

# Decision

## **Decision of the Gas and Electricity Markets Authority to close its investigation into British Gas Trading Limited's compliance with the requirements of standard licence conditions<sup>1</sup> ("SLC") 24 and 25C of its gas and electricity supply licences**

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We opened this investigation in July 2017 in response to concerns that British Gas Trading Limited's ("BG") may not have been treating all of its domestic customers fairly by issuing incorrect terms and conditions to some customers, incorrectly charging some customers termination fees and failing to apply fixed term supply contract prices to some customers' final bills in the protected period following a switch. This document sets out what we found, the remedial action that BG has taken, and our reasons for closing this investigation.

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<sup>1</sup> Definitions set out in this document are as set out in the SLCs, unless otherwise stated.

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Our investigation focused on a period of BG's operations, from November 2013 to August 2017. We found evidence that:

- 73 tariffs had terms and conditions that incorrectly stated that termination fees were payable during the switching window<sup>2</sup>; Over the period November 2013 to May 2016 these incorrect terms and conditions were issued to approximately 2.5 million customers. We considered this conduct fell short of the provisions of SLCs 24.14 and SLC 24.14A(d).
- BG incorrectly charged 1,698 customers termination fees totalling £64,968. BG charged these fees despite these customers switching supplier during the switching window. BG failed to ensure that those customers were entitled to switch during or after the switching window without paying a termination fee. We considered that this conduct fell short of the provisions of SLC 24.8.
- BG overcharged 94,211 customers £782,450 by charging customers a more expensive standard variable tariff ("SVT"), rather than their fixed term tariff rate, in the period following the customer deciding to switch to a new supplier. This arose because BG's approach to applying the requirements of SLC 24.9 involved each customer moving onto the SVT at the end of their fixed term supply contract, with an adjustment being made to the customer's final bill to ensure that it was the same price as would have been charged under their fixed term tariff. This adjustment was not applied in 112,306 cases, due to a system error. In 94,211 of those cases this resulted in customers having been charged higher prices and we considered that this conduct fell short of the provisions of SLC 24.9.

By incorrectly charging domestic customers termination fees and failing to apply Fixed Term Supply Contract rates, in accordance with SLC 24.9, BG failed to achieve certain Standards of Conduct required by SLC 25C<sup>3</sup>. This is because the conduct applied charges to customers' bills in circumstances where they were not appropriate, and as a result bills were inaccurate; the conduct continued for a considerable period of time; and BG's billing process failed to prevent this from happening or to identify the error promptly.

The requirements of the SLCs relevant to this investigation are summarised in further detail in the table below:

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<sup>2</sup> This means the period which begins 49 days before the date the fixed term period of a Fixed Term Supply Contract is due to end and which ends on the date the fixed term period of a Fixed Term Supply Contract is due to end (SLC 24.17).

<sup>3</sup> SLC 25C, which was in force until October 2017, required suppliers to take all reasonable steps to achieve certain standards of conduct and to ensure that the standards were interpreted and applied consistently with the Customer Objective, which was to treat customers fairly. This requirement has since been modified; our enhanced Standards of Conduct came into force on 10 October 2017 and is now known as SLC 0.

SLC	Summary of requirements <sup>4</sup>
24.8	The licensee must ensure that (among other things) a Domestic Customer on a Fixed Term Supply Contract is entitled to switch to another supplier at any time during or after the Switching Window without having to pay a Termination Fee.
24.9	<p>The licensee must ensure that, where SLC 24.10 applies, a Domestic Customer will continue to be subject to the same supply charges and the same terms and conditions (but not any Termination Fee) that applied to their Fixed Term Supply Contract until they have changed their supplier.</p> <p>SLC 24.10 applies where one of a number of conditions are satisfied. These include that:</p> <p>(a) a supplier receives notice<sup>5</sup> no later than 20 Working Days after (but not including) the date on which the fixed term period of a Domestic Customer’s Fixed Term Supply Contract ends, that another supplier will begin supplying the Domestic Customer’s Domestic Premises within a reasonable period of time; and</p> <p>(b) another supplier begins to supply the Domestic Customer’s Domestic Premises within a reasonable period of time after the date on which the notice referred to above was given.</p>
24.14 and 24.14A	The licensee must ensure that the terms and conditions of each Domestic Supply Contract comply with the provisions of SLC 24. This includes ensuring that each such contract contains terms and conditions which reflect the provisions of SLC 24.8 (see above).
SLC 25C <sup>6</sup>	The licensee must take all reasonable steps to achieve the Standards of Conduct and ensure that it interprets and applies the Standards of Conduct in a manner consistent with the Customer Objective of ensuring that each Domestic Customer is treated fairly.

BG took the following remedial action prior to and during our investigation:

- corrected the incorrect terms and conditions;
- refunded in full all customers who had been overcharged by more than £1<sup>7</sup>;
- paid compensation to customers who had been overcharged totalling £502,633; and
- implemented revised quality and control procedures in relation to charging and the production of terms and conditions.

In March 2018, we concluded our analysis of the evidence. Having considered our findings, we decided that this investigation was suitable for alternative action under Ofgem’s Enforcement Guidelines<sup>8</sup>. This enables Ofgem to agree action on the part of a supplier to

<sup>4</sup> The table contains a summary of the requirements of the SLCs only. A number of the relevant SLCs are subject to exceptions which are not reflected in the table. A copy of the full standard licence conditions for gas and electricity supply can be found at: <https://epr.ofgem.gov.uk/Content/Documents/Electricity%20Supply%20Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf>

<sup>5</sup> This refers to notice under the Master Registration Agreement (electricity) or Network Code (gas) as defined in SLC 1.

<sup>6</sup> SLC 25C was in force until October 2017. The licence conditions on Treating Domestic Customers Fairly are now dealt with in SLC 0.

<sup>7</sup> Where customers were overcharged by less than £1 BG donated this money to charity.

<sup>8</sup> The Enforcement Guidelines can be found at: <https://www.ofgem.gov.uk/publications-and-updates/enforcement-guidelines>

implement improvement actions to address any concerns. This was considered appropriate due to: Ofgem being satisfied that we had identified the full extent of the breaches being investigated; BG showing willingness to address the issues including taking the remedial actions described; BG providing robust assurances that the breaches would not reoccur; and a clear set of improvement actions being identified that, if implemented quickly, would have a positive impact for consumers.

In June 2018, BG agreed to implement those improvement actions, specifically:

- paying a further £244,770 in compensation to customers;
- paying £1,050,229 into the Energy Industry Voluntary Redress Scheme, currently administered by the Energy Saving Trust<sup>9</sup>; and
- engaging an external auditor to review BG’s relevant policies and procedures and agreeing to implement reasonable recommendations arising from the audit.

In July 2018, we reviewed BG’s implementation of these measures and the impact of the changes BG had made to their quality and control procedures. We were satisfied that BG had taken appropriate remedial action to address non-compliant activity and that affected customers had been appropriately compensated. Accordingly, we decided to close the investigation. Ofgem will continue to work with BG to ensure implementation of any reasonable recommendations arising from the audit of BG’s policies and procedures which BG senior management has committed to doing.

**Gas and Electricity Markets Authority**  
**29 August 2018**

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<sup>9</sup> <https://energyredress.org.uk/about-us>