

The logo for Which?, featuring the word "Which?" in white text on a red square background.

Which?, 2 Marylebone Road, London, NW1 4DF

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Response by: Which?

Consultation response: Switching compensation (Ofgem)

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About Which?

Which? is the largest consumer organisation in the UK with more than 1 million members and supporters. We operate as an independent, a-political, social enterprise working for all consumers and funded solely by our commercial ventures. We receive no government money, public donations, or other fundraising income. Which?'s mission is to make individuals as powerful as the organisations they have to deal with in their daily lives, by empowering them to make informed decisions and by campaigning to make people's lives fairer, simpler and safer.

Summary

Which? welcomes the opportunity to respond to Ofgem's consultation on introducing switching compensation. We publicly supported the launch of this consultation last month¹, in line with our call to introduce compensation for problems encountered with switching in the energy sector in our report two years ago².

We agree that a reliable, quick and efficient switching process is fundamental to a well-functioning competitive market that provides good outcomes for consumers. However, problems with switching are well-established in the energy sector, as Ofgem has already outlined in its consultation document (including using evidence from our own energy supplier satisfaction survey). In addition, we have received almost 500 complaints about energy companies from our members in the past year, with switching problems a recurring theme; as previously, we would be happy to provide further detail about those to you (on an anonymised basis).

With the default tariff cap due to be introduced later this year, it is vitally important that incentives for competition among suppliers are maintained. As we noted in our response to the price cap consultation on 25 June 2018³, Ofgem's ultimate goal must be for a market that is more competitive, so that the price cap becomes redundant.

¹ <https://www.which.co.uk/news/2018/06/should-you-be-paid-compensation-if-your-energy-switch-goes-wrong/>

² <https://www.which.co.uk/policy/consumers/928/compensation-for-consumers-when-things-go-wrong>

³ https://about-which.s3.amazonaws.com/policy/media/documents/5b3388561d9bd-Ofgem_price%20cap_WHICH.pdf

Which? is a consumer champion

We work to make things better for consumers. Our advice helps them make informed decisions. **Our campaigns make people's lives fairer, simpler and safer.** Our services and products put consumers' needs first to bring them better value.

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It is our long-standing position that adequate and accessible compensation is a vital part of redress for consumers when things go wrong. However, we are keen to minimise the barriers that consumers might face in claiming the compensation they are entitled to, so we strongly support Ofgem's proposals to introduce automatic compensation for switching problems. In the absence of industry-led proposals to deal with consumer compensation in relation to switching problems (via the Erroneous Transfer Working Group), we agree with Ofgem that this must now be implemented directly by the regulator.

In particular, we welcome the initiative to introduce these measures within two months of the regulations being made, and plans to reduce the time for eligibility from 21 days to 5 days, in line with Ofgem's faster switching reforms when they are introduced into the supply licence. However, we would welcome further action from Ofgem to provide clarity about the "valid reasons" for delays under which no compensation would be paid – these must be made clear to consumers and suppliers alike.

We also support the principle of shared responsibility for payments between 'losing' and 'gaining' suppliers, as we agree that the difficulty of attributing responsibility for problems with switches should not stand in the way of improving outcomes for consumers, nor compensating them when poor outcomes do occur. While we appreciate this may seem unfair to some suppliers, we feel this could be remedied through Ofgem taking suitable enforcement action against firms that persistently underperform. Ultimately, it is important that all suppliers are incentivised to avoid poor consumer outcomes in switching and improve their performance to make switching more reliable.

We note that Ofgem do not plan to make any changes for notifying consumers about these changes, with requirements being covered by existing regulations governing the current Guaranteed Standards. However, we would support changes to requirements for customer communication within the supply licence to include information about possible compensation being sent to consumers who are considering switching.

We understand that non-domestic customers are currently out of scope for these new Guaranteed Standards, but we would support their extension to include micro-businesses, given the overlap between the issues they face and those faced by domestic consumers.

Finally, we consider that Ofgem can still go further in their consideration of problems that may be eligible for automatic compensation, by including delays in, or failure to keep consumers informed about, complaints handling and more general billing problems (i.e. beyond those associated with switching). We would welcome further discussions with Ofgem on how to progress their automatic compensation regime to include these service problems at a later date.

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