

Emailed to: CDconsultations@ofgem.gov.uk

10 South Colonnade
Canary Wharf
London
E14 4PU

24 August 2020

Dear Sir/Madam

Statutory Consultation – Self-rationing and self-disconnection final proposals

I write in response to the statutory consultation on the self-rationing and self-disconnection final proposals. In our response we provide some general comments, a focus on some key points and at Appendix A we provide some background to Ombudsman Services.

General Comments:

We welcome the proposals in this statutory consultation. We supported the measures in our response to the initial consultation last year. We also think these measures will be even more important given covid-19 and the difficult journey many will have as we continue through the pandemic and come out the other side.

So, broadly, we agree with the package of proposals put forward. It makes sense for suppliers to take all reasonable steps to identify all Prepayment Meter (PPM) consumers who are self-disconnecting and offer appropriate support in line with current and new obligations, and to offer emergency and friendly-hours credit to all PPM consumers and additional support credit to those in vulnerable circumstances. We supported the incorporation of the Ability To Pay (ATP) principles into the supply licence in our response last year. We agree with updating these principles to ensure that they are given the appropriate prominence by suppliers, in particular given the unknown future impacts of the current pandemic on consumer circumstances.

Key points:

Ensuring the proposals and ATP principles work for suppliers and consumers

As mentioned above, we welcome the proposals to ensure that PPM consumers are offered appropriate support and credit when necessary and that suppliers take steps to identify those consumers who are self-disconnecting. It will be important for suppliers to be prepared to have more frequent conversations about consumers' ability to pay as their circumstances may change quickly in the current situation. It is now more important than ever for suppliers to create opportunities to identify when a consumer is self-disconnecting or seems to be struggling with their energy costs and engage early to gather information and help consumers avoid further difficulty.



We support the inclusion of the principles in the supply licence and we welcome the amendments. However, we think there may be room for more guidance for suppliers in how they assess a consumer's ability to pay effectively, for example new entrants to the market may benefit from access to examples of best practice.

We think it is right to ensure that consumers are signposted to debt advice agencies where appropriate and we wonder whether it is worth including the breathing space guidance in the ATP principles – in which a supplier puts debt collection on hold while a consumer is seeking advice.

We also note that you do not intend to introduce any new requirements on suppliers around the identification of self-rationing at this time but will be monitoring industry performance on identifying vulnerable consumers who are self-rationing. It will be important to keep this under review, particularly in the current climate and the fact that many more consumers are likely to find themselves in vulnerable circumstances, possibly for the first time.

We support the idea of industry working more collaboratively in these areas and sharing good practice and what works well with each other. We would also like to play our part here and share data and insight as to what we are seeing and help facilitate industry discussions around these areas and suppliers sharing good practice with each other.

Effective and proactive communication

We think it is important that suppliers are proactive in their communication with consumers. We agree that suppliers should re-engage with consumers after missed payments (ATP principles, section G) and ensure that there are appropriate channels in place (ATP principles, section C). We think that more can be done to make consumers aware of the ATP principles in the first instance so that they can be encouraged to have more open conversations with their supplier. Likewise, we see examples of aggressive communications sent to consumers early in the debt collection process which is likely to be detrimental to effective communication. We see complaints where suppliers have passed on debt to collection agencies without informing the consumer, or consumers having a PPM force-fitted owing to debt, without having had any communication from their supplier. In the year July 2019 to July 2020, we had 69 complaints from consumers being forced into having a PPM, with around a third of those consumers potentially in vulnerable circumstances.

We think that it is important to improve the debt transparency for PPM consumers. If debt is being paid back as part of top-ups, consumers can lose track of where they are up to with managing that debt. We think it would be helpful to provide consumers with regular statements or updates. Regular and transparent communication is also necessary for consumers to be able to make informed choices. Consumers need to understand the consequences of certain choices, and as we said in our response last year, we think suppliers should be clear with consumers when payment agreements are going to impact credit files.

Microbusinesses

We also think that microbusinesses would benefit from inclusion in the Ability to Pay principles. We know that some microbusinesses often face similar challenges to domestic consumers. It makes sense that suppliers should be having effective conversations with their microbusiness customers about their ability to pay. Again, given the effects of COVID-19, many microbusinesses will have conducted their business to a limited extent, if at all. Debt and the inability to pay are therefore likely to increase. These proposals would be a welcome step in supporting some businesses as they seek to recover from the pandemic.

Please do not hesitate to contact us if you would like further information regarding our response. Our response is not confidential.

Your sincerely,



Ed Dodman
Director of Regulatory Affairs

For more information regarding this consultation please contact:

David Pilling
Head of Policy and Public Affairs
Ombudsman Services
3300 Daresbury Park
Daresbury
Warrington
WA4 4HS

t: 07595 449366

e: dpilling@ombudsman-services.org

Appendix A

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, communications and an appeals service in private parking. Each scheme is funded by the companies under our jurisdiction and our service is free to consumers. In 2019 we received 157,808 initial contacts from complainants and resolved 88,840 complaints. In the energy sector we received 116,700 initial contacts and resolved 58,034 cases, and in the communications sector, we received 40,184 initial contacts and resolved 17,426 cases. We also received over 84,000 appeals in our private parking appeals service.

We are:

- to our consumers, the people they can turn to for impartial advice and solution 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.