



Toynbee Hall



Consultation Response

Ofgem:

Proposals for a new Consumer Vulnerability Strategy

Evidence from Toynbee Hall

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About Us

Established in 1884, Toynbee Hall is an innovative and multi-purpose social welfare charity that aims to be the place where people come for excellent local services. It is a place where people can share ideas and experience, and gather information and knowledge, that we can together use to take action to change lives and eradicate poverty in Britain.

Every year, Toynbee Hall works with around 9,000 service users, more than half of whom live in the London Borough of Tower Hamlets, which continues to be one of the most deprived local authorities in the country. Our work is themed across four different programme areas: advice, community learning, financial inclusion and wellbeing. Our service users are diverse and include some of the most vulnerable and disadvantaged including: young and older people, women involved in street-based prostitution, new migrants, individuals who are financially excluded, people facing serious legal issues, as well as those from different communities, particularly the local Bangladeshi population.

Transact, a project of Toynbee Hall, is the National Forum for Financial Inclusion. Transact is a movement of over 1000 organisations and individuals dedicated to practising and promoting financial inclusion for the benefit of individual people experiencing hardship and poverty as a result of financial exclusion. Members include advice agencies, housing providers, third sector lenders, other community and voluntary organisations, funders, central and local government, banks, social enterprises, and training and employment agencies.

Transact serves the sector in many ways, specifically by: providing the latest financial inclusion news, information, events and jobs through our website; designing and holding regional and national events; creating and managing funding opportunities for members, and hosting the most comprehensive library of financial inclusion research and resources for people to access.

Executive Summary

We applaud Ofgem's recognition of the issue of fuel poverty. At a time when economic woes have caused heightened unemployment, decreased wages and higher energy costs, it is important now more than ever that organisations such as Ofgem help ensure the accessibility and affordability of gas and electricity for all individuals nationwide. We are concerned about potential implementation problems associated with the new strategy and Ofgem's ability to correct those issues in an expeditious manner so as not place a burden on the exact vulnerable consumers the new strategy is trying to protect.

Responses to Individual Questions

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 with Ofgem's proposal of revised strategy themes that will more strongly reflect an emphasis on protecting vulnerable consumers. The implementation of more targeted regulatory obligations outlined in Theme 1 will allow for the Authority to enforce standards of protection for vulnerable consumers on suppliers and distributors. The inclusion of vulnerability in Theme 3 and Theme 5 will provide direction for these regulations and allow for research and information to continually affect how the Authority regulates energy providers.

Question 2: Do you agree with our proposed perspective on vulnerability? Are there other risk factors or features of the energy markets that could present issues that we have not covered?

We agree with the change from defining vulnerability in groups, such as old people or very sick people, to including the new dimensions that account for other factors, some of which are non-permanent. This type of fluidity in how vulnerable customers are approached and assisted will allow for them to be better served by energy suppliers and distributors.

For it to be effective, however, it will be essential that a single, shared, objective definition is used by all suppliers and distributors. Consumers, and the advocacy and advice organisations that help them, must be able to demonstrate their vulnerability against a clear set of criteria, rather than facing a range of discretionary schemes being operated by different suppliers. These criteria, while being clear and objective, could still accommodate the more fluid understanding of vulnerability by being based, for instance, on an index of risk factors, rather than a set of all-or-nothing rules.

Moreover, much of this strategy is dedicated to defining who is vulnerable, but does not fully explain the actions to be taken to help vulnerable consumers once they come to be defined as vulnerable. What is the course of action once someone is deemed vulnerable? Without a thorough knowledge of the plan to care for vulnerable consumers, we cannot be sure that services provided to them or regulations targeted to help them will be sufficient.

Most importantly, vulnerability must be recognized in the treatment of indebted customers. It is in this situation that a person's vulnerability is most exposed, and vulnerable customers are more likely to get into debt. Vulnerable consumers should not be subjected to intimidatory letters, threats of disconnection and pressure to offer unaffordable payments.

Also, if people are only temporarily vulnerable, i.e. relationship bereavement or job loss, how long does it take to recognize them as such and treat them accordingly? For example, a person who loses a loved one who happened to be the primary wage earner of the household would not have the luxury of being able to wait months before their vulnerable status is approved. Nor should they, in that situation, be expected to deal with burdensome paperwork or a lengthy application process. Energy providers must be sensitive to the emotional circumstances surrounding vulnerability. What exactly is the

process by which someone goes from being non-vulnerable to vulnerable, and will this process place an undue burden on the consumer?

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?

The BSI Standard BS 18477 provides a good approach for addressing the issue of consumer vulnerability. If energy suppliers and distributors were to adopt this standard on a self-regulatory basis, it would most certainly improve each company's approach to vulnerable consumers. However, it may be beneficial for Ofgem to evaluate each company's current policy toward vulnerable consumers before recommending the new standard. It is possible that some companies already operate with a high regard to vulnerable customers, and in rare circumstances they may hold themselves to a higher standard than BS 18477, and therefore the new standard might be unnecessary or could potentially allow a company to take a more relaxed approach to vulnerability. It is important to be careful about not recommending the BSI standard to companies that are already operating with due regard to vulnerable consumers. Ofgem should evaluate the current practices of all suppliers and distributors and recommend adopting the BSI standard on a case-by-case basis as necessary to ensure adopting the new standard would, in fact, be an improvement. Once communication about best practices has been established and Ofgem has developed a more specific and comprehensive standard based on company feedback about best practice and the results of their efforts, an overarching standard may be recommended for adoption by all energy suppliers and distributors to allow easier monitoring and regulation by Ofgem.

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

The proposed network, addressed in the next question, would be a good venue to discuss best practice among the many suppliers and distributors, if in fact they were to be a part of the network. As it is currently proposed, the network is to be made up mostly of organisations that have an interest in helping vulnerable consumers, but does not appear to include energy companies. In addition to the adoption of BS 18477, it would be beneficial to have a medium through which best practices may be shared and discussed among suppliers and distributors, whether it is via the proposed Consumer Vulnerability Network or via a different best practices network, possibly by utilizing a best practice e-newsletter sent to suppliers and distributors. This method of intercommunication would allow energy companies to learn best practices from each other and implement newer and better policies as they see fit.

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 with the idea of the Consumer Vulnerability Network. Aspects of this network sound as if they will increase the flow of information between Ofgem and the organisations that work directly with vulnerable people. We believe that email and social media should definitely be utilized as a way of reaching out to those organisations that will be part of this network. One aspect of the network is not clear. Will it be structured such that all communication goes through Ofgem or will there be an open discussion forum in which all members will see and have the opportunity to respond to questions/comments from all other members of the network? As mentioned above with the open discussion of best practices between energy companies, an open forum for all network participants to be able to talk and respond to one another would be more

beneficial than Ofgem simply sending out mass newsletters to all the organisations at one time.

The list of organizations in the consultation report seems rather arbitrary. We need to start with an agreement about the types of organisations which need to be included, and the expertise that the network needs to have, then ensure the membership meets those criteria.

In particular, and as mentioned in the previous question's response, it would be wise to include the suppliers and distributors in the network along with the organisations who are designed to protect vulnerable consumers. This would allow vulnerability advocates a path to talk directly with energy companies and would generally improve and streamline the way the companies provide services to vulnerable consumers.

Conclusion

Transact at Toynbee Hall is dedicated to the issue of financial inclusion and, through it, ending poverty. We support Ofgem's revised Consumer Vulnerability Strategy that aims to help those who are affected by fuel poverty, or in danger of becoming affected, and we appreciate the opportunity to provide our opinion and expertise on this matter. We hope Ofgem will take our recommendations under advisement. With a few minor changes, Ofgem's new Consumer Vulnerability Strategy can go a long way toward eradicating fuel poverty in the UK.