



Proposals for a new Consumer Vulnerability Strategy

Response from Citizens Advice to Ofgem

November 2012

Introduction

Citizens Advice welcomes the opportunity to respond to Ofgem's consultation on its proposals for a new Consumer Vulnerability Strategy.

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination.

The service aims:

- to provide the advice people need for the problems they face
- to improve the policies and practices that affect people's lives.

The Citizens Advice service is a network of nearly 400 independent advice centres that provide free, impartial advice from more than 3,500 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups.

In 2011/12 the Citizens Advice service in England and Wales advised 2.03 million people on 6.9 million problems. Debt and welfare benefits were the two largest topics on which advice was given. In total we received 136,000 fuel related enquiries in 2011/12 including 97,000 about fuel debt, 2,600 enquiries about complaints and redress and 400 enquiries about selling methods.

Question 1: Do our proposed Strategy themes provide an accurate reflection of the work Ofgem should be doing to help protect consumers in vulnerable positions?

We agree that the five themes set out in the consultation cover all of the main areas in which Ofgem should be undertaking to protect consumers in vulnerable positions and provide a good basis around which to build the vulnerability strategy.

These themes broadly align with the themes contained in the Social Action Strategy and we outlined at length our reasons for supporting these themes in our response to Ofgem's initial consultation on the Consumer Vulnerability Strategy earlier this year. We do not propose to repeat these arguments in full here, but instead provide a brief summary of our views.

Theme 1: Developing targeted and effective regulatory obligations

This is vital. While any consumer can experience inconvenience and detriment as a result of bad practice or a mistake by their supplier, vulnerable customers are often at greater

risk of bad practices, such as pressure selling, and can find it more difficult to exercise their rights and get things put right.

A CAB in the South West of England reported the case of a man who was profoundly deaf and relied on lip reading to communicate with the CAB adviser. He had recently moved into a new property and needed help to set up his gas, electricity and water supply accounts. The adviser rang all of the relevant suppliers and in each case the company did not appear to have any facility to communicate directly with the client. In order to establish that the adviser had the client's permission to speak on their behalf the adviser had to listen to the company's questions, relay them to the client through lip reading. The client then had to repeat each question to the company representative to give the adviser authority. In one case the client was offered communications in Braille and the adviser had to remind the representative that the client was deaf, not blind. The client found the whole process distressing and degrading.

Another CAB in the South West of England saw a woman and her husband who were both in the 90's and the husband was blind. The CAB adviser had helped them to apply to be placed on the Priority Services Register of their electricity supplier and in the process of doing so it transpired that they were on an outdated tariff and a more suitable tariff was available to them. However, the supplier said that the only way a new contract could be entered into was by the terms and conditions being agreed by the customer over the telephone. Due to the clients' age they felt unable to agree to complicated terms and conditions with any degree of confidence and therefore required further help from the bureau to switch tariff.

It is appropriate and necessary, therefore, for Ofgem to put in place targeted and effective regulatory obligations on suppliers to ensure that the needs of vulnerable consumers are considered and accommodated in all aspects of their business.

As Ofgem's Retail Market Review found, energy companies have demonstrated in the past that they cannot always be relied upon to act in the best interests of their customers and to abide by the spirit as well as the letter of regulation. Ofgem must therefore also put in place effective monitoring systems to ensure that these obligations are fully incorporated into supplier's policies and practices. Swift, effective enforcement action must be taken when suppliers fall below the standards expected.

Theme 2: promoting best practice amongst suppliers and distributors

As noted in our response to Ofgem's initial consultation on developing the Consumer Vulnerability Strategy, Citizens Advice is a strong advocate of sharing and encouraging the development of best practice. We believe that this is an important and effective tool for helping firms to improve their policies and practices. As the regulator Ofgem is well placed to help to bring suppliers, distributors and other stakeholders together to discuss examples of things that work well as well as things that haven't worked so well. We would be happy to support Ofgem in facilitating this process.

Theme 3: taking account of vulnerability in our work and being informed by research and insight

As Ofgem acknowledges in its discussion of the proposed new perspective on vulnerability, vulnerability is a complex, dynamic state that can affect anyone at any time for many different reasons. Furthermore, as noted above, vulnerable consumers are often at greater risk of falling victim to bad practice and can find it more difficult to exercise their rights and get things put right.

It is crucial, therefore, that vulnerability is considered at every stage of the design and implementation of any policy work the regulator undertakes. The needs and protection of vulnerable consumers should not merely be an afterthought tacked onto the end of a consultation paper or research proposal as is so often the case.

Research and insight work is a key part of effective policy making and more targeted research looking into how the regulator and suppliers can most effectively identify and support vulnerable consumers would be of significant benefit.

Theme 4: innovating in the provision of advice and support

We agree that advice and support from trusted third parties, such as Citizens Advice Bureaux, is an important part of helping and engaging consumers in vulnerable positions. We also agree that, based on our experience with our clients, many of the most vulnerable consumers respond better when that advice and support is provided face to face. Energy Best Deal has been particularly successful in educating low income consumers about income maximisation, energy efficiency and making sure they are on the most appropriate tariff.

This does not, however, mean that Ofgem, suppliers and other stakeholders are not well placed and do not have some responsibility for ensuring that all consumers, including those who are vulnerable, are able to engage effectively in the market, understand the information they are given and able to navigate complaints and redress systems.

We would not like to see responsibility for making sure this is the case placed entirely on independent advice agencies who have very limited, and in many cases shrinking, resources. Therefore, while independent advice is an important part of the solution it must sit alongside a wider, market wide effort to make the energy market better equipped to support and meet the needs of vulnerable consumers.

Theme 5: working with others to inform wider policy- making to address vulnerability

Identifying and meeting the needs of vulnerable consumers is an issue which is not unique to the energy sector and similar work is being undertaken in other sectors, such as water and financial services. It therefore seems sensible for the relevant regulators, government departments and other relevant stakeholders to build closer links to share ideas and progress reports to avoid unnecessary duplication of effort where possible.

Question 2: Do you agree with our proposed perspective on vulnerability? Are there other risk factors or features of the

energy market that could present issues that we have not covered?

Yes, we strongly support the movement away from a definition based on groups of people, such as the elderly or disabled, towards a wider, more dynamic definition. The proposed definition takes into account the fact that vulnerability can affect anyone at any time and can affect all, or just a part of a person's life and to varying degrees. We also welcome the acknowledgment that vulnerability may also be affected by the nature of the market. However, a few examples of ways in which this could be the case would be beneficial in making this part of the definition clearer.

We also support Ofgem's proposal to focus on risk factors that could lead to disadvantage and setting out expectations of company cultures and their ability to provide services in a way that meets the need of all consumers rather than detailed rules. This proposal dovetails with Ofgem's Retail Market Review proposal to introduce overarching, enforceable standards of conduct. One of the key objectives of this proposal is to achieve a change of mindset within suppliers' businesses, all the way from the Chief Executive to those in the call centres, away from focusing on the complying with the minutia of particular licence conditions towards an overall mindset of treating customers fairly. As we have seen in the past, the spirit of regulation can be lost when firms focus exclusively on complying with each rule rather than an overall objective.

A similar shift is needed in the way that suppliers think about vulnerability and vulnerable consumers. We believe that as well as a moral case and legal case for providing appropriate and inclusive services, there is also a business case. As well as widening the customer base for any product or service, avoiding errors caused by the failure to identify vulnerability and make appropriate adjustments will save unnecessary time and expenditure on resolving issues later in the process. Vulnerable consumers should not be viewed as an inconvenient encumbrance but as valued, potentially loyal and profitable customers.

As the proposed new approach to vulnerability recognises, not all vulnerable consumers are vulnerable to the same degree or need the same amount or type of additional support. In addition, many will drift in and out of vulnerability. Therefore, one size fits all procedures for what to do if a customer fits into a particular group, for example if they are disabled or elderly, are not always appropriate. Suppliers need to build flexibility into their policies and processes so that reasonable adjustments, such as sending out letters in an alternative format or negotiating appropriate repayments, are made as and when a particular need is identified.

Question 3: What is your view on whether the BSI Standard on inclusive services could provide a practical approach to adopting our perspective on vulnerability

Over the last few years many suppliers have taken steps to try and improve their approach to identifying and meeting the needs of vulnerable consumers with varying degrees of success. Our conversations with suppliers generally suggest a willingness to engage with

the issues but a lack of understanding of the best way to go about supporting their customers.

The BSI Standard *Fair, flexible services for all* provides a comprehensive, practical guide to creating inclusive services and in our 2011 report *Access for all*¹ we recommended that all public-facing organisations should consider adopting the standard. We therefore strongly welcome Ofgem's proposal to encourage suppliers and distributors to adopt the Standard as best practice and use it in assessments of firms' approaches to vulnerability.

Question 4: What are your views on other approaches suppliers and distributors could take to adopt our proposed perspective on vulnerability in practice?

We believe that adopting the BSI Standard, which was drawn up with input from a wide range of stakeholders including Citizens Advice and Consumer Focus, offers the most practical solution for adopting Ofgem's proposed perspective on vulnerability.

We do not therefore propose to put forward an alternative ourselves, but any alternative approach should include the following elements, as recommended in *Access for All*:

- Choice of access method for service users and customers
- A preventative approach
- Proactive approach to identifying vulnerability
- Appropriate support targeted to the user's needs
- An enabling approach to service users and customers
- Willingness to help resolve problems
- Accurate recording of personal information, establishing follow-up procedures and early investigation of non-compliance
- Respect for and trust in intermediaries/advocates
- Appropriate data-sharing to improve customer service
- Engaging one agency to coordinate access for very vulnerable people

Question 5: What are your views on our plans for developing a Consumer Vulnerability Network and are there additional organisations that we should engage?

We agree that the development of a Consumer Vulnerability Network consisting of grassroots organisations who have direct contact with consumers in vulnerable consumers would be a positive step. There are a wide range of organisations who work directly with vulnerable consumers on a daily basis and gain a deep understanding of the day to day challenges people face, the impact of these challenges on their quality of life and often have strong views of what needs to be done to address them. Ofgem should be mindful however that many of these organisations have significant time and resource constraints.

¹ Citizens Advice (2011) *Access for All: The importance of inclusive services*.

Careful consideration would therefore need to be given as to the best way to engage these organisations in the most efficient, constructive way. Ofgem might want to talk to the Financial Ombudsman Service as they have developed a similar network in recent years to ensure that their services are accessible to all consumers.

In 2013 Citizens Advice will take on responsibility for the functions of consumer advocacy, education and empowerment from Consumer Focus and the Office of Fair Trading. One strand of our work in this area will be the development of Consumer Empowerment Partnerships (CEPS) to provide local leadership in consumer protection and empowerment. CEPs will integrate information, advice, education and advocacy to enable people to get advice and information, access education programmes, report and hear about local issues and can participate in activities to tackle these issues.

We are currently running 18 pilot CEPs to fine-tune our approach so that we can create more successful and effective CEPs in 2013. Citizens Advice as a national organisation already have a strong relationship with Ofgem but the CEPs may offer the opportunity for Ofgem to develop stronger relationships with groups of bureaux operating on a local level. We would be happy to discuss this in greater detail with Ofgem if this would be helpful.

Question 6: What are your views on our proposed annual workplan for 2013/14?

AND

Question 7: Do you believe that there are other areas we should be specifically addressing in the workplan for 2013/14?

Overall we welcome the annual work plan for 2013/14 which we believe will help to support the introduction of Ofgem's proposed new approach to vulnerability and covers a number of the key issues facing vulnerable consumers. The change to the approach vulnerability is a significant one and there will be a lot of work to be done by suppliers to familiarise themselves with the new approach, consider the implications for their policies and practices and implement the changes effectively. We therefore support Ofgem's proposal to work with stakeholders to progress the adoption of approach at a practical level.

We also welcome Ofgem's intention to conduct a full review of suppliers' and distributors' PSRs. When a consumer is placed on a PSR they are able to access a range of valuable services and extra support. Many eligible consumers are not made aware of the PSR, however, and so miss out on the extra support they are entitled to receive. For example:

A CAB in the East Midlands reported the case of a woman who was a single parent of two children and a wheelchair user. One of her children acted as her carer. When she moved into a new property the client asked for a prepayment meter from her electricity supplier and understood that this was free. She then received a large bill of over £1,000 from her electricity supplier, £200 of which was for costs for fitting the prepayment meter, despite living in a small flat. The client could not understand why her bill was so high and could not afford to top up the meter because it was

recovering the debt at £20 per week. This was only changed when the CAB intervened and requested a lower repayment because of the hardship it was causing. The adviser noted that the electricity supplier had failed to investigate the client's situation or why the bills for a small flat were so high, and had not offered to put her on the Priority Services Register.

A CAB in the South West saw a disabled woman who had contacted her supplier to ask them to move her prepayment meter because it was too high up for her to reach so she had to use a step ladder to add credit. She also thought the meter might be faulty. She found the fuel supplier's adviser very unpleasant to deal with and was asked to take her mobile phone to the meter and carry out a range of checks, pressing buttons. This meant the client being on a stepladder for about 15 minutes. At the end of this process she was told that the meter was not faulty. She then asked about having the meter moved and explained about her disability. The client felt that the adviser was not interested and was told that she could arrange for someone to come and give her a quote for moving it which would probably be about £200. The client was very worried and distressed about the way she was treated and the CAB adviser felt that the company representative should have done more for the client, including putting her on the Priority Service Register.

We would therefore support efforts to improve data collection and sharing to help identify eligible consumers, a common name to improve public awareness of the existence of the scheme as well as an exploration of the potential to extend the scheme.

A significant proportion of those living in off-grid households are vulnerable and suffer significant detriment as a result of bad practice and the high cost associated with off-grid energy. 29 per cent of off-grid households are in fuel poverty, compared to 14 per cent of on-grid households.² We therefore welcome the decision to extend the programme of extending the gas network to fuel poor communities into the next price review period.

We are however disappointed that Ofgem have not indicated in the work plan that they intend to do any work on ensuring suppliers are prepared for the introduction of the imminent changes to the benefits system, particularly universal credit. As we outlined in our response to the initial consultation on the Consumer Vulnerability Strategy earlier this year, that these changes will present some significant challenges to vulnerable consumers and their suppliers.

We do not intend to outline our concerns again in full here but in summary are arguments were:

- The movement away from weekly and fortnightly payments to monthly payments is likely to present some vulnerable consumers with significant budgeting issues
- It is essential that energy suppliers are aware of the new challenges facing their customers and change their processes and retrain their staff accordingly
- The transition period from the current system to Universal Credit is anticipated to take several years, presenting considerable administrative challenges for suppliers.

² DECC (2012) *Annual Report on Fuel Poverty Statistics 2012*

In our view, Ofgem has an important role to play in helping energy companies to begin to think about these issues and plan ahead. This could form part of Ofgem's efforts under the 'promoting best practice' strand of the new strategy.

