

## Groundwork Yorkshire – Green Doctor

We agree there is a need for change in how debts within the retail energy sector are dealt with. However, we feel there is a lot that needs to be reviewed to deliver the change that is required and that the energy sector is not the right pathway to deliver this. With the growth of debt in the sector it is important that existing support through mechanisms such as standing charge increases are also considered as this is already providing funding to manage debts for suppliers. Standing charges have increased from around £100pa to over £340pa over the last few years, which on top of higher fuel pricing, is causing a major increase to energy bills. With energy costs still far above the pre 2022 levels the levels of fuel poverty we are witnessing will continue to grow without strong intervention.

The higher prices in the sector have also led to an increase in supplier profits which are now well documented in the national press, leading to further calls from all external agencies that this be used to support those who are left vulnerable by the current situation.

The energy sector is a purely commercial sector, and their model is to chase customers to further their profitability. With reports that suppliers have internally written off customers debt under existing schemes but not applied the same write down to the customer account; this does not provide a level of confidence in them and does not create a level of trust with the customer base who are in debt and living in fuel poverty.

*While some suppliers have created schemes that have worked well, ones which encourage a commitment to pay from the customer, who may have stopped paying, have worked well. The best being where the customer agrees a level of ongoing payment with the supplier and after meeting this obligation for several months, has any debt written off. While for some this is a clear way ahead, I would also encourage reviews to ensure other debts have not built up during the process as some may stop paying Peter to pay Paul!*

*This would suggest a level of regulation is also required to ensure that suppliers hold adequate funds available to underpin the debts they are holding. This must be ring fenced and transferred to future suppliers if the organisation ceases to trade and moves customers to an alternative supplier. This is not a new idea and has been in place in various banking and insurance sectors for a long time.*

To provide debt advice FCA regulation is required that will not be in place within energy suppliers and take substantial time to train and develop in staff. All debt advice agencies are already regulated to deliver debt advice and have processes in place so would require minimum audit input. They are also well placed to deliver the follow up that will be required to put all the actions in place that will be needed for those customers who require further support.

A debt relief scheme is needed, but it must be structured in a way that allows the customer to trust the process and people involved; it must also ensure that any debt resolution provides a permanent solution to the customers position and provide a full 360 review of their financial position. This must include:

- A third sector involvement in all debt resolution cases where debts are not able to be managed within normal monthly payments.
- Full household debt review and advice to bring about a total solution to the customer's position.
- Income Maximisation where relevant.
- In home advice on managing their ongoing energy use and the possibility of improving the home with Retrofit schemes that further reduce energy use.

*To support this all suppliers, need to create a separate contact stream for Debt and energy advisors to provide an exceptional level of support to those who are being helped through these channels. Where suppliers fail to maintain contact with customers the third sector is a vital component in re-establishing the link and creating a positive outcome. Also providing referrals to independent organisations for support and providing the financial support to these organisations is a very positive way to rebuild client trust and contact.*

*By using the third sector to underpin the debt process the management of risk is spread and a quicker implementation is possible*

*It is not an option to carry the existing problems into the next winter period so implementation needs to be completed by the summer of 2025 so that customers can find the support they need to avoid another winter of problems related to fuel poverty.*

*While OFGEM oversight is welcomed within the process, to ensure impartiality any scheme needs to be seen as independent so appointing a third party to administer the scheme would be a clear benefit.*

In summary, we feel that an independent debt management structure is required that will be administered outside of the existing energy company's structure. This can be provided through existing Third Sector structures if adequate funding is provided to the organisations. Regulatory support is needed to underpin the funding of this from existing increases to the standing charge and increased profits being reported by energy suppliers. The provision of debt relief needs to run alongside a full independent financial review to ensure that any debt relief provided will need to be repeated in a few years' time. Independent energy advice about how households use energy to reduce costs and to look at possible measures to make homes more energy efficient is also a minimum requirement at the same time.

In the long term it is our opinion that without standing charge reform and the creation of a social tariff for those in need, a more permanent solution will not be possible.

OFGEM has talked about socialising cost of debt by increase in energy cap to support the cost. It is not acceptable to say the funds for debts would be recovered from consumers when this provision is already built into the price cap and standing charge. Suppliers must take responsibility and allocate funds from these sources as a minimum requirement.