



Cabinet Office

Ofgem consultation: Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing

Cabinet Office response

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Introduction

The Cabinet Office Debt Function sets the strategic direction for government debt management, promoting and sharing best practice and common processes.

We welcome this opportunity to comment on Ofgem's proposals on self-disconnection and self-rationing. We recognise the need to provide adequate protection to the one in ten energy customers who self-disconnect each year and those who self-ration.

It is vital consumers in financial difficulty, and at risk of vulnerability, are treated fairly. We are therefore encouraged by proposals on better identification of vulnerability and the role of third parties in providing support.

We also understand the need to ensure consistency of treatment across sectors and would welcome further engagement with Ofgem on this. We would like to explore how any approaches to debt issues build an appropriate, transparent, framework for firms and consumers.

Our response below covers jointly Questions 1 and 2 then Questions 3 to 6.

Answer Q1 and Q2

Question 1: 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.

Question 2: 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.

The government wants consumers in financial difficulty, including customers of essential services providers, to be treated fairly. Analysis of the NHS Adult Psychiatric Morbidity Survey suggests over 420,000 people in problem debt consider suicide in England each year, and more than 100,000 attempt suicide¹.

Government has promoted fairness through the work of the Fairness Group and the Debt Standard. The Fairness Group brings together government organisations and consumer groups to continually improve how government interacts with people in debt. The Debt Standard sets guidelines for how government organisations approach debt collection.

Both the Fairness Group and Debt Standard help apply the Fairness Principles to government debt management. The Fairness Principles encourage better identification of vulnerability and the provision of appropriate support, potentially through third parties. We therefore support regulatory initiatives that adopt a similar approach.

We understand the challenges facing firms trying to identify self-rationing. One way to overcome this may be through the use of data sharing. The regulator could consider the Digital Economy Act 2017 data sharing powers, managed by the Department for Digital, Culture, Media and Sport (DCMS) and the Cabinet Office, in this context. We are happy to discuss this further.

One aim is to keep the government approach to debt collection in line with best practice across sectors and would welcome Ofgem's involvement. In reference to these proposals, we are particularly keen to understand best practice in the energy sector concerning:

- identification;
- working with partners to ensure consistent support;
- awareness raising with consumers; and
- communications.

¹ Cabinet Office analysis of Money & Mental Health Policy Institute figures

Answers Q3 to Q6

Question 3a: Do you agree with our proposal to require suppliers to offer emergency and friendly credit functions for all customers?

Question 3b: Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

Question 4a: Do you agree with our proposal to require suppliers to offer discretionary credit for customers in vulnerable circumstances?

Question 4b: Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

Question 5: Do you agree with our proposal to incorporate the Ability to Pay principles in the supply licence?

Question 6: 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?

It is important that debt collection processes set an appropriate, transparent, framework for firms and consumers to interact with. Because individuals will owe debts to multiple organisations, an adequate framework is one that helps ensure consistency across sectors. Frameworks should be flexible so they can respond to consumer needs and the potential drivers and outcomes of vulnerability.

When considering a framework approach, areas to consider in energy could include:

- **Access to appropriate support.** This might mean organisations considering their relationships with third party support, including referral or signposting mechanisms.
- **Transparency.** Consumers need to be aware of available support. Organisations might therefore consider whether they demonstrate an appropriate level of openness.
- **A compassionate communications approach.** When people are in debt, any physical or mental impact it has can be aggravated by the way in which their creditors communicate with them. This could be due to the content and tone of any communications or their frequency.
- **Affordability.** The renewed focus on the Ability to Pay principles represents a considered response to this and it is worthwhile thinking about how these work in conjunction with approaches in other sectors. We believe considering affordability as a longer-term issue is crucial.

We would be keen to discuss all these issues in more detail with Ofgem off the back of this consultation, with an eye on how exploring how government processes interact with those in the energy sector.