

## Vulnerable Customers and Codes

### Consumer Groups Seminar - Glasgow 31 March 2006

#### LIST OF ATTENDEES

Trisha McAuley	Scottish Consumer Council
Charles Coulthard (CC)	Chair, energywatch Scotland
Kevin Nicol (KN)	EAGA
Elizabeth McNeill	Scottish Executive
Dave Stewart (DS)	Money Adviser, Renfrewshire Council.
Nikki Cutler (NC)	Fuel Billing Advice Team, LEEP
Maureen Sneddon (MS)	Consumer Adviser energywatch, Glasgow
Carole Pitkeathly (CP)	energywatch
Shirley White (SW)	Money Adviser, East Renfrewshire Council.
Michael Knowles (MK)	Ofgem
Dave Barnes (DB)	Ofgem
Mark Watson (MC)	Energy Retail Association

#### A. Structure of the current regime and options

1. MK opened the seminar with a presentation on the consultation, structure of the current regime and options.
2. CP commented that it would be very easy with annual bills reaching £1000 to suggest that more licence protections are needed. However it was necessary to think laterally to give a better focus to the current requirements.
3. DB asked those people who gave face to face advice whether they were familiar with the current codes of practice.
4. NC said that she refers to the codes on a day to day basis. MS said that in practice suppliers were more willing to discuss a breach of their own codes, than a breach of a licence condition which sometimes required escalation within the organisation. She added that there could be an issue

with suppliers being willing to discuss matters openly if a standard code were adopted.

5. KN considered that there would be benefits if there were clear minimum requirements whatever option were chosen. He was concerned that suppliers may not otherwise want to deal with high cost customers. He also said that it would be preferable for a requirement to pass PSR information between suppliers if a customer transferred. He added that everyone at some part of the life becomes vulnerable.
6. CP agreed that corporate social responsibility has delivered benefits over time. Suppliers have mentioned that the current licence conditions stifle innovation, but social initiatives have happened despite of this.
7. DS said that a standard code may make it easier to advise and inform consumers. He added that as to the definition of vulnerable customers there has been a dramatic increase in the number of people with senility or Alzheimer's, and that the definition should be broadened to include mental impairment. These people previously could have coped, but then problems build up when they are unable to understand paperwork. DS said that now there was generally less contact between the supplier and the customer, and multiple estimated bills can lead to a downward spiral of debt. DS also mentioned that putting vulnerable customers on the PSR works well to stabilise the relationship with the supplier, and that a requirement to pass this PSR information to a new supplier would be a good idea.
8. CC commented that the review of consumer representation needs to be taken into consideration. Consumer Direct would only seek to empower customers through next step advice, compared with energywatch at present that provides consumer representation and consumer advocacy. He also mentioned that Ofgem should engage with smaller suppliers as part of the consultation.

#### B. Debt and Disconnection

9. DB mentioned the overall aim of the current provisions to treat people in debt sympathetically and to avoid disconnection as far as possible. He said that there had been progress in that disconnections had fallen from around 20,000 to 3,000 per year. He also mentioned the Bates' case and the ERA's disconnection safety net.
10. CP said that there had been a licence condition on disconnections for years, but the real difference was made following political pressure after the Bates' case. She said that it was necessary for suppliers to get behind the account number to understand the particular circumstances of the customer. energywatch wants suppliers to be aware who these customers are.
11. KN said that there were the "can't pays" and the "won't pays", but there was also the "how to pays". DB commented that in practice it was difficult for suppliers to distinguish between these groups.
12. MW mentioned that he chairs a debt policy group on behalf of the ERA. He said it is difficult for suppliers to determine whether a customer is a "can't pay" or "won't pay", and in practice they tend treat such customers as "can't pays" first.

13. DS said that in Scotland suppliers seemed to share Sheriff Courts' letters on "won't pays", and it appeared that there were mechanisms to deal with these customers at a later stage.
14. NC commented that she sees a number of cases where a request for Fuel Direct is knocked back. MS agreed it was very difficult to get customers on Fuel Direct, as there seemed to be no consistent policy on who would be accepted. MC said that the ERA was trying to persuade Government to review the arrangements for Fuel Direct and he suggested that voluntary groups should do the same.
15. CP said that the fall in disconnections was encouraging but there was limited information on self-disconnections.
16. MS added that prepayment meters were not always appropriate and that Fuel Direct would be a better alternative in some cases. She was aware of one case where an 86 year old ended up with a pre-payment meter. NC also mentioned another case where an elderly woman with a carer (who was only there a limited times during a week) ended up with a pre-payment meter.
17. DS said that on Fuel Direct as it is expensive to administer, if suppliers are given any leeway they may not deliver it. CP added that Fuel Direct costs the industry around £22m. CP also commented that she previously worked for the equivalent of the DWP and she understood that any pass through benefit scheme was a nightmare to administer. NC said that advantages of Fuel Direct were that it gave security and took the problem out of the hands of a customer with multiple debts.
18. M (EW) commented that in practice suppliers seemed to use the guidance of £2.85 per week to repay debt if Fuel Direct was not processed, but there was still the issue of payment of the standing charge.
19. MK highlighted the question in the consultation relating to timeliness of recalibration of a pre-payment meter following a price increase. M (EW) responded that if it would be good guidance if suppliers wrote off 50% of the debt caused by delay in recalibrating, if this delay was not due to the customer's fault. MW replied that when there has been a price increase, suppliers do face increased problems of gaining access to customers' homes.
20. CC commented that investment in smart metering would deliver benefits in dealing with debt, as has happened in Northern Ireland that has high levels of deprivation. DB responded that adequate methodologies to deal with debt need to remain in place until such time whenever that investment in smart metering happens.

#### C. PSR, deaf and blind services

21. DB referred to the special services currently required under licence conditions 37 and 38. He mentioned that vulnerable customers do have to be on the PSR to receive these services but it helps. He also said that gas safety checks and meter moves were regarded by suppliers as expensive and there were questions as to eligibility and ability to pay.

22. CP said that energywatch's research found that suppliers call PSR services different things and that there were low awareness of these services. She added that reference to "priority" may be off putting for some customers who need help. Some customers are reluctant to request gas safety checks because of the potential cost if their appliances are condemned. In addition some customers thought that going on the PSR meant that they had to have a gas safety check, and we were therefore reluctant to register on the PSR. In addition CP said that the definition of "pensioners" was too broad as it included such customers with adequate financial means. CP reiterated that PSR information should pass to the new supplier when the customer transfers.
23. NC suggested that there should be protection for customers with literary problems or those where English is not their first language.
24. DS said that regular meter readings were an important issue to help prevent vulnerable customers getting into debt. He suggested that there should be an "account monitoring service" for all vulnerable customers, with the other PSR services being discretionary.
25. KN said that he used to work in financial services. He said that a key issue was that often a change in circumstances led to the customer becoming vulnerable e.g. if their partner dies. CP added that "vulnerability" was a movable feast, with customers having different needs at different times.
26. DB mentioned the broad definition of "vulnerability" under the ERA's disconnection safety net, but warned against putting voluntary arrangements in the licence conditions, as this could deter incentives to deliver social initiatives in the future.
27. MK said that many pensioners can be property rich but cash poor. He added that provision of the special services on request free of charge was qualified (except gas safety checks) with the caveat "where reasonably practicable and appropriate". MK compared the regime under the DDA where a wealthy customer with long term frailty would be entitled to "reasonable adjustments" being made to the service.
28. KN said that the gas safety check would be better replaced with an annual gas safety service. He added that a service visit could pay for itself if efficiency were improved.
29. DB said that some suppliers have a voluntary hardship fund to give some help if appliances are condemned. CC commented that suppliers should be providing these services anyway.
30. CP said that energywatch recently did a push on the PSR, asking consumers whether anyone in their house could benefit from additional services. energywatch then had a link to automatically register these customers with their supplier.
31. DB said it might be useful to look at who should be registered on the PSR and provision of special services as separate issues.
32. MK gave a presentation on the Disability Discrimination Act. He highlighted that the Act had a definition of "disability" which was broader than just those customers who were registered disabled; however

individuals have to enforce the requirements under the Act compared with Ofgem being able to enforce licence conditions. Further he mentioned that the Act has a broad requirement of “reasonable adjustments” compared to specific requirements in the licence conditions. MK also referred to the proposals put forward by suppliers of a link in a licence condition to the Act.

33. The seminar group were not aware of how the Disability Discrimination Act works in practice.

#### D. Next steps

34. MK highlighted to the group the deadline of 28 April to the consultation, and that a broader consultation on the supply licence review would be published in early June.