Arina Cosac
Senior Manager
Vulnerability and Consumer Policy
Ofgem
10 South Colonnade
London E14 4PU

21 August 2020

RE: Ofgem consultation on proposals to improve outcomes for customers that self-disconnect or self-ration.

Dear Ms. Cosac,

The Money and Pensions Service (MaPS) welcomes Ofgem's consultation on these final proposals and our views follow on from our response to the draft proposals in 2019.

MaPS was created under the Financial Guidance and Claims Act 2018 that brought together the three organisations, the Money Advice Service, The Pensions Advisory Service, and Pension Wise. Our vision is of "Everyone making the most of their money and pensions" by ensuring that people throughout the UK have guidance and access to the information they need to make effective financial decisions over their lifetime. This includes ensuring that people have timely access to information and advice to allow them to avoid and manage debts.

With that in mind our response focuses on all three proposals final outlined in the consultation. Our detailed response is attached and confirms that we broadly support the proposals and include some operational recommendations which may help Ofgem to implement new obligations placed on energy providers and ensure greater consistency in applying this best practice across the sector to improve outcomes for energy customers.

In terms of the principles themselves, we are pleased to see that Ofgem's has listened to views which incorporates debt recovery best practice that has developed in other creditor sectors since the 2010 introduction of the principles.

The Standard Financial Statement (SFS), an initiative led by MaPs, sets out a consistent format for creditors and debt advice agencies to assess an individual's income and expenditure when considering debt repayments. The SFS is underpinned by household spending guidelines for flexible or discretionary spending, which we revise and publish on an annual basis to truly reflect affordability for any debt repayment arrangements for an individual.

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The SFS has been adopted by 90 per cent of the debt advice sector in England and by many creditors in the public and private sector. Therefore, it is encouraging to see Ofgem amending the principles to encourage energy suppliers to both recognise the SFS and encourage its use when assessing a customer's ability to repay their debts.

It is satisfying that Ofgem's new Ability to Pay principles includes a requirement for energy suppliers to make customers aware of the support of debt advice agencies. That said, we would suggest that the principles are strengthened to require suppliers to implement a more robust debt advice referral strategy for all customer contact channels that goes beyond simple signposting. We can help suppliers take a more pro-active approach and are interesting in speaking with energy firms that are interested in referring customers to debt advice via The Money Adviser Network (MAN) [1]– new shared infrastructure for the debt advice sector.

The MAN is a free partnership opportunity for creditors in the public and private sector. The MAN is a technology focused pilot which simplifies how creditors refer customers in financial difficulty to free regulated debt advice.

The first phase of the MAN is now testing three key innovations:

1. **Virtual Contact Centre VCC)**: To improve the customer journey by providing a single point of entry to a panel of debt advice agencies. The VCC directs customers to an agency with capacity to help immediately or, in busier periods, an overflow Money Advice Service agent.
2. **Open Data Proposition**: Utilising credit reference and open banking data to improve validation of household expenditure when completing the Standard Financial Statement (SFS). This should enable the debt advice process to be expedited meaning that creditors receive expedited offers and may increase the number of customers that move forward with debt repayment solutions.
3. **Improved Creditor Feedback**: To provide creditor referral partners with key updates on customer progress throughout the debt advice journey that will help inform creditor debt collection strategies.

We would be happy to talk to suppliers that are interested in joining the network as a referral partner

We set out further detail on all three proposals in the attached but trust that you will not hesitate to contact us should you require any further clarification.

[1] https://moneyandpensionsservice.org.uk/pace/

Yours sincerely

Kevin Shaw

(Creditor Strategy Manager)

Response from the Money & Pensions Service

Proposal 1

A new requirement on suppliers to take all reasonable steps to identify all PPM customers who are self-disconnecting and offer appropriate support in line with existing and new obligations.

We support the introduction of this new requirement. To support suppliers to implement this new requirement, we recommend that Ofgem's proposal to share industry best practice in identification goes beyond publication in annual reports. Possible dissemination channels might include the creation of a vulnerability hub on Ofgem's website or encouragement to industry trade bodies to offer such a resource.

As the Citizens Advice research cited in the consultation paper demonstrates in the case of PPM customers, more vulnerable cohorts are less likely to proactively contact their supplier when they go off supply. Although processes for identifying need for and offering support should be deployed proportionately, we feel that the risk that some customers may regard proactive contact to be intrusive, unnecessary or over-frequent is outweighed by the importance of suppliers proactively ensuring that no potentially vulnerable consumer is overlooked.

On that premise, we are concerned that a maximum non-vend window might inadvertently overlook customers in acutely vulnerable circumstances. In the case of smart meters, relying on maximum non-vend windows stretching into weeks or months fails to take account of the technological capacity to monitor instances of short-term and frequent off-supply that might be indicative of recurring vulnerability.

We also agree that suppliers should take active steps to identify and contact all PPM customers. This is important for three reasons:

- Many instances of vulnerability are episodic rather than chronic, and a substantial proportion of consumers who experience vulnerability will not, for example, have joined the Priority Services Register
- Use of pre-payment meters is, in many cases, an indicator of low income/financial resilience, a factor that is accepted by other regulators, namely the Financial Conduct Authority (FCA), as one aspect of overall vulnerability
- As the paper points out, lacking access to energy risks exacerbating existing levels of vulnerability by creating obstacles to a warm environment, ability to cook food, maintain personal hygiene, etc.

Regarding the definition of 'appropriate support', we suggest that, wherever appropriate, customers should be referred to independent debt advice agencies and or money guidance via moneyadviceservice.org.uk. In addition to providing access to holistic support for customers with multiple debts, such services would also be able to offer advice on realistic repayment arrangements with energy suppliers. The Money and Pensions Service (MaPS) provides an online Money Navigator Tool, [2]specifically designed to assist consumers experiencing the financial impact of the Coronavirus epidemic, to which firms could signpost digitally-enabled customers. Alternatively, customers could be signposted by suppliers to the MaPS Money Guidance Contact Centre.

We agree with the requirement for suppliers to carry out identification on a 'continuous and ongoing' basis and suggest that an initial interaction leading from a first instance of self-disconnection would provide the opportunity for suppliers to raise issues of potential ongoing vulnerability, offer support, agree a longer-term communication and support plan where required, and refer customers on for third-party support where required.

We appreciate the practical challenges regarding the approach to be taken with regard to customers who are self-rationing. In terms of developing strategies to better understand self-rationing behaviour and target support at the most vulnerable, we suggest that suppliers could:

- Identify the cohort of customers who are likely to be self-rationing, by comparing household use in different seasonal periods against average use levels of households of similar size/composition.
- Map this cohort against a list of customers whose records indicate potential vulnerability (inclusion on PSR, history of self-disconnection, customer -self-notification of vulnerability, etc.)
- Make contact with this sub-cohort of self-rationing customers to discuss energy-saving measures and offer referrals to independent debt advice agencies /money guidance as appropriate

This approach would be consistent with the self-disconnection requirements regarding 'reasonable steps to identify' and 'offering support'.

Proposal 2

New requirements on suppliers to offer emergency and friendly-hours credit to all PPM customers and to offer additional support credit to customers in vulnerable circumstances.

We support the introduction of this measure. This will both help achieve the customer benefits identified and also ensure a greater consistency of positive consumer experience across the market. However, as the consultation paper notes, this can only be achieved by a clear expectation placed on suppliers to better promote the availability of emergency and friendly hours credit from account sign-up stage onwards.

Given the unpredictable and often episodic nature of vulnerability, we agree that the provision of emergency and friendly hours credit should not be limited to customers already identified as vulnerable.

Regarding the amount of credit that could be made available, it seems unlikely that suppliers would be able to make individual affordability assessments at the point of offering credit. As such, we agree that specifying a maximum amount would be unrealistic and potentially not meet a customer's urgent needs.

That said, the consequences of taking out credit may go beyond the repayment terms for the specific bill and onto their financial situation more broadly. So, we would suggest that the regulator requires providers to provide a warning regarding the potential risks associated with taking out more additional credit which could be sent by

[2] https://www.moneyadviceservice.org.uk/en/tools/money-navigator-tool

automated text message or email with links to sources of independent money guidance via moneyadviceservice.org.uk

As the paper indicates, it will be important to ensure that suppliers agree an affordable repayment rate with the customer, which should be carried out as soon after the credit is provided as feasible.

The Money and Pensions Service is the owner of the Standard Financial Statement (SFS)[3], which is a tool underpinned by a consistent methodology that generates a financial statement detailing how much customers can afford to repay towards their debts. The SFS is recognised across the financial services industry and other creditor sectors as a reliable means of producing accurate and verifiable customer financial information. We recommend that energy providers consider use of the SFS where appropriate, and also complement this with a referral to independent debt advice where it is identified that the customer is struggling with a wider range of bills and credit commitments.

We also agree that the repayment rate should be set within the context of the customer's ongoing supply costs, and the addition of a component to SLC 27A.4 regarding the need to take all reasonable steps to ascertain the customer's ability to repay is useful.

Although we appreciate that setting a universal condition on hours of availability is difficult given the varying capacities of different suppliers, we suggest that all suppliers should be urged to work towards seamless provision, by which emergency and friendly-hours services dovetail with standard ones.

We suggest that suppliers should be encouraged to monitor instances and causes of need for emergency and friendly-hours credit. Provision of such credit could act as a catalyst for suppliers to establish whether the customer has underlying financial problems and to refer to debt advice/money guidance and/or advise on energy-saving measures where appropriate.

We agree that the removal of the term 'interest-free loan' on the grounds that it implies that credit provided would need to be repaid in all cases. Given this ,it might be appropriate to replace the term 'credit' with 'supply' in this context.

Finally, we request that the regulator clarifies whether this credit is intended to be interest free or not as some of the wording is somewhat ambiguous. If providers can charge interest, then information regarding the interest that is charged should be included in licence conditions.

Proposal 3

Enhanced requirements on suppliers with respect to providing support to all customers who are facing financial difficulties through the inclusion of new Ability to Pay principles in the supply licence

[3] https://sfs.moneyadviceservice.org.uk/en/what-is-the-standard-financial-statement

MaPS broadly welcomes OFGEMs plan to incorporate new requirements in the 'Ability to pay principles' and are encouraged that the principles will be incorporated within the supply licence conditions.

We are concerned at OFGEMS findings that not all suppliers are considering a customer's ability to repay their debts and welcome proposals to encourage suppliers to consider using an established common tool such as the Standard Financial Statement (SFS) to summarise consumers income and expenditure and assess their ability to repay. The SFS is promoted by MaPS, and we would be happy to work with the energy sector to embed a more consistent approach.

There is a possibility that some repayment plans may take longer to complete, but plans are likely to be more sustainable. We agree that it is best practice to review failed payment arrangements and to reassess a customer's circumstances and ability to repay.

We also agree that early intervention is key, and suppliers should be doing all they can to contact the customer in arrears, try to understand their situation, ability to repay and offer appropriate internal or external support. It is right that efforts to contact should not be limited to collections letters which may not be opened and a variety of communication methods including outbound calling, text messaging and email should be used.

It is fair that customers are dealt with on a case by case basis and that the process should not become too prescriptive.

The new expectation that suppliers should make customers aware of independent debt advice support is in line with practice in other creditor sectors. However, we would strongly recommend that suppliers go beyond simple signposting to debt advice as customer engagement levels are likely to be low. Instead we suggest that suppliers take a more proactive approach and warm handover customers to debt advice via telephone and digital means. MaPS is currently piloting the Money Adviser Network (MAN)[4], a free partnership opportunity for creditors in the public and private sector. The MAN is a technology focused pilot which simplifies how creditors refer customers in financial difficulty to free regulated debt advice. We would be happy to talk to suppliers that are interested in joining as a referral partner.

In addition, we suggest that suppliers are responsible for ensuring that third party debt collection services have supportive processes in place which includes a robust 'debt advice referral strategy'

We would also suggest that energy customers are referred for independent money guidance at 'pre-arrears stage. These are customers that have not yet missed payments but are worried about going so. Suppliers can use all communication channels to refer to our Money Navigator tool. The Money Navigator Tool is a simple online diagnostic that helps consumers find the guidance they need if their finances have been impacted by the coronavirus pandemic.

[4] https://moneyandpensionsservice.org.uk/pace/

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