

## Response to consultation Proposals to improve outcomes for prepayment customers

My name is Andy Davis and I work for Speakeasy Advice Centre. We are a charity that gives free specialist advice on a variety of topics including debt, housing, benefits and energy. I run our Energy Advice Project which gives advice and assistance to people regarding domestic energy issues. In particular, we help people to manage fuel debt and apply to charitable funds and Trusts for grants to clear gas and electricity arrears.

As part of our work we deal on a daily basis with clients who have PPMs or who are trying to avoid having PPMs installed. I am familiar with the problems that poor and vulnerable consumers face with PPMs. I have answered the questions outlined in the consultation below.

1. Do you agree with the scope of warrant charges?
  - a. **I do not agree with the charging for debt collection visits, especially when they are early in the debt recovery process.** If a supplier is going to charge for a debt collection visit, then all other available methods of communication should be exhausted first. In my experience, people in this situation often have wider debt problems or mental health issues and do not open letters for some time, if at all. It may take texts, emails or phone calls for them to realise that they are in arrears with their gas or electricity supply. These communication methods provide them with a chance to make payment without additional charges being added. On the other hand, if home visits do not incur a charge and very deliberate steps are taken to ensure that the visit is not intimidating, then they can be very beneficial. It provides an opportunity for face-to-face discussion of any problems that may be preventing a customer from paying and therefore can identify appropriate actions to help deal with underlying problems.
2. Do you agree with the desired consumer outcomes?
  - a. **I agree with all the desired consumer outcomes.**
3. Which option set (A, B or C) do you think will be most effective in meeting our consumer outcomes?
  - a. **Set B would be most effective.**
    - i. **I agree with this option, however, the definition of “consumers in vulnerable situations” must be very clearly defined.** If the definition used in the Standard Licencing Conditions was used, then this would be too broad as it may include ‘customers in financial difficulty’ and so count for almost every customer who has reached the stage of warrant action. I would want ‘consumers in vulnerable situations’ to be defined in a way that tries to designate consumers who have extenuating circumstances or who are vulnerable in a way that provides a good reason for failing to make a payment arrangement with the supplier. I have had clients that fall into this definition for the following reasons: severe social phobia preventing people opening letters or answering the door, being out of the country or in hospital during the debt recovery period, severe learning difficulties and severe mental health problems such as psychosis or schizophrenia.

- ii. **Charges should be capped for all consumers at one level.** Currently, suppliers have no incentive to pursue creative and beneficial methods of encouraging customers in arrears to set up payment plans because they can apply for a warrant for a PPM and recoup all the costs through charges to the consumer. In many cases a warrant is an acceptable method of ensuring that arrears are recovered. In these cases, it is appropriate that the supplier is compensated to some extent for the expense they have undergone to recover the debt. If Ofgem set a maximum charge for applying for a warrant that was lower than the cost incurred by the supplier, then it would act as a disincentive. It would only be financially beneficial for suppliers to apply for a warrant when all low-cost alternatives have been depleted (i.e. trying to contact the consumer by letter, phone email and text). It would also only be worthwhile for the supplier to do this if the outstanding arrears which can be recovered through the PPM are significantly higher than the cost incurred by installing the PPM. A low, capped charge would compensate suppliers to some extent for cases where a PPM warrant is needed for consumers who have no intention of paying or engaging. This charge could perhaps be around £50.
  - iii. **Outlining clear expectations of supplier behaviour is essential.** In my experience, my clients are unaware of what warrant action is until they receive a letter threatening it unless an arrangement is made very soon. This is very frightening with people unsure if they will 'be taken to court' or gain a criminal record. Some suppliers are responsible in the recovery action they take before seeking a warrant, but some are not. A standard guideline on a minimum period between a bill being issued and warrant being requested would make it easier for advisers to help vulnerable consumers with fuel debt.
- 4. Should cases of energy theft or wilful damage to meters be exempt from our proposals?
  - a. **These cases should be partially exempt: from set B point 'i' and 'iii' should remain, but point 'ii' should be exempt.** Point 'ii' should be removed in these cases because, if a consumer has bypassed or damaged their own meter in an attempt to avoid paying, then I believe that it is reasonable for a supplier to recoup the full costs of obtaining a warrant, as long as the supplier follows a code of acceptable behaviour. The reason that I do not believe that point 'i' should remain is that there are cases where a meter has been damaged or bypassed which are not the customer's fault due to their vulnerability. For example, I have a client who suffers with various mental health issues including psychosis. He is unable to manage his own affairs and cannot stand up to people. His home has no back door or closing windows, so he often has squatters and vagrants coming into his house to use drugs or sleep overnight. He came home one day and found his electricity PPM had been bypassed by a group of strangers who were having a party in his house. It is only after intervention by his support workers and myself that the issue is being resolved. In cases like this, the consumer should not be charged for warrant action.
- 5. For licensees: please explain how you identify vulnerable consumers and provide details of how any such policy or procedure is monitored and reviewed?
  - a. **N/A**

6. Do you have any views on our approach or better alternatives to the outcomes we have identified?

a. **I believe that this approach is good. However, a common problem that we encounter is high debt repayment rates being set on new PPMs by default.**

Suppliers will normally reduce a PPM repayment rate to the Fuel Direct rate (or close to it) if we demonstrate that our clients are on a low income and are struggling to pay. However, when a PPM is installed due to debt, suppliers will often automatically apply a repayment rate that will recover the debt over 12 months. This would cause a consumer with arrears of £1,000 to have to pay £19.23 per week towards the arrears on top of their usage. In our experience this causes our clients to self-disconnect because they either cannot afford the payments on top of the cost of their usage, or they feel that it is not worth it.

This causes more fuel poor homes to go without gas or electricity, but it also stops regular top-ups that allow suppliers to recover their arrears. I would suggest that when a PPM is installed, there should be an obligation on suppliers to determine the financial situation of the consumer so that an appropriate repayment rate is set. This would also provide an opportunity for suppliers to determine if there are any health needs that should be noted and if the consumer should be placed on to the Warm Home Discount or Priority Service Register.

If a PPM has been installed by warrant, it is likely that the client has not had any contact with the supplier, so there is no opportunity for the supplier to perform these checks. In this case, I would suggest that the default repayment rate when there has been no opportunity to obtain the consumers circumstances should be the Fuel Direct rate. This acts as a failsafe to ensure that the most vulnerable will be paying the lowest debt repayment rate and encourages suppliers to proactively determine the customer's ability to pay, which they are obligated to do anyway (SLC 27.8).

b. **Suppliers need to make more regular contact with prepayment customers.** As an adviser, I often have to assist clients who have arrears on their PPM. In roughly 10% of cases the customer will not know who their supplier is because they have never had contact with them. This is particularly common in accommodation with short tenancies. Currently, most suppliers send an annual review letter. I would like to see far more regular contact by text message or letter to ensure that tenants know their account numbers, the name of the suppliers and if they move into a new property, can quickly set up a new account in their name.

If you require any clarification or further information, please feel free to contact me directly.

Best regards



Andy Davis

Fuel Debt Supervisor

Speakeasy Advice Centre

02921660789 or 07896959422

andy.davis@speakeasyadvice.co.uk