



Supporting the hair, beauty
and barbering industries

Ofgem non-domestic energy market review consultation NHBF submission, September 2023

Response overview

The National Hair & Beauty Federation (NHBF) has around 5,000 members and is the UK's largest trade body for the hair, beauty and barbering industries.

We welcome the steps that Ofgem is taking to hold suppliers to account, as outlined in the consultation, including in the following areas:

- Where suppliers have been overcharging consumers not under contract (deemed contract rates) and not applying the Energy Bill Relief Scheme (EBRS).
- Driving standardisation through best practice guides including around security deposits and encouraging suppliers to offer further flexibility through contracts fixed at a high rate. We would want to see, however, all suppliers in time offering alternative contract terms, introducing hardship funds or increasing debt support for businesses.
- Standardisation of documents around tenant or occupier transfer which may affect some businesses.

In terms of proposed changes to legislation:

- Customer complaints: we support proposals to require timely responses to complaints and more reporting to Ofgem on complaint handling. This is particularly important given wider economic pressures that businesses are facing.
- Standards of conduct: We are content with current rules around micro businesses as that covers the vast majority of businesses in the sector.
- Transparency: we certainly support measures to improve bill transparency such as explaining increases to bills including standing charges, particularly if you can find visual ways of doing this for a neuro-diverse audience. We also support clearer signposting to Citizen's Advice consumer services for business.

However, despite some progress made over recent months, we are keen that urgent action is taken and improvement needed if we are to ensure that businesses can make their way through the winter as effectively supported as possible. We support many of the measures outlined in the report and consultation but are disappointed that it is taking so long to get there. With a government focused on growth, energy suppliers are not supporting this aim through their poor customer service.

In terms of your recommendations to Government

- TPI regulation: We are keen that the regulation of TPIs doesn't become a distraction and that the focus is still on delivering more effective customer service from energy suppliers.
- Expanding access to the energy ombudsman: we do not have strong views about this as the majority of micro businesses in the sector are already covered by this. However, we would welcome a degree of flexibility where small businesses may lie on the threshold.

Our main concern is that those issues we outlined in our response to the call for evidence back in March do not appear to have improved for businesses on the ground, namely:

- Businesses are still experiencing rising prices even though wholesale/retail prices may be falling.
- High security deposits are still a problem for around 10% of sector businesses, the same proportion as it was six months ago and around 7% of businesses are still being refused contracts on grounds relating to the business eg. credit rating. We do appreciate that Ofgem cannot intervene in individual commercial contracts.
- Businesses continue to experience problems with poor customer service.

Background and sector context

The sector contributed £4.6 billion to the UK economy in 2020/21 and overall consumer spend in the sector totalled £24.5 billion¹.

The results from the latest NHBF State of the Industry quarterly survey from July 2023 show that despite the challenging economic climate, the positivity that we saw in April 2023 has bedded in:

- Fewer businesses are making a loss and the trend towards increasing prices is slowing.
- Energy costs are still at the top of business concerns, then cost of trade supplies and increases to National Minimum Wage/National Living Wage (NMW/NLW).
- Debt is still a problem for more than half of sector businesses; for many, it will take more than two years to clear.
- Over half of businesses are still reliant on external support.
- Recruitment intentions are slightly more positive, but still muted; businesses are having problems finding experienced staff.
- Three quarters of businesses are now confident of their survival, but growth intentions are still balanced.

In these challenging economic times, the Energy Bill Relief Scheme (EBRS) was an important intervention for many of the 48,000 sector businesses and we have no doubt that it has saved countless businesses. The Energy Bill Discount Scheme (EBDS) provides less than half the previous support, but at least it still provides a degree of aid.

In terms of our recommendations to Ofgem, we would like to see:

- Further proactivity and to continue to keep the pressure on energy suppliers.
- More suppliers showing flexibility and allowing businesses to pay high bills back over a longer period of time, including through 'blend and extend'.
- The review of the Energy Bill Discount Scheme referenced by Government² should report on a regular basis and not after the event. This is important to track over the winter in particular, how small businesses are being supported and whether significant numbers have been forced to close due to high energy costs.

It is important for sector businesses that are still in recovery phase and building back post Covid, that the Government and Ofgem offer support as far as possible through the winter.

¹ Value of Beauty report, Oxford Economics for the British Beauty Council (2023)

²Treasury Minutes and response to the Public Accounts Committee (PAC) (August 2023)

assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1177814/E02961984_CP_921_Treasury_Minutes_Web_Accessible.pdf

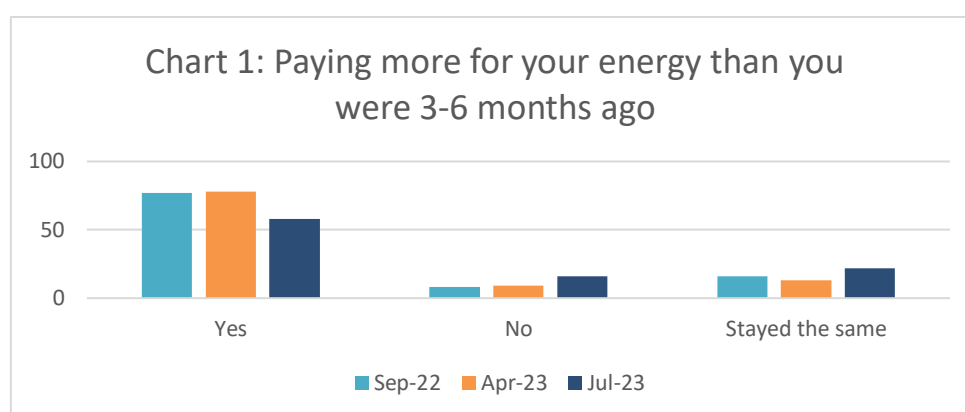
Consultation questions

Thank you for the opportunity to put forward our views. We respond only to those questions in the consultation where there is a direct interest for us to do so.

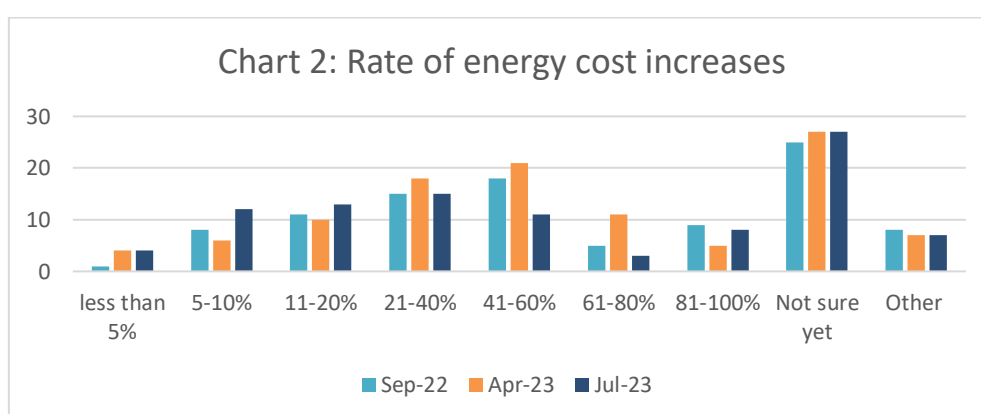
Section 2: Pricing and contract behaviour

Hair & beauty businesses are significant users of energy and rely on this to deliver core business services. Energy costs are the first or second largest outgoing for nearly two thirds (64%) of hair and beauty salons and barbershops.

Energy prices remain a key concern for businesses. Despite your data showing improvements in offers to contract, the reality is that costs are still high for businesses on the ground. In July 2023, 58% were paying more for their energy than they were three months ago. It had stayed the same for 22% of businesses that were presumably locked into a contract for the time being³.



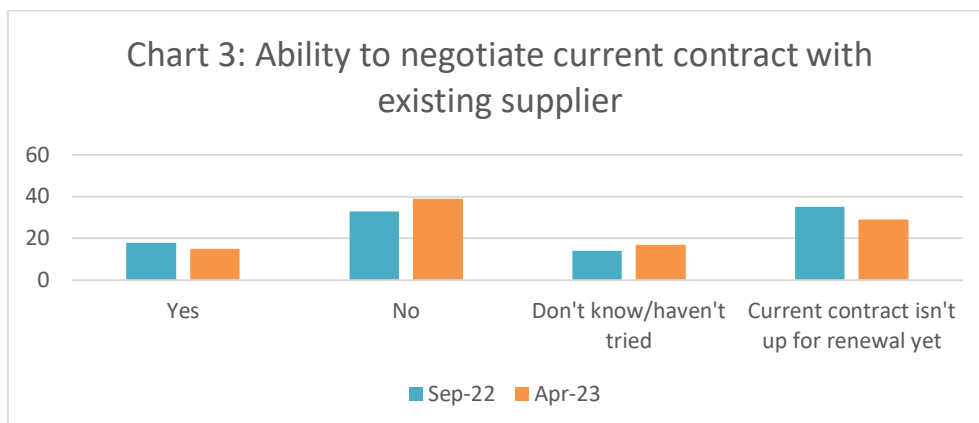
Since the Energy Bill Discount Scheme was introduced on 1 April 2023, businesses say that their energy costs have increased; for around a third (44%) of businesses by up to 40%. For just under a quarter (22%) prices have increased by more than 40%. 27% were not sure of the impact yet and 7% cited 'other', which included examples of prices rising by 200-300%.



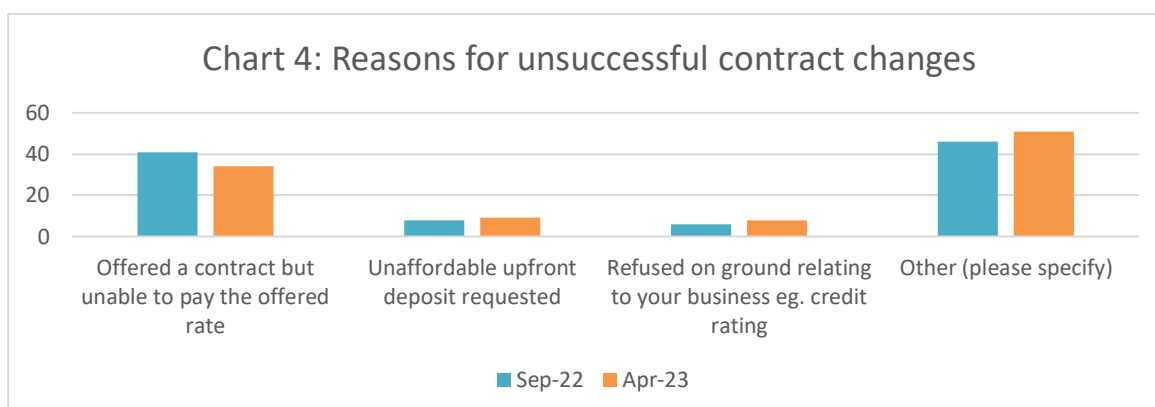
As you'll see from Charts 1 and 2, nine months on from energy costs escalating, businesses are still experiencing issues with high prices and significant numbers of businesses are experiencing increases of up to 40% or more.

³ NHBf State of the Industry survey (July 2023) [Positive signs, but energy costs continue to impact hair & beauty industry - National Hair & Beauty Federation \(nhbf.co.uk\)](https://www.nhbf.co.uk/positive-signs-but-energy-costs-continue-to-impact-hair-beauty-industry)

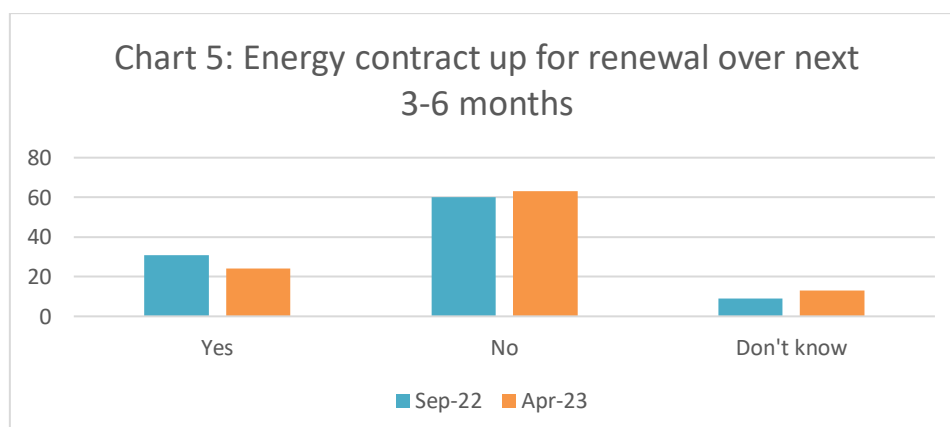
Significant numbers of businesses (33% in September 2022 and 39% in April 2023) were not able to negotiate the current contract with their existing supplier. The reason given for this high security deposits and securing contracts at all.



Where businesses were experiencing issues securing a contract, just under 10% because of an unaffordable deposit requested and 6-8% refused on grounds relating to the business, eg credit rating. The 'other' option included those who were not the landlord of the premises or had recently locked into a deal.



There is a risk for a quarter (24%) of businesses whose contract is up for renewal over the next few months.



Businesses experiencing rising energy charges⁴

In September

'Although the energy prices I have given are low my contract will need to be renewed in October and my current suppliers are estimating my bill will increase from around £350 p/m to £900 p/m this will see me lose my business'.

'We have been told to expect monthly payment to increase from £113 to between £600 and £700 - if this is the case we will be turning the lights off as we leave the building and handing the keys back to the landlord'.

'My bills have gone from £360 a month to £850 a month, they said my energy In December will be £2,500 for a month and same for January! We need help from the government to support us'.

In January

'My energy usage has been predicted to go up from £1500 to £5700 per annum. This will take most of our profit along with the staff wage costs and stock rises, I am sure we will be forced to initially get smaller then eventually close, increasing our prices will not fix this'.

'Something has to be done about business energy prices, mine has gone from £700 a month to £1600'.

'Our energy bill has increased by 300% with British Gas Lite'.

In April

The energy crisis has been our main problem, it increased our bills from £500, £900 to £2400 per month - just ridiculous'.

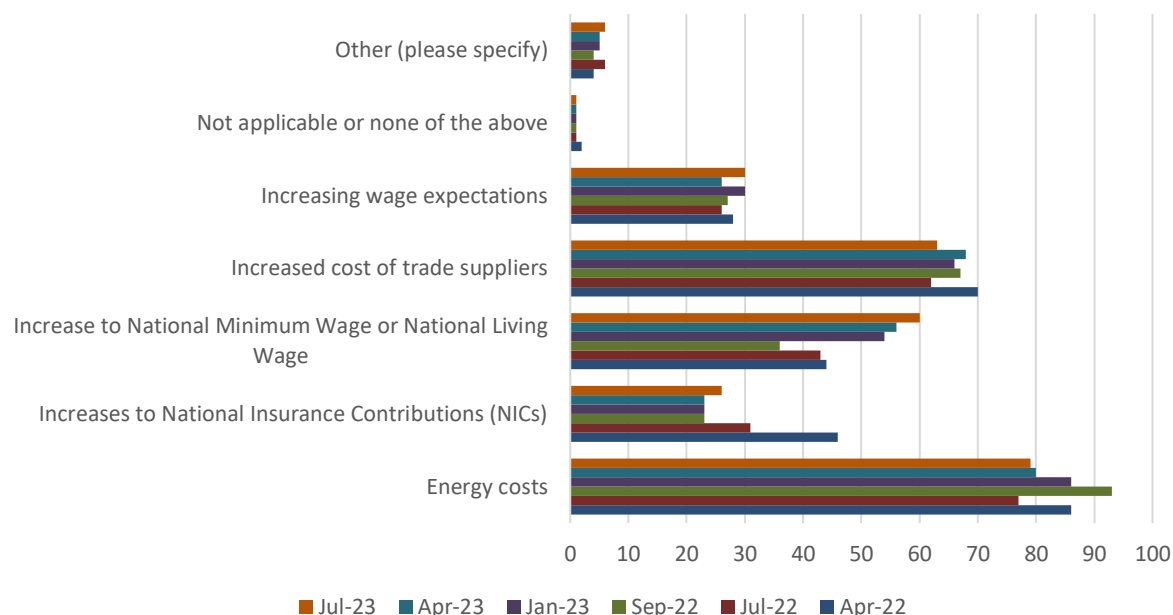
Energy costs are a key concern

Businesses remain in the midst of a 'cost of doing business crisis' with high energy prices, rising supply prices and staff costs from the latest rise in the NMW/NLW in April 2023. In terms of direct impact on the business, the overwhelming concern is still about energy costs (79%), increased costs from trade suppliers (63%), increases to National Minimum Wage/National Living Wage (NMW/NLW) (59% up from 56% in April), increasing wage expectations (30%) and increases to National Insurance Contributions (NICs) (26%)⁵.

⁴ Business quotes from the State of the Industry quarterly survey (September 2022, January & April 2023)

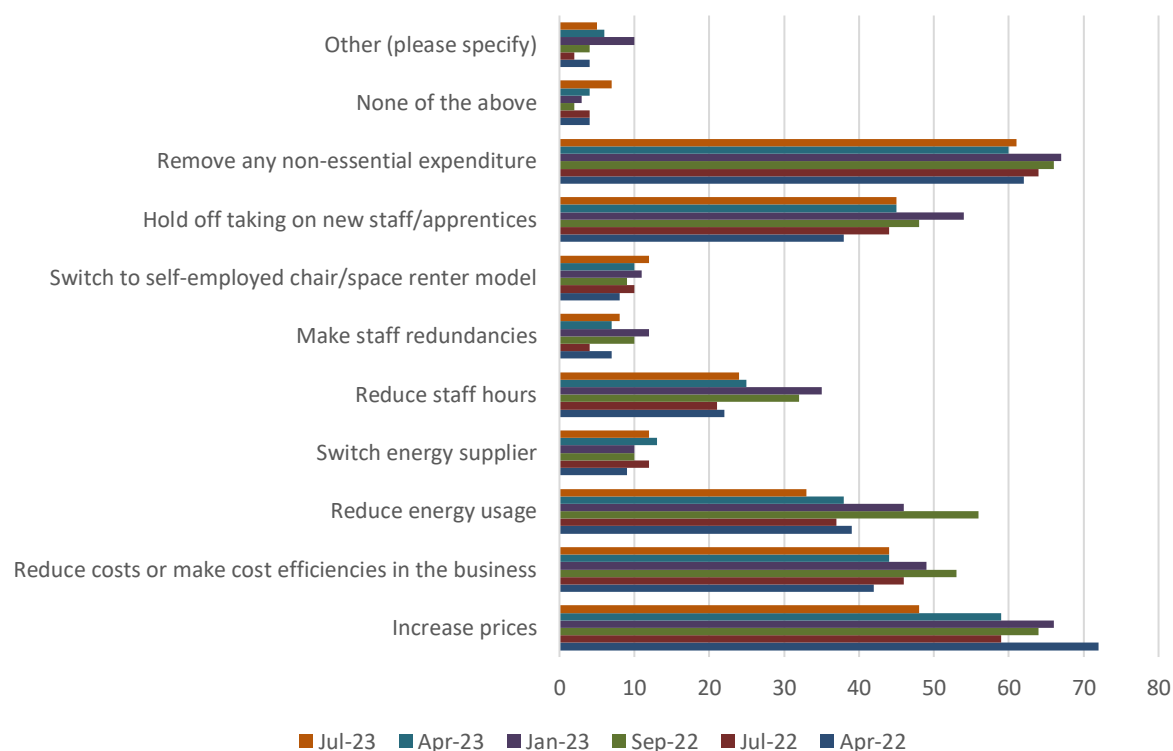
⁵ NHBFI State of the Industry quarterly survey (July 2023)

Chart 6: Cost increases with biggest impact on the business

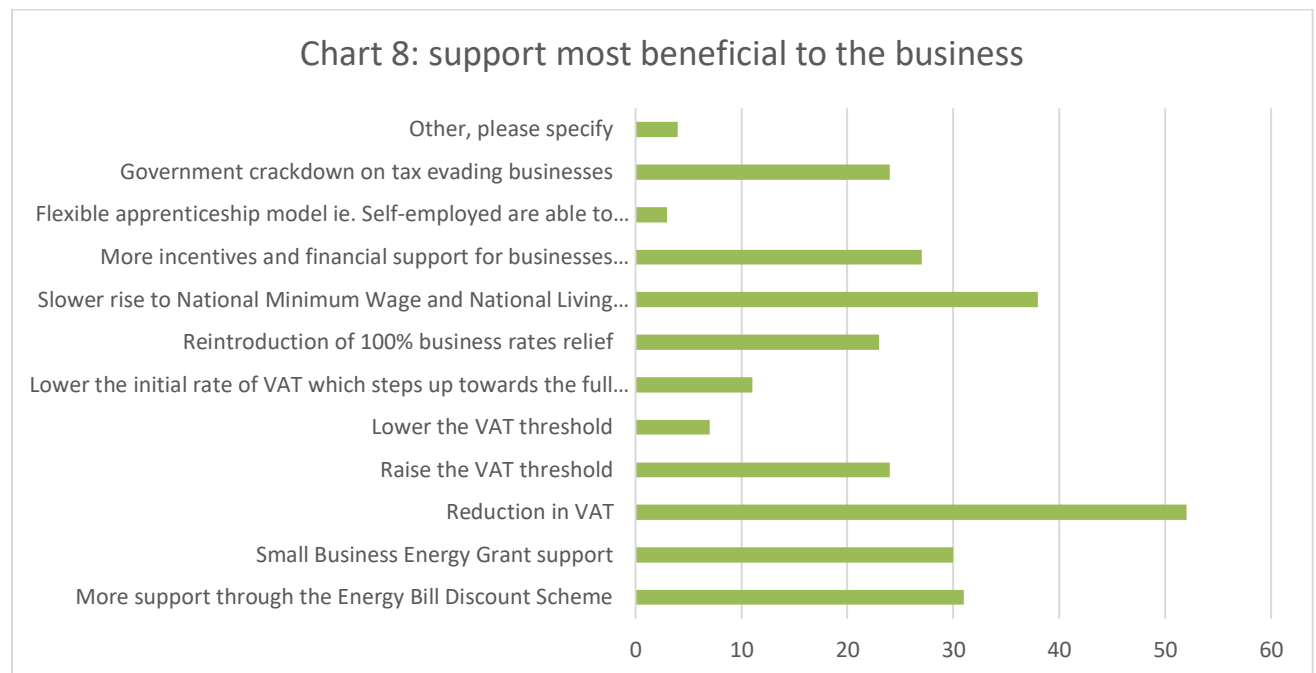


In response to these rising costs of doing business, the most common actions that businesses are taking include removing any non-essential expenditure (61%), putting up prices (48%), holding off taking on new staff/apprentices (45%), reducing costs/making cost efficiencies (44%) and reducing energy usage (33%).

Chart 7: Action taken as a result of cost increases



In terms of future support, businesses would find a reduction in VAT (52%) most beneficial and then more support through the Energy Bill Discount Scheme (31%) and small business energy grant support (30%) in addition to slower rise to the National Minimum Wage/National Living Wage (38%) and more incentives for taking on apprentices (27%).



Q1. Do you agree with our proposal to agree voluntary improved pricing transparency and if so, please include comments on the particular areas you would like to see made more transparent?

In terms of transparency, we welcome any initiatives designed to improve pricing transparency including price changes either through unit rates or standing charges. For a sector with a high proportion of neuro-diverse individuals we particularly welcome visually or video-based content to communicate messages or even the opportunity for business owners to seek advice and explanation over the phone.

If Ofgem does not plan to mandate specific bill information, we would support the sharing of best practice in clear communications as far as possible. This would be welcome as soon as possible and ready for the start, rather than the end, of the winter.

We welcome the best practice guide for security deposits to improve transparency, consistency and fairness. We welcome Ofgem monitoring the situation and, if over time, the guidance is not being followed and does not have an impact then we would welcome further action by the regulator in the form of more formal rules.

Q2. Do you agree with our proposed definition of ‘significantly exceeds’? Please provide your reasons.

Q3. Do you agree with our proposal that suppliers should review deemed contract rates quarterly? Please provide your reasons.

Q4. Are there any potential implications for domestic customers that the proposed guidance on deemed contract rates may impact on?

Q5. Do you have any further comments on our proposals for the deemed contract guidance?

We agree with the proposed definition and note the guidance on deemed contract rates. A review of deemed contract rates on a quarterly basis would seem sensible.

Q6. Do you have any other comments on the other proposals in this Pricing and contract behaviour section?

We welcome the action taken by the regulator on EBRs compliance.

We welcome suppliers and the regulator looking at a range of options including payment methods, debt repayment deferment, contributions to support funds and signposting support organisations. We appreciate that ‘blend and extend’ options that merely extend higher bills over a longer period of time will not be appropriate for all.

Section 3: Competition in the market and customer service

Q7. Which documents, or combination of documents do you believe would provide a robust evidence base to demonstrate a genuine CoT/CoO?

We have not received had any specific reports or feedback from the sector about negative experiences here but do however support the work that has been going on to share best practice and improve the consistency of documentation requested. It would be welcome if this best practice was in place before the winter.

Q8. Are Micro Business Consumers aware they can contact Citizens Advice for support? Do we need to introduce a rule requiring suppliers to signpost them more specifically?

Our sense from anecdotal evidence and feedback from members is that awareness of Citizens Advice and the Energy Ombudsman is low amongst micro businesses in the hair & beauty sector. Yes, we would support a rule requiring suppliers to signpost micro business customers to Citizens Advice.

Q9. Is an obligation requiring efficient and timely complaints handling needed? If so what are the costs and benefits associated with introducing this?

Yes, we support this and are all too aware of examples of businesses being passed from pillar to post by suppliers between different advisers, without timely resolution of issues which is unhelpful in the current economic climate.

Q10. Is an obligation requiring recording, handling and processing of complaints in accordance with consistent rules needed? If so, what are the costs and benefits associated with introducing this?

Yes, we would support this.

Q11. Do you have any views on what (if any) threshold should apply on business size for complaints handling requirements, or views on which requirements set out in the Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 should not be expanded to apply to all non-domestic customers?

An element of flexibility in definitions here may be helpful for businesses on the threshold. However, we would be concerned if the result was an erosion of the service and support for micro businesses if supplier support services were stretched more thinly.

Q12. We are seeking stakeholder views on our suggested proposals to government around increasing access to the Energy Ombudsman. Should there be a threshold on who can access the Energy Ombudsman? If so, where should this be set?

We are generally content with the current threshold and definition of the micro business customer - fewer than 10 employees and annual turnover less than 2 million euro. The vast majority (95%) of hair & beauty sector businesses fall into the microbusiness category⁶. Less than 1% have a turnover of more than £1m which again means that the vast majority of the sector is covered by the definition.

Number of employees	Number	%
0-4	34,085	73.7%
5-9	8,845	19.1%

⁶ NHBF Industry Statistics 2021

10-19	2,035	4.4%
20-49	450	1.0%
50-99	45	negligible
100-249	15	negligible
250+	10	negligible
TOTAL BUSINESSES	46,205	

Notes: *Businesses registered for VAT and/or PAYE. Source: Office for National Statistics

Q13. We are seeking stakeholder views on the proposed changes to the rules requiring suppliers work with TPIs who are members of a redress scheme. Additionally, what are your views on the costs and benefits associated with the different proposals?

We recognise the point made about the fact it is a minority of TPIs which is a problem. We would urge a focus on energy suppliers rather than letting TPIs become too much of a focus or distraction.

The NHBF launched a partnership with [REDACTED] in order to help businesses find the best possible deal for their business in terms of type of energy tariff and features. In a very challenging market, a good proportion of businesses have benefitted from this service.

We welcome ways of showing commission disclosure in an accessible way, such as presenting it as a cost per unit of energy and finding a way to show how it works out, with an amount of energy usage that people would recognise.

Q14. What are views from stakeholders on how long it would take to set up and register for a wider TPI ADR scheme, one that goes beyond Micro Business Consumers?

We are content that the majority of micro businesses in the sector are covered already. We would be concerned, however, about any moves that made the ADR process more expensive for micro businesses to participate in.

We would support broader access to redress if cases are not resolved within eight weeks, as an incentive to resolve this more quickly. We need to make sure that micro business customers still have access to redress.

Q15. What are your views on our proposal to expand SLC OA (non-domestic Standards of Conduct)? Do you have any views on which consumers they should or should not apply to? Please provide any views on costs and benefits of making this change.

Q16. Do you have any further comments on the proposals in this section on Competition in the market and customer complaints?

We welcome action to improve standards of conduct. It is a challenging time for sector businesses, as outlined, and we need to make it as easy as possible for them to resolve issues with their supplier.

We support the licence condition to ensure complaints handling requirements extend to a greater proportion of the non-domestic market as long as support to micro businesses is not undermined in any way. A dedicated and named relationship manager would be useful rather than businesses being passed around different individuals and departments.

Section 4: Some customer groups need focused support

Q17. What are the views of Distribution Network Operators (DNOs), Independent Distribution Network Operators (IDNOs), Gas Distribution Networks (GDNs), and Independent Gas Transporters (IGTs) on the potential issues of targeting support to vulnerable end users supplied through non-domestic contracts?

Q18. What changes to the Maximum Resale Price direction would improve its effectiveness and what are the potential downsides to any changes?

Q19. What are the costs and benefits associated with the proposal to expand TPI commissions disclosures to all non-domestic customers? How long would it take suppliers to implement this policy?

Q20. Are there views on how commissions disclosure is best presented to be understood by consumers?

Q21. Should we expand commissions disclosure to all non-domestic customers or a sub-set of customers, and if a sub-set do you have views on how to define this?

Q22. Do you have any further comments on the proposals in this section on focussed consumer support?

Our main focus here would be to ensure that support to micro businesses is not diluted in anyway. However, an element of flexibility may be useful for those small businesses, for example, that fall just outside of the micro business threshold.

With regard to question 21, we would point to the existence of home-based salons which have grown since the pandemic. ‘Home salons’ are now the most common place of work for self-employed practitioners at 40% of respondents⁷. Businesses have converted garages, garden spaces or a designated room in the home for treatments.

Depending on the scale of the business, it may be that some are operating on domestic supply contracts and others under non-domestic supply contracts. By way of background and to give you an idea of the extent of unregistered businesses, an independent report for the NHBF in 2021⁸ set out that around 40% of sector businesses (largely self-employed and micro businesses) are not registered for VAT so the number of sector businesses is actually around 78,000 rather than 48,000.

With regard to the reference to a cooling off period, we support work to look more closely at an appropriate period eg. a fourteen day period, for micro businesses.

⁷ Self-employment in the personal care sector report (July 2021) [Self-Employment in the Personal Care Sector Report - National Hair & Beauty Federation \(nhbf.co.uk\)](https://www.nhbf.co.uk/documents/self-employment-in-the-personal-care-sector-report)

⁸ The impact of the pandemic on the hair & beauty sector, Pragmatix Advisory Ltd for NHBF (2021) <https://www.nhbf.co.uk/documents/the-effects-of-the-pandemic-on-the-hair-and-beauty-sector>