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Consultation Response:

# Ofgem Involuntary PPM installation statutory consultation

Response by the Money Advice Trust

Date: July 2023

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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 2022, our National Debtline and Business Debtline advisers provided help to 140,980 people by phone, webchat and our digital advice tool with 1.87 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 2022 we delivered this free training to 2,780 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](http://www.moneyadvicetrust.org).

## Public disclosure

Please note that we consent to public disclosure of this response.

# Introductory comment

We welcome the opportunity to respond to the Ofgem involuntary PPM statutory consultation. 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.

However, we support the route Ofgem is taking in relation to forced PPM installation to strengthen the licence conditions and the guidance so that additional protections are in place before the coming winter. If there are further protections that should be included in the licence conditions and guidance, then Ofgem should not rule out extending the freeze on suppliers starting up forceable installations of PPM in order for these to be resolved. The merits of a complete ban on the forced installation of PPMs is a longer-term policy question.

We have some specific points to make about the guidance as follows.

- ✓ It is not clear how Ofgem will ensure consent has been given to install a PPM without “*undue pressure on the customer to provide consent*” as set out in 3.2. If a vulnerable consumer is repeatedly told that the alternative to a PPM being installed is to “take court action” and “send the bailiffs round” what are they likely to choose?

*3.2. Consent: Suppliers must consider consent to be unmistakably stated by the customer, whilst Involuntary PPM is under active consideration by the supplier, rather than implied or retained in terms and conditions. It may be given in writing, or verbally and suppliers must not exert undue pressure on the customer to provide consent. Suppliers must record the date and method used to gain consent.*

- ✓ The guidance refers at 3.3 to the fact that alternative actions to recover the debt where a PPM is not suitable must be “*be fair, reasonable and appropriate for the customer’s circumstances and level of debt owed*”. We believe that this needs to be strengthened. We cannot see any scenarios where it can be established that someone is too vulnerable to have a PPM installed, but it can be appropriate in their circumstances for a supplier to take court action and use intrusive high court enforcement against that vulnerable person.

- ✓ **We would like to see the guidance strengthened to include a requirement on suppliers to write off any arrears for customers in this situation if they are unable to make any payments towards their arrears.** It is clearly not logical to conclude that anyone is too vulnerable to have a PPM installed but can still be pursued to pay through court enforcement. We have set out our call for a Help to Repay government funded scheme to offer repayment matching and debt relief on energy arrears in our recent report.<sup>1</sup>

*“3.3. In all cases of Involuntary PPM, suppliers must be sure of the validity of the debt amount and liability of any customer. Any alternative actions taken to recover debt in instances where a PPM is not suitable for the household should be fair, reasonable and appropriate for the customer’s circumstances and level of debt owed. Where it is not possible to be sure of the validity, liability and proportionality, suppliers must be able to demonstrate they have made every effort to attempt assessment.”*

- ✓ Where assessing circumstances, we believe suppliers should adopt a precautionary principle and assume that it is **inappropriate** to instal a PPM unless they can prove otherwise. Currently, the guidance at 3.14 allows suppliers to progress to installation of an involuntary PPM where they have not been able to contact the consumer. It should not be assumed by suppliers that people who do not respond are refusing to pay. It is exactly people in the most vulnerable groups, such as people with mental health difficulties, who are less likely to contact their supplier. It is vital that suppliers are required to set out exactly how they can help people who do get in contact, in clear and simple terms. This might help people to engage, rather than threatening them with warrants to install PPMs.

*3.14. In circumstances where suppliers have attempted contact via multiple channels and conducted a Site Welfare Visit but have been unable to establish with certainty the level of detriment in association with FAN characteristics and/or financial assessments, suppliers should apply their own discretion on progression to Involuntary PPM, noting that any move to PPM may need to be reversed if vulnerabilities are subsequently discovered in the household.*

- ✓ We would like to see more prescription on debt repayment amounts to ensure that payments are not set to minimum automatic payment amounts. We have questioned whether it is possible to recalibrate the order in which payments are taken from PPMs so that debt repayments are not taken out first before any energy can be used below. The requirement in 6.3 that suppliers should “consider alternative approaches to recovering the debt such as delaying repayment start” could go further. Where people are unable to afford to have payments on their arrears to be deducted from their PPM, then suppliers should freeze deductions for a period with a review.

<sup>1</sup> [https://moneyadvicetrust.org/wp-content/uploads/2023/06/Help\\_to\\_Repay\\_-\\_Energy\\_arrears\\_scheme\\_proposal.pdf](https://moneyadvicetrust.org/wp-content/uploads/2023/06/Help_to_Repay_-_Energy_arrears_scheme_proposal.pdf)

*6.3. Where a supplier progresses with Involuntary PPM, they must take all reasonable steps to ensure that any debt repayments recovered via the PPM take into consideration the customer's ability to pay. Where any financial assessment concludes that the customer will be able to afford to pay for ongoing energy needs but not debt repayments, suppliers must consider alternative approaches to recovering the debt such as delaying repayment start (seasonality or change in financial circumstances).*

- ✓ Despite not being the subject of this consultation, we wanted to flag that this licence condition should be looked at again.

*27.8A (e) (ii) For prepayment meter customers repaying debt by a weekly amount explaining that debt will be recovered regardless of usage.*

It seems to us to be 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 PPM system 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 very low amount, such as £1 a week or similar. Ideally, the debt should be recovered after a certain amount of usage, and systems adjusted to allow this.

# Responses to individual questions

## Question 1: Do you agree with our proposals to integrate the Code into the supply licences?

Yes, we agree that the code should be integrated into supply licences. In our opinion this should happen as soon as practicable to strengthen consumer protections.

## Question 2: Do you agree with our approach to integrating the relevant parts of the Code into the Safe and Reasonably Practicable guidance?

Yes, we agree that the relevant parts of the code should be integrated into the Safe and Reasonably Practicable guidance. We very much support there being prescriptive detail set out in guidance on how suppliers should behave when installing a PPM without consent.

It is of course vital that the guidance should be mandatory for suppliers to comply with, and not be seen as optional good practice. We understand the intention is that the prescriptive elements in the guidance will be enforceable against suppliers who fail to comply. However, the ability to amend guidance on a more flexible basis appears to be a benefit as any measures that need amending can be done more easily and quickly.

## Question 3: Can you provide evidence on whether we should retain the 'over 85s' in the 'do not install' category?

We cannot understand why Ofgem would consider the removal of the over 85s from the do not install category. Indeed, we supported going much further and expanding this age range to over 75.

No doubt charities specifically supporting older people will be in a better position to comment than ourselves. It should also be possible for Ofgem to obtain objective clinical medical evidence as to the effects of a cold and damp home on older vulnerable people who are at a much more serious risk of ill-health due to age. We would imagine that this would demonstrate that the risk to the over 75s are very similar.

In addition, expanding the boundary to a wider age range would help provide clarity and reduce the numbers of households where further assessment must be required as this group should be easy to identify. This would also reduce the stages that suppliers must go through to establish whether people fall into the "further assessment needed" group which reduces workload and resources pressures on suppliers.

An automatic exemption for a wider group is both more effective, and reduces the risk of errors and malpractice by individual suppliers. It reduces the likelihood of any variation in the interpretation of the applicable rules between suppliers.

#### Question 4: Can you provide evidence on whether we should include children under the age of 5 in the 'do not install' category

We very much support inclusion of children under five in this category. It is clear that Ofgem should take very seriously the evidence that has been already provided by medical clinicians when coming to their decision.

We do not have supplementary evidence to offer to support the inclusion of children under five in the 'do not install' category. However, as expert evidence has concluded that children under five should be included in this category, then we see no reason for Ofgem to discard this conclusion.

As we have said in our response to question 3, an expansion of the boundary of the 'do not install' group to households with children under five, would work for the same reasons as expansion to include over 75s.

#### Question 5: can you provide any further evidence on the potential costs and benefits of our proposals?

We are unable to provide further evidence on the costs and benefits identified in the paper.

#### Question 6: we are consulting separately on an increased Additional Support Credit allowance to mitigate any impacts on bad debt. Do you have views on how we can ensure suppliers spend this ASC allowance to help PPM consumers stay on supply?

We are not submitting a formal response to the consultation on additional support credit. However, we have made our concerns known to Ofgem regarding these proposals. It is still very unclear to us how Ofgem can give suppliers an allowance for bad debt within the price cap, when suppliers are not actually writing off debts for individual customers. We see no evidence that this is occurring. Instead, people are being asked to pay debts back through their PPM, or via monthly payments at often unaffordable amounts. Where debt is not paid back it may be passed to debt collection agencies, or pursued through county court.

Is there not a danger that this allowance forms part of potential profit margins for individual suppliers, if people are still being asked to pay back debt individually that has been "accounted for" as bad debt in the price cap? This approach would seem to support energy suppliers rather than consumers.

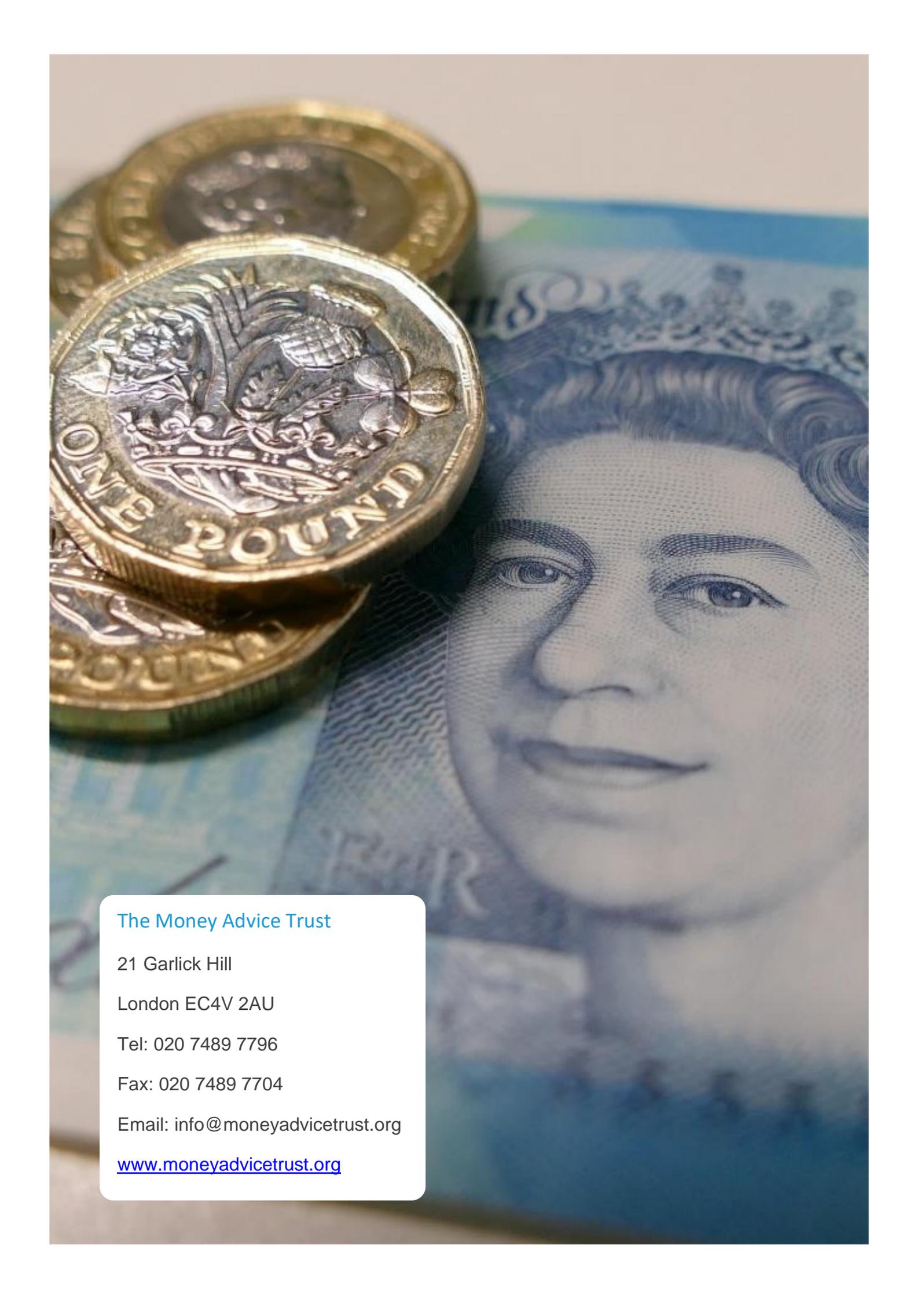
In our view, this allowance should be used to support debt write off initiatives that actually write off debt for individuals through a Help to Repay scheme as we have proposed.

For more information on our response, please contact:

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