

Moritz Weber
Consumer Vulnerability Strategy Team
Ofgem
9 Millbank
London
SW1P 3GE

prepayment@ofgem.gov.uk



Christians Against Poverty
Jubilee Mill
North Street
Bradford
BD1 4EW

Tel: 01274 761985
externalaffairs@capuk.org

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Dear Moritz Weber,

Prepayment meters installed under warrant – statutory consultation

We are writing on behalf of Christians Against Poverty (CAP) to provide feedback on the revised proposals and draft licence conditions as part of the statutory consultation covering the installation of prepayment meters (PPM) under warrant.

As stated in our response to the September 2016 consultation, Ofgem's strong stance through these proposals is extremely welcome. We consider the treatment of prepay customers to be an issue of high priority and are encouraged by the attention paid to this group in recent years.

CAP supports the intended outcomes of the proposals contained in this consultation and agrees that they are important to ensure customers in vulnerable situations and severe financial hardship are protected when suppliers are pursuing a warrant to force fit a PPM. We recognise that these licence changes sit within a wider stream of work by Ofgem's vulnerability team and recognise the substantial improvements Ofgem's is working towards in a variety of policy areas to improve outcomes for customers in vulnerable situations.

Prohibition on installation where it would be severely traumatic

We particularly welcome the prohibition on force fitting of a PPM where the installation process would be 'severely traumatic'. We view this as a necessary provision to ensure those in the most vulnerable states are not distressed by the invasion of their property when they may not understand what is happening or the experience would act as a trigger point for reliving past trauma.

We also accept that the adjusted drafting to specify this prohibition relates to instances involving mental capacity and/or psychological state is suitable. Furthermore, we feel extended coverage to include instances where the customer has given consent for the supplier to enter the property to be essential, as those in poor psychological states can easily feel pressure to agree when in a state of fear or experiencing anxiety.

Prohibition on charging due to significant impaired ability to engage or severe financial hardship

CAP's home-visiting model means we come face-to-face with the hardship experienced by clients, of whom two fifths have a PPM.¹ On average our clients have 10 debts totalling £14,298. Fuel debt is part of this picture in two fifths of cases, and many more have resorted to borrowing to pay their energy bills.² As a result, we know the consequences of severe financial difficulty all too well. 40% of the people CAP helps have mental health problems, 67% have skipped meals due to debt and for 27% debt caused their relationship to fall apart. Debt is destructive and isolating.³ Dealing with the stress of financial hardship whilst trying to get by sees three quarters afraid to open their post, 64% afraid to answer the phone and even 38% considering suicide as a way out.⁴

This explains why, despite suppliers' efforts to engage customers before pursuing a warrant to install a PPM, many in severe financial hardship will still face this course of action. As a result, we strongly support Ofgem's proposals to prevent warrant-related costs exacerbating the financial circumstances of those in this situation, and agree that this extends beyond the present provisions in the *Ability to Pay* requirements.

Moreover, we recognise the valuable contributions of the wider work taking place in this space, helping suppliers identify customers in vulnerable situations. The difficulty of identifying vulnerability due to the variety of circumstances and common lack of self-identification is problematic, and this is compounded in some cases by an inability to communicate and achieve a productive outcome. For example, as a consequence of their mental health condition, one CAP became aggressive when they were under stress and did not understand what was happening. This meant that they were unable to explain their circumstances or ask for clarification, and continued to be subject to enforcement action that exacerbated their situation. In light of this, it is important that energy suppliers work closely and collaboratively with third parties to identify where a customer is in a vulnerable situation or has multi-complex needs.

Furthermore, how financial vulnerability is understood will be important for this protection to be effective for the target group. We would suggest that problem debt is a clear indicator of severe financial vulnerability, especially where the customer is seeking debt advice, in a debt management plan or has recently been declared formally insolvent. In addition, we would include those on low incomes who are not in problem debt, but have limited surplus income and savings to meet the £150 capped costs. For instance, despite 78% of CAP's clients who became debt free through a Debt Relief Order (DRO) feeling in control of their finances, only one in five had been able to build up savings up to five years later.⁵

Despite such proxies being helpful, in light of the difficulty engaging those in severe financial hardship, who are often experiencing other vulnerabilities, there needs to be the facility to waive or refund charges already levied. This would ensure that those who subsequently seek help from the supplier or a debt advice agency also receive relief from such charges having a detrimental impact on their finances.

¹ See CAP (2017) *The poor pay more: Winter 2016/17 progress report*, capuk.org/poorpaymoreupdate

² 40% of CAP clients feel behind with their electricity and/or gas bills. 91% have borrowed to pay a household bill or another debt. See CAP (2017) *Client Report: Partnership; the key to transforming lives*, capuk.org/clientreportpdf

³ *ibid*

⁴ *ibid*

⁵ See CAP (2016) *The freedom report*, capuk.org/freedomreport17

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Further to the proposed prohibitions, we welcome the capping of warrant-related costs at £150. We agree that this is important to produce more suitable incentives for suppliers to pursue a warrant as a last resort, and ensure customers in vulnerable situations who fall through the protections created by the prohibitions are not charged disproportionate costs.

In relation to the sunset clause, we remain concerned about the apparent lack of safeguards in place for customers with a smart meter, where a warrant will no longer be required to forcibly switch the meter to prepay mode. It is not only the process and cost of a prepay meter being installed that are of concern, but also the arm's-length nature of the payment method. More clarity is needed around the process of forcibly switching customers to prepay on smart meters and how safeguards will be built into this process to ensure vulnerability is identified. Despite smart meters promising to remove the tariff penalty of paying by prepay, and more convenient top-up options, we remain concerned that the widespread self-disconnection amongst vulnerable prepay customers has not yet been addressed. Not to mention the lack of plans made to address this with the new technological opportunities smart meters bring.

Proportionality principle

CAP also supports the proposed introduction of a proportionality principle covering suppliers' actions when recovering debt. In line with Ofgem's position, we agree that the drafting needs to make clear that this needs to be proportional to the amount of debt and include all relevant costs. We acknowledge that suppliers may struggle to engage former customers if transfer objections are included in this provision. However, in light of the need to switch to secure a good energy tariff and the significant impact reducing expenditure can have when in financial hardship, CAP believes that customers should still be able to switch energy suppliers when in arrears.

Finally, we want to take this opportunity to recognise Ofgem's commitment to improving customer outcomes for those on PPMs and their willingness to work with consumer stakeholders to this end. We look forward to seeing the positive outcomes these final proposals bring to the most vulnerable consumers and working together to address a broad range of policy issues in future.

Yours sincerely,



Dawn Stobart
Director of External Affairs



Rachel Gregory
External Affairs Analyst