

Press release

3 February 2013

OFGEM CALLS FOR MORE POWERS TO PROTECT BUSINESSES FROM MISSELLING

- **Ofgem seeks powers from Government to act against brokers that mislead businesses**
- **New powers would strengthen Ofgem's proposed reforms to make the energy market clearer and fairer for businesses**
- **Ofgem has also acted to cut back-billing for businesses to one year and plans new review of contract rollovers for businesses**

Energy regulator Ofgem has today set out why it needs more powers from Government to tackle misselling of energy deals to businesses. This is part of Ofgem's wider action to protect small business customers.

Ofgem is seeking powers to enforce the Business Protection from Misleading Marketing Regulations (BPMMRs). This would allow Ofgem to take direct action against 'rogue' brokers that mis-sell energy to businesses. It would add to the new package of tougher rules Ofgem has proposed for how suppliers should treat their business customers, following its investigation of the retail market. The regulator is also developing a code of practice for brokers so businesses can have greater confidence when using their services.

Brokers can play an important role in helping businesses to compare the market and Ofgem research shows that this is recognised by businesses as well. However Citizens Advice reports that 42 per cent of complaints it received from small businesses about misselling between November 2011 and October 2012 contained references to broker behaviour.

Ofgem's research has found that between 14 and 17 per cent* of businesses that used brokers when looking to switch were dissatisfied with them. Businesses were particularly concerned about cold calling, high-pressure sales tactics and the unprofessional behaviour of some brokers.

Ofgem is also reviewing suppliers' use of automatic rollover contracts for the smallest businesses. Our existing rules already limit rollover contracts for these firms to one year. We will be investigating the impact this has on smaller businesses** and considering if changes are needed to the Ofgem supply licence conditions, including whether we should ban rollovers.

As a result of Ofgem putting pressure on suppliers to cut back-billing, eight have responded by agreeing to limit it for small businesses to one year, from no later than 2014. Other suppliers have yet to follow suit so the regulator is calling for them to make similar pledges.

Philip Cullum, Consumer Partner, Ofgem, said: "Small businesses are an engine of growth in our economy and it is crucial that they get a fair deal in the energy market. Many brokers play an important role in helping firms compare the market. However we want powers to take action against intermediaries that mis-sell, so businesses can have more confidence when using brokers. This move sits alongside other measures we have proposed, including enforceable standards of conduct for how suppliers should treat businesses and developing a Code of Practice for brokers. We are also scrutinising the use by suppliers of rollover contracts for businesses.

"We are pleased that some companies have already responded to our call for action by cutting back-billing for small businesses, but we want all suppliers to follow their lead, with a limit of 12 months in place as soon as possible next year."

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Notes to editors:

* This statistic is taken from research carried out for Ofgem and published here: <http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/Quantitative%20Research%20into%20Non%20Domestic%20Customer%20Engagement%20and%20Experience%20of%20the%20Energy%20Market.pdf>

** Britain's smallest businesses (which typically employ 10 people or less) currently benefit from Ofgem rules which ensure their contract terms are clear. These rules also limit the automatic rollover of their contracts to one year. As part of its retail market reforms, Ofgem has consulted on extending these rules so that larger small businesses are covered. Around Easter, Ofgem will publish a decision on which companies would benefit from extending the rules. Once this is done it will immediately review whether allowing automatic rollovers for such firms should still be allowed, or if they should be banned.

1. Ofgem is asking stakeholders for views on whether the regulator should be granted these powers and whether there is further evidence of misselling by brokers that should be considered. The consultation will close on 4 April 2013 and Ofgem will then present any feedback to Government this Spring.

2. Back-billing:

Back-billing happens when suppliers do not bill a customer for some time but then issue a bill for energy that has been consumed but not previously billed. Ofgem told suppliers to work on this issue with consumer groups. Consumer Focus have been monitoring progress and they report that eight suppliers have pledged to limit back-billing for small businesses to one year, from no later than 2014. They are: British Gas, Dong Energy Dual Energy, Eon, Npower, Opus, Scottish Power and Scottish and Southern Energy. Updates on this work are available on Consumer Focus' website.

3. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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