

Toynbee Hall:

Response to Ofgem's statutory consultation on the removal of certain RMR Simpler Tariff Choices rules

About us

Toynbee Hall has worked on the frontline in the struggle against poverty for 130 years. Based in the East End of London we give some of the UK's most deprived communities a voice, providing access to free advice and support and working together to tackle social injustice. Toynbee Hall helps over 13,000 people a year.

We are also leaders in the UK's financial inclusion, capability and debt advice sectors. Our years of experience in providing people with the skills to improve their financial health means that we are in an ideal position to help others improve their financial health policies and practice.

In November 2015 Toynbee Hall launched the Financial Health Exchange, a network of professionals across the UK who are engaged in financial health work.

Through the Financial Health Exchange we help policy-makers and practitioners stay up to date on the latest financial health thinking and ensure that financial health good practice is followed in all of their work with clients and service users. Our publications, research, good practice examples and thought-leadership pieces are accessible to all those who want to improve the financial health of others. We currently have over 400 members from across the sector including: housing associations, advice agencies, local community charities, financial services, local authorities, and research/policy professionals.

Our response to the proposals – key points

Tariff comparability and informed choices

We support the principle of promoting the comparability of supplier tariffs which we hope results in consumers being able to make informed choices. However we also recognise how complex it is for consumers to compare every piece of information available which, in principle, should facilitate that informed choice.

We know that a Competition and Markets Authority (CMA) report from July showed concern that domestic energy prices are too high and the six largest energy companies, which supply 90 per cent of British customers, accumulated profits that are too excessive. While that is the case, the CMA also found that two thirds of households were “disengaged” and paying more for their energy than those who have switched tariff.

So while the principle of promoting comparability is a noble one, we shouldn’t ignore the reality of consumer inertia. We can hardly blame consumers, particularly those who are time-limited, who are expected to very quickly become experts after reading a variety of company policy documents.

That is why we take very seriously a recent call from the Social Market Foundation to have an Active Consumer Week in which regulators and firms liaise to advertise their products simultaneously, giving people a window where they can engage with new services and possibly switch. They call for the AWC to be in January, a time when people are planning for the year ahead.

Previous research has found that consumer inertia can set in where a call for consumers to engage with their supplier's products is open-ended. However if there was a timeframe, during which consumers can engage with supplier policies, consumers should feel more organised and prepared.

The adverse effect of Simpler Tariff Choices on competition

When competition works well, it works in favour of consumers. If Simpler Tariff Choices have been deemed to have an adverse effect on competition, we should assume that this is having adverse effects on consumers, too. In which case, we would also support the CMA's decision to remove certain Simpler Tariff Choices.

We are aware of previous Ofgem research that states that the availability of savings opportunities outweighs simplicity of information as a determinant of customer switching. So, while the original principle of Simpler Tariff Choices was to increase consumer engagement, Ofgem's own research shows that consumers would much prefer clear information about savings opportunities. On this basis, we would support more work by Ofgem to promote savings opportunities. This should, also, have a positive effect on competition in markets. Any further work looking specifically at simplicity of information and customer engagement should refer to our previous comments on consumer inertia and defined timeframes for consumer awareness initiatives.

The decision to remove the four-tariff rule

On the section of the consultation document that describes removing Restriction on tariff numbers (SLC 22B.2 (a) and (b)) it says removing the four-tariff rule, which prohibits suppliers from offering more than four core tariffs per fuel per metering arrangement in any region, "will allow suppliers to offer tariffs designed to attract specific groups of customers (eg tariffs aimed at low consumption users, tariffs aimed at certain social groups and tariffs with particular characteristics such as green tariffs and tracker tariffs)."

We look forward to seeing what evidence is made available to show that removing the four-tariff rule will have a positive effect for low-income groups, particularly those on prepayment meters who have outstanding debt or a poor credit history. Toynbee Hall extends an invitation to be a part of future work looking at the impacts of any changes regarding the four-tariff rule on these groups.

Toynbee Hall
28 Commercial Street
London
E1 6LS
Tel: +44 (0) 20 7247 6943
Email: info@toynbeehall.org.uk

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