

# Press Release

Friday 9 March 2012

## **EDF ENERGY AGREES TO INVEST £4.5 MILLION TO HELP VULNERABLE CUSTOMERS FOLLOWING OFGEM INVESTIGATION**

- Ofgem's investigation found that EDF Energy's processes led to breaches of its marketing licence conditions
- EDF Energy has engaged in a constructive dialogue about shortcomings in the firm's sales processes and has taken a proactive approach to addressing those shortcomings
- EDF Energy has offered to pay a £4.5 million package to help vulnerable consumers and its actions mark an important step forward by the company in improving consumers trust

Ofgem's investigation found that EDF Energy had breached its marketing licence conditions, and EDF Energy has offered to pay a £4.5 million package to vulnerable consumers.

The size of the payment reflects the constructive and cooperative dialogue with Ofgem that EDF Energy maintained throughout the investigation. As well as the fact EDF Energy has accepted shortcomings in some of its sales processes identified by the investigation, which did not fully achieve the high standards that Ofgem's tougher marketing rules, introduced in 2009, expect. Had this not been the case the firm would have faced a higher penalty.

Ofgem's Senior Partner in charge of enforcement Sarah Harrison said: "EDF Energy has done the right thing by stepping forward and recognising there were weaknesses in its sales processes. The firm also took the initiative to correct these problems during Ofgem's investigation. This is an important step forward and demonstrates a commitment by EDF Energy towards re-establishing consumer trust which we welcome.

"In the energy market in general much more needs to be done to restore consumer confidence and all energy suppliers should now get behind Ofgem's reforms to introduce a simpler, clearer and more competitive energy market.

"The good news is that we are seeing that energy suppliers, like EDF Energy, are themselves increasingly recognising that they need to make changes to restore trust and today's announcement is part of this process."

Ofgem's investigation identified that EDF Energy had weaknesses in some of the processes and controls it used to ensure compliance with the rules governing clarity and accuracy of sales information. EDF Energy's prompt action to ensure full compliance with these rules is reflected in the size of the package of measures agreed.

The higher standards set overall by Ofgem for energy suppliers following its 2008 probe mean that the size of the package agreed by EDF Energy in this case cannot be readily compared to earlier cases.

Ofgem welcomes EDF Energy's approach in recognising the mistakes that led to the breaches taking place, the way it proactively corrected these errors, and the firm's agreement to pay a £4.5 million package to help vulnerable consumers.

Around £1 million of the package will be passed to the Energy Best Deal programme, which helps support vulnerable customers, with the remainder being paid to customers at risk of fuel poverty, to directly benefit customers that are most in need.

## **Notes to editors**

### **1) EDF Energy's licence breaches**

Ofgem found that EDF Energy had breached some aspects of the licences governing the provision of sales information through weaknesses in its processes and controls, as a result of which:

- customers were not always provided with complete information during the sales process, for example on some contract terms or on the way in which their monthly direct debits had been calculated and on how estimates of their annual consumption were calculated; and
- telesales agents sometimes made opening statements in their calls to customers that claimed savings before knowing whether the statements were accurate for the specific customer on that call, and sometimes assumed that the customer was on a standard tariff without checking.

Where these failings occurred this meant the customer may not have had all the information they should have had to make an informed decision.

### **2) This Package – support for vulnerable consumers**

Ofgem has decided that consumers are better served by EDF Energy making payments to benefit customers most in need, in lieu of imposing a penalty. As well as acting as a warning to the energy industry about the importance of compliance, it also has the advantage of directly benefiting some consumers. Ofgem therefore proposes to accept EDF Energy's offer of a £4.5m vulnerable consumer package, in the place of a penalty package. Had EDF Energy not committed to deliver this package, the penalty would have been higher.

Ofgem does not have statutory powers to seek collective redress on behalf of consumers, unlike other regulators such as FSA and Ofcom. The Department of Energy and Climate Change has confirmed that it is looking into the possibility of giving Ofgem new powers to order redress as an alternative to imposing a penalty in cases where this may be appropriate. This would increase Ofgem's powers to get redress for consumers in cases where it cannot reach a settlement with an energy company.

Of the £4.5 million package, £1m will be donated to support the Energy Best Deal public awareness campaign run by Citizen's Advice, aimed at helping improve the confidence of domestic energy customers across England and Wales to shop around, reduce their bills and get help if they are falling behind with energy payments. £3.5 million will be used to further reduce the bills of EDF Energy

customers at risk of fuel poverty (who are eligible to receive pension credit and the Warm Home Discount).

### **3) Ongoing investigations into energy sales**

Ofgem is continuing its investigations into Scottish Power, SSE, and npower. For the avoidance of doubt, the fact that Ofgem continues these investigations should not be taken as implying that any supplier has breached its obligations.

### **4) Previous investigations**

Ofgem took enforcement action in 2008 and 2002 against npower and London Electricity when each company was fined £1.8 million and £2 million. In 2009 Ofgem introduced new tougher licence conditions on marketing following the Probe to improve the performance of suppliers. The escalation in payment announced today reflects the tougher standards and the fact that Ofgem has had to take repeated regulatory action in this area against a number of suppliers over a number of years. The specific package in this case cannot be readily compared to earlier cases, which concerned more serious conduct.

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