

Energy consumers and their  
representatives, energy  
suppliers, third party switching  
organisations and other  
interested parties

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## **Reforming the switching process for indebted prepayment meter customers – the Debt Assignment Protocol**

We have reviewed the Debt Assignment Protocol – the industry process used to transfer debts between suppliers when indebted prepayment meter (PPM) customers try to switch. Our main finding is that PPM customers in debt face unnecessary barriers and complexity when they try to switch supplier.

In this letter we set out the results of our review and the next steps to address the issues we have identified.

### **The Debt Assignment Protocol**

When an indebted PPM customer chooses to switch, their supplier must facilitate the transfer of their debt to their chosen supplier subject to the level of debt on the account.<sup>1</sup> The debt moves with the customer and the customer must repay it to their new supplier. The Debt Assignment Protocol (DAP) which governs this debt transfer process is set out in industry codes and is managed by suppliers.

### **2012 Review of DAP**

Our Social Obligations monitoring showed that despite having the right to switch supplier if they have a debt of £200 or less, very few PPM customers completed a switch. This stops them from potentially accessing cheaper tariffs to pay off their debts more easily. In 2012 we therefore reviewed the DAP, including asking for consumers' attitudes towards and experiences of it.<sup>2</sup> This research identified problems including procedural complexities that led to a poor customer experience while attempting to switch.

In light of these findings, suppliers committed to improve the DAP<sup>3</sup> by:

- Raising awareness and improving information provided
- Voluntarily increasing the threshold at which suppliers must facilitate debt transfer under the DAP from £200 to £500
- Reviewing and improving the DAP process

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<sup>1</sup> Electricity Supply Standard Licence Condition 14.6 and Gas Supplier Standard Licence Condition 14.6.

<sup>2</sup> <https://www.ofgem.gov.uk/publications-and-updates/qualitative-research-awareness-and-experiences-debt-assignment-protocol-amongst-pre-payment-customers-debt-report-ofgem-opinion-leader>

<sup>3</sup> <https://www.ofgem.gov.uk/ofgem-publications/57328/debt-assignment-protocol-review.pdf>

We intended that these commitments would lead to practical changes which would in turn improve the customer experience and increase the number of customers completing their switch.

## **2014 Review**

Earlier this year we reviewed the DAP again. We wanted to examine suppliers' implementation of the DAP, assess the impact of any changes made by suppliers following their 2012 commitments, and see if more needed to be done. To that end, we asked suppliers for information regarding certain aspects of the DAP and also used our Social Obligations monitoring data.

### *Raising awareness and improving information given to consumers*

The six large suppliers, under the auspices of Energy UK, produced and distributed a leaflet on the DAP. Suppliers told us that this leaflet was distributed to over 70 advice agencies. It is also published on the Energy UK website.

Individual suppliers of all sizes have also pointed us to the information on the DAP that they give to customers. This includes information on their websites, in booklets and in letters to PPM customers.

### *Debt threshold*

Suppliers confirmed that they had increased the debt threshold for PPM customers from £200 to £500. The six large suppliers had done so from 1 November 2012 as had some small suppliers. Other smaller suppliers had increased the threshold from 1 April 2013.

### *Switching rates*

Our Social Obligations monitoring data showed that in 2012 indebted PPM customers completed 248 account switches. This number rose to 865 in 2013. To put this figure into context, around 95,000 account switches were attempted by indebted PPM customers with a debt of £500 or less in 2013. This means that less than 1% of attempted switches were completed. Some switch attempts are double-counted<sup>4</sup> so this may slightly understate the percentage of completed switches. Even so, the number of completed switches remained very low both as a total and as a proportion of attempted switches.

### *DAP process*

Suppliers have not implemented any material changes to the DAP process since the 2012 review.

We reviewed the DAP process, and identified two issues which result in a poor consumer experience.

1. Suppliers object by default to an indebted PPM switch on the grounds of debt, regardless of the amount of debt on an individual account. This approach fails to recognise that customers with a debt of £500 or less are eligible to switch and should not have their switch objected to. Customers receive an "objection letter" initially advising them that their switch has been objected to before going on to say that they may still be eligible to switch.
2. The objection letter tells the customer that the supplier has objected to the switch because of the debt on the customer's account. The letter states that the customer may still be able to switch if the new supplier is willing to take on the debt, but that

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<sup>4</sup> Double-counting occurs in some cases where suppliers seek to make multiple registration attempts for the same customer account if the initial registration attempt fails.

the old supplier needs the customer's consent before it can share details of their debt with the new supplier. Unless the customer provides this consent the switch is stopped. We believe that many customers are not taking this additional step, with their switch failing as a result. **However, it is not actually necessary for customers to provide this consent under the requirements of the Data Protection Act 1998, as had previously been thought.**

## **Ofgem view**

We welcome the progress suppliers have made to raise awareness of, and provide information about the DAP and their adoption of the increased debt threshold for switching. However, it remains the case that the number of PPM customers completing their switch is very low. We consider that this is primarily due to the unnecessary barriers and complexity indebted PPM customers face when they try to switch supplier. We therefore set out below the steps we expect suppliers to take to improve the DAP process and lead to more indebted PPM customers completing their switch.

## **Next Steps**

### *Customer consent requirements*

We want to see suppliers remove the requirement for customers to give consent for details of their debt to be shared with the new supplier. It is important that consumers receive complete and accurate information about processing their data – but they do not need to give consent for data sharing for the purposes of the Data Protection Act 1998 under the DAP.

We set out our expectation that the existing consent requirement should be removed by the end of this year at a DAP industry workshop in May. Energy UK have since confirmed that nine supplier members they represent<sup>5</sup> have agreed a common approach for amending the DAP process and are liaising with other suppliers to see if they too will commit to this approach.

Suppliers have told us that they share our aim of removing the need for customers to restart their switch which they must currently do by proactively giving consent for data sharing under the DAP. However, they have told us that changing the DAP will require significant system and process changes that cannot be delivered until the end of March next year or in some cases May 2015.

While we welcome the commitment from some suppliers to change the DAP and recognise that this will involve some work, it is suppliers' failure to act on the commitment they made in September 2012 to review and improve the DAP process that makes matters more pressing now. In this context we believe that suppliers should, at the least, agree a firm deadline for implementing changes by no later than the end of April 2015.

Suppliers will be aware of the requirements of the Standards of Conduct<sup>6</sup> (SOC), which impose legally binding obligations on them to behave and act in a fair, honest, transparent and appropriate manner. The information suppliers provide to customers must be complete, accurate and not misleading. Under the SOC suppliers also need to ensure that their processes are fit for purpose. We are concerned that suppliers may not be accounting for the requirements of the recently implemented SOC in their management of the DAP process. We therefore wish to use this open letter to remind suppliers of these obligations.

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<sup>5</sup> British Gas, EDF Energy, eon, First Utility, npower, Scottish Power, Spark Energy, SSE, Utility Warehouse.

<sup>6</sup> Electricity Supply Standard Licence Condition 25C, Gas Supplier Standard Licence Condition 25C

### *Objecting to indebted PPM switches by default/the objection letter*

As noted above, if an indebted PPM customer wants to switch, suppliers object to the switch by default, regardless of the level of debt on the customer's account. The customer then receives an objection letter. For some consumers this can be a confusing experience, especially as many are entitled to switch.

There are two issues here which suppliers need to address. In the short-term, alongside the removal of the consent requirement from the objection letter, suppliers must ensure that the letters do not serve to confuse customers and that those who are entitled to switch understand that the switch process will continue. Suppliers must also review their processes so that the objection letter is only sent where the customer is unable to switch. Suppliers have told us that due to the nature of the information flows in the DAP process, this change may take longer to deliver. We will monitor their progress.

### *£500 DAP threshold*

As noted above, suppliers have for some time been voluntarily applying a threshold of £500 to indebted PPM transfers, building on the £200 threshold currently set out in the supply licence. For the purposes of clarity and to reflect current practice, we propose to modify the supply licence so it includes the increase to the threshold. We will consult on this before the end of the year.

### *Complex debt*

Suppliers classify some PPM debts as "Complex Debt" under the DAP and can refuse the transfer of complex debt accounts, regardless of the level of debt owed by the customer. This aspect of the DAP appears to have little impact on the current rate of switching, but is an area of the process that has not been reviewed for some time. We will therefore be following up on this with suppliers; we expect them to examine the complex debt aspect of the DAP to ensure it is fit for purpose and does not result in switches failing unnecessarily.

### *Social Obligations monitoring*

We will update our Social Obligations monitoring to account for the change in the debt threshold to £500 so that the data can be used to effectively monitor the number of consumers benefiting from the DAP.

### *Multiple registrations*

Some suppliers try several times to register a customer account after the initial attempt has failed. This might be helpful if it leads to customers completing their switches. However, PPM customers with a debt in excess of £500 will be blocked from switching by suppliers in each case. We cannot see the value of suppliers repeatedly attempting to register these customers. Each new registration attempt results in a new objection letter being sent to the customer, causing unnecessary confusion for them and adding cost.

We will be following up on this with suppliers to understand the extent of this issue and establish what further work may be necessary to stop this happening.

## **Wider Work**

We recently consulted on our plans to speed up and improve the switching process for customers.<sup>7</sup> In this consultation, we committed to reviewing suppliers' ability to object to switches in certain circumstances. The findings of our DAP review will feed into this work.

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<sup>7</sup> <https://www.ofgem.gov.uk/publications-and-updates/moving-reliable-next-day-switching>

## **Conclusion**

The DAP process is not working in the best interests of customers. While suppliers took some positive steps around communications activities and voluntarily raised the debt transfer threshold in 2012/13, they have not met their commitment to review and improve the DAP process. This is compounded by the lack of urgency that suppliers have shown in seeking to implement a basic change to a process that they are responsible for managing.

We anticipate that following our intervention, the process change that suppliers have now committed to will help increase the number of indebted PPM customers completing their switch. We will be following up with suppliers in the coming months to check their progress against the commitments they have made.

Yours sincerely,



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**Partner, Consumer Policy and Demand Side Insight**