



1 May 2009

File Ref : D13

*By first class post and email*

Mr Sean Baker  
Enforcement and Competition Policy  
Ofgem  
9 Millbank  
LONDON  
SW1P 3GE

[sean.baker@ofgem.gov.uk](mailto:sean.baker@ofgem.gov.uk)

Dear Mr Baker

***Direct Debit Arrangements - Ofgem - Consultation Document Reference 26/09***

I am responding to the Ofgem consultation document referred to above on behalf of the Civil Service Pensioners' Alliance, which represents some 65,000 members and is recognised by the Cabinet Office for the purposes of representing all retired civil servants.

Our members have been concerned for some time over aspects of monthly direct debit schemes, in particular those schemes run by the energy supplying companies. The Alliance, therefore, welcomes the Ofgem review into monthly direct debit schemes and also the opportunity to comment on Ofgem's findings & proposed changes.

In response to the questions posed by Ofgem we offer the following answers and comments:

**Chapter 2**

**Question 1** The Alliance believes that, whilst there may not be any orchestrated attempts to boost cash flow, nonetheless energy supplying companies are very good at increasing direct debit payments but seem rather slower at either reducing them or making refunds when an excess credit has accumulated.

As to the comments contained in paragraph 1.15 of the Ofgem direct debit review, the Alliance agrees that the differential between direct debit and standard credit cannot be justified and urges Ofgem to ensure that this differential is reduced as quickly as possible. This is an aspect of the charging regimes that particularly hits pensioners and other low-income households hard because they tend to pay by standard credit rather than monthly direct debit payment schemes.

The Alliance also believes that all energy supplying companies should be required to offer the facilities for quarterly direct debit bill payment in arrears as an option. It appears that some of the companies may not offer such a facility at present, preferring to encourage consumers to opt for monthly direct debit payments instead.

**Question 2** Anecdotal evidence offered by our members when seeking to challenge increases in monthly direct debit payments, especially with *British Gas*, reveals that customer service staff are reluctant or are unable to offer any explanation of the bases upon which increases have been assessed. Even when challenged by consumers, they will invariably state that such reassessments cannot be challenged. Unless a consumer is prepared to be belligerent to press home these concerns, only then will a manual reassessment be offered, which, when carried out, invariably results in a reduction in the increase to the proposed direct debit payment.

The Alliance believes that full details of the calculation and the basis on which any increases in direct debit payments are proposed should be made available to the consumers **prior** to implementation in order to allow the consumers the opportunity to challenge the bases of the increase and to advise the energy supplying company of any changes to their circumstances that may be of relevance to the said calculations.

Another aspect of concern in the arrangements for direct debit payments is that of paperless billing. Even though the energy supplying company will notify the customers by email when a new bill is available to be seen, there is not always prior notification of an increase in a monthly direct debit payment, with the consumers only being made aware of such an increase when they log in to their account. The Alliance believes that if, any change is being proposed to the level of the monthly payment, then, the energy supplying company should advise them, in the email notifying that a new bill is available, that they should check their bill because a change in the monthly direct debit payment is being contemplated.

**Question 3** With regard to refund policies, the Alliance believes that, at the end of any 12-month period, any amount of credit should be refunded to the consumer, unless the consumer has already agreed to offset such credit against future bills. The Alliance also believes that there should be an industry standard regarding the levels at which consumers can expect credit build-ups to be refunded, for example once credit has risen above £100. For *British Gas* to only consider making a refund after credit has risen above £200 seems excessive.

The Alliance also believes that, where one energy company supplies both gas and electricity, the level of credit at which refunds should be made should take into account both fuel accounts even where they are billed separately. So, the policy of refunds being made once the credit reaches the £100 level should be automatic, unless there are good & exceptional reasons for a higher level of credit to be retained by the energy supplying company e.g. where the energy supplying company can show that were a refund to be made at a time in the 12 month cycle such as the start of the Winter quarter, then the monthly direct debit payment would, consequently, have to be increased by a disproportionately large amount to offset anticipated increased consumption.

### Chapter 3

**Question 1** Unless a licence condition is put in place then we remain concerned that some of the energy supplying companies will simply let matters stay much as they are. Despite the apparent willingness of the Energy Retail Association to discuss improvements and the fact that it has taken a review of this type by Ofgem to recommend changes, why have such improvements not already been proposed or introduced on a voluntarily basis by the energy supplying companies?

**Question 2** The Alliance believes that the answer provided above under **Chapter 3 Question 1** indicates why self-regulation has failed to achieve the improvements to the operation of monthly direct debit schemes that the Ofgem review has highlighted!

#### **Chapter 4**

**Question 1** The Alliance believes that option C is likely to offer the best means of achieving a more consistent approach to the operation of monthly direct debit payment schemes, but that any code of practice should be drafted by Ofgem. Were it to be the case that the industry was allowed to write the code of practice, then it must be subject to the approval of Ofgem, with the provision for Ofgem to insist on changes and to have regulatory oversight of the operation of the code of practice.

**Question 2** The Alliance believes that small business consumers could be as vulnerable as domestic consumers to the problems identified by the Ofgem review of monthly direct debit payment schemes. So the extension of the code of practice to small businesses seems a sensible option.

**Question 3** Preferably, the deadline for the implementation of the changes should be by the end of 2009, but certainly no later than the beginning of the next 12-month billing period, after the end of 2009, which determines the future level of monthly direct debit payments to be made by individual consumers.

I hope that the above comments are of assistance and will be taken into account when final decisions are made on the implementation of the proposed changes identified in the Ofgem review of monthly direct debit schemes.

Yours Sincerely



Mike Duggan  
**General Secretary**