



Experian's response to

"Self-disconnection and self-rationing final proposals"

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1 Introduction

Experian is pleased to offer comments in response to Ofgem's Self-disconnection and self-rationing final proposals, statutory consultation.

1.1 Background on Experian

Experian is a global leader in credit reference and data analytics services. We provide these services direct to consumers and to businesses across several sectors including financial services, retail and catalogue, telecommunications, utilities, media, insurance, automotive, leisure, e-commerce, manufacturing, property and government. We also operate in the price comparison website market.

For consumers, Experian delivers critical information that enables them to make financial and purchasing decisions with greater control and confidence.

Experian is the largest credit reference agency ('CRA') out of the three consumer credit reference agencies operating in the UK, supplying about 70% of the shared personal data used for credit underwriting by the UK financial sector. This amounts to over 160m credit enquiries each year. Experian also provides data for a variety of other purposes such as credit account management, identification checks for the prevention of money laundering as required under the Prevention of Money Laundering Regulations. Under Regulation 114 of the Representation of the People (England & Wales) Regulations 2001, the CRAs are the only non-public organisations entitled by law to hold the full Register.

Experian helps people, businesses and organisations to:

- **Lend and borrow responsibly:** by gathering information on past and present credit commitments, such as loans, mortgages and credit cards, Experian helps lenders to understand whether people and businesses can manage their debt repayments affordably, so they can borrow and lend responsibly.
- **Treat people and businesses fairly:** because Experian helps organisations make decisions based on facts, they can treat people and businesses fairly and consistently, which in turn helps people to access credit.
- **Access vital information more easily:** easily available and understandable information allows people and businesses to prove their financial track record to organisations, so they can get the best deals.
- **Make better, more efficient decisions to create better business outcomes:** by gathering and analysing information supplied by people and businesses, organisations can make quicker decisions, now taking seconds and minutes instead of days. Organisations need to make fewer manual checks which means less administration and fewer bad debts. This means the cost of extending credit is lower.

2. Consultation Response

Section 2: Identifying Self Disconnection and Self Rationing.

Experian Response to Section 2:

Ofgem's proposals to improve outcomes for consumers experiencing self-disconnection and self-rationing centre on suppliers monitoring energy usage and vends to identify which customers are self-disconnecting or self-rationing and then engaging with customers to understand why. Once determined this combined information is then used to ensure suppliers provide appropriate support which could involve the removal of the prepayment meter, if it is not considered safe and practicable, for example, or reviewing debt repayment rates in line with ability to pay obligations.

Experian are concerned that Ofgem's overall approach is reliant on data available within the industry to identify financial difficulties (e.g. non vend for self-disconnection and / or reduced energy usage for self-rationing) and on customer engagement to understand 'why' the consumer has disconnected or are self-rationing. Given the raft of data available through Credit Reference Agencies (CRAs) Ofgem's approach misses the opportunity for suppliers to support more customers by intelligently using readily available data to support both the identification customers who are struggling to pay for their energy and, once this is identified, to understand 'why' consumers are behaving in this way.

We have outlined a number of 'pen portraits', which we hope will highlight how CRA data could be used to identify customers at risk of self-disconnection \ self-rationing and when a reduction in energy is identified or self-disconnection occurs to use available data in a holistic way to identify customers who are struggling with debt to ensure they get appropriate support.



Meet Paramjit, living in rented property with his family. His energy usage has reduced slightly but he prioritises payment of utilities bills for fear of being disconnected.

Paramjit has 2 credit cards and a personal loan, is missing payments but has also just been accepted for high cost short term credit. He will use funds to pay his utilities bills.



Meet Claire, landlord of a property undergoing building work. The property has a PPM for electricity. There are periods of non vends.

Claire's credit score is excellent, all loans and credit cards are repaid on time.

Under Ofgem's proposals:

Paramjit's situation would go unnoticed.

Alex and Claire would receive the same 'support'.

CRA data could be used to tailor support in each case without relying on customer engagement.

Meet Alex, tenant, 3 part time jobs, son aged 7. He regularly non vends & overall is reducing his electricity usage to make ends meet.

Alex's credit score has deteriorated rapidly over the last 3 months. He has credit cards and loans and is missing payments on all.



The FCA signpost suppliers in their handbook to the use of CRAs for the purposes of credit assessments. A survey by Which¹ demonstrates the extent to which CRAs are used to inform traditional credit assessment decisions, with 99% of lenders using at least 1 CRA and 60% using 2 (for assessment of loans, mortgages, current accounts and credit cards). In our experience and based on publicly available information, almost all telecommunication providers share and use CRA data and 2/3rds share data with more than one bureau. Ofwat² also signpost suppliers to the use of CRAs to enhance understanding of consumers financial difficulties.

Ofgem do not appear to signpost suppliers to the use of CRAs to support assessments for credit or for good credit management practises that would be applicable when trying to improve outcomes for customers who are self-disconnecting or self-rationing. Given the rising number of energy customers dealing with debt³ we are concerned that this may be to the detriment of consumers. As Ofgem do not appear to signpost suppliers to CRAs, the adoption of data sharing by Energy suppliers with CRAs is low.

As a result of the lack of data sharing by energy suppliers to CRAs consumers' credit commitment levels to Energy (and between Energy suppliers) is not clear to any organisation making an assessment about the consumers' finances. This impacts all industries and all consumer credit assessments to the detriment of both consumers and 'lenders'; Energy suppliers are working in isolation and are unable to proactively or reactively understand a consumers overall changing ability to manage their finances. Similarly, a bank or high cost short term credit provider is oblivious to a consumer's changing circumstances where they may be demonstrating signs of clear vulnerability through self-disconnecting or rationing their energy which should be taken into account in order to provide appropriate support. Data sharing with one or more CRAs increases the availability of data within Energy and across industries using established, proven processes to provide a holistic understanding of a consumer's financial commitments. In turn, this would move the industry from a view that primarily uses information gathered internally (from one supplier) to one where the holistic view of a customer's credit commitments can be used to proactively identify signs of financial stress before arrears accumulate or deteriorate further (or self-disconnection and / or rationing occur).

We notice that recent research by Citizens Advice highlights how most consumers are not aware of the extra support that is available from energy suppliers⁴. The research also highlights the discrepancy between perceived help from Energy suppliers and banks; '11% of respondents said their gas or electricity supplier had offered to help or support them 35% recalled their bank offering help or support with their mortgage, credit card or current account'. Could the prevalence of use of CRAs by banks and credit providers to identify and understand customers who are struggling to pay to provider support be a key driver behind this discrepancy?

In Ofgem's vulnerability Strategy 2025 you indicated that you wanted to see better use of data across regulated sectors to enable more holistic and targeted support for consumers in vulnerable situations.

¹ <https://www.which.co.uk/news/2018/10/credit-scoring-are-you-in-the-dark/>

² <https://www.ofwat.gov.uk/wp-content/uploads/2017/06/Unlocking-the-value-in-customer-data-5.pdf>

³ <https://www.ofgem.gov.uk/publications-and-updates/vulnerable-consumers-get-more-help-suppliers-not-doing-enough-help-manage-debt>

⁴ https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/The%20end%20of%20the%20beginning_%20co-vid%20retail%20energy%20next%20steps.pdf

This consultation and corresponding changes provide an ideal opportunity to embed better data sharing principles within the industry to improve outcomes for consumers in the situations identified.

In summary, Experian would like Ofgem to encourage the use of CRAs for the following reasons;

- CRA data can be used to improve the identification of energy customers who may be struggling with debt and are, for example, in the early stages of self-rationing.
- CRA data can be used to understand why customers are self-disconnecting or self-rationing if, for example, they are also exhibiting signs of payment stress. This should improve outcomes for more consumers who are self-disconnecting / self-rationing as it will enable suppliers to effectively target appropriate support.
- The energy industry is significantly behind other industries in the sharing and use of CRA data which is detrimental to both consumers (who may become unnecessarily overindebted and are unlikely to receive early support) and organisations assessing credit (as they do not have a holistic view of the consumers circumstances and may lend inappropriately).
- The rising numbers of energy customers managing energy debt without repayment plans is increasingly concerning and the inclusion of this data when assessing consumers for wider credit facilities is essential.
- There is evidence from the CA that consumers perceive greater support from their banks when struggling with finances than from their Energy supplier. It is possible this could be due to the greater levels of data incl. CRA data that is used intelligently by banks etc. to target support.
- Ofgem have stated in the Vulnerability Strategy 2025 that your desire is to ensure that the industry makes more intelligent use of available data to support vulnerable customers. The sharing of data with CRAs provides an ideal opportunity to progress with this goal.

Experian recommendation: In light of the reasons outlined above Experian would like Ofgem to signpost Suppliers through additional guidance notes to the use of CRAs as an example of good practise in support of improving the outcomes of consumers who are self-disconnecting or self-rationing.

Section 2: Credit Functions to Reduce Temporary Self -Disconnection and Self Rationing: emergency and friendly-hours credit & Section 3: Credit Functions to Reduce Temporary Self - Disconnection and Self Rationing: additional support credit:

Experian Response to Section 2 & Section 3:

Experian do not wish to respond to specific wording changes on supplier obligations in relation to temporary support for self-disconnection and rationing consumers. Moreover we would like to reiterate that the use and sharing of data with CRAs by energy suppliers forms a crucial part of any assessment regarding a customers' financial difficulties and Experian would like to see Ofgem specifically signpost suppliers to the use of CRAs to help identify consumers payment difficulties. This would ensure that suppliers have all available information regarding consumers credit commitments and could provide appropriate support or make an assessment regarding additional temporary credit without necessarily engaging with the consumer (if they are reluctant to do so).

Experian recommendation: Experian would like Ofgem to signpost Suppliers through additional guidance notes to the use of CRAs as an example of good practise in support of credit assessment for temporary support for self-disconnecting or self-rationing customers.

Section 5: Ability to Pay Principles to reduce ongoing Self-Disconnection and Self Rationing.

Experian Response to Section 5:

It is our understanding that Ofgem intend to incorporate the revised Ability to Pay principles (as defined in the consultation) into the supplier license conditions.

Experian support this change.

Similar to the comments made above, in order to ensure that assessments for consumer credit contain a true and holistic picture of a consumer's financial position it is essential that Ofgem encourage greater use of CRAs by Energy Suppliers. Without this, an assessment for high cost short term credit by a payday loan company will not include, for example, vital information showing that a consumer is already heavily indebted to several energy suppliers and has self-disconnected and further lending may not be appropriate. Equally energy suppliers will not, unless the customer volunteers the information, have access to data to show the extent of a consumer's current indebtedness.

The success of Ofgem's proposals rely heavily on engaging with the consumer which is providing an unnecessary barrier to achieving more successful outcomes. As stated in Ofgem's consultation, consumer groups have raised concerns that the reason debt repayment plans fail is because the repayment rate has been set too high to begin with. If the plan fails and the supplier then engages with the consumer, this engagement allows the supplier to propose a more sustainable repayment rate. This engagement should mitigate the likelihood of the consumer from falling further into debt. However, setting affordable repayment plans is also achievable, where a consumer does not engage with the Supplier through appropriate use of data from CRAs.

Several developments across the credit industry have occurred over recent years which are not benefiting Energy Suppliers and consumers and may result in increased failure of repayment plans and rising debt levels. For example, CRAs can access consumer current account credit turnover information from consumers' current a/cs to establish the expected disposable income. This can be used by suppliers to set a Red Amber Green flag to identify whether regular monthly debt amounts are affordable. This data can be used, in cases where consumers do not engage with their supplier, to establish affordable payment amounts. Similarly, there is a breadth of data available through CRAs that is being extensively used by other credit providers to proactively identify signs of payment stress and ensure the customer is signposted to appropriate support e.g. sudden income shocks / reduction in come, increased appetite for credit. This data is not benefiting the energy industry as a whole and consumers are not being proactively signposted to support / available help through their utilities supplier.

As a result of the above, Experian recommend that Ofgem go further in the Ability to Pay principles and either provide supplementary guidance to signpost suppliers to the use of CRAs or make amendments as follows:

- (b) Using all available data including data from CRAs to proactively and continually identify customers facing financial difficulties and make (ing) proactive contact with such customers, which includes: (i) Making early contact to identify whether a customer is in payment difficulty; (ii) Regularly reviewing methods of proactive contact to ensure they meet the needs of customers; (iii) Using every contact as an opportunity to gain more information about the customer's ability to pay when the licensee becomes aware or has reason to believe the customer is having or will have payment difficulty; and (iv) Making customers aware of debt advice services when they raise concerns about their ongoing ability to pay, in accordance with SLC 31G.
- (c) Understanding individual customers' ability to pay, which includes: (i) Providing clear guidance and training for staff on how to elicit information on ability to pay and / or use available information from CRAs regarding consumers' credit commitments and payment in respect of these and monitoring the effectiveness of this; (ii) Providing appropriate channels for customers to quickly and easily raise concerns and facilitating conversations around customers' ability to pay when requested; (iii) Making full use of all available information which could include the use of data held by CRAs; and (iv) Proactively exploring payment amounts and payment methods which are appropriate to the individual circumstances of each customer; this includes debt repayment schemes such as those by which payments may be deducted at source from a social security benefit received by that customer
- (d) Setting repayment rates based on ability to pay, which includes: (i) Ensuring all available information is obtained and taken into account, including the customer's circumstances identified on a warrant or site visit or when installing a prepayment meter on a warrant; (ii) Only setting default amounts when there is insufficient information to ascertain the customers' ability to pay and where default amounts are set, it should be made clear that these default amounts are guidelines only and in any event the levels should be reasonable; and (iii) Not insisting on substantial upfront payments before reconnection.
- (e) Ensuring the customer understands the arrangement, which includes: (i) Clear communication with the customer which allows them to understand how much they are regularly repaying; how the repayment will be deducted; when the debt will be repaid; and what to do if they experience difficulties during the arrangement; and (ii) For prepayment meter customers repaying debt by a weekly amount explaining that debt will be recovered regardless of usage
- (f) Monitoring of arrangements after they have been set up, which includes: (i) Individual arrangements must be monitored: - for credit meter customers to check for the occurrence of failed repayment arrangements; - and for prepayment meter customers to check whether the meter is being used initially and on an ongoing basis; (ii) Monitoring of the approach taken by staff when agreeing repayment rates, using call listening and other techniques, to encourage a consistent and appropriate approach;
- (g) Ensuring the customer understands the arrangement, which includes: (i) There must be Clear communication with the customer which allows them to understand how much they are regularly repaying each week; how the repayment will be deducted; when the debt will be repaid; and what to do if they experience difficulties during the arrangement; and (ii) For PPM prepayment meter customers repaying debt by a weekly amount this includes explaining that debt will be recovered regardless of usage (eg over the summer)

