications which are 'friendlier' in tone and focus on the availability of alternative debt solutions. Importantly, the latter communication was also shown to improve consumers' perceptions of suppliers due to the belief that suppliers would treat them fairly, would understand times are difficult, and would work to find outcomes which are right for the consumer.

Citizens Advice have highlighted that some suppliers use a non-judgemental tone to encourage consumers to get in contact to discuss their situation.[5] We have similarly found that suppliers that focus on communicating in empathetic language, such as using terms to evoke co-operation, avoiding the presumption that paying a bill is 'not top priority', and avoiding threat of legal proceedings/negative credit ratings, may be more likely to secure better outcomes.

2 North East and North Cumbria Integrated Care Board (2022) Risks to clinically vulnerable people
3 Commission for Consumers in Vulnerable Circumstances (2019) Final Report (energy-uk.org.uk), p87
4 Ofgem (2021) Debt communications messaging: Evidence from consumer and behavioural insights
5 Citizens Advice (2021) Supporting people in energy debt

This is pertinent in light of our more recent research which highlighted that some consumers do not trust their energy supplier to help them when struggling with bills as some believe that suppliers' priority is making money.[6]

Clear and prominent information on how much debt is owed and how it will be collected can help consumers budget effectively. It can also be helpful to acknowledge that the debt could be outside of the consumer's control.

We encourage suppliers to continue trialling different approaches and communication templates with different groups of consumers to find out what works and share these findings where possible.

Debt support

Freephone and dedicated support teams

Signatories of the Energy UK Vulnerability Commitment are required to have a freephone number for consumers if they are in debt. Some suppliers also have a dedicated freephone line for prepayment meter and Priority Services Register consumers. Consumers who may wish to get in touch to speak to their supplier about support available can be deterred if there is no freephone service available and we encourage this service where possible.

We also have seen some suppliers offer support from 8am – 8pm to ensure prepayment consumers who may have issues accessing support such as friendly-hours credit can access support during this time.

Signposting to charities

Some suppliers constructively signpost and refer to external debt advice services, such as Citizens Advice, National Debtline, and StepChange, and provide information where appropriate. Some include this information in their first debt letters to consumers. Feedback loops with organisations they refer to can help suppliers evaluate the success of referrals and make improvements to referral processes.

Some suppliers have in the past provided debt advice leaflets in a number of languages for consumers who pass a certain number of days on the 'debt path'. This includes a budget planner and energy efficiency information.

We have also seen suppliers build relationships with charities to ensure that consumers with specific health problems can access specialist support and advice on energy efficiency, income maximisation from benefits, and fast-tracked grants from the supplier's hardship fund.

Energy and debt advice charities play a key role in ensuring consumers get the support and help they need. However they are under significant pressure and increased demand for their services. We encourage suppliers, where possible, to increase funding to their partners to ensure they are equipped this winter.

Repayment plans/ability to pay

On occasions suppliers may not be able to contact consumers to discuss their arrears or non-payment. When this happens, suppliers could implement default repayment plans and amounts, based on Fuel Direct minimum payments, token amounts, or other assessments of consumer spending and consumption.

6 Ofgem (2022) Consumer First Panel – Affordability and Supplier Support

If consumers can be contacted, or they get in touch with their supplier about any difficulties with paying their ongoing consumption or arrears, suppliers need to gather as much information from the consumer about their circumstances before deciding an appropriate payment plan. This can be combined with flexible repayment plan lengths suited to the income patterns of individual consumers rather than one-size-fits-all approach.

Consumers would benefit from suppliers being proactive in negotiating and setting up repayment arrangements early in the debt path, rather than waiting until consumers are in long-term arrears.

To help build an aggregate picture of repayment success rates, suppliers could routinely monitor the number of repayment arrangements they set up which then fail. This would indicate whether repayment amounts are being set at the right level.

Provision of credit: Additional Support Credit and Emergency Credit

Additional Support Credit and Emergency Credit can provide vital funds for consumers to top up prepayment meters if they run out of money. Some suppliers use tools to calculate the appropriate amount of credit to offer to consumers based on their individual circumstances, rather than just giving an arbitrary amount which could run out quickly.[7]

Some suppliers give consumers the option to self-serve discretionary credit using their website or app, with recommended amounts and repayment rates, and advice on whether this will cover their normal usage up until when they normally top up. This allows consumers who avoid directly asking for financial assistance to access support.

Empowering staff can result in good outcomes for consumers. Some suppliers choose to give staff wide discretion to provide credits to consumers in payment difficulty, especially where they do not have existing debt.

Hardship funds

We are very supportive of some suppliers increasing the amount of money available in their hardship funds ahead of the winter and we encourage other suppliers to do the same where possible. Hardship funds that include the possibility of debt write-off could be visible and accessible for consumers to ensure awareness about the support available.

Debt support for victim-survivors of economic abuse

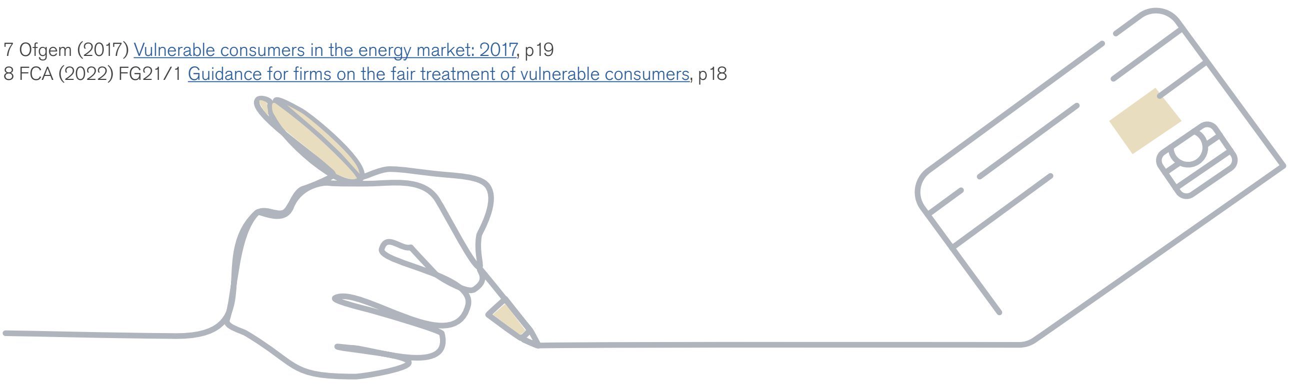
We are pleased to have seen a supplier develop good practice for improving outcomes for victim-survivors of economic abuse. This includes developing an economic abuse policy, staff training, signposting to relevant organisations and use of an Economic Abuse Evidence Form (led by Surviving Economic Abuse and Money Advice Plus) that is shared across all creditors a consumer owes debts to. This form can reduce the mental burden of having to explain difficult experiences to multiple companies. It also means the creditor knows economic abuse has happened and can respond accordingly, removing the need to request and store sensitive data.

Consumers experiencing economic abuse are particularly at risk of rising prices and we encourage suppliers to learn from best practice in other sectors such as financial services.[8]

Debt recovery

If a supplier reaches a stage where it needs to recover debt from a consumer, they can tailor debt paths according to the consumer's

7 Ofgem (2017) Vulnerable consumers in the energy market: 2017, p19
8 FCA (2022) FG21/1 Guidance for firms on the fair treatment of vulnerable consumers, p18



gathered through interactions with the consumer, including vulnerability.

If a consumer is in a vulnerable situation, suppliers could consider the full range of debt forbearance options, including pausing or deferring debt recovery actions until there is a material change in a consumer's circumstance.

We consider it good practice to pause debt recovery actions for consumers in a negative income who have an inability to pay their arrears.

When first engaging in debt recovery, we draw attention to 'Debt communications' above on ensuring debt communications strike the right tone by using empathy and are understanding of circumstances.

Suppliers can recognise that a consumer struggling to pay their energy bills will likely be struggling with other household bills and day-to-day essentials. Suppliers need to understand that they are unlikely to be the only creditor consumers will have to deal with.

We encourage suppliers to learn best practice from other sectors and creditors, for example the effective use of pre-action protocols for debt claims to ensure clear processes are followed to reduce the risk of poor outcomes.

Some suppliers pro-actively monitor repayment arrangements so that if a consumer defaults on their debt repayment, they can contact the consumer quickly to establish the cause of the default. In some individual cases the repayment is monitored for the life of the arrangement.

Prepayment meters

A consumer and supplier may agree that a prepayment meter is the best option to help manage any debt payments. Prior to installation and agreement that a prepayment meter is the best option, suppliers are required to ensure a prepayment meter is safe and reasonably practicable and clearly communicate the additional costs and potential risks (such as self-disconnection) associated with prepayment meters.[9]

Suppliers can make full use of Ofgem's safe and reasonably practicable guidance and facilitate further engagement with consumer groups and charities when making assessments that may involve their clients.

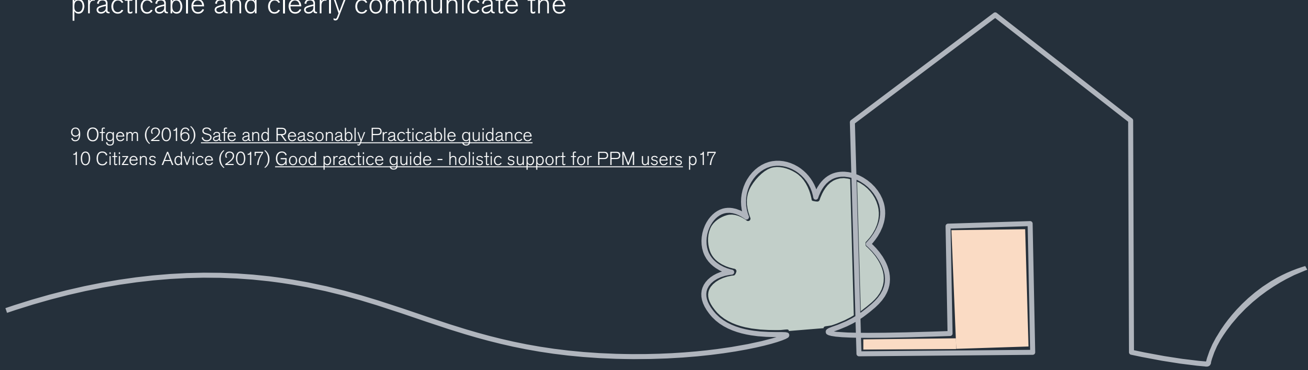
When carrying out safe and reasonably practicable assessments, suppliers could assess as broad a range of hazards and potential risks as possible. For example, a comprehensive risk assessment for a safe and reasonably practicable prepayment meter can be tailored to each consumer. It can extend beyond issues such as meter location and distance to nearest top-up point, important though they are, and include potential risks such as self-disconnection.

Some consumers may have mental health issues such as social phobia and agoraphobia. When installing prepayment meters for consumers who are unable to leave their house, suppliers should carefully consider this as the right course of action, as an inability to top up their meter can exacerbate the mental health condition.[10] Suppliers could consider ensuring meter operators have training to identify mental health issues.

Some suppliers choose to carry out checks, including site visits, to gather information before remotely switching a consumer from credit to prepay mode and we encourage this as a way of ensuring any vulnerability is identified.

If force-fitting a prepayment meter under warrant, we encourage suppliers to follow the same processes undertaken when disconnecting for debt. This could include a robust and comprehensive process including appropriate governance processes, which may include senior level sign off.

9 Ofgem (2016) Safe and Reasonably Practicable guidance
10 Citizens Advice (2017) Good practice guide - holistic support for PPM users p17

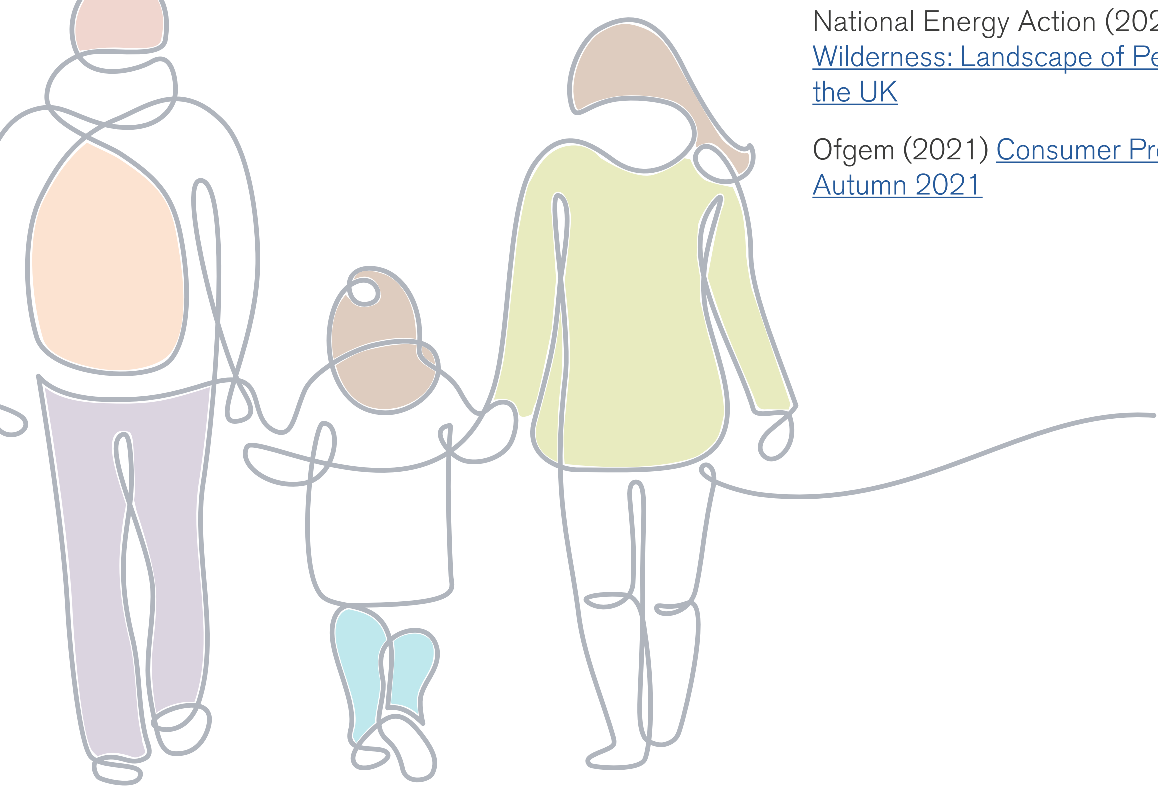


Some suppliers do not force-fit prepayment meters under warrant. Working on the assumption that non-payment is rarely intentional and positive outcomes can be achieved by continuing to attempt to engage with a consumer who has failed to make a payment, we would like to see other suppliers adopt a similar approach where reasonably practicable.

Suppliers can avoid consumer detriment by carefully considering the proportion paid to debt repayments when a consumer tops up their prepayment meter. Some suppliers have decided to only collect charges for consumption during the winter period. Setting default rates too high may result in higher levels of self-disconnection and ultimately bad debt.

Debt collection agencies (DCAs)

Suppliers can ensure the firms they work with follow Financial Conduct Authority guidance that applies to other types of debt collection and implement feedback loops to monitor the behaviour and performance of DCAs, ensuring it reflects the supplier's own high expectations and culture.[11]



Suppliers should have high expectations of the firms they work with and their ability to identify vulnerabilities and support consumers in vulnerable situations in line with their regulatory obligations.

The arrival of debt collection agents collecting debt can be very distressing for people in a mental health crisis. Suppliers could ensure that the firms and bailiffs they work with are trained in mental health first aid.[12]

Some suppliers do not escalate debt recovery to debt collection agencies until at least 60 days after the date of non-payment. A longer time between non-payment and use of debt collection agencies gives the more time for the consumer to engage and work towards a good outcome.

References

Citizens Advice (2021) [How energy companies can support people who are struggling this winter]

Energy UK (2021) [Vulnerability Commitment: Best Practice Report 2021]

National Energy Action (2020) [Surviving the Wilderness: Landscape of Personal Debt in the UK]

Ofgem (2021) [Consumer Protection Report: Autumn 2021]

11 Financial Conduct Authority (2022) FCA Handbook CONC 7.3
12 Money and Mental Health Policy Institute (2017) Best practice checklist - Utilities