

## **Ofgem Statutory Consultation – Consumer Standards**

### **A response from Scope**

**August 2023**

Scope welcomes the opportunity to respond to Ofgem's statutory consultation on consumer standards. We especially welcome Ofgem being proactive in this area. We support Ofgem's aims to improve consumer standards and customer service; areas that are currently a major issue for many disabled households.

Scope's main point that we would like Ofgem to take into consideration is the need for more prescriptive-based regulations when it comes to supplier's responsibilities around disabled consumers and households. To protect consumers in vulnerable circumstances, more prescription over competition is needed in many areas so suppliers are completely aware of their requirements and duty of care.

It is of Scope's view that Ofgem should focus on enhancing disabled customers access to customer service through increased capacity from suppliers, with a reduction in waiting times. Improving the quality of customer service provided by suppliers should also be a priority, along with improving complaint resolution outcomes which are currently very poor.

Related to this, Ofgem knows already that debt repayment is an issue for both customers and suppliers, and we believe that minimum payments should be reflective of what customers can afford, and in some cases that may have to be zero.

We also have concerns over Ofgem's consideration of incentives for suppliers beyond reputation incentives. Whilst giving customers clear signposts to third-party organisations could potentially benefit customers, rather than further incentives financial or regulatory in nature, we would like to see stronger enforcement and stricter punishments for suppliers who either breach licence conditions or provide poor customer service.

Finally, it is likely that any changes or improvements to consumer standards and customer service will be met with push back on the grounds of increased costs and resources by energy suppliers. We do not believe these are strong enough arguments that should stop Ofgem from introducing new requirements of suppliers to improve consumer

standards and customer service. Suppliers should already be providing a good service to customers. However, Ofgem's research with Citizens Advice, and Ofgem's need to consult, shows this is not the case.

There is an argument to be made that supplier's alone should absorb any extra costs that come with improving consumer standards and customer service, and not pass these on to customers. Furthermore, where suppliers make this argument, Ofgem should ask for proof and evidence of this.

## Context from Scope's research

The cost-of-living crisis is the biggest issue disabled people are facing right now. We already know that life costs more if you're disabled. Even before this current crisis, disabled people already faced extra costs of £975 per month on average<sup>1</sup>. On average, the extra cost of disability is equivalent to 63% of household income after housing costs. These average extra costs rise to £1,248 per month where there are two disabled adults in the household and at least two children<sup>2</sup>.

High energy bills are making the situation far worse - even with the current government schemes in place. Over a third of disabled adults feel that their impairment or condition has an impact on how much energy they use and 9 in 10 (91%) are worried about energy bills this winter<sup>3</sup>.

Lots of disabled people need to use more heating because they can't regulate their body temperature. Some disabled people need to charge equipment like electric wheelchairs and hoists. We've also heard from people who use life-saving machines like ventilators to breathe, or dialysis machines. This is lifesaving equipment; these costs can't be avoided.

Disabled people feel let down and forgotten by the government, Ofgem and suppliers, and are struggling with the price of essentials such as energy or food, often having to make devastating decisions about what to prioritise.

Energy and water companies have a duty of care to their customers,

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<sup>1</sup> Scope (2022), Cost of living – Policy report, <https://www.scope.org.uk/campaigns/cost-of-living-crisis/>

<sup>2</sup> Scope (2023), Disability Price Tag - <https://www.scope.org.uk/campaigns/extra-costs/disability-price-tag-2023/>

<sup>3</sup> Scope (2022), Cost of living – Policy report, <https://www.scope.org.uk/campaigns/cost-of-living-crisis/>

and licence conditions that require companies to offer support to vulnerable customers.

Support from energy and water companies is vital for disabled customers and must be available when needed.

However, we know this is not always happening. Energy debt is one of the topics that disabled people need most assistance with when they contact Scope's energy helpline. This strongly suggests that energy suppliers are not providing the help and support required. Far too often an energy supplier's response is to simply attempt to install a pre-payment meter (PPM) to recover the debt.

Scope's Cost of Living report from November 2022<sup>4</sup> found that disabled people often experience poor customer service from energy suppliers, and that interactions with suppliers are often negative. For example, our research found that over a quarter (28%) of those who experienced an issue with their PPM said their supplier didn't offer them any support.

More than 2 in 5 (45%) households with a disabled person have experienced some issue with their energy supplier in the past 18 months. A fifth (18%) have been overcharged, reporting that their direct debit payments were too high. 1 in 8 received poor customer service (12%), while 8% have been subjected to incorrect bills or billing mistakes, with the same proportion (8%) saying their supplier has gone out of business.

## Response to the Call for Evidence questions:

### **Question 1: Do you have any comments or questions on our proposed licence changes to improve supplier contact ease?**

Scope agrees with Ofgem that high-quality standards are fundamental to a well-functioning market, as well as good customer service. As mentioned in May's Consumer Standards consultation response, Scope still asserts that suppliers should already be providing adequate levels of customer service and agrees with other consumer groups that suppliers should not receive additional funding to meet basic levels of customer

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<sup>4</sup> Scope (2022), Do the Right Thing – Policy report, <https://www.scope.org.uk/campaigns/research-policy/cost-of-living-report/#The-impact-of-Government-support>

service<sup>5</sup>. It is Scope's view that a 24/7 service is a good in theory, though it still raises the question of practicality.

It would be useful for Ofgem to define who requires immediate support from their supplier, as there is no specific definition or scope around this. Additionally, Scope supports comments made by the Money Advice Trust (MAT) in August's roundtable session, that the licence appears too narrow.

Discussions have always included consumers struggling to pay their bills and those on PPMs; these circumstances have not been a focus in this consultation.

The introduction of a freephone policy option for all suppliers would be beneficial to consumers already experiencing financial difficulties and those that are digitally excluded. 23% of disabled people have no access to the internet, compared to 6% of non-disabled people<sup>6</sup>.

Although Scope acknowledges the potential challenges suppliers may face in implementing issue-specific contact numbers for consumers, such changes could make a substantial difference to those who otherwise would spend time calling numbers which may not be in operation outside of core hours (9.00am to 5.00pm). The Office for National Statistics (ONS) reports that 73% of consumers work during supplier's core hours<sup>7</sup>.

As a UK Power Network representative stated in the August roundtable session, suppliers should also consider how their elderly relatives would approach contacting their energy supplier and whether the current contact methods are clear and easy to find.

Scope agrees with comments made by the Centre for Sustainable Energy in the August roundtable session, in that where consumers have language barriers, translation services should be a cost that suppliers bear, not charities or other organisations.

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<sup>5</sup> Ofgem (2023), Statutory Consultation – July, <https://www.ofgem.gov.uk/sites/default/files/2023-07/Statutory%20Consultation%20Consumer%20Standards%20v4%20FINAL.pdf>, Page 22, (3.13)

<sup>6</sup> Office for National Statistics (2019) – Exploring the UK's digital divide, <https://www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/articles/exploringtheuksdigitaldivide/2019-03-04>

<sup>7</sup> Office for National Statistics (2022) – The night-time economy, UK, <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/articles/thenighttimeeconomyuk/2022>

This is further backed by comments from Mencap, stating that consumers with visual or hearing impairments gain access to accessible funds for such services, while consumers with learning disabilities are often overlooked. Under the Equality Act 2010, energy suppliers should already be providing extra aids or services as part of reasonable adjustments<sup>8</sup>.

During the recent roundtable session, suppliers commented that the cost involved in implementing these improvements would not be proportionate to the level of demand (meter failures or supply faults), however this misses the point.

These services should already be in place to account for such events or emergencies, and the absence of understanding or support for its implementation could be viewed as a lack of empathy with struggling, disabled, or vulnerable consumers, and could lead to a potential breach of the Consumer Rights Act 2015.

Under the Act, suppliers are required by law to provide their services with reasonable care and within a reasonable time<sup>9</sup>; this also includes guaranteed minimum levels of service or standards<sup>10</sup>, that the energy sector is obligated to provide for each individual consumer. Suppliers risk compensating consumers where there are delays, inconvenience or interruptions in energy or failure to meet the required standards.

Ofgem states that “the majority”<sup>11</sup> of consumer organisations have agreed that there has been a decline in supplier customer service; and yet goes on to state that evidence provided by consumer organisations is insufficient, as Ofgem agrees with suppliers that more evidence is required to justify their suggested solutions.<sup>12</sup>

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<sup>8</sup> Citizens Advice – duty to make reasonable adjustments for disabled people, <https://www.citizensadvice.org.uk/law-and-courts/discrimination/check-what-type-of-discrimination-youve-experienced/duty-to-make-reasonable-adjustments-for-disabled-people/>

<sup>9</sup> Legislation – Consumer Rights Act 2015, <https://www.legislation.gov.uk/ukpga/2015/15/part/1/chapter/4/enacted>, Section 49

<sup>10</sup> Legislation – Consumer Rights Act 2015, <https://www.legislation.gov.uk/ukpga/2015/15/section/9/enacted>, Section 9

<sup>11</sup> Ofgem (July 2023) – Statutory Consultation, <https://www.ofgem.gov.uk/sites/default/files/2023-07/Statutory%20Consultation%20Consumer%20Standards%20v4%20FINAL.pdf>, Page 15, (2.2)

<sup>12</sup> Ofgem (July 2023) – Statutory Consultation, <https://www.ofgem.gov.uk/sites/default/files/2023-07/Statutory%20Consultation%20Consumer%20Standards%20v4%20FINAL.pdf>, Page 16, (2.3)

Subpar customer service is being blamed on Covid and the current energy crisis when, it could be said that ineffective customer service was already apparent pre-2020. In 2022, 3.9 million consumers contacted their energy supplier for help with their bills and no support was offered, and a further 3.2 million reported attempting to contact their supplier but being unable to get through<sup>13</sup>.

Comparing these figures to pre-2020 figures, consumers were still worried about the cost of energy and some still faced considerable debts<sup>14</sup>, and contact ease and consumer dissatisfaction remained at a consistent level between Q4 of 2018 and Q3 of 2021<sup>15</sup>, when Covid had already peaked in early 2020<sup>16</sup>.

Suppliers highlight that low-level consumer satisfaction is related to recent economic and financial factors; while positive changes suppliers refer to are encouraging, they could be viewed as a distraction from the supporting evidence provided to Ofgem in May's consultation response. Such evidence – as shared below – indicates that more is required to help vulnerable consumers, including those that are disabled.

In July 2023, Scope's Research team analysed the 2021 Understanding Society dataset<sup>17</sup>, and found that two years ago, less than 1 in 3 disabled households (30%) were able to get by or found it difficult or very difficult to manage financially, compared to 1 in 5 (21%) non-disabled households. 8% of disabled households reported being behind on some or all bills, compared to 5% for non-disabled households. In 2021, disabled households were twice as likely to rely on food banks to get by.

Scope's analysis of the latest Financial Resources Survey (FRS) 2021-22 found that 152,314 families (1.21%) where someone has a disability, did not have enough money to warm their home, compared to 27,802 (0.12%)

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<sup>13</sup> Money Advice Trust (June 2023) – Under Pressure, [https://moneyadvicetrust.org/wp-content/uploads/2023/06/Money\\_Advice\\_Trust\\_-\\_Under\\_Pressure\\_report\\_-\\_June\\_2023-2.pdf](https://moneyadvicetrust.org/wp-content/uploads/2023/06/Money_Advice_Trust_-_Under_Pressure_report_-_June_2023-2.pdf), Page 7

<sup>14</sup> Ofgem (2017) – State of the Market, [https://www.ofgem.gov.uk/sites/default/files/docs/2017/10/state\\_of\\_the\\_market\\_report\\_2017\\_web\\_1.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2017/10/state_of_the_market_report_2017_web_1.pdf), Page 7

<sup>15</sup> Ofgem and Citizen's Advice (February 2023), Customer satisfaction – Ease of contacting supplier (GB), <https://www.ofgem.gov.uk/energy-data-and-research/data-portal/all-available-charts?keyword=contact&sort=relevance>

<sup>16</sup> Office for National Statistics (March 2023) – Coronavirus (COVID-19) latest insights: Deaths, <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/articles/coronaviruscovid19latestinsights/deaths>

<sup>17</sup> Scope (July 2023), Financial Insecurity among disabled households - Research



non-disabled households. The rate is over ten times higher for disabled households. These statistics are from people who self-declare a lack of money as a response to the question; the number of people going without will be higher, as people may not wish to report that they are struggling financially.

### **Scope: Disability Energy Support Service (DES)**

DES referrals for the first eight months of 2023 already show an increase of almost 148% when compared to the whole of 2021. Between 2021 and 2022, there was a 300% increase in referrals; annual referrals for 2022 stood at 7,749 and referrals up to 17 August 2023 are at 4,814. Scope anticipates that 2023 numbers will surpass those of 2022.

There has and continues to be a clear increase in the demand for support among disabled consumers.

Notably, July 2023 had a substantial number of referrals compared to past summers, with 652 referrals, while July 2022 had 296, and July 2021 had 41. This is a 120% increase from last July, and a startling 1,490% increase since 2021.

In 2022, January to August had 4,450 referrals; as of 17 August 2023, the same period has seen an almost 8% increase. When comparing the same period in 2021 to 2023, the increase is staggering, at 865%.

Statistics from July and August are particularly worrying as it is an expectation that referrals decline in the summer months, and yet the figures illustrate that disabled consumers continue to struggle with their energy during this cost-of-living crisis.

As evidenced above, disabled consumers are ten times more likely to struggle financially than non-disabled consumers<sup>18</sup>, and levels of consumers seeking Scope's help and advice with their energy bills are increasing at an alarming rate.

Despite Ofgem and suppliers claiming that evidence provided in Ofgem's May Call for Evidence consultation was lacking, research and statistics demonstrate that energy suppliers could be doing more to help some of the most vulnerable people in society.

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<sup>18</sup> Department for Work and Pensions (2023) – Family Resources Survey: financial year 2021 to 2022, <https://www.gov.uk/government/statistics/family-resources-survey-financial-year-2021-to-2022/family-resources-survey-financial-year-2021-to-2022>

**Question 2: Do you have any comments or views on our proposed contact ease guidance document? We would welcome evidence of ways in which suppliers are already delivering best practice.**

Nothing further to the information provided in response to question 1.

**Question 3: Do you have any comment or questions on our proposed licence changes to better support customers struggling with their bills?**

Suppliers being proactive and empathetic towards consumers is a positive development and will hopefully, as Ofgem states, allow consumers to feel supported by their supplier rather than pressured for a payment they are unable to make.

**Question 4: Do you have any comments or questions on our proposed licence changes to require suppliers to publish information on their customer service performance, as measured by Citizens Advice?**

No.

**Question 5: Could you provide any further, detailed evidence on the potential costs and benefits of our revised proposals?**

No, only that Scope reiterates that any costs incurred because of service improvement should be shouldered by the suppliers, not consumers.

**Question 6: Could you provide detailed evidence or information on the proposed timescales for implementation of our revised proposals?**

No. Implementation of revised proposals by December 2023 sounds realistic.

**For more information, please contact:**

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## About Scope:

We're Scope, the disability equality charity. We won't stop until we achieve a society where all disabled people enjoy equality and fairness. At home. At school. At work. In our communities.

We're a strong community of disabled and non-disabled people. We provide practical and emotional information and support when it's needed most. We use our collective power to change attitudes and end injustice.

We campaign relentlessly to create a fairer society. And we won't stop until we achieve a society where all disabled people enjoy equality and fairness.