

Money Advice Trust verbal backbilling consultation response: 15/12/17

Attendees: Matt Vaughan Wilson (Money Advice Trust). Dennis Berg, Gharib Murbe (OFGEM)

Introduction:

The Money Advice Trust is a charity founded in 1991 to help people across the UK tackle their debts and manage their money with confidence. The Trust's main activities are giving advice, supporting advisers and improving the UK's money and debt environment.

In 2016, our National Debtline and Business Debtline advisers provided help to 158,980 people by phone and 37,790 through our web chat services. In addition, we received 1,236,760 visits to our websites. Wiseradviser provided 8,600 training places to 860 free-to-client organisations across the UK. We delivered training and consultancy to more than 2,300 staff in 53 organisations in 2016.

Our Innovation Grants funded four advice projects to support hard-to-reach people and improve the quality and range of money and debt advice across the UK. We use the intelligence and insight gained from these activities to improve the UK's money and debt environment by contributing to policy developments and public debate around these issues.

Consultation Response:

1: Do you agree with our assessment of consumer harm? Both for domestic and microbusiness consumers?

Yes. Money Advice Trust (the Trust) agrees with the assessment for both domestic and microbusiness customers. We anticipate that suppliers may be more resistant to these proposals applying to microbusiness consumers, but our view is that they apply to both sets of consumers.

The Trust has particular insights into issues affecting microbusinesses from our role running Business Debtline and most of the comments we are making are about this group. Microbusinesses often have multiple debts and the receipt of an unexpected bill could have severe consequences due to low financial resilience. The proposals will encourage suppliers to take regular and accurate meter readings thus eliminating the need for estimated bills, as well as allowing smaller business to anticipate energy expenses and manage their usage.

Additionally, shock bills have an adverse effect and erodes trust and confidence in suppliers as well as the energy market in general, which results in reluctance to engage with the market. Should backbills be limited to 12 months, it will significantly help consumers understand the causes of cases of sudden high bills that still occur. This applies to both domestic and microbusiness consumers.

Another point in favour of the proposals to apply to both set of customers is that anyone can find themselves in a vulnerable situation due to changes in their life position or other factors. For instance, financial vulnerability is high in microbusiness. In research carried out with small business owners who had used Business Debtline, 1 in 3 drew less than £100 income from their business each month, 82% were affected by stress, anxiety or depression, 91% had no savings, while 80% had no pensions¹

The lack of sophistication and business skills make microbusiness vulnerable to unexpected bills. There are instances of where businesses move into properties and were on high deemed contracts

¹ [The cost of doing business, Money Advice Trust, 2015](#)

without realising this, which caused problems down the road with suppliers. The proposed changes will offer protections around such issues.

The voluntary protections by ICOS and Energy UK require small businesses to be more proactive than many are in practice. The Trust commissioned research on the experiences of small businesses with energy debt, which was carried out by the Personal Finance Research Centre at the University of Bristol and will be published early in 2018. Based on this research, a majority of microbusinesses would not be eligible under these protections. It is reasonable to expect regular meter reads, but the reality is that smaller businesses are less engaged and responsibility should be with suppliers to take regular readings. The forthcoming research noted above revealed evidence of poor customer service and poor communication with small businesses which affects their levels of engagement. Thus the proposed changes would go a long way to protect consumers as well as improve customer service.

Any proposed changes should not undermine protections for consumers in debt and best practises in debt collection. For instance, suppliers becoming more aggressive in debt collection so as to recoup any debt before the 12-month limit.

Case study: A disabled pensioner who had difficulty reading her meter due to its location. She has been paying £50 a month for a long time and even though she was on the PSR, no one had done to read her meter. The lady received a £3,000 bill out of the blue which covered a number of years. Additionally, she had difficulty communicating with her supplier and was referred to Age UK.

2: Do you agree with the way we are proposing to implement a backbilling limit and the other effects of our proposed licence modification?

Yes, strongly agree. Prescription in this area will encourage consumer engagement and empower consumers as they will be aware of their rights and duties of their suppliers. Customers require assurance when they want to pursue complaints on their own. Prescriptive conditions provide the clarity consumers need. We agree with the points raised by the Association of Convenience Stores and the Ombudsman.

3: Do you agree with our assessment of the costs to suppliers?

Have no view as we are not well placed to comment on supplier's costs. However, in microbusinesses, backbills contribute to small business going out of business thus suppliers lose out. If billing is done in a timely manner, consumers would be able to budget more accurately and suppliers would be able to receive payments, giving a potential business benefit to suppliers.

4: Do you agree with the proposed implementation period?

Yes agree.