

# Taking too much?

The experience of benefit deductions to pay for energy and other debts



citizens  
advice

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# Executive summary

The coronavirus pandemic has left millions of people worse off. The number of people on Universal Credit has tripled since March 2019, to almost 6 million in July 2021, as millions of jobs were lost and hours reduced.<sup>1</sup>



**In July 2021, more than 1 in 4 people were in debt**



**And nearly 1 in 10 were behind on their energy bills<sup>4</sup>**

The recent £20 a week cut to Universal Credit will put more pressure on struggling families. Our data shows that almost three quarters of the people on Universal Credit who we help with debt will be unable to cover their essential household bills without this help.<sup>2</sup>

Meanwhile growing inflation and, in particular, rising energy prices will heap further pressure on millions. The energy price cap has risen by almost £140 per year, and our analysis shows that customers of recently failed energy suppliers will see even larger average increase to their bills of nearly £30 per month.<sup>3</sup>

When people on benefits fall behind on their bills, one way people they can manage essential service repayments is through benefit deductions.

This is where the Department for Work and Pensions (DWP) takes money directly from a benefit payment and gives it to the creditor. The same process is used to pay back money owed to the Government, for loans or benefit overpayments.

This should protect people from enforcement action by creditors - but at the same time it also eats directly into the amount of money that people have to live on and limits their financial independence.

Even after recent changes by DWP to reduce the amount that can be taken in deductions, people still face up to 25% of their income being taken in this way.

We've previously raised concerns that deductions can tip people into very difficult circumstances.<sup>5</sup> At a time when people are facing unprecedented challenges, it's vital that companies and the DWP are supporting people using deductions as much as possible.

Our research focused on experiences of using deductions for energy bills, but also considered wider experiences of deductions.

We found that while the people we spoke to were generally positive about the scheme, there were some key pain points in the process:

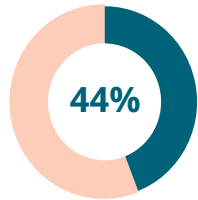
- People feel worse about deductions if they feel they didn't provide consent.
- Keeping track of the payments can be challenging and people aren't sure who to go to if they're struggling to manage.
- When people pay off their debt there can be a lack of support to help them stay out of debt in future.

It's vital that the process works as well as possible and ultimately supports people out of debt. Some key changes we recommend are:

- Repayments that are based on a person's ability to pay
- Clearer guidance on the scheme
- More support to help people get back on track after they finish paying their debt

# Background

## How deductions work



**In November 2020, 44% of Universal Credit claims - equivalent to over 2 million claims - had a deduction taken.<sup>6</sup>**

Deductions are used to repay two key types of debts:

- Money owed to the Government, including:
  - repaying Advance Payments (an upfront loan that covers the wait for first payment of Universal Credit). 29% of Universal Credit claims were making this payment in May 2021.<sup>6</sup>
  - benefit overpayments (due to errors by DWP or the person claiming). They were made by 20% of Universal Credit claims in May 2021.<sup>6</sup>
- Third party deductions, which can repay creditors, including energy or water companies, local government, and landlords. They were made by 11% of Universal Credit claims in May 2021.<sup>6</sup>

Deductions can be taken from Universal Credit (the benefit most new claimants receive) and from 'legacy benefits' (like Income Support, most of which are being replaced by Universal Credit).

Up to 25% of a person's claim can be deducted for debts each month, although more can be taken as a last resort to prevent eviction or disconnection of gas or electricity.

**Example:** For a single person over the age of 25, the standard allowance is £411.51 per month in Universal Credit. In November 2020, the average deductions amount was £78.<sup>7</sup>

Deductions are set up in a priority order, until the 25% maximum is reached. For Universal Credit the priority order is:

1. Advance payments, fraud penalties and conditionality sanctions
2. Mortgage and rent arrears, and other accommodation costs
3. Gas and electricity costs
4. Water charges
5. Council Tax arrears
6. Fines and water arrears
7. Child Support Maintenance
8. Recovery of benefit debt

A maximum of 3 third party deductions can be made at any one time. Different debts are paid at different rates. Fuel debt is set at 5% of the Universal Credit claim for each fuel plus an amount for ongoing use, and between 10 and 20% for rent.<sup>8</sup> Advance payments are now paid in equal installments over 24 months.<sup>9</sup>

In general, when a debt is repaid deductions must end and can no longer be used to pay for ongoing use of services. There can be exceptions if people have experienced repeated problems managing to pay for their services without deductions.<sup>10</sup>

# How deductions are used in energy

Two sets of rules and guidance apply to energy suppliers in relation to how they use deductions to collect energy debt.

## Ofgem's Rules

When someone falls behind on their energy bills, energy suppliers are required by to consider 3 options for supporting them to repay their debt and get back on track:

- Setting up a repayment plan
- Moving the customer to a prepayment meter
- Using third party deductions to collect the debt direct from benefit payments

Ofgem says that suppliers should work out what the best option is for the individual customer.

## DWP's Guidance

The DWP's guidance says that before a deduction can be used 'other methods to recover the debt must have been tried, for example negotiating different ways of paying and managing bills' and that 'there must be a real threat of enforcement action before consideration is given to applying for a deduction.'<sup>11</sup>

Deductions can be useful for people who can't safely use prepayment, for example because they can't physically reach their meter, as well as for people who've struggled to keep up with a repayment plan.

However, currently very few people are using the deductions scheme to repay debt. In 2020, only 4% of people in energy debt were using deductions to make repayments.<sup>12</sup>



Sara recently lost her sister and she goes through periods of severe depression where everything feels like too much and she struggles to keep up with her energy payment plan. She's working reduced hours and receives Universal Credit. She finds repaying her energy debt with deductions from her Universal Credit works well for her, as she doesn't have to think about it.



In 2020, deductions were being used to pay for around 31,000 electricity accounts and 25,000 gas accounts.



Larger suppliers were more likely to use deductions.



While only a quarter of suppliers used the scheme in 2020, these suppliers serve over 90% of energy consumers.<sup>13</sup>

While a relatively small number of people currently pay for their energy through deductions, the policy and economic context is changing. This may impact use of the scheme, with some factors potentially pushing its use up while others push it down.

The total number of people receiving Universal Credit has tripled since the start of the pandemic, and the number of people behind on energy bills has grown by 600,000.<sup>14</sup> This means there is a **bigger pool of people who could pay by deductions in future.**

In 2020, Ofgem introduced rules that mean suppliers have to monitor if people self-disconnect and take extra steps to support them when this happens. Energy suppliers could react by making **greater use of deductions to protect customers in vulnerable situations who repeatedly disconnect.**

Over time, the DWP has changed their policy on the maximum level of deductions that someone can have, most recently from 30% to 25% of the standard allowance. The number of people with advance payment deductions has increased. This means that **people may reach the deductions limit with higher priority debts**, and be unable to use deductions for energy. This may be offset by the extension of the time allowed to repay advance payments from 12 to 24 months.

Smart metering may mean that **some people who couldn't previously top up a meter may be able to do so safely**, and may prefer to use that option than pay using deductions.

**Newer energy suppliers tend to use the scheme less often**, and are taking a growing share of the market. Unless they adapt their debt processes, we may see a reduction in the scheme in favour of other approaches.

# Approach to the research



## Energy supplier interviews

Energy suppliers are key users of the scheme in terms of letting their customers know about it, setting up arrangements, and monitoring the consumer experience on the scheme and as it ends. To understand their experience of how the scheme is working and where they and their customers encounter problems, we spoke to 8 suppliers between March and June 2020. This was a mix of 6 suppliers who currently use the scheme and 2 suppliers who didn't have customers on the scheme.



## Consumer interviews

We commissioned BritainThinks to conduct in-depth interviews with people using the deductions scheme. Between November 2020 and January 2021 they conducted research in 3 stages:

- ① Initial 1 hour interviews with 25 people using deductions for energy debt and 5 using it for other debts
- ② A 4 week diary task for all participants to track their experience with the scheme and gather evidence
- ③ Follow-up 45 minute interviews with 13 people using deductions for energy debt and 3 using it for other debts to test solutions to some of the problems identified

Full details available in the full research report [here](#).



## Co-creation workshop

BritainThinks also ran an online co-creation workshop between 22nd and 31st March 2021 with energy suppliers, Ofgem, BEIS, DWP and other stakeholders. This was an opportunity to comment on solutions that had been tested with research participants and that could improve the experience of people using the deductions scheme.

# General experiences of deductions

Most of the people we spoke to had positive things to say about deductions. They feel the scheme offers 'peace of mind' and helps them manage their finances more effectively, reducing the need for them to keep track of debt repayments.

Support for using deductions was strongest for debts like rent arrears and energy debt, as people felt most concerned about the consequences of not paying, such as eviction or losing heating and power. It was weaker for other debts, such as historic benefit overpayments, where people did not feel that the debt was their fault.



*"Any debt is depressing ... The energy debt is the most important for obvious reasons: washing, cooking etc. It's hard to see a way out."*

Many said they fell behind on bills due to low incomes, which were not enough to cover all their expenses. This was sometimes made worse by unexpected payments or life changes and events, such as delays in receiving a final bill when moving home or

relationship breakdowns. Energy bills present specific challenges such as seasonal variations in the amount owed and tariff increases.



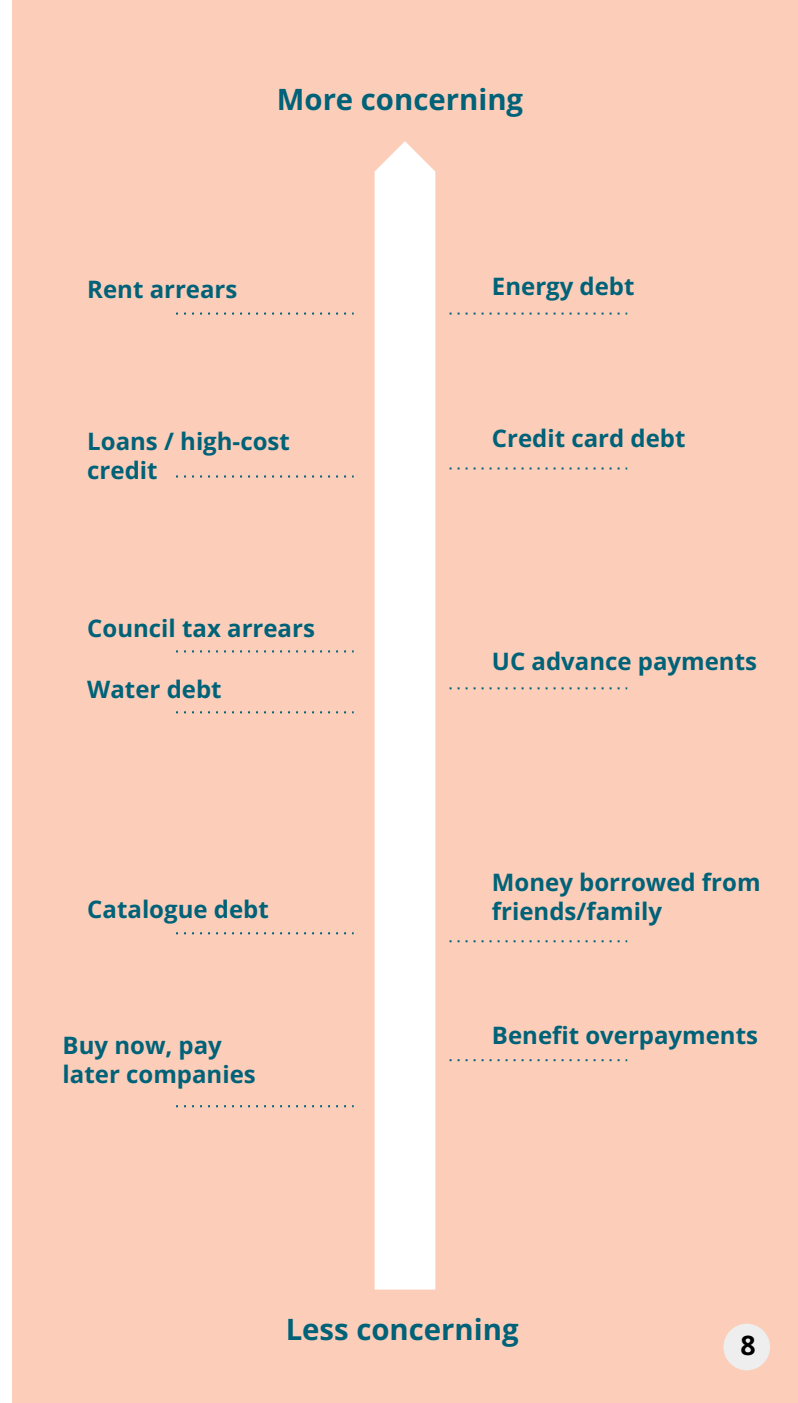
*"I will pay the important one one week and leave the next one for another week."*

People on low incomes said they often focus on getting by week-by-week and find it difficult to make long term plans for multiple debt repayments. For some of these people, using the deductions scheme reduced some of the stress associated with debt repayment. Repaying in this way can feel like it's 'happening in the background', before money even reaches people's accounts, and so helps them budget more effectively.



*"It gives peace of mind that my electric and gas are paid and I don't have to worry about them."*

However, people spoke about many of the same points in the customer journey that could be improved.



More concerning

Less concerning



# The customer journey - and key pain points

Some people find out about the scheme more easily than others.

The majority of suppliers don't currently use the scheme.

Some people feel that deductions were set up without their consent, creating negative experiences of the scheme from the outset.

The process of signing people up to the scheme has improved, but some people can still wait a long time or be rejected.

People find it hard to track how much debt they've paid off and how much longer they'll be paying back.

Some people find it difficult to track monthly payments and struggle to budget if their deduction amount fluctuates without them realising.

Some people struggle to manage financially with the level of their energy deduction, or if their overall level of deductions is high.

Some people don't know in advance when they'll finish repaying.

They don't always feel supported when their deductions end, and don't understand their options for paying for energy going forward.

Some people struggle to manage their payments without deductions and fall back into debt, meaning they have to reapply for deductions. This can be a frustrating experience for people who find it's the best way for them to pay.



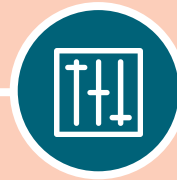
Finding out about deductions



Getting set up



Keeping track of payments



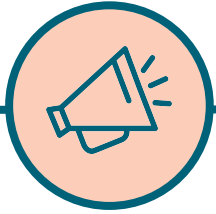
Managing payment levels



Deductions ending



Reapplying for deductions



## Finding out about deductions

### Awareness of the scheme

We found that many people were unaware of the scheme before using it themselves.

**People often felt that they had not been told about the scheme until they were in a lot of debt and in real financial difficulty.**

Some people had received information about the scheme from their supplier when they got into payment difficulties, but others only found out when they had an in-depth conversation with their supplier.

Suppliers also told us about differing approaches to sharing information about the scheme, with some sharing it earlier in the customer journey than others. This means it can be difficult for people to start the scheme at a stage when it is most helpful to them.

**There is also confusion among suppliers about the role of deductions for customers in debt.** All the suppliers we spoke to that use deductions thought the scheme is an important way to support some customers in energy debt. Suppliers said deductions are particularly useful for people who can't use a prepayment meter. Suppliers said the scheme is also useful for customers who struggle to manage their payments as they have less to worry about.

However some suppliers felt strongly that guidance from the DWP and Ofgem makes it very difficult to design processes around the needs of their customers, while remaining compliant with the rules.

Ofgem rules say that 3 options must be offered when a customer is in payment difficulty: deductions, a repayment plan and a prepayment meter.<sup>15</sup> However, the DWP says that deductions are a last resort method of debt collection, in situations where there's a 'real threat of enforcement action'.<sup>16</sup> Some suppliers feel they need clearer guidance on who the scheme is suitable for, and when to recommend it to customers.

**Many people don't have the option to use the scheme, as their supplier doesn't offer it.** In 2020, only a quarter of suppliers had customers with energy deductions. Suppliers we spoke to who didn't use the scheme told us that they were unsure how to start using the scheme, that they needed more guidance from the DWP, or that the scheme did suit their approach to debt recovery.



## Getting set up

### Informed consent

A small number of the people we spoke to said that their deductions began without their consent. These people had more negative views about the scheme, feeling it's unfair and frustrating. The way they started deductions affected their view of the scheme as a whole and meant that they were unable to see any benefits of using deductions. **People using the scheme felt that suppliers should gain informed consent, or they should at least have advance warning of deductions being taken.**



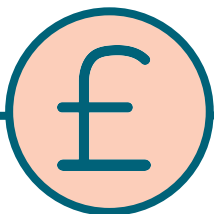
*"You're just not informed, it just comes out your bank. You think you have such and such amount, and then there's less... It's appalling."*

### Communication during set-up

People had different experiences of where communication came from during the set-up phase. Most said they received an initial letter in the post from either their energy supplier or the DWP when they began deductions, which told them how much debt they owed and how much would be deducted.

**Suppliers recognised that the introduction of an online portal had vastly improved the process of setting up deductions for customers on Universal Credit.** Suppliers reported receiving responses to applications much more quickly than they had previously. Suppliers told us it was easier for them to offer deductions to their customers if they were likely to get a quick outcome, rather than waiting a long time while debts built up further and with the possibility that the application would be declined.

**However, suppliers felt that better engagement with DWP could further improve the process.** Some suppliers felt they didn't receive enough communication about how long decisions on applications might take and they were especially keen to receive updates if the DWP was experiencing a backlog of applications. They could then communicate this information to their customers to manage expectations. Some suppliers also said that they didn't always get clear reasons if a customer's application failed. They said this information would help them to decide what action they should take next to support the customer.



## Keeping track of payments

### Communication with customers during the scheme

People told us they often receive little ongoing communication about their deductions and have poor oversight of how much debt they have paid off and how much is remaining. Some keep an eye on how much they were paying by using their online account with their energy suppliers, using a banking app, or looking at the Universal Credit online journal.

**However people can find it hard to track how much debt they have left to pay and have little information about how their deductions amount is calculated each month.** Most people rely on the first letter they received about deductions to estimate how much is being deducted.

But some people using the scheme have noticed that the amount deducted can be inconsistent and they are not sure why this is happening. Many people using the scheme

already feel that they don't have enough income to cover their costs. They feel they have to prioritise their expenses, often cutting back on costs such as food shopping when their funds are low. **Unexpected changes to the amount deducted from benefits make it even more difficult for people to manage their finances.**



*"I'd like to see a statement where you see the meter readings, your usage, all that, reminding you that you've been on the scheme for this long... How long it will take."*

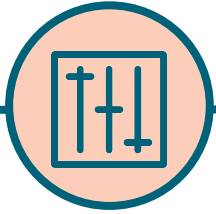
### Communication with suppliers

**Suppliers also felt they have little information when an amount deducted fluctuates or a deduction fails.** This can happen if the customer doesn't receive a benefit payment or they reach the maximum amount that can be deducted. The extension of the repayment period for Universal Credit advance payments from 18 to 24 months is a welcome step. If it is a success, we'd expect to see more

people with lower repayment amounts for advance payments. This should help more people to remain below the maximum amount of deductions and enable them to prioritise repaying debts for essential services.

However, suppliers would welcome notifications from DWP in scenarios where deductions change, along with more information about why, to help them manage these accounts and support their customers. For many suppliers, the potential for inconsistent payments was a key reason why they might not consider using the scheme.

Suppliers also reported difficulties in changing the portion of the deduction for ongoing usage, if meter readings showed the customer was using more or less energy than expected. Suppliers thought it was important that they could adjust the amount taken as easily as possible to prevent the customer falling further into debt.



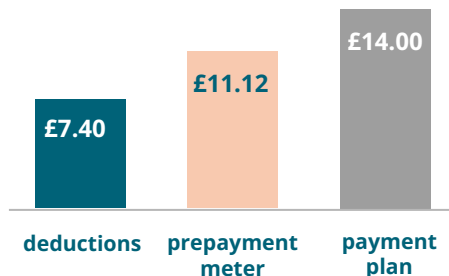
## Managing payment levels

### Lack of flexibility in the amount deducted

When people repay energy debt, their supplier is required to set repayment rates based on their ability to pay.<sup>17</sup>

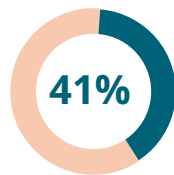
However, the deduction amount for energy debt is a fixed amount or proportion: £3.70 a week for each fuel under legacy benefits and 5% of the standard allowance for each fuel under Universal Credit.

On the surface, it can appear that deductions allow people to repay debt at a lower rate than other options. On average, weekly repayments made via a prepayment meter or a payment plan are higher than the typical weekly deduction for energy debt.<sup>18</sup>



However, these average amounts mask some important nuances.

- First, people paying for their energy via deductions or a prepayment meter must pay an additional amount to cover their ongoing energy usage.
- Second, a significant proportion of people with payment plans pay much less than this.



**41% of people on a payment plan for both gas and electricity pay less than £6 per week.**<sup>19</sup>

People whose overall deductions are higher, or who have experienced inconsistent deductions, tended to view the scheme as unfair. This group was also struggling the most financially.

The people we spoke to were familiar with negotiating repayment plans with companies

and felt a similar approach could be taken with the deductions scheme.



*"It's too blanket, UC just tell me it's the minimum they can take, no explanation why or room for input from me."*

Without being able to set lower deduction amounts, suppliers felt they're unable to properly consider their customers' ability to pay.

They felt that supporting customers to pay a very low amount regularly, through a payment plan, can be preferable to the alternative of receiving no deduction payments.

**Lower deduction amounts could reduce financial stress for people while ensuring that suppliers will receive debt repayments.**



## Deductions ending

### Support for customers when they finish repaying

People on the scheme were often unclear what happens when they finish paying off their debt, and receive little notice that this will happen. **There can be little communication from their supplier about their options for paying their bills once they finish repaying.** This results in misconceptions about the process of stopping deductions, for example with some thinking that deductions will continue as long as they receive benefits.

All of the people we spoke to wanted communication in the run-up to stopping deductions so they could set up a new payment arrangement. They said that it would be important for them to understand their payment options and be able to choose between them.

**Suppliers should take responsibility for recognising when a customer has nearly paid off their debt.**

Suppliers all agreed that communication with customers about payment options should happen as early as possible to avoid any 'sudden shocks'.

Suppliers suggested that this could involve a phone conversation with customers, during which they could agree upon a new payment method going forward that takes into account their circumstances and what they can afford. Some also mentioned the importance of offering budgeting advice and holistic support at this stage.

However, some suppliers thought this could be very time consuming and might not always be possible.



*"They just sent me a letter saying your Fuel Direct stopped, you now owe them 31p. I would've liked some measures to say 'here is what to do to prevent this from happening again'."*



### Case study:

Tanya used to feel the deductions scheme offered her peace of mind as she didn't have to worry about not having enough money in her account to make repayments.

However, last year Tanya moved home and her deductions stopped without her knowledge. This caused her energy debt to go unpaid for a couple of months. She found out about this when she received a letter from her energy supplier about more debt that she owed.

*"I was taken off it but wasn't told, I felt completely out of the loop and then was accumulating more debt... I thought once you set up the scheme that's it, but I'm now checking every month to check it's gone out."*



## Reapplying for deductions

For some people, once deductions stop they fall back into debt and then eventually start using the deductions scheme again. There are a number of reasons for this. Sometimes people were not appropriately notified about their deductions stopping or they didn't receive adequate support from their supplier when they finished repaying their debt.

**However, other people fall back into debt as they found it very challenging to manage their bills via other payment methods.**

While most of the people we spoke to on the scheme wouldn't personally want to continue using deductions to pay their energy bills, many felt that the option should be there for people.

Some people were enthusiastic about using the scheme as an ongoing payment method, as it would help them better manage their money, provide peace of mind, and ensure consistency. They felt that prepayment meters are often more expensive and were worried

about not having enough money to top up. Direct debits were also viewed as less preferable, as they were seen to reduce flexibility and mean they are less able to respond to unexpected expenses.

**Suppliers also felt that customers should be able to pay for their ongoing usage via deductions if that was most appropriate for them.** They gave examples of customers who had found deductions really suited them and helped them not to worry about keeping up with payments. They felt that some customers are likely to regularly fall in and out of energy debt, and would benefit from knowing something was in place to deal with this for them.

DWP guidance does set out that in exceptional circumstances, where people have repeatedly struggled to manage their money, they can use deductions on an ongoing basis.

However, it's unclear how this is assessed, and it may not be widely known as an option. One supplier stated that they had a handful of customers where the DWP agreed to use the deductions scheme for ongoing usage, as this was the only payment method which worked for them.

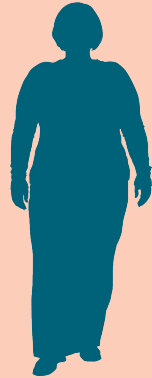


*"Direct debit only really works if you have sufficient funds... Bank payments bounce and then you don't realise and you get into trouble. Especially when you have intermittent income."*

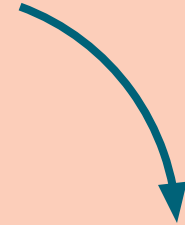


*"Overall, with the money being deducted at source it means that I don't miss it as much as if I had to physically pay out the value myself. It's just less worry and less stress knowing I'm going to be able to use heating during lockdown."*

# What a better customer journey looks like



Yasmin has her hours reduced and falls behind on her energy bills. She can't use a prepay meter because of her disability, and she is concerned that she won't keep up with a repayment plan because she sometimes struggles with poor mental health.



As Yasmin repays her debt she's given clear, regular information from her supplier about how much she still owes, and can access her online Universal Credit journal to see her deductions explained.



Her supplier reaches out to her, trying several communication channels. They talk to her about deductions, discuss her circumstances and agree on a repayment amount based on her ability to pay. She's given clear information about deduction amounts and who to speak to if she needs support.



If Yasmin has difficulties managing on the amount of her deduction, she can request her repayment rate to be reduced to help her manage.



As she approaches the end of her repayments her supplier gets in contact with her to let her know when her deductions will end, discuss how she'll pay for energy in future, and offers her support and advice to manage her bills. This package of help means she doesn't fall back into debt.



# How to get there - outcomes from our workshop

We held a stakeholder workshop to share our findings, test our ideas and develop our recommendations. Together with the BritainThinks project team, we brought together people from Ofgem, DWP, BEIS, Ofwat, Cabinet Office, Energy UK and a selection of energy suppliers.

While our focus was on energy deductions, we also considered the broader context of deductions for other debts such as advance payments and water. Through this workshop, and follow-up conversations with relevant policy teams at Ofgem and DWP, we posed questions related to 5 key themes.

**Awareness:** Could more be done to raise awareness of the deductions scheme?

- There was consensus that it's up to energy suppliers to decide how deductions fits into their customer journey.
- However, it was confirmed that all energy suppliers should have the facility to offer deductions, as specified in the supply licence conditions.<sup>20</sup> Energy suppliers felt that this should be better clarified by Ofgem.

**Flexibility in payment amounts:** Could there be more flexibility in how deductions work?

- Energy suppliers supported the idea of having the option of lower deduction amounts if it means a customer is able to stay on deductions when it's working well for them.
- The priority order was discussed but it was emphasised that changes to the repayment period for advance payments should help to ensure people can prioritise repaying debts for essential services.

**Consent:** How far should creditors prioritise getting informed consent before imposing deductions?

- Informed consent was agreed to be the ideal scenario before setting up deductions for an individual. But energy suppliers shared that it can be a challenge when some customers do not engage at all.
- We discussed how communication about setting up deductions should make it clear that the individual can still have a say in their deductions amount and that support is available from their supplier.

**Communication:** Can more be done to improve ongoing communication with people about their deductions?

- We discussed introducing notifications from DWP to inform energy suppliers when a customer's circumstances have changed in a way that will impact their energy deduction. This would help energy suppliers to understand the situation and communicate with their customers.

**Advance notice:** How can people be best supported once they have paid off their debt?

- We discussed where the responsibility should lie for monitoring when people are getting close to repaying the debt in full.
- Ofgem felt that suppliers are best placed to use the information they hold on people's accounts to offer support and arrange an ongoing payment method with them at the right time.

# Recommendations

## £ Repayments based on a person's ability to pay

- ① **DWP should allow for more flexibility in repayment amounts for energy deductions, based on ability to pay**

DWP policy should allow for lower energy deduction amounts, in agreement with the consumer and energy supplier. The minimum payment could be set at a very low flat rate, as low as £1. This could support people with very low incomes to chip away at their energy debt and maintain their repayments.

There should be clear criteria for this and communication with energy suppliers, to ensure this is in the best interests of the individual.

Recently it was ruled unlawful that, when setting deduction amounts for council tax, DWP did not take personal circumstances into account.<sup>21</sup> This ruling should set a precedent for more discretion in DWP deductions policy.

- ② **DWP should notify energy suppliers when there is a change in circumstances that causes an individual's deductions to stop**

This notification should specify whether an individual's deductions will pause temporarily or end permanently. Suppliers should use this information to engage with their customers and offer support.

For example, if the supplier is notified that the individual's deductions have ended permanently, it might be that they're not longer claiming benefits. The supplier should reassess the customer's ability to pay and discuss alternative repayment methods.

Or, if the customer's energy deductions are only pausing temporarily, the supplier should consider pausing the build-up of energy debt during this time or find a suitable temporary alternative repayment method until their deductions restart.

## 💡 Clearer guidance on the scheme

- ③ **Ofgem and DWP should be clear about the role of deductions for energy debt, and how they can be used as part of a supportive debt journey**

Back in 2014, Ofgem and DWP published a joint statement of intent on the procedures for deductions from legacy benefits.<sup>22</sup> We'd like to see an updated statement or guidance document providing clarity for energy suppliers on the role of deductions for energy debt.

This should highlight that all suppliers should have the facility to offer deductions and it should set out best practice, such as when to let people know about the scheme, how to involve people in decisions, and ensuring that starting deductions without consent is a last resort.

Ofgem should also ensure that all suppliers have processes in place to consider and set up deductions for consumers who are behind on bills, and take compliance and enforcement action where this isn't the case.



## More support to help people get back on track after they finish repaying their debt

### ④ Suppliers should monitor when a customer is getting close to repaying their energy debt and engage with them about how they'll pay for their energy going forward

Several of the suppliers interviewed do this already using customer account monitoring processes and we'd like to see this best practice widened. This should help prevent people repeatedly moving on and off the scheme.

### ⑤ DWP should provide clearer criteria on when they will allow people to pay for their ongoing energy usage with deductions

For example, if someone has previously had a prepayment meter and has disconnected. This should be done in communication with energy suppliers and should consider the customer's ability to pay and circumstances, to ensure this is in the best interests of the individual.

### Lessons learned for other types of deductions

While this research took a detailed look at the customer journey for energy deductions, several of these recommendations should be considered for other deductions for essential services such as water.

It's likely that introducing similar communication improvements and notifications would be welcomed by other creditors, as well as the flexibility to arrange lower deduction amounts where this is agreed by the customer and creditor.

## Conclusion

With millions of people worse off and the end of vital government support, the options for people to repay debt must work as well as possible and support people out of debt.

By scrutinising the energy deductions customer journey in detail, we've identified several opportunities to improve people's experiences of repaying energy debt with deductions.

Ofgem should monitor the use of deductions closely as prices and debt levels remain high, to ensure they are being used where they can help people manage their debts in a supportive way.



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