

Response to Ofgem Consultation:

Resetting the energy debt landscape: the case for a debt relief scheme

To: DebtConsultations@ofgem.gov.uk

Dear Ofgem Consultation Team,

We'd like to take the opportunity to respond to your consultation on resetting the energy debt landscape. At IE Hub, we work to empower consumers in financial difficulty by allowing them to easily share their income and expenditure (I&E) information with multiple creditors through our platform. Our experience in supporting vulnerable consumers across various sectors, including energy, informs the following responses:

Q1. Do you agree with our case for change?

Yes we do. Currently, there are limited options available with the traditional pathways for indebted consumers being either forced PPM or down the route of litigation. This consultation introduces a new opportunity for indebted consumers who otherwise would not be able to pay their debts to get back on track.

We're also supportive of the standardised approach Ofgem are putting forwards in this consultation. There are some suppliers already providing their own debt forgiveness schemes but by standardising this approach, the inconsistencies consumers are currently facing will be removed and ensure a fairer market.

Q2. Should we intervene through the introduction of a debt relief scheme?

Yes, we believe this is the right thing to do and agree with the 2 tiered approach, having a direct debt write off alongside a debt matching scheme. Our data shows 209% increase in consumers who recorded an energy debt from 2023 - 2024.

Other sectors (including water) have had great success with debt matching schemes to aid re-engagement, being able to use that communication opportunity when the consumer is engaged to better understand the consumers ability to pay is key, ensuring ongoing consumption is affordable and the payment plan being arranged is sustainable. By doing this, suppliers are decreasing the likelihood of debt build up again in the future, preventing the cycle reoccurring. Our data currently shows an 88% kept payment arrangement rate for consumers using IE Hub, so we know that this approach is proven to work.

We believe Ofgem should also consider consumers who can not afford to make any payments towards their ongoing consumption. We believe wider support for consumers who are in extreme financial difficulty is needed. Currently, for many consumers who are struggling to pay, there is a feeling of hopelessness. By ensuring there are appropriate support schemes designed to address their needs will ensure no consumer is left behind in a future market.

You can hear directly from [Vicki](#), one of our consumers about the impact debt had on her life.

Q3. Do you agree with the proposed design principles for a debt relief scheme?

We believe the proposed design principles for a debt relief scheme as outlined in this consultation are fair and consistent, however we do have some observations ...

We can see the benefit of having a time-bound restriction in place (referencing the period the debt was accrued - arm 2) but we do feel there is a missing part of support for consumers who have fallen into debt post that time period. There will be consumers who are only just falling into debt now because they were paying their energy bills with savings that have now been depleted which have meant they are starting to fall behind. With this in mind, we believe a more-encompassing scheme moving forwards to include those who are still struggling with the comparatively high energy costs should also be considered as part of this consultation.

We understand this consultation is purposefully not focussing too heavily on affordability as the other open consultation Ofgem ("Improving debt standards in the domestic retail market") is showing support moving forwards regarding addressing affordability, however we have a couple of reservations about the use of existing data sets to inform as the eligibility criteria for many consumers. We believe the data sets could possibly indicate where a consumer was facing financial vulnerabilities during the period the debt was accrued, however we feel the only way to properly assess a consumers affordability is by conducting an SFS compliant income and expenditure, which should supersede all other indicators of affordability outlined in this consultation.

Q4. Do you agree with our key objectives for a scheme?

Yes we agree.

Q5. What are your views on how we could best reduce the lead time between our proposed policy decision on a scheme and introduction of a scheme, balancing this with robust audit and readiness assurance processes?

With Ofgem aiming for the scheme to be delivered as soon as possible, given the continuing growth and scale of debt, we believe having clear, prescriptive processes and highlighting preferred partners for suppliers to work with will reduce effort and many additional overheads suppliers would otherwise face e.g. needing to assess potentially eligible consumers for the schemes or find their own support partners (CGC's) to run the schemes.

At IE Hub, we have a tried and tested formula for a similar way of working within the water sector. With us having active partnerships with 1/3rd of the water industry, working collaboratively to deliver schemes relating to social tariff eligibility and debt forgiveness flags to consumers, we know how effective our journey is for both consumers and partners. We work with some energy suppliers (including Utilita and Utility Warehouse) and would be open to being a facilitator of this scheme for our existing supplier partners alongside other suppliers who would like to come onboard.

Having a digital service enables us to be agile, having the ability to add logic into our journey to identify eligible households would benefit from the scheme.

Q6. Do you agree our proposals in relation to a scheme time limits for a debt relief scheme?

Yes, we agree with the proposal for a debt relief scheme remaining open for a limited time period. Having a clear and defined end date will help with engagement for some consumers, acting as an incentive for them to re-engage with their suppliers with the hope of receiving the debt support. With application time restrictions, we wouldn't want people to be left behind so we believe it's important this scheme is publicised at a sufficient level so anyone who could have been impacted has the opportunity to be made aware of the support available.

For clarity, we believe the application period should be restricted to drive engagement as addressed in Q6. Through, we believe the period in which the debt has been accrued should be more flexible as addressed in Q3.

Q7. What are your views on the type and level of support that could be provided by a debt relief scheme?

We understand the level of support available under a debt relief scheme would depend on the quantity of eligible debt and consumer eligibility. With initial estimates placing a debt range of £500 - £1,500 and arrears of £1,500 - £3,000 as the most common debt levels for households in the bottom three income deciles. Our data shows an average energy debt value of £773.38 for consumers within our journey. We believe there should be consideration as to how these levels may impact current debt solutions e.g. DRO or IVA as alternative solutions that may be accessed by a consumer. These could be a preferred option for qualifying consumers and therefore reduce the effectiveness of a new scheme.

Q8. 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)?

We believe Delivery Option 1 is the most appropriate given the size & scale of the scheme but we believe there should be multiple support partners using the framework of the SFS to assess consumers eligibility for the schemes (arm 3).

Q9. Do you have any views on the audit options presented?

No, however we would suggest based on the restricted timescales in deploying the scheme, appropriate sanctions for organisations who aren't ready, showing there will be consequences for failure to comply with Ofgem's timescales.

Q10. Do you have any views on how the supplier funding claims process should work under audit option 2?

IE Hub do not have a view

Q11. Are there any other considerations for the delivery mechanism for a debt relief scheme we have not explored?

As mentioned in one of our previous responses, with the initial estimates placing a debt range of £500 - £1,500 and arrears of £1,500 - £3,000 as the most common debt levels for households in the bottom three income deciles, we believe there should be consideration as to how these levels may impact current debt solutions e.g. DRO or IVA as alternative solutions that may be accessed by a consumer. These could be a preferred option for qualifying consumers and therefore reduce the effectiveness of a new scheme.

Q12. 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?

IE Hub do not have a view

Q13. Do you have any views on the funding options presented, considering the balance between the temporary addition to consumer bills against period of recovery?

Based on the volume of “just about managing” (JAM) consumers, we believe any additional burden on them could push them over the edge, so with that in mind, the recovery should be as long as is viable.

We’d welcome further investigation into how funding options could be spread proportionately based on their personal affordability. For example, if a “social good tariff” was introduced where consumers could opt to pay an additional charge per year to support consumers who were struggling to cover their consumption.

Q14. Do you have any views on reducing supplier funding claims to account for historical debt write off that has been funded via the price cap and supplier contributions?

IE Hub do not have a view

Q15. What are your views in relation to the approach which should be taken to account for debt which has already been provided for by historical price cap allowances or provisioned for, for a debt relief scheme’s eligible consumers?

IE Hub do not have a view

Q16. Should debt matching be included in a debt relief scheme?

Yes, as mentioned in one of the previous responses, debt matching has been proven to be successful for other partners that we work with and has helped incentivise engagement between consumers and their creditors.

An example of where IE Hub have been involved in debt matching being flagged as a potential solution is with a partner in the water sector. We have designed bespoke journeys - including the self serve consumer journey, agent led journey in our Partner Portal (CRM) and a third journey where it is a combined journey. We have triggers built in using logic in the system which allows us to flag consumers eligibility directly to them and passport them into the right team to support

Example below:

Scheme	Eligibility	Cap £	Band	Actioned
Meter Request	<input type="checkbox"/>			<input type="checkbox"/>
WaterSure	<input type="checkbox"/>	Cap £		<input type="checkbox"/>
Back on Track	<input checked="" type="checkbox"/>	540.00	6	<input type="checkbox"/>
Help to Pay	<input type="checkbox"/>	Cap £	Band	<input type="checkbox"/>
Payment Matching	<input type="checkbox"/>			<input type="checkbox"/>
Restart Grant	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>

Current Annual Bill
444

Actioned Annual Bill

Min Weekly
Back Calculate Complete

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 consumer payments?

Our thoughts are below:-

- Consumers who have a low level of disposable income and would not be able to afford any additional payments towards the debt to qualify for write off
- Consumers who are able to maintain consumption and have additional funds to contribute towards arrears to qualify for debt matching

We would suggest moving away from an income based threshold for decisioning and taking into account household affordability.

Q18. Should networks pay approved debt relief scheme claims to suppliers in winter 2025/26, or only later when networks have received the funding via higher network charges?

IE Hub do not have a view

Q19. Over how many years should networks recover the cost of a debt relief scheme – for example, 1, 3 or 5 years?

We welcome the table below showing relatively low impact on consumers bills, especially given the size of the funding required to provide the new proposed scheme. Our view is the longer suppliers are able to recover the costs, the better for consumers as they will be less impacted on an annual basis compared to faster recovery times.

Table A2.4 Bill impacts of £500m support recovered via network charges

	Total support (£m)	Interest costs (£m)	Average annual bill impact (£ per annum)
Recovery over 3 years	£500m	£63m	£7
Recovery over 5 years	£500m	£101m	£4

Table A2.5 Bill impacts of £1bn support recovered via network charges

	Total support (£m)	Interest costs (£m)	Average annual bill impact (£ per annum)
Recovery over 3 years	£1,000m	£127m	£14
Recovery over 5 years	£1,000m	£202m	£9

Q20. 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.

We can see the benefit of having a time-bound restriction in place (referencing the period the debt was accrued) but as referenced previously, we do feel there is a missing part of support for consumers who have fallen into debt post that time period which we believe should also be considered as part of this consultation. A possible solution to address this could be to target consumers with low Account and Arrears Management (AAM) scores and do some proactive outreach to encourage them to conduct an affordability assessment. If they then show low affordability, support could also be provided for this cohort.

Q21. 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.

Many CGC's have already stretched resources, therefore, where possible and consumers are able to complete an affordability assessment themselves, this self-serve option should be available for them in the first instance.

We have some concerns about relying on some of the data proxies.

- Using Warm Home Discount will not capture vulnerable groups of disabled consumers as the eligibility criteria excludes disability benefits like Personal Independence Payment (PIP). We therefore are mindful this proxy could mean disabled consumers will go under the radar.
- We would reject the suggestion to use council tax banding as a means to target support. This is an outdated metric and one that is often criticised and challenged by many of the local authorities we work with. This method does not take into account true affordability and will have an impact on households of different sizes within the same band.
- CRA data can be a more effective tool to target and assess consumers, however, we would suggest that this is used as an indicator only. Due to the lag in CRA data capture and variance between providers there is a risk that we exclude those that need help.

SFS compliant I&E for consumers current financial situation is the most robust way of assessing a consumers ability to repay their arrears. This is a tried and tested method that has been in place since 2017 (and in the previous forms CFS for many years). There is significant learning that can be taken around this process to support delivery and validation with suppliers.

Q22. What are your views on the proposed application route for eligibility? 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.

Where valid and robust information is already held, we believe it's the right thing to automatically provide the scheme to those consumers. Where this does not exist, as mentioned in our previous responses, in order to fully understand a consumers circumstances, an SFS compliant affordability assessment needs to be completed. Especially when specific criteria is going to be in place for debt write-off and debt matching. Having a good understanding of a consumers financial situation will ensure they can receive the right support.

Q23. What are your views on proposals for arm 3 of the application route for eligibility (affordability assessment through a CGC)? We welcome views on eligibility criteria, considering the options for debt write-off and debt matching.

We would recommend against the mandatory involvement of a Debt Advisor as this is a burden on an already stretched sector and may not be the right approach for all consumers, particularly those who are confident and capable of a self help journey who could see this as belittling.

It isn't the debt advisor's job to complete an I&E (fill in a form) and will bring unnecessary burden on many CGC's. The debt advisors main role is to identify the correct support for the consumer in addressing their debt needs. A debt advisor may be useful for consumers in entrenched debt who have multiple creditors, however we believe the sole purpose of completing an I&E should be done by the consumers themselves, where they have the capacity.

We believe the first instance should be a self-serve route for the consumer to complete an I&E, with the secondary being to involve a trusted third party where necessary.

Q24. Do you agree with our proposals for eligibility in relation to closed consumer accounts? What administrative challenges may be faced with these proposals and how can these be overcome?

We agree it's important to address both active and inactive accounts. There are many pieces of research which show the link between money and mental health. It has been proven that financial difficulties are a common cause of stress and anxiety, impacting negatively on people's mental health. We are seeing 60% of consumers self declaring a vulnerability within IE Hub, the largest vulnerability need being declared is a mental health problem (60%).

Q25. What are your views in relation to the removal of arm 3 of the primary eligibility criteria or the use of indices of deprivation as the affordability assessment? Would you support debt write-off or debt matching for this group?

We recognise that this approach has advantages in regards to a practical roll out, however, we reject the use of indices of deprivation. We believe that this approach is too broad and carries a risk of excluding consumers in need - in the same way just using historic CRA data does.

We believe the best approach would be one that is more targeted and views the consumers circumstances and affordability as of today.

Q26. Should conditionality be built into the design of a debt relief scheme and, if so, which elements of conditionality should we include?

We believe it's the right thing to do to require the consumer to complete an I&E as this creates ownership and will enable suppliers to assess eligibility and level of need.

Q27. Are there significant data sharing challenges which we should consider in the selection of design options?

Data sharing on a consented basis helps to empower consumers, sharing data with those they choose to creates ownership of the solution and increases the chances of consumer engagement not only in the debt write off but in the management of the account going forward.

If the consumer is required to complete an I&E (if it's a condition) for the scheme, this creates a view not only of the energy account but their budget overall creating greater sustainability for the future. It will then help re-engagement with the supplier, with them being more aware of the consumers affordability status, being able to ensure the payments going forwards are sustainable and won't result in further debt build up.

Yours sincerely,

Beth Kennedy
IE Hub