Extra Help Unit
5th Floor Tara House
Bath Street
Glasgow
G2 1HG

ehu.org.uk
email: stakeholder@ehu.org.uk

Extra Help Unit consultation response to Ofgem's proposals to improve outcomes for consumers who experience self-disconnection and self-rationing

The Extra Help Unit (EHU) was set up in 2008 to investigate and resolve energy complaints on behalf of vulnerable consumers across Great Britain.

Under the terms of the CEAR Act the EHU has statutory powers to investigate complaints against energy suppliers for consumers who require additional support, and a duty to investigate cases when a consumer is off supply or at risk of being off supply. In the last financial year, the EHU set up 10,465 complaints and enquiries, 90% of which related to consumers with domestic energy accounts. 26% of domestic cases were classed as priorities as the consumer was either off supply or at imminent risk of being off supply, and 18% of all cases related to self-disconnection due to affordability. Self-disconnection was the most commonly selected single category code for EHU cases last year.

Consumers contacting the EHU are often very distressed and in desperate need of assistance and can often lack family or peer support. Physical and mental health issues, low incomes, implications of benefits changes and the complexities of the energy market can all contribute to consumers being in a very vulnerable position and requiring specialist support. The EHU is only too familiar with consumers self-disconnecting and the circumstances that lead to this.

It has been concerning in recent years for Extra Help Unit Caseworkers to hear growing numbers of their clients make statements such as "it's either heating or eating". There can be little doubt that many people are struggling to pay for their energy and this will be impacting detrimentally on their living standards and personal wellbeing. A third-party company called Accent carries out a survey with clients who have been referred to the Extra Help Unit, and it is striking how emotive some of the comments can be about how much the person interviewed was being impacted by their energy complaint at the time they were referred to the EHU.

Here are just a few examples:

- "I was getting more depressed and stressed"
- "I was in despair"
- "The entire thing got me so emotionally distraught"
- "I could sleep better after I was getting that help"
- "They (EHU) dealt with me as a human instead of just seeing me as a number"

Purpose of this response

The Extra Help Unit is managed by Citizens Advice Scotland on behalf of the Citizen Advice Service. It is normal convention for the Extra Help Unit to contribute to consultation responses produced by Citizens Advice (England and Wales) and Citizens Advice Scotland, and we have shared information with colleagues in both organisations on this occasion too. However, given our statutory role in supporting consumers who are off supply, or are at risk of being off supply, it seemed appropriate that we should send a direct response in support of Ofgem's consultation, and put on record some of the insights from our self-disconnection analysis. We have also included some case studies in the appendix at the bottom of this document.

Findings of self-disconnection analysis

Following winter 2017/18 and winter 2018/19 the EHU carried out analysis of the self-disconnection cases that had been logged by the Unit. Although the EHU does come across issues relating to the suitability of prepayment meters and technical faults, we only categorise cases as self-disconnection when the core reason relates to affordability. We analysed a random selection of 100 cases logged under the self-disconnection category code.

Key points identified:

- Between October 2017 and March 2018, 457 consumers required support due to self-disconnection. Between October 2018 and March 2019 this number had risen to 654, an increase of 43% from the previous year.

- An increasing proportion of clients who have self-disconnected due to affordability are in receipt of Universal Credit. This was the main source of income for 45% of clients in last winter's sample, compared to only 10% the previous year. Although this is perhaps not surprising given the continued roll out of Universal Credit, delays in receiving first payments and difficulty managing income over a longer period between payments was a more common theme. Additionally, some consumers highlighted that their Universal Credit payments were not as much as they had expected.

- Clients were able to tell us when their next income would be available in 80% of cases. This varied from 1 to 42 days, however the average time clients needed to wait to receive income or benefits payments was 12 days.

- The analysis for both winters showed that in most cases, the clients involved had not requested assistance from their supplier prior to contacting one of our referral partners.

- Our analysis from last winter also showed that in 52% of cases the client was requesting their first discretionary credit, and 18% their second, and 7% their third in a twelve-month period. In a further 7% of cases consumers didn't require discretionary credit because they obtained alternative sources of financial assistance, the supplier agreed to fit a credit meter/switch a meter into credit mode or the consumer received an explanation of how to access emergency credit on their meter.

- Last winter following the EHU's intervention on the analysed cases, 52% of clients were given discretionary credit, 19% Fuel Vouchers and 7% goodwill (credit is provided that does not need to be repaid), with smaller proportions having their meters changed to credit mode etc. In 12% of cases discretionary credit was refused, often because previous credits had been provided.

Some charts highlighting the above data can be found in the appendix at the bottom of this document.

The EHU will continue to monitor and analyse self-disconnection cases received and will be happy to feedback themes and trends to Ofgem, including supplier specific themes that might be identified. In addition, the EHU will continue to flag any industry trends or share best practice ideas through the Citizens Advice Supplier Liaison meetings.

Some good practice, but a lot of inconsistency

Although financial detriment is ultimately the core reason for someone self-disconnecting, there is much that can be done by energy suppliers to support their customers and ensure detriment is not caused.

The Extra Help Unit often sees examples of good practice being followed by energy suppliers after we have become involved, however there are still cases where we feel suppliers have not gone far enough and could have avoided the case coming to the EHU by ensuring frontline staff were better trained to support people in this situation or make sure their customer was able to speak to someone within the supplier who could help.

The provision of discretionary credit should be the minimum requirement that a supplier must meet if operating prepayment meters. However, it is vital that the amount of credit provided and debt recovery rate set are appropriate, that the consumer is signposted to free services offering financial advice and that if a prepayment meter is not suitable for that person, alternatives are found.

Ability to Pay & setting Debt Recovery Rates
We are pleased to note that Ofgem is proposing to revise the Ability to Pay licence conditions. In many self-disconnection cases, the reason a consumer cannot afford to pay for their on-going consumption is partly a consequence of the debt recovery rate that has been applied to repay an existing debt. Often suppliers will agree to recover a debt at the same amount that would be taken via a Third Party Deduction payment each week, however most suppliers will usually have a higher default recovery rate, and in some cases this is significantly higher. Although there may be occasional exceptions, in most cases the reason a person will have built up a debt is due to a low income, and therefore it should be assumed that there is a high likelihood of a person requiring an affordable repayment rate.

In the past year we have seen some concerning supplier policies, with as much as £5 being taken as debt recovery each day. More common is for a percentage of each top up a customer makes being deducted for debt. Again, in the last year we have seen a supplier apply a default of 50% of each top up in multiple cases, but a default Debt Recovery Rate of 25% of each top up is not uncommon. As consumers on low incomes can often reside in energy inefficient properties, they can end up paying excessive amounts to repay the debt and not have enough energy to remain comfortably on supply in these circumstances.

We are therefore concerned about debt recovery being set by suppliers at a high default amount, without a reasonable discussion with their customer to ascertain affordability. It is especially important that someone on a low income does not feel pressured to accept a high Debt Recovery Rate to obtain a discretionary credit, as this could simply put the consumer into an ongoing cycle of self-disconnecting. It would therefore seem sensible for all suppliers to recover discretionary credit debt at a low rate, unless the consumer involved has expressly requested otherwise.

More generally we believe that requests for unaffordable payment plans, and a lack of flexibility in offering extended payment plans, leads to unnecessary numbers of consumers requiring a prepayment meter. Often suppliers do not clearly explain to their credit customers how much they need to pay for ongoing consumption, making negotiation over how much can be reasonably afforded for debt difficult. Therefore, more regulatory focus on this would be beneficial for consumers.

Third Party Deductions
Returning to the Third Party Deductions theme, we have previously heard of suppliers identifying that a prepayment meter is not suitable, and therefore fitting a credit meter and obtaining payment for consumption and debt through The Third Party Deduction scheme formerly called Fuel Direct.

It is therefore concerning for us to receive so much negative feedback from suppliers regarding how difficult it can be to process claims effectively, and that there are restrictions for Universal Credit claimants who will be prevented from paying for their energy via Third Party Deductions once a debt has been paid off. Concerns have also been raised around where energy now sits on the priority list for paying debtors, and suppliers not receiving the same or anticipated level of debt repayment. This also means the debt may not reduce within the supplier and consumer's anticipated timescale.

We are concerned that should Third Party Deductions payments for energy consumption continue to be an undesirable option for suppliers to pursue, then we could see more people with prepayment meters that they are unable to manage, increasing the risk of self-disconnection.

The positive impact of Fuel Vouchers

Some suppliers such as Scottish Power, British Gas and npower have initiated fuel voucher schemes. The EHU has found the use of fuel vouchers very effective in dealing with the immediate crisis, and importantly it affords the consumer the time and breathing space to seek more holistic support, such as benefit health checks to help provide a longer-term solution and reduce the risk of future self disconnection. Local Citizens Advice Bureau and other advice bodies can play a key role in providing holistic support while offering access to such voucher schemes.

The existing constraints with fuel vouchers are variations in accessibility across the industry and geographical locations, with some suppliers raising concerns about affordability. It would be interesting for the industry to consider how access to such arrangements could be expanded to those who are in most need, while being funded in a fair and sustainable way.

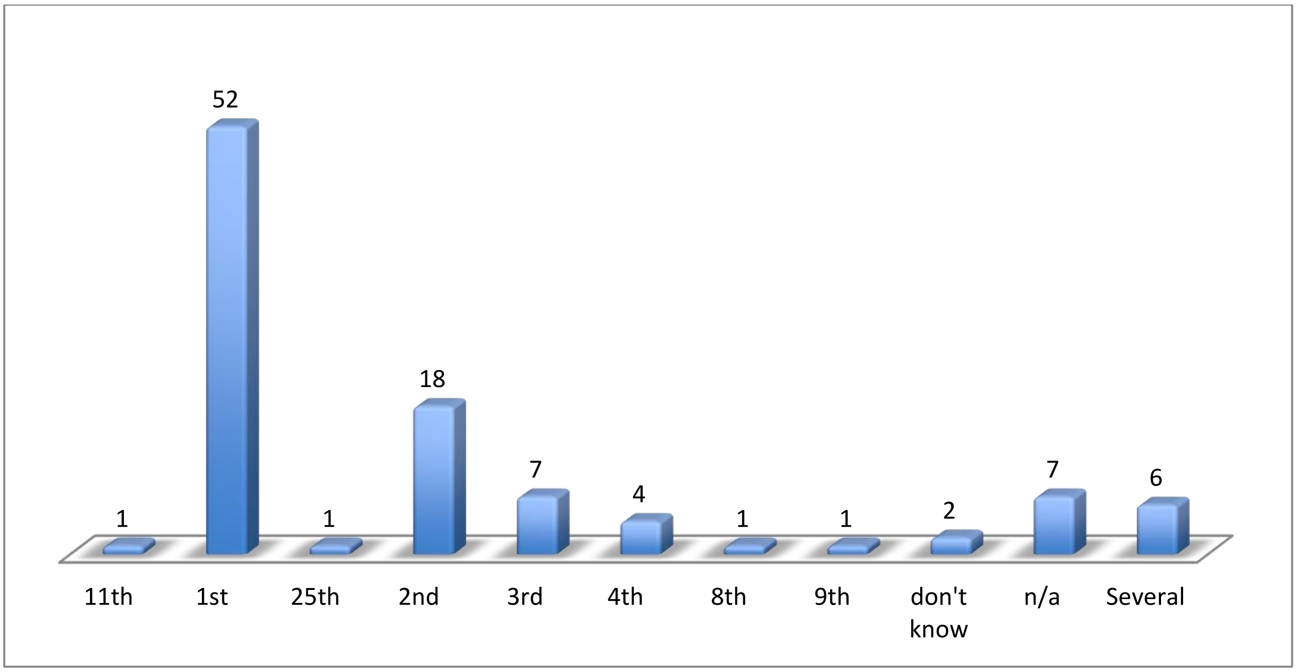
In conclusion

The impact of self-disconnection and self-rationing on people can be devastating, and we welcome the fact Ofgem has set out proposals to tackle this problem. Our experience has shown that there is no consistency across the industry, and while most suppliers have the intention to be accommodating of vulnerable consumers more broadly, there often is a perception that support for those who have self-disconnected is something of a voluntary initiative. As a result, it is not something that would be regarded a core part of a supplier's business planning and processes.

To ensure robust and consistent processes are put in place across the industry, it is essential to make this a compliance matter by introducing effective licence requirements, and thereafter by monitoring performance and taking appropriate action if required.

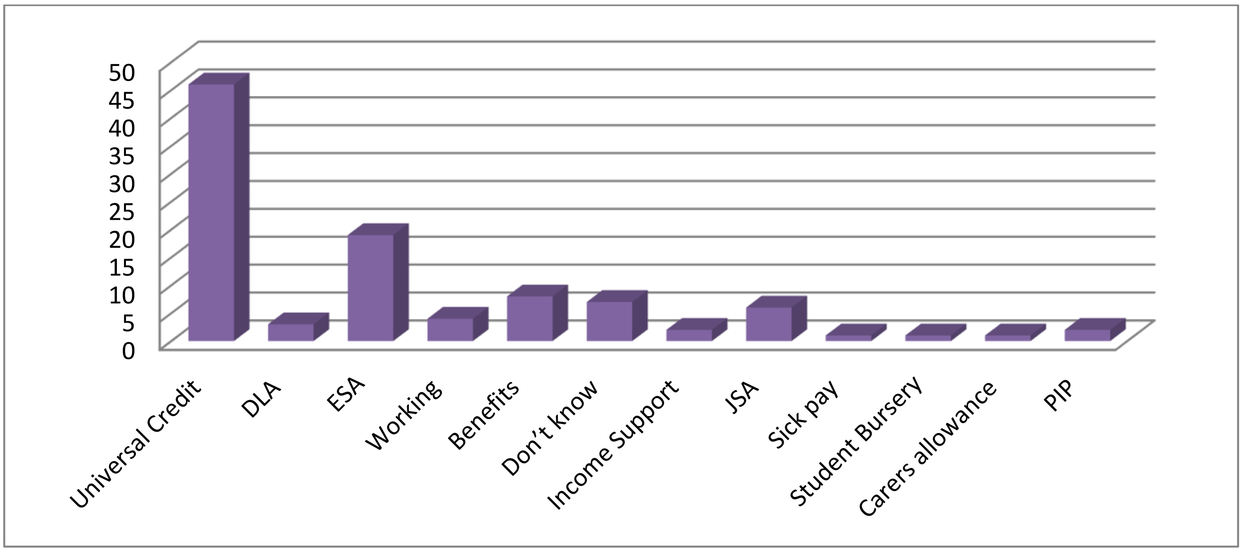
Appendix 1. Key charts from 2018/19 self-disconnection analysis

Frequency of Discretionary Credit requests



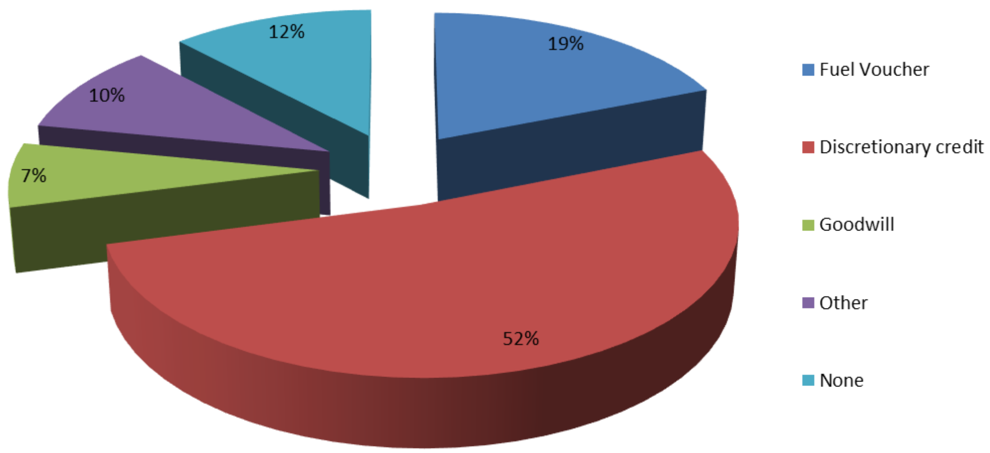
N/A includes cases when the consumer was unaware that they could access emergency credit or the supply was put into credit mode.

Benefits/Income



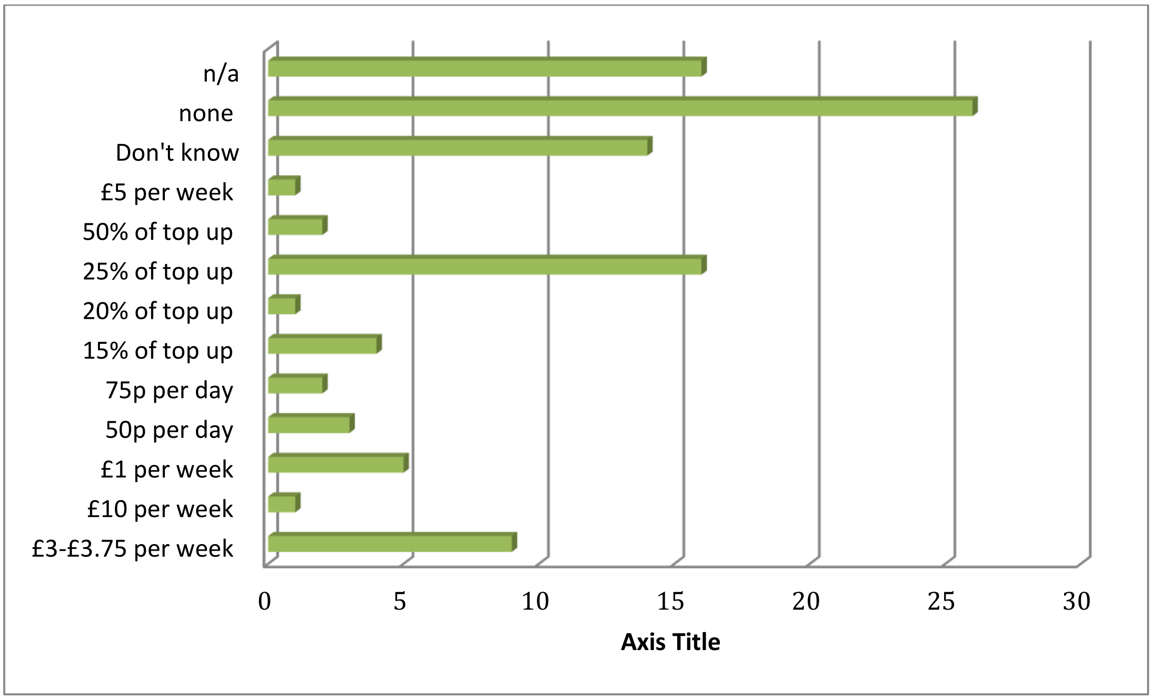
For the same period last year, 10% of consumers were in receipt of Universal Credit and this is now 45%

Breakdown of how suppliers are helping their consumers?



Other includes when a Consumers whose meter was changed to credit mode or when they were informed how to access emergency credit. None includes cases when no support was given, often due to multiple previous discretionary credits.

Recovery Rate set by suppliers to recover a discretionary credit



None includes Goodwill and Fuel Vouchers. N/A includes cases when the consumer has emergency credit but doesn't realise or when the supplier has exchanged meter or put it into credit mode.

Appendix 2. Self-Disconnection case studies

Case Study 1

When the consumer was referred to the EHU there was £4 left on the gas and electric meters. However, due to the debt recovery rate of £5 per day on each meter the consumer knew she would run out of money before her benefits payment in a week. The consumer is in receipt of PIP and is registered disabled. Her husband works but they are struggling to keep topping up the meter. On the call to the EHU the consumer was very distressed because as well as money concerns her 12 year old granddaughter is terminally ill.

After EHU involvement the supplier agreed to provide £5 discretionary credit on each meter and advised they could lower the debt recovery rate to £1 per day on each meter. Additionally, the supplier advised the consumer to contact Stepchange for financial advice.

Case Study 2

The consumer had moved back to her previous home with her two young children to escape domestic violence. There were debts on the gas and electricity smart meter, which led to her being off supply for electricity and with a small amount of credit on the gas meter. The debt recovery rate was set at £6 per week. Recently the consumer had lost her job and was due her last pay in two weeks' time.

The supplier advised there was a build-up of standing charges of nearly £46 on each meter so the supplier provided £50 discretionary credit on each meter which took the meters into a positive credit. The debt recovery rate was then set to £3.75 a week. In addition, the supplier said they would supply a fuel voucher if the consumer needed further assistance.

Case Study 3

The consumer was off supply for electricity. He received a Universal Credit payment a couple of weeks earlier, but rent arrears were taken off this which had left him with less money than expected. He will get another payment in a couple of weeks' time and should be able to top up the meter then.

The supplier provided the consumer with £30 discretionary credit on the meter. This was given as goodwill, so the consumer did not need to pay it back.