



Direct Debit Arrangements

Ofgem Consultation 2009

Response of
The Trading Standards Institute

May 2009



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BY EMAIL

Sean Baker
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15 May 2009

Dear Sean

Thank you for extending the deadline for the Trading Standards Institute to submit its response to the consultation 'Direct Debit Arrangements'.

The Trading Standards Institute is the professional body for Trading Standards professionals working in the private and public sector.

It is the national body responsible for representing, supporting, lobbying, and championing Trading Standards to a range of stakeholders including government, business, consumers, and the media.

We look to provide innovative solutions across the regulatory arena, to administer and award professional qualifications, to accredit and certify training and ensure the ongoing competence of members, and to influence and lobby on behalf of the profession as a whole.

We aim, through our actions and our members' actions, to empower consumers and reputable business to contribute to a vibrant economy.

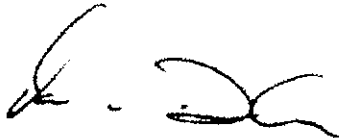
We strive to eliminate rogue traders and unfair trading practices from the marketplace, to promote environmental sustainability, and to make an

effective contribution to the health and social wellbeing of citizens and communities.

If you require clarification on any of the points raised in the response, please do not hesitate to contact me at email paulr@tsi.org.uk or by telephone on 0845 608 9403.

In conclusion, TSI does not consider this response to be confidential and is happy for it to be published.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Ramsden', with a stylized flourish at the end.

Paul Ramsden
Deputy Chief Executive

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Direct Debit Arrangements – Ofgem consultation

Trading Standards Institute response – May 2009

~~We agree with the findings in your report over th~~ We agree with the value of direct debit payments to consumers and to the businesses. We would not want to see consumers who choose not to take-up direct debit as a payment method to be penalised financially, but we do accept that businesses can look to offer discounts to direct debit customers recognising the reduced costs of collection associated with this payment method. We support, however, the work of Ofgem in ensuring that the price differential truly reflects this cost reduction.

One of the reasons consumers choose not to use the direct debit payment method is the lack of trust and transparency that is at the heart of this consultation. It is in everyone's interest to introduce trust and transparency to increase consumer confidence in the system. Consumers naturally feel frustration when they experience an increase in monthly payments that is insufficiently explained and that is often revised when challenged. This drives mistrust in the system.

There is quite clearly best and better practice available within the industry. What is disappointing is the fact that suppliers are not benchmarking with competitors. The role of the industry body, the Energy Retailers Association (ERA), could be crucial to improvements. As a body the ERA should show much more leadership over its members. The standards it sets seem to reflect the minimum achievement rather than stretch targets. We agree that the ERA's suppliers commitment is a step in the right direction, but we feel that it allows for too much flexibility for its members.

~~The best practice identified by Ofgem is hardly onerous upon the industry and we would have expected this type of suggestion to have come from ERA rather than as this necessary prompt from the Regulator.~~ The suggestion that some improvements can only be made by one supplier in 2010 conveys the lack of urgency and seriousness afforded to this topic. The evidence that smaller suppliers are able to provide better customer service supports the case that increased choice and competition is essential in this marketplace.

We expect Ofgem to look carefully for a breach of licence conditions and fully utilise the powers it has been granted under the Enterprise Act, the application of the Unfair Terms in Consumer Contracts, and the significant strengthening of legislation through the Consumer Protection against Unfair Trading Regulations. These latter regulations offer the enforcement community the ability to gain greater compliance through the principles of fair trading.

The process for gaining greater compliance through application of this legislation should not be dismissed. Robust enforcement is needed to drive up standards to achieve best practice and better outcomes for consumers.

Option A is attractive to address this issue but could become outdated. If Ofgem felt that the creation and amendment of licence conditions was a sufficiently streamlined process then we would recommend this route be followed to tackle the problems highlighted by direct debit payments and for other matters in the future.

Option B is not sufficiently focused and allows too much variance.

Option C is attractive as a statutory code if Ofgem feels that the amendment of this code would be a easier process than the licence. Within Option C, we would strongly favour option a) with the consultation as mentioned. We feel that energy suppliers, either individually or through their association, have had the opportunity to produce not only the best practice objectives but also a condition within their current code to tackle this problem. The fact that they have been incapable of doing so highlights the need for a formal statutory approach.

We feel that the best practice examples should be applied across the industry sector; these would seem to be minimum requirements that would and should be expected by consumers. There is also huge benefit from application of these to the small business sector. Particular steps are needed to ensure that SMEs in particular are afforded greater support to be successful. Their dealings with large organisations are similar to the imbalance between these companies and consumers. Therefore they should be afforded these similar protections.

We feel that there are elements within this research that truly begin to profile the nature of some of the suppliers. Consumers are encouraged to switch products and some of this information could be useful to empower consumers with required knowledge that, for instance, recovering over-payments is easier and automatic with some suppliers rather than others which require a manual prompt to make repayments.

We feel that this issue is is not new and is tarnishing the energy industry. We commend Ofgem for providing sensible and robust solutions. Implementation of change needs to occur as soon as is practicable and certainly ~~before the end of the year~~. We fully support the certainty of a set date rather than an extended transitional period as we feel that the issues are well rehearsed and the expectation is that responsible suppliers should be working already towards compliance rather than waiting for this statutory intervention.