

OFGEM consultation on the Energy Retail Association's strategy to define and prevent the disconnection of vulnerable consumers

June 2004

Introduction

Citizens Advice welcomes the energy sector initiative to seek to ensure that vulnerable consumers are not placed at risk of disconnection and OFGEM's invitation to seek comments on these proposals. The initiative rests heavily on communication between domestic fuel suppliers and their customers and it will therefore be important that these energy customers, and their advisers and carers, are aware of and can readily access any additional protection this strategy makes available.

Citizens Advice Bureaux (CABx) received over 126,000 enquiries about utility problems in 2002-2003, of which 85,000 related to utility debts. CABx regularly report a substantial number of cases to the Social Policy Department, which illustrate the various ways in which clients receive poor service from energy companies, many of which are failures by these companies but which result in debts for their customers. Where consumers are unable to find out who their supplier is, are transferred without their consent and cannot effectively contact the provider to get resolution of the problem, there are key delivery issues for a strategy that will rely for its success on good customer service.

We are keen that this initiative works and continue to open our evidence of CAB clients' fuel problems to OFGEM and to ERA but are not convinced that the engagement of companies in existing strategies bodes well for any early success. For this reason we are cautious in welcoming the content of these ERA proposals and feel it will be dangerous for fuel companies to rely merely on this initiative and the initial industry commitment, without fully testing whether it works on the ground.

Recommendations

In order for the strategy to work within a context of good customer service Citizens Advice recommends:

- **that the ERA strategy should be specifically linked to the existing Guidelines for Preventing Debt and Disconnection and measured against these good customer service principles;**
- **that the definition of vulnerable consumers can be interpreted widely and is not prescriptive;**
- **that the risk of disconnection be viewed in a wider context and that the definition of vulnerable consumers will need to include those at risk of self-disconnection;**
- **that the likely outcomes of referrals to local social services are fully explored; and**
- **that fuel customers together with others who may be able to assist fuel companies in identifying disconnection vulnerability, such as carers and advisers, are made fully aware of and can access this strategy.**

CAB evidence of clients vulnerable to disconnection

To meet the objectives of the ERA proposals for preventing the disconnection of vulnerable consumers, the strategy will need to be capable of both identifying and delivering to a wide range of fuel customers.

The following cases represent a few examples from the latest month's evidence reported to Citizens Advice by CABx concerning vulnerable clients, at risk of disconnection either by their suppliers or of self-disconnection through their suppliers' poor customer service provision. They include issues of:-

- poor quality contact with suppliers;
- difficulty identifying suppliers;
- debt collection practices which take no account of income levels and can result in self-disconnection;
- failure to read meters resulting in the accumulation of debts;
- debts and disconnection threats arising from a failure to bill; and
- the diminution of accessible, affordably located pre-payment token facilities.

Poor customer contact

An 89 year old client from Cheshire had the phone put down on her when she sought advice from her fuel supplier as to why they had sent her three high bills that she could not understand, for a period when she had been in hospital.

An elderly CAB client from Suffolk whose medical condition makes it impossible for her to read her meter sought advice when she received six welcome letters from the same fuel company and several erroneous bills from others. The bureau spent three hours on the phone sorting the case out.

An older client, living alone in Essex, sought advice when she failed to receive a new token to operate a replacement pre-payment meter. She had been without heating, hot water and cooking facilities for six weeks and had been using a public call box to speak to the company. The bureau has helped her apply for compensation.

Difficulty identifying suppliers

An 85 year old disabled client from Lancashire spent an initial four days without gas or electricity before seeking help to find out who supplied him and then to find out which local outlet could charge the token to activate his meter. As a new tenant he first had to go to a local shop for a tenant's smart card and take it home to activate the meter. He then returned to the shop to charge the card only to find they did not deal with his supplier.

A Northumberland bureau reported their client, with long term health problems, had been without fuel for three weeks when he moved. He did not know who the supplier was. When he sought advice, the bureau noticed he had blisters on his fingers from lighting candles.

Debt collection disconnected from income levels

A Derbyshire bureau reported their client, a single parent, had had to borrow money from a loan company to make ends meet. Her fuel supplier had persuaded her to agree to £27.25 being deducted from her weekly benefit to pay off an outstanding bill.

A CAB in Cumbria reported their client was in financial hardship because his fuel supplier would not recalibrate his pre-payment meter, despite several phone calls to request this and their own notification that his account was in credit. He had repaid the debt at the rate of over half of every £5 charged on the token.

Billing failures

A single parent CAB client from Warwickshire on income support received a telegram addressed to the occupier, claiming over £380 and notifying her fuel supplier's application for an entry warrant to disconnect. She had been contacting them for over a year asking for a bill to pay.

A Midlands CAB client appealing for reinstatement of Disability Living Allowance after leaving hospital was upset and confused when she received a fuel bill for over £380. She has been using a pre-payment meter for over 10 years. The client has epilepsy and cares for her epileptic daughter.

Failure to read meters

A 77 year old CAB client from London who lives alone was confused and horrified to find she was in debt to her fuel suppliers. She had been paying estimated bills for over three years when no meter readings had been taken. Disability meant she could not read the meter herself.

A pensioner client with mental health problems and living with her disabled son was threatened with disconnection. The fuel company had failed to set up her pre-payment meter correctly. When she asked them to read the meter, as it was their error, she was told that if she failed to read it herself she would be disconnected.

Access to token charging facilities

A lone parent on a low income in Suffolk sought advice when she received two weeks notice that her local post office would no longer be a pre-payment token charging facility. She has no transport and cannot afford the fares to the new charging venue. The supplier admitted that this strategy was designed to persuade customers to move to direct debits.

A 66 year old client with diabetes and poor sight received two weeks notice her post office would no longer be able to charge her pre-payment token. The new venue, described in the notification as 'improvements to our pre-payment service', is a four mile bus journey away which she cannot cope with physically or financially.

All these clients are vulnerable if their fuel supply is not maintained but the fuel companies they have dealt with have failed to recognise this and to translate their customer service responses into practical help to avoid disconnection.

The ERA strategy

General Comments

Whilst the commitment in this new strategy not to disconnect vulnerable consumers is very welcome, it will only be of value if it works. It is important to note that existing, comprehensive guidelines for preventing debt and disconnection should already be in active use and that licence conditions already require suppliers to have a code on dealing with customers in financial difficulty. The question perhaps is where these existing measures are failing, founded as they are on good customer service.

Under the guidelines for preventing debt and disconnection suppliers are already asked to focus on the key issues of:

- minimising billing errors;
- using incoming calls to identify consumers in difficulty;
- using consumer records to target energy efficiency improvements;
- demonstrate flexibility in debt recovery;
- offering sustainable solutions to consumers in extreme hardship; and
- helping consumers who are unable to manage their own affairs (including use of the priority service register).

This new strategy should build on these strong foundations and seek to provide added value.

Citizens Advice recommends that the ERA strategy should be specifically linked to the existing Guidelines for Preventing Debt and Disconnection and measured against these good customer service principles.

As drafted, the ERA paper firstly seeks to define which consumers might be vulnerable; secondly looks at how energy supply companies will identify those who would be at risk if disconnected; and thirdly looks at what steps are available to offer practical help, as in the above debt prevention guidelines, but including the backstop of referral to local social services.

Identifying vulnerable consumers

In the context of this strategy, the most important aspect of any attempt to define what might constitute a household which would be particularly vulnerable if disconnected is, we suggest, that it can be and is interpreted sufficiently widely. A prescriptive definition may act as a barrier to the very added protection this whole initiative seeks to provide.

Citizens Advice recommends that the definition of vulnerable consumers can be interpreted widely and is not restricted or prescriptive.

In addition, the definition will need to take account of self-disconnection. Without this the problem is just moved, rather than being resolved.

Citizens Advice recommends that the risk of disconnection be viewed in a wider context and that the definition of vulnerable consumers will need to include those at risk of self-disconnection.

There should also be scope for reports of energy disconnection vulnerability from third parties, such as advisers, family and friends, health workers and social service providers, including private carers. To achieve this, it will be necessary for fuel companies to ensure that they do not put up unnecessary barriers when third parties contact them on behalf of fuel customers to alert them to cases of vulnerability. This should not cause data protection breaches, provided companies listen to information from third parties, even when they are not in a position to offer account reference numbers and authorisations.

Citizens Advice recommends that fuel customers together with others who may be able to assist fuel companies in identifying disconnection vulnerability, such as carers and advisers, are made fully aware of and can access this strategy

The proposed solution

To succeed, the safety net model will need to be familiar to all those who liaise with fuel customers, decision makers and those preparing legal cases pre-disconnection, throughout the fuel providers' organisations, so that:

- efforts made to identify vulnerable customers apply throughout the organisation;
- the capture of information includes checking on billing and payment records;
- debt management solutions do not move the problem from disconnection to self-disconnection, through pre-payment meter calibrations above the fuel direct ceiling or failure to provide locally accessible token charging facilities;
- the language of 'best endeavours' converts to a specific requirement for face-to-face contact; and
- the pre-disconnection contact with local social services includes a requirement not to proceed until a supply that positively engages social services with the case has been received.

Without this level of commitment the safety net will be open to criticism as an 'on paper' solution.

Social Services Input

The proposals have a safety net back stop of referral to local social services departments, where the fuel supply company has followed good customer service practice but a vulnerable person remains at risk of disconnection.

It is not clear from the ERA proposals what would happen if the local social services department does not have the capacity to meet the needs of identified vulnerable consumers, perhaps because their own categories of 'at risk' clients are different. Will fuel companies be seeking to flag up customers vulnerable to disconnection only or to go on to engage directly with their fuel needs? It is not clear what would need to happen following a referral to social services for the future risk of disconnection to be avoided.

Citizens Advice recommends that the likely outcomes of referrals to local social services be fully explored in the context of the objectives of the ERA strategy.

Susan Marks
Social Policy Officer – consumer affairs
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