



Campaigning for Warm Homes

Making markets work for consumers- the regulation of gas and electricity sales and marketing : a review of Licence Condition 48

NEA welcomes the opportunity to comment on Ofgem's proposals to further strengthen the controls on marketing activity by gas and electricity suppliers. As a charity with the primary objective of eliminating fuel poverty we recognise that cutting fuel costs by switching to a more competitively priced supplier can make an important contribution.

However we are conscious that we have responded to several previous consultations on this issue, each concerned with progressively tightening the rules on direct sales, without there being much evidence of improvement. In fact the evidence from research and complaints data suggests levels of consumer dissatisfaction that seem to us inordinately high. In the light of this evidence we find it both perplexing and somewhat disingenuous for Ofgem to claim that this needs to be seen in the context of "the positive impacts of direct selling, in particular that it has opened access to the market and therefore provided the benefits of competition to those on lower incomes". Firstly it remains the case that the former monopoly suppliers retain the majority of their once captive customers, calling into question the conclusion that competition has been positive overall. Furthermore the evidence that it has benefited low-income consumers is also highly dubious. It would be reasonable to suppose that switching rates would be higher amongst those on low incomes who, self evidently, are likely to find it more difficult to meet their fuel costs. In fact, depending on the demographic factors selected, switching rates are at best broadly comparable and in many instances lower than among more affluent social groups.

Taken in conjunction with evidence of aggressive sales techniques, fraudulent sales activity and difficulty in getting a sales agent to leave NEA believes there is a strong case for simply banning the practice of uninvited doorstep sales. We note that some suppliers are already indicating an intention to reduce the level of doorstep sales activity. We do not believe that ceasing the kind of activity which is deployed by cowboy builders and which disfigured the reputation of the double glazing industry would be an impediment to the development of competition. Rather we consider that it might serve to advance Ofgem's objective of encouraging informed choice on the part of consumers, rather than accepting the first offer presented. Plus it might encourage the development of rather more innovative and less tendentious marketing techniques on the part of suppliers. Whilst we are aware that some efforts have been made to establish partnerships with agencies which enjoy the trust and respect of

vulnerable consumers, such as local authorities and voluntary sector charitable organisations, to our knowledge the potential for this approach has not been extensively exploited. Suppliers could do more in this area.

We have no objections to arrangements in which consumers make a positive decision to invite a sales agent into their home, as when they respond to marketing material which invites them to make an appointment for such a visit. However this simply emphasises our view that any initial contact should put the consumer in control.

Consequently we have fewer reservations about telephone sales or marketing in public places. Since over 90% of UK homes have a fixed line telephone (and only 1% have no telephone at all) it is clear that suppliers will continue to have ready access to a means of unsolicited contact with consumers. The research evidence would seem to suggest that this method of selling contracts is less likely to result in misselling and it clearly gives more control to consumers.

The other consumer concerns identified in the research emphasise the prevalence of sales approaches which are directly designed to thwart the concept of informed choice. Allowing more time for consumers to consider offers and countering confusion and cynicism about quoted savings figures are other key areas where procedures should be strengthened.

We do not believe that it should be possible for consumers to sign, or verbally agree to, a contract as a result of any initial unsolicited contact. (This might be considered an alternative approach to the regulation of doorstep sales, although we do not feel that it deals adequately with the nuisance factors, such as the difficulty of getting sales agents to leave.) Any initial contact should lead at most to an indication of a willingness to switch. In our view this becomes an extension of the cooling off period which currently applies, with the addition of safeguards in which the provision of written information plays a critical part.

We concur with the suggestions made (para 7.12) about the type of information which should be provided. However we think that tariff information should be accompanied by a clear statement of what the consumer should expect to pay, given the payment method of their choice. In our view any discussion of a potential switch should collect sufficient information about a dwelling and its occupants to allow a reasonable estimate of expected consumption to be made and an indication of costs to be given in pounds and pence. We see this as an essential safeguard for consumers since it allows a comparison with current costs and therefore an indication of expected savings.

We further believe some minimum standards should be set for the nature of the information left which gives contact details for energywatch. We would not consider it appropriate for this to appear in small print at the end of a lengthy document for example. Our preference would be for this information to be a separate document, the format and content of which is determined by energywatch itself. This could for example be in the form of the appropriate price comparison sheet already produced or other material inviting consumers to contact energywatch for comparative information before any contract is agreed. Again we would see this as facilitating the kind of informed choice which Ofgem commonly declares as its goal.

We understand the concerns about the impact of misselling on vulnerable consumers in particular but on balance we do not believe that there are many practical ways of giving expression to it in a licence condition. Fundamentally we consider that all consumers should be protected equally from inappropriate or misleading marketing.

Finally, NEA believes that markets could be made to work far more effectively for vulnerable consumers if, as research indicates they favour, there were sources of independent confirmation of savings available. If resources could be found to allow local advice agencies, such as CABx, welfare rights and energy efficiency advice centres, to offer tariff and switching advice this would undoubtedly stimulate some informed choice on the part of consumers. Ofgem might care to invite suppliers to allocate a portion of their considerable marketing budgets for such a purpose. If they are not amenable to voluntary participation in a public information campaign perhaps Ofgem should consider how it could acquire the powers it needs to institute some kind of levy on marketing expenditure to enable this to happen.

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