

## Resetting the Energy Debt Landscape

### Care & Repair Cymru

Care & Repair is Wales' older people's housing champion. We help our clients to live independently in warm, safe, accessible homes by delivering housing adaptations and home improvements. We offer a holistic casework service including a whole house assessment taken from a national framework, including a falls risk assessment, welfare benefits check and home safety information and advice. In 2023-24 we delivered the following:

- 67,606 services delivered to help older people helped to stay independent at home.
- 19,023 Rapid Response Adaptations to prevent accidents at home.
- Completed 60,258 jobs in the home to a value of £21.8 million.
- Helped clients claim £12.5 million in unclaimed benefits.

### Do you agree with our case for change?

Care & Repair Cymru agrees with Ofgem's case for change, particularly with reference to 'intervening to clear up the build-up of unsustainable domestic debt and arrears in the energy sector, improve the consumer experience, and directly support those with little realistic prospect of being able to pay off historical debt they have accrued.'<sup>i</sup> Care & Repair has offered a dedicated fuel poverty service since 2019 in response to mounting financial pressures, resulting in many of our clients struggling to keep on top of everyday costs such as utility bills and essential home maintenance work. In 2022-2023, 96% of our clients that engaged with our fuel poverty and energy advice service were, by Welsh Government's definition, considered to be 'fuel poor'<sup>ii</sup>, spending on average 19% of their income on their utility costs. This is why we support the proposal for introducing a debt relief scheme; a prolonged period of unaffordable energy bills has resulted in a significant energy debt crisis and costs have become unmanageable for many domestic consumers. We support Ofgem's case for change and we are hopeful it can provide energy debt consumers the opportunity to take control of their energy bills. Providing an energy debt relief can has the potential to not only improve the financial and mental well-being for households directly receiving support but can have a positive impact for all domestic energy customers; if debt costs are brought down, Ofgem can explore the possibility of reducing the 'bad debt' allowance in the price cap, resulting in lower network charges for all consumers.

### Should we intervene through the introduction of a debt relief scheme?

Energy debt has become a deepening issue and has the potential to become further entrenched within the domestic energy sector if regulatory bodies, energy suppliers and central government does not step in. This is why Care & Repair Cymru is supportive of Ofgem's proposal to introduce a debt relief scheme for those most impacted by the energy crisis and unaffordable bills. In order to implement an effective scheme which supports vulnerable households, we recommend that the following must be considered:

### The role of central government

Care & Repair supports and acknowledges Ofgem's proposals for a debt relief scheme, which we are confident will be a lifeline for many energy debt consumers. However, we argue that central government still has a key role to play in providing resource and support to tackle the growing challenge of energy debt. Whilst the Call for Input suggests that a debt relief scheme could be funded through consumer bills but remain 'cost neutral', we argue that at least one element of the scheme should be supported by central government. The principal government support scheme is through the Warm Homes Discount, which offers £150 off energy bills to eligible households. The energy crisis has taught us that one-off support schemes do not effectively deal with the long-lasting impact of unaffordable energy bills and more must be done to support vulnerable homes. UK Government needs to provide support in this sector, alongside proposals put forward by Ofgem, for example, the introduction of enduring price-protections, such as Social Tariff for energy, which must be considered alongside any debt relief scheme to ensure consumers are able to manage bills and stay out of debt.

### Design of debt relief scheme

Care & Repair emphasises the importance of the design of an energy debt relief scheme, and we welcome Ofgem's commitment to engage with stakeholders on how such a scheme should work in practice. We would like to see a scheme that works for all consumers in energy debt, not just a subset of consumers who are able to engage with the market. The energy consumer base in the UK is varied, and households have found themselves in energy debt for a plethora of different reasons, which means the design of a debt relief scheme must be sensitive to changing needs and unique consumer requirements. For example, we would advise for the design of any debt relief scheme to consider geographical variation and this impact on energy debt. Care & Repair agencies operate in Wales, supporting older people in their own homes, and our clients may have a different experience to older people living across the border. For example, Wales has some of the oldest housing stock in Europe and many of our clients, older people living in their own homes, are living in some of the most energy inefficient properties. For our clients living in rural areas, such as Ceredigion or Gwynedd, they are living in cold, draughty homes and are off the mains gas grid. This means that they may have to spend more money to keep their home to an adequate temperature and are thus more susceptible to being in energy debt. It is unique situations like this, that Care & Repair often comes across in our frontline work, that must be considered in the design of the energy debt scheme.

### **Do you agree with the proposed design principles for a debt relief scheme?**

As noted in response to previous questions, Care & Repair Cymru agrees with the overall proposal for the introduction of a debt relief scheme and whilst we take no issue with the proposed design principles within the scheme, we will take this opportunity to offer further principles for Ofgem to consider. Our recommendations focus and expand on the existing design principle to ensure the scheme is 'targeted'. In the call for input paper, Ofgem proposes that 'as far as possible, avoid writing off debts of 'able to pay' customers, focussing on consumers with demonstrable affordability issues. Care & Repair Cymru agrees

that the scheme must work to avoid those who can afford to pay for energy, however we urge Ofgem to consider different demographics who may have further costs associated with their situation:

### Older people

Older people are at particular risk to becoming seriously unwell due to a cold home, colder temperatures are a risk factor for conditions such as COPD and other respiratory conditions. Older people in energy debt on Prepayment Meters may be at risk of self-disconnection, meaning they are living in unsafe conditions for their health and well-being. Older people are also, in general, on a fixed-income, through both work and state pensions and are less able to increase their earnings. This suggests that older people are thus less resilient to fluctuations in the energy market, making them more exposed to being in energy debt. Independent Age research shows that, when surveyed in July 2024, 55% of older people are cutting back on heating<sup>iii</sup> which may have a detrimental impact on physical and mental well-being, adding further pressures to our National Health Service. This is why we recommend Ofgem to consider the age of household members, not just affordability, when offering targeted energy debt support.

### Disabled people

Care & Repair Cymru advises that Ofgem should further consider the impact of disability in the design principles for a debt relief scheme, we are disappointed to see that this has little mention within the call for input document. Disabled older people could be more at risk of being in poverty than those non-disabled and this inequality may worsen; Independent Age estimate that poverty levels among the older disabled population will increase from 18% to 29% by 2040 if current trends continue.<sup>iv</sup> Disability can bring additional living costs and whilst government support, such as Personal Independent Payments and Attendance Allowance, helps to mitigate the impact of these costs, the reality is more complex. For example, Attendance Allowance may be worth over £5,000 per year, but research shows that older people in the United Kingdom may be missing out on £5.2 billion support per year.<sup>v</sup> Therefore, a disabled person may be in further risk of being in energy debt; if disabled households are not receiving the resource they need to pay for additional living costs, their income is already stretching further than the average household, making them more vulnerable to unaffordable energy bills. Furthermore, recent policy decisions will impact the likelihood of an older, disabled person being in or at risk of poverty; for example, changes to the Warm Homes Discount in 2022 means that those receiving PIP, AA or DLA are no longer eligible to receive the Warm Homes Discount if their income is above a certain level. Care & Repair Cymru believes that such regressive policy decisions have impacted disabled older people and their ability to pay for energy costs, making them more vulnerable to energy debt.

### **Do you agree with our key objectives for a scheme?**

Within the Call for Input document, Ofgem highlights its principal objective; 'to protect the interests of energy consumers, including having regard to the interests of vulnerable consumers'<sup>vi</sup> which is contained within the Gas Act 1986 and Electricity Act 1989<sup>vii</sup>. On the whole, we agree with Ofgem's objective to support vulnerable households and acknowledge that the scheme will be informed by important

legislation such as the Equality Act 2010. We support Ofgem's assertion that any energy debt-relief must be 'targeted', 'timely' and promote 'fairness' within the industry. Those on lower income or in vulnerable situations have been exposed to a volatile energy sector and have grappled with fluctuating price caps and have seen a withdrawal of support schemes despite bills still being almost double that of pre-energy crisis. We are in agreement that support must be implemented in a timely fashion and works to support households that are unable to pay.

Whilst we understand that Ofgem has a duty to balance its vulnerability objectives and 'have regard to' its duties within the Domestic Gas and Electricity Act 2018, we argue that consumer needs have changed dramatically since this legislation, meaning Ofgem and energy suppliers must adopt flexible vulnerability strategy to adapt to the changing needs of our society. For example, since the onset of the cost-of-living and energy debt crisis, we have seen a 130% increase on the reliance on charitable and benevolent funding to pay for housing repair work<sup>viii</sup>. This indicates that, for many older people living in their own homes, they do not have the income they once did, meaning that it is important for both Ofgem and energy suppliers to evaluate and adjust their support for vulnerable consumers, even if this means going above and beyond license conditions under existing legislation.

### **What are your views on the type and level of support that could be provided by a debt relief scheme?**

Despite falls in the energy price cap, the average debt per debt customer sits at £1,094, with two thirds of energy debt customers not on a repayment plan. Whilst we accept that proposals for a flat rate of support could be administered in a more efficient and easier way, thus adhering to Ofgem's proposal for a 'timely' design principle, we would advocate for support to be proportionate depending on individual household situation. We argue for debt relief to be proportionate in two ways; proportionate to household make up, including, age, income and ability to pay and proportionate to the total amount of energy debt and arrears. Our concern with the offer of a 'flat rate' of support is the danger of reverting back into 'one off' energy support payments which, whilst a lifeline for many, does little to address enduring challenges of unaffordable energy bills.

Whilst we accept that proportionate support, tailored to individual circumstances may increase administrative burden to the scheme, we believe this approach outweighs any delay in delivering the scheme. Offering a proportionate support scheme will mean that households should go through expenditure and income assessments to access the scheme, but we argue that households could be 'fast-tracked' onto the scheme through existing data mechanisms to reduce administrative work. For example, suppliers can cross refer clients using Priority Services Register or Help to Heat Group data and then immediately refer them into the debt relief scheme for support. Overall, Care & Repair Cymru advocates for effective data sharing policies within energy suppliers and Ofgem to develop a streamlined 'consumer pathway' for energy debt customers to receive support on the scheme. Debt relief support must be suitable for individual households but work to ensure individuals are not 'jumping through hoops' or having to repeat personal or financial information in order to access support. This is why we need to utilise consumer data that energy suppliers have available (PRS, HTHG) and cross-reference this to offer timely referrals into a debt scheme.

### **Do you agree that a scheme should be implemented through supplier delivery with Ofgem oversight (Delivery option 1) or through an independent administrator appointed by Ofgem (Delivery option 2)?**

In order to provide a timely debt relief scheme, under current Ofgem timescales, we agree that delivery option 1 is preferable in order to set up the scheme quickly. As the regulatory body for the energy sector, we feel that Ofgem is best placed to provide oversight on the scheme, given that suppliers are required to report to Ofgem on progress updates on other elements of their vulnerability strategy. Furthermore, the process of identifying and setting up a new delivery body does not correlate to the 'timely' aspect of the design principle in the scheme.

**Are there any other financing or administrative considerations for your organisation that we have not considered as part of Chapter 4 or the initial Impact Assessment?**

Care & Repair supports a co-productive approach to achieving improved consumer outcomes for those in energy debt. As a charity that plays a role in lifting older people out of fuel poverty, we welcome policy proposals that promote collaboration between suppliers, consumer groups, charities and local authorities to avoid duplication. Whilst happy to support and receive referrals, third sector organisations cannot take on these referrals without additional resource. Likewise, Ofgem should ensure appropriate data-sharing agreements and clear contracts highlighting the work that charities can facilitate and carry out and responsibilities of the energy supplier with effective feedback loops.

Care & Repair does not directly provide FCA regulated debt advice, but we do act as an intermediary for our clients to receive specialised debt support. We offer a holistic service, meaning we can hand-hold clients through their debt pathway until resolution. Therefore, our service demand still increases as debt becomes a bigger challenge, and it's true that debt is often a result of other complex challenges that Care & Repair agencies do support and advise on. Overall, we believe that whilst the third sector can support vulnerable consumers, it must be recognised that energy suppliers have a key responsibility to directly help and support their customer base and not just signpost to consumer groups and charities.

**Should debt matching be included in a debt relief scheme?**

Any debt relief scheme should work for all energy consumers and therefore must be flexible in its design. We recommend for the design of the energy debt relief scheme to avoid taking a 'one-size fits all approach' and can provide support to different household demographics that are in energy debt. Care & Repair Cymru recommends a combination of the two following options to best support households in energy debt and reflect the changing needs of a diverse consumer base.

Debt-matching scheme

A debt-matching scheme, such as 'you pay, we pay scheme', is an effective way to both support consumers in debt whilst promoting a positive relationship between customer and supplier. A debt-matching scheme to help write off energy arrears would mean less 'bad debt', reducing this allowance in the energy price cap and thus bring down standing charges for all energy consumers.

Similar schemes in the water industry have shown high levels of success: 90% of customers who completed Wessex Water's Restart scheme (debt repayment matching) have gone on to maintain up to date payments of their regular water usage.<sup>ix</sup> This suggests such schemes can provide further financial resilience for energy consumers, again resulting in further benefits for the energy market as a whole.



Furthermore, there is public consensus for the introduction of a debt-matching scheme, Ofgem focus group participants said that energy suppliers should cover the costs, either by writing off debt or by some form of taxation / industry scheme. Some participants said they would be willing to see an increase in their taxes to pay for these as preventative measures.<sup>x</sup> Overall, whilst a debt-matching scheme on its own may not go far enough to tackle the problem of energy debt in the UK, we support the introduction of a debt-matching scheme as part of a wider work programme within this area.

#### Debt write-off scheme

For certain consumers, a debt write-off scheme may be more appropriate as opposed to a debt-matching scheme. The average energy debt customer sits at £1,904 owed<sup>xi</sup>, with two thirds of debt being arrears, without any form of repayment plan. Therefore, a debt-matching scheme may not be suitable for the most financially vulnerable households and a write-off approach may be required to provide relief to these individuals. For those on the lowest incomes, a debt-matching scheme may still seem too overwhelming and in such instances, it could be preferable to offer debt write-off before introducing the possibility of a 'you pay, we pay' scheme. Overall, Care & Repair Cymru supports a debt relief scheme that takes a flexible approach and can offer a unique service based on consumer needs; for example, this could be a scheme that for one consumer is a debt matching scheme, whereas a different consumer, in a different financial situation may receive a debt write-off and then move on to a matching scheme.

#### **Q17. If debt matching is included, what are your views on how we could differentiate eligibility thresholds for debt matching and debt write-off and what would you consider is a reasonable ratio for suppliers to match support to customer payments?**

As highlighted in our response to previous questions, we support the inclusion of both a debt matching and debt write-off approach within the scheme. Eligibility thresholds between the two routes could take a similar approach to the eligibility criteria proposed in the call for input paper, for the scheme as a whole. The paper notes that eligibility can be measured by level of indebtedness, period of debt accumulation and affordability. We argue that these three measures can be implemented to differentiate eligibility thresholds between debt matching and debt write-off; the measures can be kept the same, but the level by which consumers can access either route of support may differ. We argue that those in the deepest financial hardship would benefit more from a debt write-off scheme before being offered a debt matching scheme. Therefore, Ofgem could consider setting the 'level of indebtedness' and 'affordability' threshold to be at a higher level to receive a debt-write off and a lower level to be put through the debt matching route. Ultimately, in order to effectively differentiate eligibility thresholds for the two options, we advocate for trade-offs between criterion to ensure that schemes are best tailored to individual needs. We would also advocate for the debt relief scheme to avoid rigidity in its approach; for example, we believe it would benefit consumers to be offered a debt write-off and subsequently supported through a debt matching scheme. From our frontline experience in supporting older people with energy advice, accepting help in the first instance can be the most challenging step in taking control of their debt. Therefore, to provide a

consumer with immediate relief through a debt write-off could promote a consumer into feeling empowered to undertake a debt-matching scheme.

Care & Repair Cymru does not have a specific figure for a reasonable ratio for energy suppliers to match support under a debt relief scheme. We argue against the call for input's statement that a debt relief scheme would be 'voluntary' payments made from energy suppliers and we have concerns that a 'voluntary' scheme will cause variation in consumer outcomes, leading to a 'supplier lottery' for households. We welcome that energy suppliers have hardship funds to support consumers in paying difficulties and are pleased to see that £277 million has been provided in discretionary debt support since 2019<sup>xii</sup>, the announcement in November that more than £500 million of support to be provided in Energy UK's Winter Commitment<sup>xiii</sup> was also welcome news. In order to use such voluntary payments effectively, Ofgem could consider a mandate for suppliers which requires a 'minimum threshold' of energy supplier support payments to be directed into a debt matching scheme. We believe this will promote equitable outcomes in energy debt across the whole energy consumer portfolios for all suppliers.

However, debt and arrears levels have continued to increase, as many customers have struggled to pay for their energy. Therefore, we consider that direct supplier contributions to a debt relief scheme, with the design elements to target customers who would benefit from debt relief, could provide an additional opportunity to support eligible customers and contribute to greater stability.

**Over how many years should networks recover the cost of a debt relief scheme –for example, 1, 3 or 5 years?**

We would advocate for the approach with the minimum impact to consumers, the impact assessment highlights that network recovery over 5 years has the least impact on overall consumer bills.

**What are your views on the proposed primary eligibility criteria? We welcome views on our proposals for arm 1 and 2 of the eligibility criteria, considering the options for debt write-off and debt matching.**

Please find below Care & Repair Cymru's view on the following eligibility criteria for a debt relief scheme:

Arm 1: Indebtedness

Level of indebtedness must be considered in the eligibility criteria for a debt relief scheme; however we have concerns on Ofgem's proposal for eligibility to include a 'minimum level of indebtedness'. Whilst we understand that in order to tackle 'problem debt' which is resulting in increased bad debt for suppliers, it is logical to focus on the largest debt build-up, we urge Ofgem to understand level of debt in relation to income. Setting a level of indebtedness, for example, a minimum of £500 of debt, as an eligibility criterion, without regard to income does not address a consumer's ability to pay their energy bills and may result in a household falling into debt once more. If Ofgem were to set a minimum level of indebtedness, this must be contingent on arm 3 'affordability' in which we will discuss further in the following question to better provide a service that meets the needs of individual householders.

Arm 2: Debt accumulation

Again, Care & Repair Cymru agrees that 'debt accumulation' must be considered in the eligibility criteria for the scheme but we are concerned that this criteria is too focused on debt accumulated within the energy crisis. The call for input states *'for the purpose of a debt relief scheme, we propose to define this period as Q2 (1 April) of 2022 to Q1 (31 March) of 2024. Q2 2022 was the point at which the spike in energy debt and arrears appeared and the energy crisis began'*. We acknowledge that the scope of this package is to target debt caused by extraordinary circumstances that resulted in the energy crisis, and going beyond this may lead to the impression that energy consumers don't have to pay for their base consumption as a minimum.

However, we urge Ofgem to consider that further support for energy debt will be needed to support consumers that have found themselves in energy debt post the cost-of-living and energy crisis. As a result of inflated prices for every day items, that have not reduced to pre-crisis levels, consumers may find themselves continuing to cut back on costs and struggling to meet their energy costs. This is particularly true for Care & Repair client base, older people have seen a withdrawal of support that was offered during the energy crisis, including the Energy Bill Support Scheme and the Winter Fuel Payment. Whilst Bills are still far higher than pre crisis levels, but support is no longer there which could result in more households slipping into energy debt post crisis. We urge Ofgem to continue working with UK Government to implement an enduring solution to tackling energy debt in general, as opposed to energy debt accumulated during a set period.

**What are your views on proposals for arm 3 of the primary eligibility criteria (affordability assessment)? We would welcome views on both the feasibility of relying on each data proxy and the suitability of each data proxy to target consumers. We welcome views on eligibility criteria, considering the options for debt write-off and debt matching.**

### Arm 3: Affordability

As discussed in response to the above question, affordability must be a criteria in a debt matching scheme, specifically in relation to the minimum level of indebtedness. Affordability is complex and we welcome Ofgem's commitment to exploring different ways by which to identify affordability in energy debt repayment. Data that can allow for an affordability assessment must strike a balance between accessing a wide range of demographics, including those that do not engage with the energy market, and implementing a scheme in the allocated timeframe with the data suppliers already have available. Below are two key data proxies which we believe can work toward this balance and engage with as many debt consumers as possible:

- Do Not Install Involuntary PPM category:  
Under Ofgem's new code of practice for the installation of involuntary PPMs all domestic energy suppliers are required to have data for their customers that fall into the 'Do Not Install' category. This category covers a range of vulnerabilities, including age, household make up and health conditions. These characteristics can help determine whether a customer is able to afford their energy payments and therefore can be used to establish a baseline for the affordability element of the eligibility criteria. Furthermore, using existing data that energy suppliers already have will reduce administrative burden and complexity in identifying eligible consumers, allowing for help to be offered in a timely manner.



- Streamlined income assessment:

Energy supplier licensing conditions already have a requirement that reasonable steps must be taken to ascertain a customer's ability to pay, as such, many suppliers are already using income assessments to do so. Therefore, alongside existing data including consumer data on the Do Not Install Category for PPMs, we recommend for consistent income assessments to be included as part of the affordability criteria. To avoid an unstandardised approach we recommend for Ofgem to produce an independent income assessment, which has been co-produced with energy debt professionals, including third sector partners. For suppliers to offer a debt relief scheme, they must adhere to this income assessment to avoid variation in debt repayment plans. To maintain accuracy for an income assessment, we recommend that energy suppliers cross reference other data sets to strengthen eligibility. For example, an income assessment can be cross-matched with existing supplier data on self-rationing/self-disconnection or involuntary PPM installations to determine the severity of the situation and offer appropriate support.

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<sup>i</sup> Ofgem (2024) *Resetting the energy debt landscape: the case for a debt relief scheme*. Available at: [https://www.ofgem.gov.uk/sites/default/files/2024-12/Resetting\\_the\\_energy\\_debt\\_landscape\\_the\\_case\\_for\\_a\\_debt\\_relief\\_scheme.pdf](https://www.ofgem.gov.uk/sites/default/files/2024-12/Resetting_the_energy_debt_landscape_the_case_for_a_debt_relief_scheme.pdf)

<sup>ii</sup> Welsh Government (2022) *Fuel Poverty in Wales*. Available at: <https://www.gov.wales/fuel-poverty-modelled-estimates-wales-october-2021>

<sup>iii</sup> Independent Age (2024) *Older People and Income*. Available at: <https://www.independentage.org/news-media/press-releases/half-of-older-people-on-low-income-worried-they-wont-be-able-to-pay>

<sup>iv</sup> Independent Age (2024) *Keys to the future: Projecting housing tenure and poverty rates in later life*. Available at: <https://www.independentage.org/news-media/press-releases/pensioner-poverty-could-almost-double-next-15-years-new-research>

<sup>v</sup> Policy in Practice (2023) *New analysis: People of pension age may be missing out on £5.2 billion*. Available at: <https://policyinpractice.co.uk/people-of-pension-age-may-be-missing-out-on-5-2-billion/>

<sup>vi</sup> Ofgem (2024) *Resetting the energy debt landscape: the case for a debt relief scheme*. Available at: [https://www.ofgem.gov.uk/sites/default/files/2024-12/Resetting\\_the\\_energy\\_debt\\_landscape\\_the\\_case\\_for\\_a\\_debt\\_relief\\_scheme.pdf](https://www.ofgem.gov.uk/sites/default/files/2024-12/Resetting_the_energy_debt_landscape_the_case_for_a_debt_relief_scheme.pdf)

<sup>vii</sup> Ibid

<sup>viii</sup> Care & Repair (2024) *From Wear & Tear to Disrepair*. Available at: <https://careandrepair.org.uk/disrepair/>

<sup>ix</sup> Money Saving Trust (2023) *Help to Repay Energy Arrears Scheme*. Available at: <https://moneyadvice.org/wp-content/uploads/2023/10/Help-to-Repay-energy-arrears-scheme-Autumn-Statement-Submission.pdf>

<sup>x</sup> Ibid

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<sup>xi</sup> BfyGroup (2024) *Energy debt reaches record levels*. Available at: <https://www.bfygroup.co.uk/blog/domestic-energy-debt-reaches-record-3-7-billion#:~:text=Energy%20debt%20hits%20a%20new,to%20a%20record%20%C2%A31%2C094&text=Other%20key%20findings%20from%20the,by%20customers%20without%20repayment%20arrangements>

<sup>xii</sup> Ofgem (2024) *Resetting the energy debt landscape: the case for a debt relief scheme*. Available at: [https://www.ofgem.gov.uk/sites/default/files/2024-12/Resetting\\_the\\_energy\\_debt\\_landscape\\_the\\_case\\_for\\_a\\_debt\\_relief\\_scheme.pdf](https://www.ofgem.gov.uk/sites/default/files/2024-12/Resetting_the_energy_debt_landscape_the_case_for_a_debt_relief_scheme.pdf)

<sup>xiii</sup> Ibid