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Meghna Tewari,  
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Dear Meghna,

### **Draft Consumer Vulnerability Strategy 2025 Consultation**

I write in response to your request for views on your draft Consumer Vulnerability Strategy 2025 Consultation. We would like to thank you for the opportunity to comment on this important piece of work that is looking to ensure and deliver fairer outcomes for consumers in vulnerable circumstances.

### **About Ombudsman Services:**

Ombudsman Services is a not-for-profit private limited company established in 2002 which runs a range of discrete national ombudsman schemes across different sectors including energy and communications. Each scheme is funded by the companies under our jurisdiction and our service is free to consumers. In 2017 we received 172,865 initial contacts from complainants and resolved 92,110 complaints. For energy we received 88,500 initial contacts and resolved 48,500 complaints.

We are:

- to our consumers, the people they can turn to for impartial advice and solutions that's fair;
- to our partners, the people they look to for knowledgeable and insightful ways to help them reduce complaints by enabling them to make the changes they need to deliver better customer services;
- to our regulators, champions in protecting rights as well as partners in information sharing, we share our analysis so that regulators and business partners can make improvements; and
- to our people, here to enable them to deliver clarity to consumers and partners through meaningful work.



## **General comments:**

As you know, we updated Ofgem in March this year around our business and digitalisation transformation projects and how they are enabling us to develop the way we support consumers in vulnerable circumstances and provide better advice and help to energy providers on working with consumers in vulnerable circumstances. Also, our energy workplan for the coming year has a clear focus on vulnerability and fuel poverty. We think that we are closely aligned to how Ofgem wants to develop its vulnerable consumer strategy.

As the consultation document highlights there are a number of organisations looking at how regulators in different sectors protect consumers, work together, and how effectively they measure the impact they have on consumers. We fully support regulators working with other regulators in different sectors to share data and insight to help improve things for consumers and particularly for consumers in vulnerable circumstances. We also think that regulators should work with other stakeholders such as ombudsman schemes, consumer advocacy and advice bodies, government departments and policy makers. This happens already in the energy sector via the Tripartite working between Ofgem, Citizens Advice (including the Extra Help Unit) and the Energy Ombudsman.

We have attached Annex A with examples of the data and insight that we can provide around consumers in vulnerable circumstances. This data includes over 1 in 10 energy consumers self-identifying as vulnerable but through text analytics which focused on key words associated with vulnerability, we see this figure being as high 22%. The most common areas relate to financial hardship and mental health. Since using a new Case Management System (CMS), almost 20% of consumers now make us aware of a specific requirement or circumstance through the 'free text' box in comparison to around 4% checking the tick box in our former CMS.

## **Answers to specific questions:**

### **1. Do you agree with the five priority themes and outcomes we will aim for (as set out in chapter 3 – 7 and annex 2)?**

Yes. The five priority themes outlined in the document look right and reflect our own priorities in developing our work on vulnerability. For example:

#### **a. Improving identification of vulnerability and smart use of data**

We have been working on improving our own identification of consumers in vulnerable circumstances and understand how much needs to be done to optimize identification across sectors to meet consumer needs. We have used data analytics to estimate volumes of cases accepted from consumers in vulnerable circumstances and we continue to develop our new case management system to capture data around vulnerability. We continue to work on best practice guides and staff training to try and ensure that consumers feel informed and empowered to self-disclose if they are in a vulnerable circumstance and equally to empower employees to identify those in vulnerable circumstances. We fully support the better use of data for more targeted support of vulnerable consumers. Sharing data and information across sectors may help to spot triggers which could prevent consumers being placed in (even more) vulnerable circumstances. For examples, being able to raise the impact of the Supplier of Last resort process on consumers in vulnerable circumstances and using text analytics to identify and share shortfalls in customer service.

#### **b. Supporting those struggling with their bills**

This is an important priority and feeds into the wider work around affordability and fuel poverty. Price protections, debt management rules and ensuring the promotion of and compliance with schemes such as the Warm Home Discount and Energy Company Obligation are key.

As part of our energy workplan we propose to work with energy providers, and particularly with new entrants to the market, to raise awareness and assist providers in having in place robust policies for serving consumers in vulnerable circumstances. We will also work to improve and keep updated our own signposting structures and processes to help get consumers in vulnerable circumstances the help they need as quickly as possible.

c. Driving significant improvements in customer service for vulnerable groups

As you say, a positive customer service experience is crucial to building trust and engagement and we agree that there are multiple touchpoints for consumers where poor service can lead to detriment. We also think that those same touchpoints (switching, billing, meter reading, complaining when things go wrong etc.) are also an opportunity for providers to showcase how they look after and protect their consumers and if this is done well, it can help to raise standards and improve the reputation of the energy sector overall.

The Institute of Customer Service has just published its UK Customer Satisfaction Index this month which reports that utilities (energy and water) have seen the biggest decline since July 2018 and key areas of focus identified in the report included recommendations that companies develop service transparency and a service culture. The Department for Business, Energy and Industrial Strategy (BEIS) recently published its latest Public Attitude Tracker which shows that consumer trust in energy providers does have some way to go.

We agree that consumers need more support to engage fully in the market and to have a greater awareness of the support functions available to them. Equally, we think it is important for new entrants to the energy market to receive support and guidance on how to support consumers in vulnerable circumstances, with companies encouraged to share best practice to raise standards across the sector.

d. Encouraging positive and inclusive innovation

We advocate that wherever possible innovations in the energy sector or in relation to customer experience should seek to include and benefit those consumers in vulnerable circumstances. New products and services should always be designed with a wide range of consumers in mind and be tested accordingly.

We know that Ofgem has encouraged energy providers to be innovative and has given space to facilities like the Innovation Link and Regulatory Sandbox. We have been keen to support this work and to provide data and insight from any complaints that we receive around innovation trials to help detect unintended consequences and improve design.

However, as the consultation paper highlights there are more and more third-party intermediaries involved with the provision of services to consumers. Many of these parties will not be regulated by Ofgem or any other body. It then becomes even more important for the wider regulatory landscape to work together to ensure that consumer detriment does not increase. We think this is where strategic redress can provide real benefits to the wider sector. For example, via the Tripartite working that Ofgem, Citizens Advice, including the Extra Help Unit and Ombudsman Services operate.

e. Working with partners to tackle issues that cut across multiple sectors

As an ombudsman working across sectors, we see great opportunity for collaborative working and sharing of best practice to tackle consumer issues. For example, we have seen great value in facilitating vulnerability workshops with energy and communication providers to discuss some of the challenges and complexities of defining and identifying vulnerability and we believe more cross-sector conversation and shared approaches will benefit consumers.

**2. Do you agree with our approach on affordability? While we recognise this is a concern for many consumers in vulnerable situations, we think addressing wider affordability pressures is mainly a matter for government to address.**

We agree that the government should be involved and can do much to address affordability pressures experienced by many consumers. Affordability brings into play a range of factors for many consumers such as the cost of living more generally, welfare system reforms, the lack of wage rate growth and political uncertainty. As an essential service, we believe that energy should be affordable. Consumers should be able to heat their homes and not be placed in vulnerable circumstances or have vulnerable circumstances exacerbated by overwhelming energy costs. Likewise, we would not expect consumers in vulnerable circumstances to be penalised further for certain payment methods such as pre-payment meters or not having the same access to affordable energy.

However, we think that all stakeholders, such as government, regulators, consumer advocacy and advice organisations, ombudsman and alternative dispute resolution services, policy makers and others should have a role to play in looking at affordability and working together to share data and insights to ensure the best possible outcomes for consumers and support consumers in vulnerable circumstances. We think there is more that can be done to ensure that consumers' situations are taken into account and they are proactively supported. For example, we have worked with energy providers to change their approach around debt and vulnerability to offer appropriate solutions to individual consumers regarding payment methods. We also provided valuable insight into the development of the back-billing policy for domestic consumers in the energy sector and continue to develop and update our signposting to consumers to appropriate services that may provide additional support such as debt management and financial support.

**3. What more could be done through energy regulation to assist consumers in vulnerable situations in the longer term? How should any such further measures be funded?**

Recent publications from the National Audit Office (NAO) and the Public Accounts Committee (PAC) have called for regulators to demonstrate they are delivering positive outcomes for consumers. The NAO report highlighted that while regulators have a good understanding of key consumer issues, there are common challenges across sectors and regulators can be more specific in defining and measuring consumer outcomes. The PAC has shared the view that consumers are facing the same challenges across sectors and has called for greater consistency between regulators to ensure better services and prevent consumers being exploited. The PAC has recommended that regulators provide information on what joint projects they will be undertaking and what metrics will be used to measure the impact on consumers' lives.

Also, earlier this year the Competition and Markets Authority (CMA) put forward proposals to the government on reform of the competition and consumer protection regulation of markets. The CMA concluded that more can be done to put consumers at the heart of markets and ensure that consumer protection takes priority to reduce consumer detriment.

We think that joint working initiatives, as highlighted above are not just for regulators to tackle but for all stakeholders within a sector or cross sectors to support. We all have a responsibility to secure better outcomes for consumers, especially those in vulnerable circumstances. In particular, cross-sector collaboration, partnerships and communication will help to ensure that consumers in vulnerable circumstances are identified and appropriately supported and that they experience consistency across essential services.

We noted that The Commission for Customers in Vulnerable Circumstances made a number of recommendations, several of which were aimed at Ofgem, the government and other stakeholders in the sector. Again, we think that all stakeholders from across the energy sector need to work together to and share data and insight to help improve consistency and approach to providing a better service to consumers in vulnerable circumstances.

Again, this was an area that the PAC highlighted in its recent report on consumer protection with a number of recommendations including regulators identifying what legislative changes may be required to enable better data sharing and what measures regulators can use to fully measure the impact of their policies on consumers. Two immediate ways this could be achieved in the energy sector is by:

- amending section 105 (3) (a) of the Utilities Act 2000 to include the Energy Ombudsman as an exception to the general rule excluding Ofgem from sharing data and information; and
- enhancing stakeholder sharing of data across the energy sector to assist Ofgem to assess more fully the impact of their policies and regulation on consumers generally, but in particular, on consumers in vulnerable circumstances.

We think these changes could be achieved with only minor costs but would deliver considerable benefits to all consumers.

#### **4. Do you agree with our proposals for the first year of the strategy?**

We support the proposals outlined for the first year of the strategy, though inevitably, we think everything mentioned in the strategy and the points we have made in this response are all required to deliver better outcomes for consumers in vulnerable circumstances.

As highlighted in the consultation there are other reports recently published that are looking for regulators to do things differently and in a more joined up way to improve things for all consumers, especially consumers in vulnerable circumstances. Indeed, since the publication of this consultation other reports have been published, as mentioned in this response – the Vulnerability Commission Report and the PAC report. There is also the on-going work of the National Infrastructure Commission looking at regulation in the utilities sector. A number of the recommendations are seeking action within a relatively short timescale. It will be important to be cognisant of these factors when rolling out the vulnerability strategy. That said, we think that what is proposed in the consultation is a sensible starting point - the work to strengthen protections for consumers in vulnerable situations who self-disconnect from pre-payment meters and the work to create a framework to assess the impact of policies on particular groups of consumers in vulnerable circumstances.

Please do not hesitate to contact us if you would like further information regarding our response. We welcome the opportunity to work closely with Ofgem and other industry stakeholders on the activities and recommendations that come from this review and important piece of work for improving consumer experience for those in vulnerable circumstances.

Yours sincerely,



Matthew Vickers  
Chief Executive and Chief Ombudsman

#### **For more information regarding this consultation please contact:**

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