

Ofgem Consultation: Proposals to improve outcomes for prepayment customers

Changeworks response

Installations carried out under warrant

- **Question 1: Do you agree with the scope of warrant charges?**

While it seems fair that suppliers should be able to recoup their costs in applying warrants, the discrepancies in charges from different suppliers raise questions as to how these costs are calculated. More transparency in how these charges are calculated is required to make the costs clearer to consumers, along with consistency across suppliers provided through suitable standards for charges and their communication.

Another challenge is that warrant charges and other added costs often push clients on prepayment meters beyond the £500 debt threshold for switching to other suppliers. This is a factor that should be considered when applying charges; ensuring vulnerable low income consumers in debt are always able to access cheaper tariffs. One way of making sure this does not happen would be to stop the practice of adding non-energy charges and debts to energy accounts or prepayment meters. By treating non-energy charges as a separate amount with separate payment arrangements consumers would be able to continue to make the most of the energy market, accessing the most competitive tariffs, and safeguarding their access to energy from being inhibited by additional debt not directly due to their energy use.

- **Question 2: Do you agree with the desired consumer outcomes?**

Yes, but would like to recommend the following points for clarification.

In our experience, as a charity which supports thousands of fuel poor households every year, supplier engagement around debt repayment often comes across as aggressive and accusatory. This is true for telephone, written and face to face engagement. In most cases appropriate debt repayment plans can be achieved, however many of our clients are put off from contacting their supplier due to the negative and angry tone of their correspondence. Suppliers should be encouraged to take a more collaborative and amiable approach to their engagement. Consumers should also be given sufficient time between receiving written warning of a warrant application and the application itself to respond and avoid any associated charges. Currently a week seems to be standard practice (although there is significant variation across suppliers), which is too brief. We would recommend a minimum of one month.

Also, regarding debt repayment methods, evidence from our client base shows that consumers in debt are rarely offered the full range of debt repayment options. Suppliers commonly limit the options to direct debit or prepayment meters, failing to mention fuel direct and weekly or fortnightly payment plans. In some cases even when these other methods have been requested and would be more appropriate for the consumer's situation, they are not permitted with no reasonable grounds provided. Suppliers should endeavour to achieve the most appropriate debt repayment methods for their consumers, not automatically revert to prepayment meters because they suit the suppliers' interests better.

Another way consumers are driven towards prepayment meters for debt repayment is that most other forms of payment arrangement are based on the consumers' prior usage. If a consumer has inadvertently been using high levels of energy then fuel direct or payment plans based on consumption are prohibitively expensive as suppliers are not willing to take into account consumers' reduction in usage. Consumers are forced to take prepayment meters as the only payment method which adapts to consumption levels immediately, even if this is not their preferred option. Comparable low cost options for non-prepayment payment should be made available.

Any protocols established for warrant charges as a result of this consultation should also be applied to other aspect of suppliers' Safety Net for disconnection. Currently consumers are often charged for debt correspondence, home visits, and debt collector activity. All of these aspects should be clustered together with warrant charges.

Warrant charges and other supplier debt procedures should have referral mechanisms to independent money advice such as Citizens Advice Bureaux or the Money Advice Service imbedded within them to ensure consumers are encouraged to access impartial support and advice.

- **Question 3: Which option set (A, B or C) do you think will be most effective in meeting our consumer outcomes?**

Set B:

- End warrant charges for consumers in vulnerable situations*
- Cap charges for all consumers (one level cap), and*
- Set out clear expectations of supplier behaviour*

Regarding the options set we think that Set B provides the best solution. Suppliers should be able to recoup the costs of applying warrants from the consumers involved rather than applying these costs to the wider customer base. A one level cap provides a simple and effective means to ensure uniformity of charges across suppliers. However consumers in vulnerable situations should not be saddled with additional debt. It is important that these 'vulnerable situations' are defined clearly and not left up to subjective interpretation. One option to achieve this would be to align the definition of vulnerability with the qualifying criteria of the Warm Home Discount which, although different for each supplier, provides a reasonable proxy for vulnerability.

- **Question 4: Should cases of energy theft or wilful damage to meters be exempt from our proposals?**

We do not think that cases of energy theft or wilful damage should be exempt. Our experience shows that these situations are very rare and that the circumstances leading to a consumer committing theft or damage through meter tampering are complex, often involving extreme poverty, mental health problems and desperation. Suppliers' hard line approach to these consumers take vulnerable situations and make them worse by denying them access to energy. Whilst cases of energy theft or damage are illegal and should be treated as such, suppliers should take a case-by-case approach to these situations and look to work with third parties to support their consumers rather than just disconnecting them.

Suppliers should be more proactive in informing consumers of the dangers of tampering with meters and the consequences of doing so. Additionally efforts should be made to design meters which are safe and tamper-proof.

- **Question 5: For licensees: please explain how you identify vulnerable consumers and provide details of how any such policy or procedure is monitored and reviewed?**

N/A

Installation (non-warrant related) and removal charges

- **Question 6: Do you have any views on our approach or better alternatives to achieve the outcomes we have identified?**

The barriers to removing or installing prepayment meters are not limited to charges. For many consumers, although charges may no longer be applied (though in our experience this is not necessarily standard practice for suppliers' frontline staff, even if they have officially waived charges according to Table 1), they then face requests for deposits, often exceeding £100, and strict credit checks which are not straightforward for vulnerable clients with a difficult financial background. Suppliers should relax these additional barriers to the removal of prepayment meters and ensure this practice is communicated clearly to their frontline customer service staff.

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Changeworks is a recognised leader in the delivery of solutions that enable people to live and work more sustainably. We are an environmental charity and social enterprise, working in collaboration with public and third sector organisations, schools, communities and businesses to:

- Inspire and enable action to reduce CO₂, waste and fuel poverty
- Build confidence and skills to make sustainable choices
- Share our knowledge and learn from others to maximise our impact
- Deliver the best possible service creatively and professionally.

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