

Out of the cold?

Helping people on prepayment meters stay connected this winter



Contents

- 3** Introduction
- 4** Being forcibly moved to prepay: a distressing journey
- 5** Being forced onto prepay can be dangerous
- 6** A worrying trend: forced prepay installations are on the rise
- 7** Being forced onto prepay adds up
- 8** Smart prepay: no excuses for poor process
- 9** Stories from the frontline
- 10** Recommendations: People need to be protected this winter
- 11 -12** References and bibliography





Introduction

The government has announced an Energy Price Guarantee to help households with rising energy costs. The Guarantee caps how much people can be charged per unit of energy, meaning households will pay an average of £2,500 a year for their energy bill.¹

Despite this welcome support, bills will still be twice what they were last winter,² and higher usage customers, like some disabled people, will pay even more. Millions of households are already in arrears and many more will fall behind on their energy bills this winter.³

When households struggle with their payments, energy suppliers are required to support them.

- This usually takes the form of a repayment plan, agreed between the supplier and the customer. However, as financial pressures grow, many are struggling to meet their ongoing costs, let alone payments towards arrears.
- This is leading to an escalation of debt collection activity, with suppliers increasingly forcing people onto prepayment meters so that they stop building up debt and the supplier can collect a part of the debt every time someone tops up.
- This is extremely risky. If someone who is struggling to pay is put onto a prepayment meter, then they may not have enough money to top up their meter and their energy will be disconnected. This is called self-disconnection.

We're calling on the government to **stop companies forcing people onto prepayment meters to recover debt**, so that we can keep more people on supply this winter.

There is already a ban on disconnecting some customers between October and March. Many energy suppliers have also signed up to the Energy UK Voluntary Commitment agreement, which means your supplier won't disconnect you if you meet certain criteria.

However, we know suppliers are moving people who might have been protected under this agreement onto prepayment meters. If these customers cannot afford to top up, then they will self-disconnect. Forcibly moving customers onto prepayment meters is quickly becoming a way to disconnect customers without technically breaking the rules.

Energy suppliers are taking steps to help people. **But current licence conditions don't go far enough** to meet the needs of households in crisis this winter. Government needs to stop suppliers forcing people onto prepayment meters, if moving to a prepayment meter means that the customer is likely to self-disconnect.

Specifically, we want to see a **winter moratorium on forcibly moving people to traditional prepayment meters, and on switching smart meters to prepay, in an attempt to recover debt. This moratorium should remain in place until April 2023.**

Being forcibly moved to prepay: a distressing journey



1 If a customer falls behind on their bills, suppliers are required by licence conditions to negotiate a repayment plan. This plan must take into account a person's ability to pay for the debt and their ongoing energy consumption.

2 But due to higher costs many people don't have enough money to cover their ongoing usage let alone pay towards arrears. They begin to fall behind on payments.

4 For a traditional meter, a person may be charged up to £150 for the warrant which they must pay in addition to the debt and their ongoing usage. Smart switches are free but people will usually pay more overall, as prepay tariffs are generally higher than direct debit tariffs.△

3 To recover the money owed, a supplier can force the customer onto a prepayment meter, taking a proportion of any money they top up with.

If the individual has a smart meter, they can be switched remotely. If not, the supplier will apply to the Magistrates Court for a warrant to enter the home and forcibly fit a prepayment meter. The individual may only have 7 days' notice before this happens.△

5 Suppliers are required to check whether a prepayment meter is safe and practicable for the customer. They should be avoided altogether where a person is vulnerable or if the installation would cause undue harm.

6 But suppliers don't always carry out the proper checks before installation of a prepayment meter and vulnerable people can be affected. For example, those with health conditions can be at huge risk from going off-supply.

Prepayment meters should only be installed as a last resort but our data shows that suppliers are forcibly installing meters where it isn't appropriate. People who are struggling to pay their bills are at greater risk of being cut-off from supply.



Being forced onto prepay can be dangerous

Our data has shown that many suppliers are continuing to force-install prepayment meters where it poses a significant risk to people.

Having a prepayment meter fitted or being switched to prepay for debt repayment can be very upsetting and have long-lasting consequences. Because of this, energy suppliers should only fit a prepayment meter to recover debt as a very last resort.

We know that some people who can't top up their prepayment meter will self-disconnect. For this reason, disabled people or people in vulnerable situations shouldn't be put onto a prepayment meter, because they can be exposed to serious harm should they go off supply.

There are other circumstances in which an energy supplier shouldn't force-fit a prepayment meter, such as when someone cannot access their meter due to accessibility issues.

Suppliers should carry out special checks to make sure that the person they want to move to prepay won't be disproportionately harmed by doing so.

For example, we've seen households forced onto prepay where:

- **The person requires continuous supply of energy for health reasons.** They may have medical or mobility equipment that needs charging, or they may take refrigerated medicine, which requires a continuous energy supply.
- **The person has accessibility needs,** but they have an old-style prepayment meter installed in a place that's difficult to reach and the top-up point is difficult to access.
- **The person has an illness or disability that is exacerbated in cold weather,** such as arthritis, asthma, or cancer.
- **The household contains young children and/or older adults.**

For each of these groups, being forced onto a prepayment meter that they can't top up could have very serious consequences for people's mental and physical health.

A winter moratorium on the forced moving of people in debt on to prepayment meters will help protect those in vulnerable situations and stop them from falling through the cracks.

Lisa's story*

Lisa is in debt with her supplier. She has been asked to pay around £400 per month, which is not affordable for her. She explained to her supplier that she can't have a prepayment meter as she can't access the meter due to a number of health conditions. Her child is also severely disabled. However, the supplier arrived at her property with a warrant to install a prepayment meter. She's worried about getting to the shop to top up, and putting money on the meter given her health conditions. She's also worried about what will happen when the prices go up.

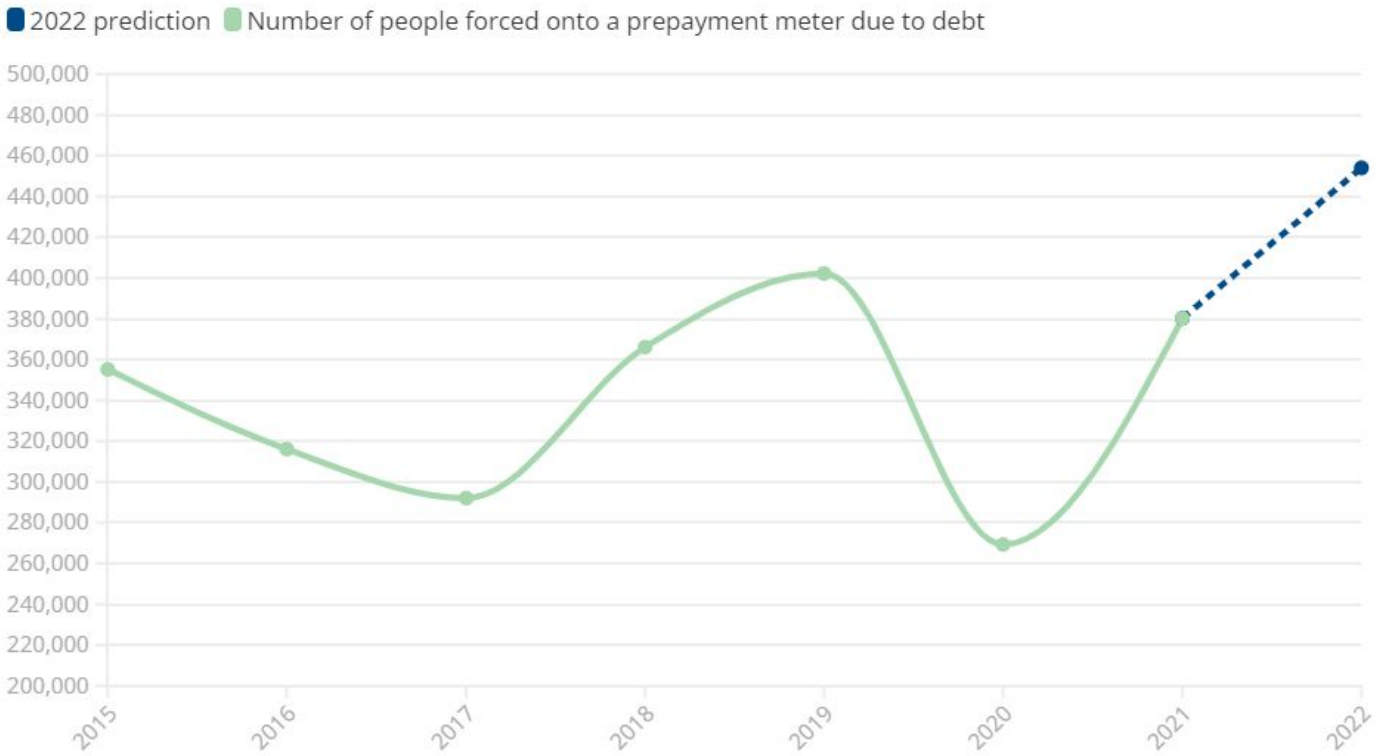
A worrying trend: forced prepay installations are on the rise

At Citizens Advice, we're seeing record levels of people who are unable to top up their prepayment meters, and we're worried about the increasing numbers of people being forced onto prepayment meters for debt:

➤ The numbers of people we're helping who have been moved onto a traditional or smart prepayment meter due to debt has shot up since 2020, and stayed significantly higher than it was pre-pandemic.⁴

➤ Using Ofgem's data and average UK household size, our analysis predicts that over 450,000 people could be forced to move to a prepayment meter due to struggling with debts in 2022 alone, and over 225,000 people between October 2022 and March 2023, putting them at risk of self-disconnection and a cold, dark home this winter.⁵

Figure 1: Annual estimates for the number of people forced onto prepayment meters due to debt



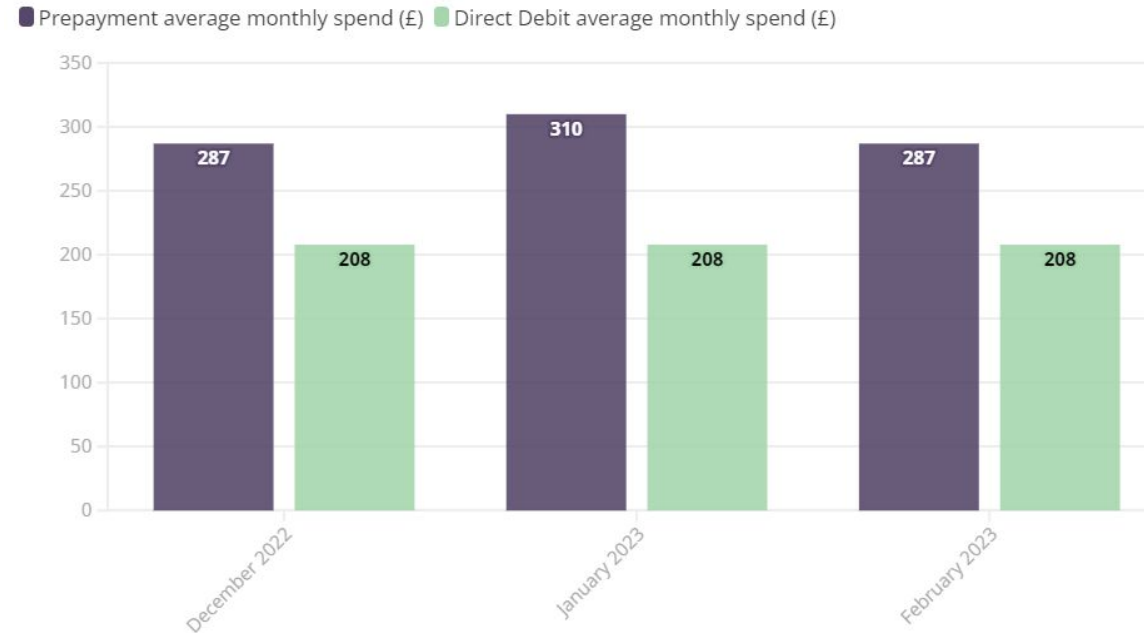
After a sharp drop in the number of people being moved onto prepay meters due to debt during the pandemic, the number has surged back to pre-pandemic levels, and is likely to increase to the highest level in nearly a decade this year.

Being forced onto prepay adds up

Households on prepayment meters spend more in winter than households on direct debit. Most significantly, people pay-as-they-go for energy rather than spread costs over the year, which means higher upfront costs as usage increases. In addition, higher tariff costs and bill hikes mean households will have to top-up more frequently to keep the lights on. All this results in a hefty additional burden for consumers:

1. Prepayment customers will spend on average **£86 more per month** on their energy costs from December 2022 to February 2023 compared to direct debit customers, which means they will spend £258 on average more than direct debit customers this winter.
2. Prepayment customers are set to spend on average £432 more in December 2022 to February 2023 than they did in the same period last year.
3. The 4 million households on prepayment meters across the country will need to spend **£1.73 billion** more this winter than they did last winter. They will be spending **£1 billion** more overall than direct debit customers this winter.⁶

Figure 2: Average monthly spend this winter for prepayment and direct debit customers



As a result of these higher costs for people on prepayment meters we estimate that **households who are moved to a prepayment meter this year alone will collectively spend £49.6 million more than they would have done as direct debit customers over the coming winter.**⁷

For households moved to a prepayment meter to recover debt, this unfairness further increases their chances of self-disconnection.

Smart prepay: no excuses for poor processes

Moving people to a prepayment meter should always be a last resort as it can be disruptive and likely comes with a higher unit cost for energy. Suppliers need to ensure they've tried to contact the individual concerned in multiple ways prior to the switch, in order to offer a variety of support options.

For a traditional meter, engineers need to enter the customer's home, so suppliers need to obtain a warrant. This can provide more time for the supplier to carry out their checks and for the person to get in touch. However, smart meters can be switched to prepay mode remotely - without a warrant.

This makes it easier for suppliers to move people to prepay without checking in with the customer, and making sure that they don't have a vulnerability. We're seeing a worrying increase in cases where people are remotely switched to a smart prepayment meter, without suppliers first making sure it's fair, appropriate, or even safe for them. We are also helping people who weren't even aware that they have been switched to prepayment at all.

Sheema's story*

Sheema is a single mum of a young baby. She has a number of long-term health conditions and is currently on maternity leave.

She contacted her supplier to set up a repayment plan, explaining that she needed help.

The next day, Sheema was remotely switched to a prepayment meter, and her electricity supply had been disconnected. She wasn't able to boil the kettle to make bottles for her baby and spent the night in the dark.



Jamie's story*

Jamie had been told that their direct debit would be increased dramatically, even though they had credit on their meter. They cancelled their direct debit until they could get in touch with the supplier to find out why their bill had increased.

However, they were switched remotely to a prepayment meter, receiving a top-up card in the post. They received no warning, and don't know why they've been switched as they still haven't accrued any debt.

Jamie doesn't know how to use the top-up card, and so has gone off supply. They can't get through to their supplier to get help.



Stories from the frontline

Leanne's story*

Leanne is single and retired, with a number of health conditions. Despite being on the Priority Services Register, which identifies people in need of more support, Leanne's supplier installed a prepayment meter earlier this year. This is despite her explaining that this would be unsuitable for her given she has severe difficulties with mobility and cannot reach her meter to top-up. She currently has less than £10 on the meter.



John's story*

John requested help from the Breathing Space scheme when he fell behind on his bills to give him some time to repay his debt. However, the supplier sent bailiffs to his home during this time, which added even more costs.

John has two children under 10, one of whom is disabled, which he has informed his supplier about on multiple occasions. Despite this, his supplier have told him a prepayment meter will be installed.

Mira's story*

Mira has been pursued for a debt that is not hers. She has continued to receive letters and warnings from her supplier, but the address and reference number on the letters are incorrect.

She has been in contact with her supplier multiple times about this, but they haven't done anything. Now, she's come home to find a prepayment meter has been fitted.



People need to be protected this winter

- **The Department for Business, Energy and Industrial Strategy (BEIS) should put in place a winter moratorium on moving people to prepayment meters under warrant and on switching smart meters to prepay mode to recover debt, until 1 April 2023. This mirrors the existing ban on disconnecting people in vulnerable situations over winter.**

Once in place, Ofgem and BEIS should work together to ensure the moratorium is enforced.

We recognise that people struggling to pay their energy bills may build up debt on their account. However, we believe that given the health impacts of self-disconnection, it is preferable for households and families to be on-supply and in debt than sitting in cold homes in winter. This is not just about comfort: being cold for prolonged periods can cause and exacerbate physical and mental health problems.

Instead of fitting or switching to prepayment meters to recover debt, suppliers should work with people to establish affordable repayment plans during the winter months.

The Energy Price Guarantee gives suppliers security at a time of skyrocketing prices. However, we know that average £2,500 bills are still too expensive for many and that in reality bills may be even higher. Suppliers should be passing this security onto customers by preventing the worst impacts of debt.

- **By accepting the moratorium, and by increasing engagement with their customers, energy suppliers are committing to keeping families' lights on this winter.**

Helping vulnerable customers: actions to take

A moratorium on self-disconnection will rely on building good relationships with customers, to help them manage any debt they accrue over winter.

Before instigating any debt collection activities on an individual's account, suppliers should consider the following:

- Have we proactively reached out to the person in the last four weeks, to see if there is any financial hardship or disability behind their inability to pay?
- Has the individual been offered all the financial support available to them? Do they need any more help accessing the support?
- If setting up a repayment plan, has a proper affordability check been carried out?
- If the individual is already on a repayment plan, has this been reviewed in the last 4 weeks?
- Has it been ascertained whether there is any disability or illness at the property that is exacerbated by cold weather, or whether there are any children or older people?

If the supplier cannot confirm any of the steps above, or if any apply to the person in question, a prepayment meter should be permanently discounted as an option.

- In addition, if the person has already self-disconnected, are there any possible steps to take to get them back on supply, such as proactive contact or referrals to local or national support services?



References and bibliography

¹ Further details of the Energy Price Guarantee are available here:

<https://www.gov.uk/government/news/government-announces-energy-price-guarantee-for-families-and-businesses-while-urgently-taking-action-to-reform-broken-energy-market> [Last accessed 21/9/2022]

² In Winter 2020/2021, the default tariff price cap for credit meter customers (including direct debit customers) was £1,042, compared to £2,500 - a 139.92% increase.

<https://www.ofgem.gov.uk/energy-data-and-research/data-portal/all-available-charts> [Last accessed: 15/09/2022]

³ *Millions of households are already in arrears, and many more will fall behind on their energy bills this winter.*

<https://www.citizensadvice.org.uk/about-us/our-work/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/crunch-point-protecting-households-from-record-energy-bills-in-the-coming-months/> [Last accessed: 15/09/2022]

⁴ See page 22 of the Citizens Advice's cost of living data dashboard and select 'Prepayment meter installed for arrears': <https://public.flourish.studio/story/1634399/>

⁵ See Fig 1. The sharp decline in prepayment meter installs in 2020 is likely to be due to a pause for in-person debt collection activity caused by COVID-19. See the methodology note for Fig 1, below. To generate our annual estimates, we have multiplied Ofgem's published figures on the annual number of installations/remote switches of electric prepayment meters for debt with the [latest ONS figures](#) on the average size of the UK households between 2015 and 2021.

We have used the number of installations and remote switches to electric prepayment meters (as opposed to gas and electric) as a proxy for the number of households forced onto a prepayment meter for debt. Ofgem's figures on the number of electric prepay customers in 2021 (4.1 million) matches closely with Ofgem's own estimation that there are approximately 4.1 million prepayment customers/households in their [2021 Consumer Protection Report](#). The number of gas prepayment customers is lower (around 3.2 million in 2021), which suggests that prepay customers are generally either electric and gas, or electric only.

Ofgem's figures on forced prepay installations and remote switches for debt for 2022 have not yet been published. Our prediction for 2022 is based on the same percentage increase seen in Ofgem's data on the 'number of accounts with a consumer repaying an energy debt' for electricity between an average for 2021 and Q1 of 2022 (a 19.4% increase), and which can be found in their [data portal](#). Over the last fifteen years, the trend in the number of customers repaying an energy debt has tracked closely with the number of installations and remote switches to a prepayment meter for debt. As the number of customers repaying a debt to their energy company increases, we predict there will be a similar increase in the number of forced moves to a prepayment meter to repay that debt. This is likely a conservative estimate, as energy bills will increase again in October 2022, increasing the risk of people falling into debt.

We reached our figure for October 2022 to March 2023 by dividing our 2022 prediction by 2, as October to March is 2 Quarters and half a year. This assumes that the rate of households and people being forced onto prepayment meters for debt will continue at the same rate in January, February and March 2023.

References and bibliography

⁶ **Methodology note for figure 2.** We acknowledge that not all credit meter customers use direct debit as their payment method. These costs have been calculated using Ofgem's medium Typical Domestic Consumption Values for the October 2021 prepayment price cap, the October 2022 prepayment Energy Price Guarantee of £2,560, and for the Energy Price Guarantee for credit meter customers (including direct debit customers) of £2,500. Monthly usage figures are based on [Ofgem estimates](#) of the amount of the annual bill value it is expected consumers will use in each month of the year.

⁷ This figure is calculated by multiplying our prediction for the number of households who will be forced onto a prepayment meter due to debt in 2022 (192,384) with £258 - our estimate on how much more prepayment customers will be spending, on average, than direct debit customers this winter (December 2022 to February 2023).

As outlined in the methodology note for Figure 1, we have used installations and remote switches to electric prepayment meters (as opposed to gas and electric) as our proxy for households and customers. We have used our 2022 prediction for the number of households, and not 'people' (as in Figure 1), being moved to a prepayment meter for debt in this calculation as not all people in a household are bill payers, and costs are spread within a household.

△ Clarifications:

On point 3, we recognise that, should the proper process be followed for force-installing a prepayment meter, the only instance in which an individual would have 7 days' notice is if they have not responded to any communications from their supplier. However, our data shows that many of the people who contact us have only had 7 days' notice or less, even if they have recently been in contact with their supplier. For example, some people who have had a prepayment meter fitted have been in the middle of a billing dispute or complaint, or have been discussing a repayment plan with their supplier. Further, there are many people who have been incorrectly billed or have had someone else's bill sent to their address. These people have also had prepayment meters fitted without notice.

On point 4, we also acknowledge that this extra £150 charge should only occur where the individual has not engaged with their supplier, and where a warrant is required for fitting a traditional prepayment meter. However, we have further cases where people are charged for a warrant despite engaging with their supplier, and even where they have a smart meter.

* All case studies have been taken from our Consumer Service case notes. All names have been changed to protect the client's identity.

Citizens Advice helps people find a way forward.

We provide free, confidential and independent advice to help people overcome their problems. We're a voice for our clients and consumers on the issues that matter to them.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

citizensadvice.org.uk



© Citizens Advice

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux. Registered charity number 279057.

Contributors: Dr Elizabeth Blakelock, Farhana Begum, Jonny Tatam-Hall, Maisie Gibson, Will Johnstone