Prepayment meters installed under warrant: final proposals from Ofgem

A response by Coventry Citizens Advice to final proposals from Ofgem regarding pre-payment meters installed under warrant.

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Introduction

Citizens Advice Coventry provides the local community with advice on a range of issues including Community Care, Debt, Discrimination, Employment, Housing, Immigration, Public Law and Welfare Benefits.

We see over 10,000 clients per year with over 24,000 issues.

The service aims to:

- Provide the advice people need for the problems they face
- Improve the policies and practices that affect people's lives

The Citizens Advice service is based on 4 principles. We are:

- Independent – we will always act in the interests of our clients, without influence from any outside bodies
- Impartial – we don't judge our clients or make assumptions about them. Our service is open to everyone, and we treat everyone equally
- Confidential – we don't pass on anything a client tells us – or even the fact that they've visited us – without their permission
- Free – no-one has to pay for any part of the service we provide

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Question 1: Do you agree with the outcomes intended as a result of our policy detailed in paragraph 2.4?

We agree with the analysis of the current situation described in paragraphs 2.1 – 2.3, but would like to make three points to reflect our experiences as front-line advisers.

Firstly, with regard to paragraph 2.1, we need to make it clear that, as well as the direct consequences of PPMs installed under warrant already noted, there are numerous further significant indirect consequences which re-inforce the argument to act. These include the worsening of existing health conditions, increases in family and relationship stress, detrimental impacts on the health and educational attainment of children involved, as well as detrimental knock-on debt and credit impacts.

Secondly, though seemingly minor points, the fact that the debt assignment protocol is only of value if the new supplier agrees is an important qualification (para 2.2), as is the understanding that consumers facing the prospect of 'higher energy costs' are actually facing this prospect on an on-going long term basis.

Thirdly, with regard to para 2.3, we would like to re-iterate a point we made in an earlier consultation response: namely that the installation of a PPM, even under warrant, can be a positive step for both supplier and client for some clients in certain circumstances. We felt that it is important not to be seen as 'against PPMs under any circumstances'.

With these points noted above, we agree with the intended outcomes described in paragraph 2.4 and consider their scope and articulation an important step forward for PPM users.

Question 2: Do you agree with the preferred option as detailed in paragraphs 2.8 – 2.10?

We believe that the preferred options detailed in paragraphs 2.8 – 2.10 represent a major step forward in the protection of vulnerable (PPM) customers, the promotion of proactive customer engagement from energy suppliers and the curbing of unnecessarily variable and damaging debt recovery costs.

We believe the further description, discussion and justification of these proposals between paragraphs 2.11 and 2.44 makes numerous points which we agree with.

Without intending to repeat and endorse each valuable point, we would like to emphasize and add to some of them:

- we agree that the most vulnerable customers suffer most from efforts to install PPMs under warrant (para 2.11);

- we agree with a sunset clause related to the expected completion of the national roll-out of smart meters, but also with the understanding that this deadline needs to be flexibly applied;

- we agree with the description of intended outcomes related to prohibitions on PPM installation on special circumstances; and

- we agree that the scope of charges covered by the prohibition does not include charges for pre-warrant debt collection activities.

Paragraphs 2.21-2.30 go on to outline the scope of vulnerability under the prohibition and paragraphs 2.31 -2.34 discuss challenges when identifying vulnerability:

- we agree that the identification of vulnerabilities is difficult as they can be both complex and fluid;

- we agree broadly with the stated separation of vulnerabilities into three broad types (vulnerable situations which impair engagement, financially vulnerable situations, and process-driven vulnerability) though we re-iterate points made elsewhere about the extensive knock-on consequences of vulnerability;

- finally, we strongly agree with the point made in paragraph 2.34 suggesting third parties, particularly independent third parties, can play a positive contribution to identifying consumer vulnerabilities.

On the last point, and in response to paragraph 2.32, we would be extremely happy to contribute, either directly or indirectly, to any workshop convened to discuss how customer vulnerability can be identified by energy suppliers.

Question 3: Do you have any views on any further unintended outcomes which can be realised in addition to the risks outlined in paragraphs 2.47 – 2.50?

We agree with the scope of the potential risks outlined in paragraphs 2.46 – 2.49, though we believe some of them will not emerge in reality.

While the “socialisation” of lost income across the wider consumer base may be inevitable (para 2.47), we believe that the concern that some suppliers – particularly identified as those who do not currently charge in any circumstances – will feel incentivised to start charging up to the cap is exaggerated. Our view is that the financial gains made by such suppliers by “hardening-up” such practices would be off-set by the

damage to customer confidence and customer loyalty. We believe the same argument applies for paragraph 2.49.

Question 4: Do you agree that the cap should be applied when the warrant process is not completed and that no further detail is necessary?

We understand the point that energy suppliers incur costs from the warrant process even where the warrant is not eventually executed. We also endorse the view that suppliers should be encouraged to use their discretion in applying charges up to the cap to encourage customer engagement. Nevertheless, we do agree that the cap should be applied in all cases with no exceptions and that no further detail is necessary.

Question 5: Do you agree with the proposal for a new debt proportionality principle (as detailed in paragraphs 2.59 – 2.66), in that this would not be limited to warrant activities and would require costs and actions relating to ALL debt recovery activities (including transfer objections) to be proportionate. Do you have any views on unintended consequences of this broad scope?

We agree with the intention to ensure charges and actions are proportionate in the debt recovery path; specifically, that costs being recovered should not be higher than the amount of the original debt.

We believe this principle mirrors a similar, and valuable, debt recovery principle applied by the FCA to the regulation of 'payday lenders'. Before the proportionality principle applied, there was widespread concern that a potentially limitless application of debt recovery costs had become built into the business models of these companies, discouraging them from constructive and proactive customer engagement. Our experiences, since such regulation in the 'payday lending' sector, is that lenders who have remained in the sector have developed a much healthier attitude to debt recovery.

While making the point above, we would also like to stress our endorsement of points made in paragraphs 2.63 and 2.64. Where cost caps are applied to prescribed activities, there is always the spur to offset the potential loss of income in the prescribed area by displacing it into another area (of debt recovery): hence the need to include all areas.

Question 6: Do you agree with our definition of "under warrant" to mean a warrant that would authorise the installation of a PPM? Do you have any views on unintended consequences of this narrow scope?

With regard to circumstances described in paragraph 2.66 – particularly built-in protections for vulnerable customers when warrants are obtained to deal with issues of emerging theft or meter tampering / damage - we agree with the stipulated narrow definition of 'under warrant'. Beyond potential confusion amongst relevant customers, front-line advisers and energy suppliers as to the consequences of the narrow definition, we do not envisage significant unintended consequences emerging from its use. A clear responsibility lies with energy suppliers and front-line advisers to apply the definition appropriately.