

Guidance

Good practice expectations for non-domestic suppliers on issues surrounding debt management and disconnection of customers

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This document is for non-domestic suppliers, consumer bodies, and non-domestic consumers who may be experiencing issues around debt and disconnection. It gives examples of best practice in a number of situations but does not set any additional obligations on suppliers outside of existing license conditions.

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Introduction

This document was originally published as an open letter on 20 December 2022. This version includes a section on non-domestic supplies to communal areas of buildings with domestic residents, otherwise the content of the document is unchanged.

Businesses and other non-domestic customers are continuing to feel the impacts of high energy prices and broader economic pressures. It is more important than ever that non-domestic suppliers treat their customers fairly and follow good practice in their customer interactions. This is particularly necessary in relation to debt management and disconnection practices.

We do recognise that energy suppliers will be managing their own financial risk. It is in both suppliers' and customers' interests to have pro-active and supportive interactions when customers are facing payment difficulty. For clarity, this guidance does not set any additional obligations on suppliers outside of existing license conditions. We are issuing this letter to describe some of the good practice processes we would expect suppliers to follow, at minimum, to best support their customers. We expect suppliers to adhere to their licence obligations, and we will take action where necessary to protect the interest of consumers.

We expect to see suppliers applying good practice for all non-domestic consumers, in particularly the following areas:

- Appropriateness of security deposits and their value.
- Shared occupancy of non-domestic premises with domestic consumers.
- Transparency on suppliers' collections process.
- Suppliers' debt and disconnection paths.
- Helping business customers in payment difficulty.
- Expectations on the timeliness of customer refunds.
- Provision of information and signposting to third parties.
- Conducting site visits where appropriate.
- Application of reasonable charges through the disconnection process.
- Expectations on compensation where disconnections have occurred in error.
- Non-domestic supplies to communal areas of buildings with domestic residents

This document sets out more detail under each of the above sections.

We also consider that it is important that all suppliers understand the role of the Citizens' Advice Extra Help Unit (EHU) which provides advice and help to small businesses in such circumstances. We would like suppliers to positively interact with this valuable service.

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Appropriateness of security deposits and their value

We are aware that suppliers are increasing their capacity regarding credit checking non-domestic consumers, especially with the high prices and credit risk in the market currently. We understand that suppliers may need to request customers to pay a security deposit as part of their onboarding process, and that security deposits are one way for energy suppliers to offer terms to non-domestic customers.

When this occurs, the security deposit amount requested should not exceed a reasonable amount. Whilst we believe suppliers should interpret what a reasonable amount would be based on their risk appetite, we are aware of examples of suppliers who charge up to 3 months of future energy consumption as a typical starting point.

Where a security deposit is required as part of reconnection of supply, we also expect this to be a reasonable amount and should not unfairly prevent the consumer from being able to reconnect.

Shared occupancy of non-domestic premises with domestic consumers

Site visits should seek to identify situations where non-domestic premises have shared occupancy with domestic consumers. Suppliers should have processes in place, including through sales, metering appointments, and the site visit, to do this. When a domestic consumer is identified – especially one who is deemed to be vulnerable, suppliers should pause the disconnection process and pursue a path which takes account of these circumstances. Energy UK's Vulnerability Commitment provides a clear approach on this, and we support suppliers in adopting these principles where appropriate.

Similarly, we expect suppliers to have approaches which identify sites within their non-domestic customer base which have domestic residents (who may also be vulnerable), for example care homes, heat networks, or mobile parks, and to treat them in an appropriate manner.

We also strongly suggest that during any disconnection process, suppliers check with the non-domestic customers of the potential disconnection risk to any attached domestic premise as way of prompting positive interactions with both the non-domestic and domestic consumer. We would strongly encourage suppliers during any sales or metering appointments to advise customers who have attached domestic premises that the domestic household sign up to the relevant Distribution Network Operators priority service register, where relevant.

Where a supplier is already aware, or becomes aware, of a shared domestic premise during their collections process and the domestic premise includes a vulnerable person (who is of Pensionable Age, disabled or is chronically sick) we ask the supplier to take all reasonable steps to avoid disconnection.

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Where a non-domestic consumer uses a prepayment meter, we ask suppliers to take steps to offer appropriate support, particularly how to use their prepayment meter, how to manage their available pre-paid credit and avoid self-disconnection. This will assist in identifying if any associated domestic premise is also affected by the self-disconnection, especially where vulnerability may be present.

Transparency on suppliers' collections process

All suppliers should have a clear and transparent debt collections process for their non-domestic customers. This process should be known by all relevant personnel, with appropriate training given to those who directly engage with customers in matters relating to debt.

We note that some suppliers have included a copy of their non-domestic collections process on their website to allow customers to understand what stages occur when, should they enter into debt. We would encourage all suppliers to do this as a matter of good practice.

Suppliers' debt and disconnection paths

The Gas Act 1986 and Electricity Act 1989 oblige suppliers to give a minimum of 7 days written notice ahead of disconnection or prepayment installation. That notice cannot be given until 28 days have passed since a written demand for payment was made. We are reminding suppliers that these statutory requirements apply, and that they are relevant to all metering types, whether traditional, smart or Automated Meter Reading (AMR).

Suppliers must ensure that they are able to demonstrate the statutory requirements for notice have been met as a matter of their legal obligations, and we would also expect suppliers to go beyond these requirements as good practice. For example, to introduce and implement bespoke repayment plans that take account of the individual business needs and being flexible on collections paths depending on the customer situation.

We are aware that some suppliers segment their customers, either at acquisition or because of payment history, and may apply different timescales according to this segmentation. While there may be legitimate reasons for these variations, it is important that suppliers apply a fair and consistent process to the way they segment their customer base in terms of the treatment for debt. We encourage suppliers to regularly review whether individual customers have been appropriately categorised and are being treated fairly in all categories.

While noting that suppliers do have variations in timescales, it is important for suppliers to demonstrate that they are actively engaging with their customers within the time periods set out in their debt paths. We have observed that suppliers send letters to customers at key stages of their debt paths, and these are often followed up by outbound phone calls and, in some cases, email and other forms of electronic

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communication. We consider a variety of approaches should be used by suppliers to understand their customers' circumstances and pro-actively communicate using channels which are best suited to their customers' needs. Suppliers should review whether any communications are unnecessarily threatening or unreasonable and must ensure that any third parties they contract with to recover debt applies the same approach.

On this basis, we consider those suppliers who have shorter debt and disconnection paths should review their actions within these paths to ensure their customer engagement demonstrates a pro-active and tailored approach to managing customers in debt.

Where a supplier can remotely switch a customer to prepayment, we expect suppliers to ensure that they are able to demonstrate the statutory requirements for notice have been met, as set about above, prior to any switch taking place. A supplier should also use a site visit as an opportunity to detect if there is any vulnerability at site and if the switch of function is safe and reasonably practicable.

If used at all, we would expect to see the use of direct incentives to suppliers' staff (or agents) to pursue debt to be applied in a way which actively encourages understanding of the customer' situation. Any use of such incentives should not encourage behaviours that lead to inappropriate outcomes for customers.

Where the supplier does not have up-to-date and accurate information about the location of the meter or the customer's circumstances, we would expect the supplier will need (as a minimum) to try to contact the customer, prior to switching them to prepayment functionality, to ensure it is safe and practical for them to use the meter in prepayment mode. A customer should never face a situation where their meter has been put into prepayment mode without the supplier making them aware of this, and how to use the prepayment functionality.

Helping business customers in payment difficulty

In our previous interactions with suppliers, disconnection is seen as a last resort and supplier debt paths are designed to ensure that it is avoided where possible. We re-affirm our view that in cases where a customer is in payment difficulty and contacts their supplier, the supplier would first seek alternative solutions that would avoid the need for disconnection.

We consider that suppliers should proactively seek to assist non-domestic customers in these circumstances. We are aware of a number of suppliers with dedicated teams or advisors with specific training in helping customers in financial difficulty, allowing for improved interaction with their non-domestic customers and we consider this an example of good practice. Where non-domestic consumers are experiencing payment difficulty and have contacted their supplier for support, suppliers should support their customers by considering their customers' ability to pay (including the appropriateness

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of extended payment plan timescales), whether they are on the best tariff (for instance a fixed tariff rather than out-of-contract rates) and, if not, whether reasonable adjustments could be made, and tailoring any payment plans to their affordability.

Ofgem encourage businesses to engage with their energy supplier proactively if they are struggling to pay, which means contacting their energy supplier at the earliest opportunity. We would expect suppliers to engage in reasonable communication with customers when starting down the debt and disconnection pathway, to remain approachable, and not engage in scare or strong-arm tactics when dealing with customers in payment difficulties. Debt communications, especially in the early stages, should be written in a supportive tone and focus on engaging the customer.

In some instances, suppliers have installed meters with pre-payment functionality, including smart meters, as a means to help non-domestic customers to manage their payments. While we welcome any approaches which help customers in this way, if offered, we would expect that pre-payment is appropriate to the customers' needs and clearly understood by them.

Expectations on the timeliness of customer refunds

When a customer requests a refund of any credit balance, and this is fair and reasonable for the supplier to provide this, for instance, the supplier has an accurate and up-to-date meter reading, then the supplier should refund this in a timely manner and ideally within 10 calendar days of the request being made. Where a supplier does not consider it is fair and reasonable in all circumstances to provide a refund, it should inform the customer of the reason.

As a matter of good practice, suppliers should minimise billing errors and quickly fix errors in billing when they occur.

Provision of information and signposting to third parties

The current high prices in the energy market and general economic conditions are likely to result in more businesses going into energy debt and facing potential disconnection. Those businesses may benefit from specialist help that suppliers are not always in a position, or have the ability, to provide. We are aware that some suppliers proactively signpost to third parties who specialise in dealing with business debt advice (for example, Business Debtline) and have built strong working relationships with these third parties. We would encourage all suppliers to develop such relationships and embed signposting across their communication areas. Suppliers may also wish to consider signposting customers to Citizens Advice small business debt page.

We consider that suppliers have a role in helping customers through provision of information to help manage energy costs and payments, including the provision of energy efficiency information. This could be made generally available through websites but also provided at an appropriate time in the debt pathway.

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Conducting site visits where appropriate

We consider site visits to be an important part of a suppliers' debt and disconnection path and forms a part of the overall set of contact with customers. In particular, we see a site visit as important where a customer has been hard to reach, as it allows a supplier to gain a better understanding of their circumstances, the type of premises and potential domestic end user vulnerability at the site. As such, they should take place in circumstances both where there is a meter with non-smart, or smart functionality, as face-to-face contact may be required.

Site visits should be undertaken in a fair manner in accordance with good practice, such as providing prior notice of the visit, making it clear to the customer the visit's purpose and outcomes and not behaving in a threatening manner. The site visit could include a clear 'checklist' of issues and circumstances at the site to be completed before further action is taken, and the results shared with the customer if appropriate. These checks should include whether there is shared occupancy and signs of potential vulnerable circumstances linked to shared occupancy. This approach is equally important where suppliers use a third-party agent. Third party agents must be made aware of these good practice approaches and suitable controls must be in place to ensure that the supplier is able to provide evidence of such checks.

Application of reasonable charges through the disconnection process

We are aware that some suppliers apply a range of charges to the customer through their disconnection process. It is important that customers have an understanding of the charges that could be applied, and we expect suppliers to make these charges clear to customers at the outset of the process. We strongly recommend that charges should be reasonable and proportionate in the way they are applied. We would encourage suppliers to empower employees to have the flexibility to waive charges where appropriate.

Expectations on compensation where disconnections have occurred in error

We consider that suppliers should take all reasonable steps to reconnect non-domestic consumers who have been disconnected in error as rapidly as possible, and normally within 24 hours (with a significantly faster timeframe where there are meters with smart functionality).

We recommend that non-domestic customers should receive compensation of no less than £100 (based on the level of compensation for business interruption under the

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Distribution Network Operator guaranteed standards) where a customer has been disconnected in error in the case of both smart and non-smart functionality. Clearly, there are circumstances where compensation well in excess of this would be appropriate (for example, where arrangements cover larger commercial or multi-site customers), and individual suppliers may wish to go further as part of their offering to some or all of their non-domestic customers.

Non-domestic supplies to communal areas of buildings with domestic residents

Pursuing unpaid debt and disconnection pathways for a supply to communal areas in a residential building can have additional impacts, of which suppliers should be mindful. As well as attempting to contact the person or body who has the non-domestic contract (at the managing agent/landlords registered address as well as the site address), we set out below exemplary practices we have noted, that we would like to see suppliers follow wherever possible, to achieve good consumer outcomes.

Sensitively informing the residential end users about what is happening, as the landlord/managing agent will be breaching the terms of their lease agreement with the residents for failing to provide energy, so residents are entitled to know what is happening. But it must be made clear, including via any debt management company a supplier may engage, that the contact is for information only, as the residential end user is not responsible for the debt not being paid.

In instances where a disconnection could impact the safety of the building, contact the local authority in which the building is based to advise them what is happening. The local authority can potentially assist in locating the party responsible for the unpaid bill, and in the end case of disconnection, plan for the rehoming of residents who are judged unable to remain in a building without power to the communal areas.

For any residential building with more than five floors alert the local fire brigade ahead of any disconnection. Building more than 18 meters tall need to have certain safety plans in place with the Building Safety Regulator (BRD), including a simultaneous evacuation strategy which would be affected by no power.

Notes from a site visit during a contract should make it clear to a supplier when residential end users have been identified/how they would be impacted, and plans made accordingly.

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Next steps

We expect suppliers to apply the good practices we have identified in this area. We will continue to monitor, via cases we receive from Citizens Advice, the Ombudsman and other sources, to see whether suppliers are applying good practice in their approaches to non-domestic disconnection. If we see evidence that suppliers are not acting in accordance with our expectations, we will consider the case for further intervention.

If you wish to discuss the contents of this guidance further, then please contact Paul Redmayne (Paul.Redmayne@ofgem.gov.uk).

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Send us your feedback

We are keen to receive your feedback about this guidance. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this guidance?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.