

Sean Baker  
Enforcement and Competition Policy  
Ofgem  
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Ref: 2609

Dear Sean,

### **Direct Debit Arrangements**

Age Concern and Help the Aged are pleased to have the opportunity to comment on your consultation regarding direct debit arrangements for energy companies. Like MPs and Ofgem, we also received a relatively high number of complaints from older people during the winter period about the very high level of direct debit payment increases they had received from their energy suppliers. We were pleased to hear that Ofgem had decided to investigate the direct debit arrangements of energy suppliers.

In general the problems that older people contacted us about are reflected in Chapter 2 of the document. In particular:-

- Concern that the direct debit was being increased even though the customer had a relatively large credit and that the increase was greater than price increases announced by the company (2.49, 2.58)
- That the reduction customers had achieved by contacting the company seemed to be on an 'ad hoc' basis giving the impression that the original increase determined by the company for the direct debit payment was made on a similar basis. ( 2.1, 2.46, 2.49, 2.57, 2.68)

We are pleased that the Ofgem investigation did not find any evidence that the direct debit increases were being increased by more than was justified in order to increase company cash flows. However we do think that the investigation has uncovered a dire situation with regard to company information. To conclude that most suppliers were unable to explain to customers on what basis they had revised their direct debits, and that in many cases companies 'did not appear to record or monitor information in ways that enable us (Ofgem) readily to assess how direct debits were being applied' (2.73), is almost unbelievable.

This lack of recording does not bode well for the new complaints monitoring procedures that were recently introduced. We have always been concerned that complaint comparison between companies cannot be made unless there is consistency in classification. It is of concern that, as reported in paragraph 2.78 of the document, some complaints about direct debits were not being classified as complaints but as 'direct debit contacts'. We totally agree with Ofgem that it is disappointing that suppliers are still not making effective use of the information on complaints they are now required to produce as a guide to them on how to improve their services.

In answer to the direct questions posed in this consultation:-

**Chapter 2 Q1 to 3.** We agree with Ofgem's analysis of the issues and that the key problems relate to lack of transparency and poor communications. We also agree with the best practice identified in paragraph 3.3. We have always thought that having regular actual meter readings is key to reducing the number of complaints about billing in general and not just with regard to direct debits. We hope the improvements in billing arising from the Ofgem probe into energy markets will make clearer to customers the importance of giving meter readings where they have received an estimated bill. We also think it highly unlikely that customers know the 'payment year' they are in. If companies continue to assess direct debit payments on this basis, we think this period should also be made very clear on the bills customers receive, as well as giving this information when the direct debit method of payment has been agreed.

Re-assessments of direct debits need to be done on a more flexible basis which will accommodate the situation as happened in 2008, where there were significant price increases throughout the year. We agree that in such circumstance it is unreasonable that a company should try to catch up payments in less than a 12 month period as was the practice with British Gas as outlined in paragraph 2.29. We are concerned that unexpectedly large increases will put older people off using direct debits, which are usually the cheapest tariff, because they would be worried about getting into debt. Being on a relatively fixed income they are unable to cope with sudden and significant direct debit increases. The debt needs to be recovered over as long a period as will allow 'payments to be smoothed.'

It is essential that customers are given full individual information explaining any revision to their direct debit payment. We commend the process used by Scottish and Southern Energy and npower in this regard as outlined in paragraph 2.54. This information is also necessary for organisations such as local Age Concerns to be able to give advice to clients

who have contacted them. It seems obvious that call centre staff should similarly have access to the way the increase has been assessed in order to advise callers. Suppliers should automatically tell consumers to contact them if they have any concerns about the increase in direct debit payments, particularly where customers are concerned about being able to pay them.

We agree that suppliers should set out what their refunds policy is with regard to a build up of credit and that this policy should not unreasonably withhold repayment. However this applies to standard credit customers as well as direct debit and any licence change, should one be implemented, should reflect this.

### **Chapter 3 Q1 and 2 and Chapter 4 Q 1 to 3.**

It is regrettable that the industry has failed to agree voluntarily on what to us seem such obvious good practice proposals which meet the needs of customers. We agree with Ofgem that it is imperative that customers are given individual assessment for any reassessment of direct debit payments and therefore support the proposal that, given the suppliers will not agree to this voluntarily, it is necessary to impose a licence condition as quickly as possible. We reject Option C to draw up a code of practice since Ofgem's report has already highlighted what is necessary. We do not support Option B since this leaves it up to suppliers on how to achieve the licence condition. In addition, whilst we can understand Ofgem would like any licence condition to be sufficiently flexible to include some new form of payment, we do not think this is likely in the near future. We therefore support Option A which will require suppliers 'when setting and amending direct debit payments, suppliers must provide customers with a clear statement of the basis for these payments (including assumed usage'.

It is disappointing that this includes no reference to repayments of credits. It was not clear from the document whether suppliers had come up with a satisfactory response to Ofgem's proposals on repayment of these on a voluntary basis. We do not object to suppliers introducing this under self regulation provided it applies to both direct debit and standard credit customers. However if this proves to be impossible we would suggest a second licence condition be imposed which states:- 'The company policy on refunds should be made easily available to customers via their website and call centres and any credit built up by a customer should not be unreasonably withheld'.

We do not see why smaller companies should be excluded from these proposals and agree that they should apply to small businesses. We also agree that these proposals should be

implemented as soon as possible and do not want them delayed by some companies arguing that they would have difficulties in changing their IT systems. We think Ofgem's proposal not to implement until the end of the calendar year is more than generous and should not be extended to any longer time period.

Yours sincerely

A handwritten signature in black ink that reads "Gretel Jones". The signature is written in a cursive style with a large initial 'G' and a long, sweeping underline for the 's' in Jones.

Gretel Jones  
Consumer Policy Adviser