



Making a positive difference
for energy consumers

Claims Management Regulation
Consultation
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To whom it may concern,

Ofgem's response to claims management regulation consultation

Thank you for the opportunity to respond to your consultation on the remit of the claims management regulator.

We are responding to this consultation following an increase in correspondence with cavity wall insulation claims management companies, who we understand are not regulated under the current regime¹. The interactions that we have had with these organisations is predominantly under the Energy Company Obligation (ECO) scheme which we administer. However, as the energy regulator we are committed to protecting consumers and therefore welcome any opportunities to increase consumer protection.

For context, ECO is an obligation placed on larger energy suppliers to deliver energy efficiency measures to domestic properties. The largest obligation under the current ECO scheme requires suppliers to deliver measures to individuals who are in fuel poverty and therefore vulnerable households. One measure that is delivered under the scheme is cavity wall insulation. Over the past seven months we have received a significantly increased amount of subject access requests (SARs) from claims management companies on behalf of their clients. They are seeking information that we may hold on cavity wall insulation that has been installed and claimed under ECO or previous iterations of the scheme. We understand that they are looking to pursue a claim against failed or wrongly installed insulation.

Below we have provided an answer to two of the relevant questions from the consultation.

Question 4: *Are there any other sectors that should be added to the scope of regulated claims management activity?*

Yes, we propose that you include the sector that pursues claims concerning the installation of wall insulation; the current definition of "housing disrepair" does not catch these claims.

Many households that benefit from insulation installed under the ECO scheme are living in fuel poverty and are considered vulnerable. In addition, the Department of Business, Energy and Industrial Strategy (BEIS) have consulted recently (closed 29 April 2018) on

¹ Unless they are making a claim based on an impact to the consumers health or based on a dispute between the tenant and landlord. As we understand neither of these are likely to be the basis of a claim.

moving the ECO scheme to a predominantly fuel poverty obligation targeting vulnerable consumers.

Over the past eight months we have received over 2,250 requests for information from firms handling these claims. This compares with only 80 in the same period for the previous year.

There has been a steady increase in these requests, and we are conscious that over 6.2 million homes have been treated with cavity wall insulation under Government energy efficiency schemes. We therefore believe that this is an emerging area for claims management companies and it is in the best interests of the consumer for this area to be regulated.

Additionally, we have had sight of marketing material relating to compensation for failed cavity wall insulation from one claims firm stating they are regulated by the current regulator. Whilst we appreciate they may be regulated in respect of other claims handling activities, it does not make it clear that they are not regulated for the subject of their marketing. We are concerned that a vulnerable customer could incorrectly believe that the cavity wall claim falls under the current regulatory regime.

While there may be merit in a consumer pursuing a claim, we encourage consumers to contact the installer and seek remediation in the first instance. In order to inform consumers, we published updated FAQs on cavity wall insulation for consumers earlier this year (available [here](#)) in response to the large number of requests for information from claims firms. In some cases, it's highly likely the issue could be resolved directly between the consumer and the installer without recourse to a claim which could take a long period of time and rely on costs being borne by the consumer in the event of an unsuccessful claim.

In both the interests of enhanced consumer protection and the better regulation agenda we strongly recommend that wall insulation claims come under the umbrella of regulation to be provided in future by the Financial Conduct Authority (FCA). We request that the draft regulations are suitably amended to achieve that for consumers.

Question 10: *Do you agree that the SI achieves the aim of regulating all CMCs providing regulated claims management activities in Great Britain?*

No, we believe that the SI should clearly outline that claims management companies engaged in wall insulation claims are regulated by the new claims management regulator. The reasons outlined in our response to question 4 apply here.

Finally, we would welcome any opportunity to discuss further with you our response or the wider concerns we have in the current cavity wall claims market, if this is something that you would like to take forward please use the contact details stated at the top of this letter.

Yours faithfully,



Andrew Abraham
Head of Operations
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