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Arina Cosac  
Senior Manager  
Vulnerability and Consumer Policy,  
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Ofgem

20 September 2019

Dear Arina,

**Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing.**

I write in response to your request for views on the consultation on improving outcomes for consumers who experience self-disconnection and self-rationing. Thank you for the opportunity to comment on what is an important area of protection for consumers who are often in difficult and vulnerable circumstances. Ombudsman Services responded fully to Ofgem's Vulnerability Strategy Consultation.

**About Ombudsman Services:**

Ombudsman Services is a not-for-profit private limited company established in 2002 which runs a range of discrete national ombudsman schemes across different sectors including energy and communications. Each scheme is funded by the companies under our jurisdiction and our service is free to consumers. In 2018 we received 174,855 initial contacts from complainants and resolved 68,063 complaints. In the energy sector we received we received 108,349 initial contacts and resolved 45,667 cases. We also operate a private parking appeals service – POPLA and for 2018 we received over 67,000 appeals.

We are:

- to our consumers, the people they can turn to for impartial advice and solutions that's fair;
- to our partners, the people they look to for knowledgeable and insightful ways to help them reduce complaints by enabling them to make the changes they need to deliver better customer services;
- to our regulators, champions in protecting rights as well as partners in information sharing, we share our analysis so that regulators and business partners can make improvements; and
- to our people, here to enable them to deliver clarity to consumers and partners through meaningful work.



### **General comments:**

We welcome this consultation and agree that more consistency in approach can help identify and provide more help to consumers at risk of self-disconnection and self-rationing. Especially as often consumers in these situations are vulnerable.

### **Answers to specific questions:**

#### **Q1. Do you agree with our proposal to require suppliers to identify prepayment self-disconnection and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.**

Yes. We think the wording of Condition 27A.1 seems fair and reasonable and makes provision for energy supplier to give due consideration to customers who are in vulnerable situations. The consultation paper references research that show the risk of self-disconnection for consumers is significant. We also think that the proposed outcomes set out in the consultation paper at 2.48 are appropriate.

#### **Q2. Do you agree with our proposal to require suppliers to identify self-rationing and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.**

Yes. For essentially the same reasons as set out in our answer to question 1 above. Clearly in this instance the requirement is where the energy supplier has identified a domestic customer as being in a vulnerable situation.

#### **Q3.a) Do you agree with our proposal to require suppliers to offer emergency and friendly credit functions for all customers?**

Yes. As highlighted in the consultation paper many energy suppliers are already providing these credit functions – which should be applauded. However, it is the inconsistency in how this help is promoted and the application to get the help that needs to benefit from more consistency. So, this move will help to ensure that consumers know how to use it when necessary. And should ensure consumers who currently do not have access to emergency credit get that access.

Regular use of emergency credit could be an identifier of a consumer who is struggling. This could perhaps be another metric that suppliers are required to monitor and, where appropriate, action.

#### **Q3.b) Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.**

Yes. Again, these seem fair and will help improve the outcomes for consumers who find themselves needing emergency credit or friendly credit.

We do wonder if the terms 'appropriate support' and 'due consideration' in the draft licence condition could be defined to make the proposed licence condition clearer? The listed support options appear to focus on access to credit and ensuring consumers know how to use their prepayment meters. Is there scope for the licence condition to list referral to appropriate third sector organisations or charities? This may help to provide a more holistic approach for some consumers in vulnerable situations.

**Q4.a) Do you agree with our proposal to require suppliers to offer discretionary credit for customers in vulnerable circumstances?**

Yes. We think it is important that where the need for discretionary credit has been identified, that the appropriate amount is given to the customer and the success of an application or amount of credit is not restricted by rigid rules. We also expect that many consumers would not know they can ask for discretionary credit. Lack of knowledge and pride might also be barriers. So, energy suppliers offering pro-actively and in appropriate manner discretionary credit when self-disconnection has been identified is a good thing.

**Q4.b) Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.**

Yes.

**Q5. Do you agree with our proposal to incorporate the Ability to Pay principles in the supply licence?**

Yes. The principles provide a good framework to use and will allow more consistency in approach and greater communication, understanding and engagement between energy suppliers and consumers.

We have seen a variety of practices in relation to credit file marking, with consumers entering into payment arrangements and later discovering unexpected arrears recorded on credit files. The Steering Committee on Reciprocity (SCOR's) latest guidance talks about marking arrears on credit files where a payment arrangement is agreed for more than a year. Some consumers would be able to and prefer to pay in less than a year if they knew this would be better for their long-term ability to gain credit. This means honest discussions from both sides about what consumers can afford to pay and the consequences of longer payment plans.

**Q6. Do you agree with our proposal to update the Ability to Pay principles to reflect changes in supplier debt recovery practices? Are there other changes that we should implement?**

Yes. To provide more consistency could there be a uniform approach to evidence gathering and analysis to determine a customer's ability to pay? Can the ability to pay principles include the need to inform consumers of the consequences of any payment plan they enter (e.g. impact on their credit file)?

Please do not hesitate to contact us if you would like further information regarding our response. We welcome the opportunity to continue to work closely with Ofgem and other stakeholders to help put consumers at the centre of this work.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'M. Vickers', with a long horizontal flourish extending to the right.

Matthew Vickers  
Chief Executive and Chief Ombudsman

**For more information regarding this consultation please contact:**

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