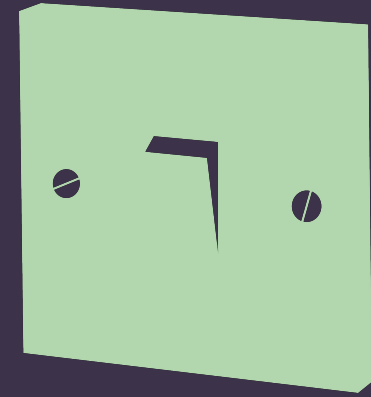


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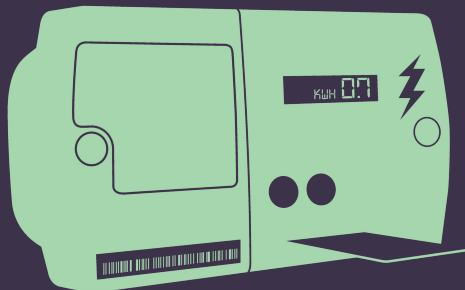
Improving support for prepayment
consumers who've self
disconnected

**citizens
advice**

What is self-disconnection?

'Self-disconnection' is defined as interruption to electricity or gas supply by consumers using pre payment meters (PPMs) because of a lack credit on the meter or account.

An associated issue is 'self-rationing', where customers limit either energy use to save money, or restrict spend in other areas to ensure sufficient funds are available to keep the PPM topped up. Self-disconnection and self-rationing can have significant consequences for the health and wellbeing of consumers.



Context

In 2014 Citizens Advice published [Topping up or dropping out: self disconnection amongst prepayment meter users](#). We found that there were three main reasons for self-disconnection:

- Forgetting to top the meter up in time
- Not realising the meter was low on credit
- Insufficient money available to top-up.

That means that many consumers found that the operation of their PPM sometimes did not fit in with their lifestyle – resulting in self-disconnection.

This new report explores the current experience of prepayment meter users, focusing on the experience of households who lack the funds to keep their meters topped up.

Citizens Advice commissioned Accent research to survey 8,171 citizens across Great Britain between December 2017 and January 2018. Of these 1,226 were prepayment meter users. They conducted 10 in-depth interviews. We also surveyed our local network in February 2018 to understand the experience of people seeking help and support from their local Citizens Advice. We received 428 responses.

Addressing self-disconnection among PPM users

In the last year, c.140,000 households self-disconnected from their energy supply because they couldn't afford to top up their prepayment meter (PPM).

A growing proportion of PPMs are now smart meters. This brings many opportunities for energy suppliers to support customers who self-disconnect.

But the issue cannot be tackled in isolation. Wider social reforms, like the rollout of Universal Credit, bring additional challenges.

This report explains how and why industry and Government should act now to reduce the number of people self-disconnecting.

People need an affordable supply of energy to keep warm and well in their homes.

We want to ensure prepayment meter customers:



Have access to emergency fuel credit quickly and easily when they don't have enough money to top up.



Get holistic advice and support to help them stay on supply.



Can access alternative payment methods when a prepayment meter is not suitable for them.

Summary

What we found:

1. 16% of consumers with a prepayment meter (PPM) are running out of credit on their meter each year - same as in 2014.
2. 50% said that keeping their PPM topped up and connected is a major daily concern.
3. Around 140,000 households could not afford to top-up their PPM in the last 12 months.
4. 88% of these households contained a child or someone with long term health issues.
5. 87% of these households were on benefits.
6. Only 9% of these households had contacted their supplier for help.

What we want to happen now:

1. Energy suppliers should review processes for identifying whether a household is at risk of harm from self-disconnection before a prepayment meter is installed.
2. Where vulnerable people are put onto PPMs, suppliers should use new opportunities offered by smart to ensure they stay on supply.
3. DWP and Jobcentres should improve coordination with suppliers to ensure vulnerable customers are given help to prevent self-disconnection through a change in benefits.
4. Energy UK should use its upcoming vulnerability commission to produce a clear offer of support to those who have self disconnected.
5. The government should use the Warm Home Discount scheme to encourage consistent provision of non-refundable discretionary credit.



Ana's story

Ana lives in a two bedroom council property. Her partner recently passed away.

She has two small cleaning jobs and receives Employment Support Allowance.

She always puts money on her electricity meter because of the freezer or fridge. Without gas, she just wraps up warm.

Ana has become used to regular disconnections as part of her weekly routine before benefit payments arrive.

Who uses a PPM?

10.89 million people (15% of households) in Great Britain pay for their gas or electricity through a prepayment meter.

65% of households with a PPM contain a child or someone with long term health issues.

We also found that 41% of all PPM customers reported health issues, including 15% reporting mental health issues.

59% of households with a PPM were on at least one kind of benefit.

PPMs are typically less prevalent among older people, smaller childless households and households with higher incomes.

Our survey found:



Those **living with children** are **more** likely to have a PPM than those without (21%)



Households in Great Britain with 5 or more people are **more** likely to have a PPM than any other size of household (22%)



Local authority renters are **most** likely to have a PPM (43%) and **private renters** are **more** likely than home owners to have one (23%)



Younger families were most likely to be on a prepayment meter - 23% of those between 25 and 34 years old.



Households in **England** (14%) are **less** likely than those in Wales (17%) and Scotland (25%) to have a PPM

Level of self disconnection

50%

of households said that keeping their PPM topped up and connected is a major daily concern.

Of the PPM users who self-disconnected:

72%

are vulnerable to cold homes (households with children or people with health issues)

34%

Were in full time work

62%

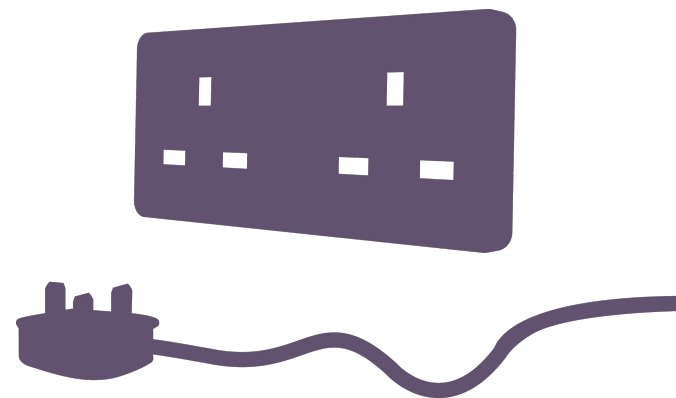
Under the age of 34

Half of those who have self-disconnected in the last year did so only once or twice.

Vulnerable people self-disconnect more often and for longer.

3% of all participants self-disconnected at least 2-3 times a month. This included:

- 10% of those whose PPM has been used to collect debt
- 9% of those who have fallen behind on their bills
- 10% of those with mental health problems



Our Network Panel of local CitA offices reported in February 2018:

64% of advisers are aware of clients seeking help from their local Citizens Advice who have struggled to top up their prepayment meter.

Of those, 18% see cases of people struggling to top up their PPM daily, and 35% see cases weekly.

Based on 428 responses.

Impacts of self-disconnection among PPM users



Our research shows that just under half of households felt it had a **negative impact** on **wellbeing**, but it was seen as much **more negative** among **vulnerable** people

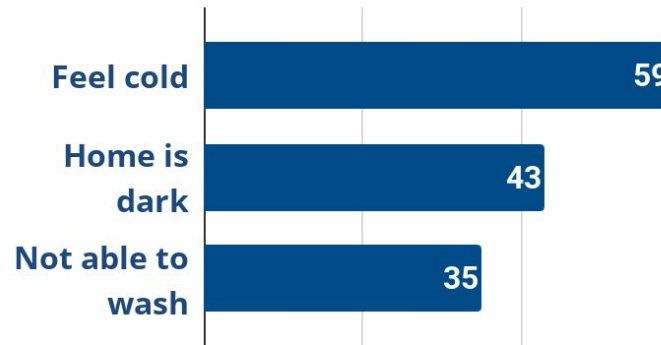
Vulnerable people self-disconnect more often, more recently and for longer.

- Of the PPM users who self-disconnected 82% of these are vulnerable (child, health issues)

Half felt being disconnected had **negative impacts** on them, both physical and emotional.

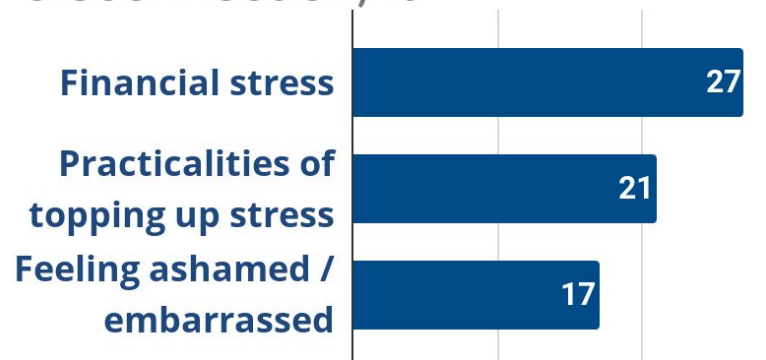
82% of those who said disconnection had a negative impact cited **physical impacts**

Main Physical impacts of self disconnection, %



56% of those who said disconnection had a negative impact cited **emotional impacts**. This was **higher** for those with any **health difficulties** (66%) vs those without (42%)

Main Emotional impacts of self disconnection, %



In their own words



“That’s **really stressful** if you run out of electric. Imagine, if you put yourself in your home and you’ve got no electric and you’ve got no gas so you’ve got no heating, you’ve got no entertainment, there’s **nothing to do**.

You’re **just sitting there waiting** for the next day to come or until you can contact somebody. You feel **depressed**, you feel **anxious**, feel **annoyed**, all sorts of emotions.

(Male, lives alone in property rented from council)

Reasons for self disconnection

The main reasons for not topping up the PPM were organisational rather than financial. However 1 in 5 disconnect for affordability reasons (21%)

Around 140k households can't afford to keep their meter topped-up:

- 87% of these were on benefits
- 88% contained a child or someone with health issues:
 - 50% reported mental health issues
 - 33% contained young children (0-5)
- 44% of those who could not afford to top up had a PPM that was being used to collect debt
- 30% of these households were without gas and or electricity for longer than 3 days

47%

forgot to **top-up** their PPM and were disconnected as a result of this

32%

did not realise the PPM was **low on credit**

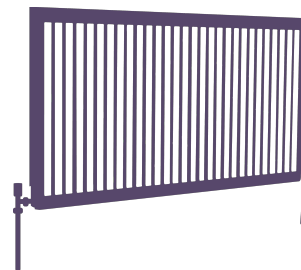
Self-disconnection is often triggered by a temporary financial crisis that leaves the consumer without enough money to top up their PPM.

21%

disconnected for **affordability reasons**

8%

were **waiting** for **benefits payments** and couldn't top-up before that



Brandon's story

Brandon lives in a two bedroom council property.

"No, I don't top up the gas as often as I top up the electric because I don't use it. I survive quite happily without heating all the year round personally.

Obviously I have to put it on when my daughter's here and it changes my cooking style because obviously I don't use the hob when I've not got gas."

How people responded



- **33%** (of those citing affordability) used a blanket or hot water bottle to stay warm (42% households with children, 53% elderly people)



- **47%** borrowed money from friends or relatives

Our advisers also tell us that cutting back on food and heat, or borrowing money from friends and family are the most likely responses to those struggling to top up their prepayment meter.*

* Network Panel Survey, Feb 2018.

22%

of those who could not afford to top-up contacted someone in authority (8% all self-disconnect)



11% contacted a job centre

jobcentreplus

9% contacted their supplier



7% contacted Citizens Advice

citizens advice



Jen's story

Jen needed a nebuliser for her health condition. She couldn't afford to top up her PPM as her benefits payments had been stopped.

Jen had exhausted the help available from her local welfare assistance scheme and her supplier wouldn't provide any assistance.

Citizens Advice helped Jen find ways to reduce her energy costs and assisted with her benefits claim.

21%

Of those who self-disconnected did so for **affordability reasons**

People should be able to access emergency fuel credit quickly and easily when they don't have enough money to top up their PPM.

In April 2013, responsibility for delivering discretionary emergency welfare was transferred to local authorities in England, and the devolved governments in Scotland and Wales. Not all schemes provide support with fuel costs and application processes can be difficult.

A variety of privately-funded schemes have emerged, like the nPower Fuel Bank™ and British Gas Energy Trust, which provide emergency fuel vouchers to PPM users who are in crisis.

This has created a patchwork of support, which can be difficult to access. Schemes often operate under restrictive criteria, meaning consumers may have to contact multiple organisations to access help and assistance.

Our recommendations

1. Government should allow energy suppliers to fund fuel voucher schemes through the Warm Home Discount Industry Initiative.
2. Energy suppliers should provide discretionary PPM credit to customers when they need it, alongside [holistic advice and support](#).



Self-disconnection and Universal Credit

In Autumn 2017 the Government announced a £1.5 billion package to improve Universal Credit (UC). This included measures to make sure people won't have to wait as long without an income:

- Reducing the initial waiting time
- Making it easier to access Advance Payments
- Doubling the level of Advance Payment and repayment periods

We welcome these measures, which should help reduce the number of people self-disconnecting during the UC transition.

However we still have concerns about the impact of this programme on people's income.

Very few respondents in our quantitative survey were on UC, making it difficult to draw conclusions about the impact on self disconnecting. Of those we did speak to we found similar levels of self disconnection but for longer periods.

However our local office in Bath, one of the early pilots for UC, interviewed some of their clients who had asked for a fuel voucher from the local authority. They found...

47%

of their clients who had requested a voucher cited problems with Universal Credit as a reason

Recommendations

Energy suppliers should proactively support customers through the Universal Credit rollout, using data on the rollout schedule to identify customers likely to be moving onto UC

The Government should work with industry to provide people with tailored and holistic support to stay on supply as they transition onto the new benefit.

* **Source:** [Staying connected](#)



Amanda's story

Amanda had not used gas over the summer months and had built up an outstanding balance of £98.85. The meter was deducting a large proportion of all top ups. This was unmanageable.

Amanda received various benefits. She was not due to receive any income for two weeks.

The supplier agreed to reset the meter and suspend debt recovery over the winter months. The debt would be reviewed in the spring.*

Self-disconnection and mental health

People with mental health problems are more likely to self-disconnect from their PPM. This is for a number of reasons.

Mental health conditions like social phobia, social anxiety or agoraphobia can make it difficult for people to leave the house to top up their PPM.

Our report [Joining the Dots](#) found that:

Mental health problems can make it harder for people to manage their finances.

People with mental health problems also face particular difficulties accessing the welfare system.

Overall, clients with a mental health problem are 49% more likely to need advice on their fuel supply.

16%

of all participants with PPM have **self-disconnected**

28%

of those PPM customers with mental health issues have self disconnected (vs 14% of those without)

Self-disconnection has a negative impact on people's health and wellbeing and can cause or exacerbate existing conditions.

The National Institute for Health and Care Excellence recognises the link between cold homes and mental health, such as depression and anxiety. Not being able to heat your home, cook or wash adequately can also lead to feelings of shame and social isolation.

Recommendations: Energy suppliers should

1. Not install PPMs for consumers with mental health problems who would find it difficult to leave the house to top-up.
2. Remove existing PPMs, where it is not safe and practicable.



Jane's story

Jane had dyslexia and mental health problems. She had failed a Work Capability Assessment and her ESA stopped.

She had run out of money and couldn't top up her PPM. She also had water and TV licence arrears and was being chased by bailiffs for an old credit card debt.

Citizens Advice sourced a fuel voucher from the local council and helped with her benefits and debt issues.

People should be able to access alternative payment methods if a PPM is not suitable for them.

Suppliers must only fit a PPM if it is safe and reasonably practicable.¹ Despite this, some consumers have a PPM where it poses a serious risk to health due to self-disconnection or extensive self-rationing. Suppliers should do more to ensure consumers are on the most appropriate payment method for them. This might include payment by Direct Debit, budgeting cards or Fuel Direct.

Our recommendations

1. Energy suppliers should remove PPMs free of charge if a PPM is not safe and reasonably practicable.
2. Energy suppliers should proactively offer customers the option of repaying debt via Fuel Direct, taking into account their ability to pay.
3. Ofgem and DWP should revise the guidance on Direct Deductions and Ability to Pay to reflect changes under Universal Credit and the risk of self-disconnection for PPM users.

¹ Ofgem electricity supply standard licence condition 27.6 (iii)

Debt and PPMs



of those whose meters were used to collect debt had self disconnected vs 13% of all other PPM users

Fuel Direct

Under Fuel Direct (third party deductions), debt repayments are deducted from an individual's benefit at source and paid directly to the energy supplier until the debt is cleared.

DWP's [guidance](#) states that other methods to recover the debt must have been tried before Fuel Direct can be applied and there must be a real threat of enforcement action. This means energy suppliers tend to fit PPMs rather than apply for Fuel Direct.

However, in some cases Fuel Direct might be a better option than a PPM. Suppliers should assess each customer's circumstances and determine the most appropriate payment method.

This is a complex area and subject to change under Universal Credit. The current guidance is unclear and needs to be revised.



Fuel Direct & Universal Credit

In our report [Universal Credit and Debt](#) we found that some UC claimants are finding it hard to make ends meet because of third party deductions.

This is because the amount that can be deducted from UC payments is much higher than with legacy benefits.

In addition, people aren't always told about options to make their deductions more affordable.

Self-disconnection and smart meters

Around 15% of PPMs are now smart meters.

Smart PPMs have a number of advantages over traditional PPMs. They have useful features that can help consumers manage their energy usage. They make it easier for suppliers to apply discretionary credit when customers need it. And suppliers can remotely switch a meter from prepay to credit mode.

With more consumers set to have smart PPMs, there are significant opportunities for industry to address self-disconnection.

However our research showed smart PPM users have similar experiences and perceptions to standard PPM users

Similarities	Smart	Standard
Satisfied with PPM	84%	82%
Negative comments about PPM	19%	25%
Self-disconnected in last year	14%	16%
Keeping PPM topped up and connected is a major concern	50%	50%



Energy suppliers should:

1. Use smart meter data to proactively identify customers who are self-disconnecting and offer holistic support, using our [good practice guide](#).
2. Use smart meter data to provide tailored energy efficiency advice
3. Provide discretionary credit when needed, using smart meter data to calculate an appropriate amount.
4. Switch customers to a more appropriate payment method when a PPM is not safe and reasonably practicable.

Self-disconnection and standing charges

The standing charge is a fixed daily charge that all consumers pay regardless of how much energy they use. It contributes to the cost of operating the energy network.

Standing charges can cause difficulties for PPM users if they do not use their energy supply for a long period and charges build up on the meter. The consumer then has to clear the charges up front in order to get back on supply. It is a common problem for gas PPM users who do not use any heating over the summer.

A small number of suppliers offer tariffs with a zero standing charge. These usually have a higher unit rate. Zero standing charge tariffs can be more suitable for low users. However, care must be taken to ensure consumers do not switch to a tariff that makes them worse off.



The largest energy suppliers run summer communication campaigns to encourage their PPM customers to keep topping up over the summer. We would like more suppliers to follow this example.

Some consumers are not able to top up regularly due to their financial circumstances. This puts them at particular risk of building up standing charges and self-disconnecting. When this occurs, suppliers must help them get back on supply and allow them to repay the debt in affordable installments.

All energy suppliers should:

1. Run summer communication campaigns to encourage their PPM customers to keep topping up over the summer
2. Allow PPM customers to repay standing charge debts in installments, taking into account their ability to pay



Will's story

Will was on a zero hours contract and finding it hard to make ends meet.

He had not used the gas in 2 years and standing charges had built up leaving a debt of £162. He tried to put some money on the PPM key but it was taken towards the debt.

The weather was getting colder going into winter and he didn't have any heating. He wasn't able to wash and felt increasingly isolated.

Examples of good practice

Case study 1

The consumer lived alone and had mobility problems due to a long term leg injury. His benefit income had changed from Incapacity Benefit to Universal Credit and he was struggling to adapt to this change. His income had reduced by £120 per month and he was being paid monthly rather than fortnightly.

He was referred to the Extra Help Unit (EHU) as he had self-disconnected from his gas prepayment meter. There was £42 worth of built-up debt and Standing Charges on the prepayment meter and he could not afford to top up.

How it was resolved

After the EHU contacted the supplier the meter was reset with the debt recovered at a rate of £3.75 per week.

The supplier also provided a £49 fuel voucher following the EHU referral.

Case study 2

The consumer's Employment & Support Allowance had been stopped. He was awaiting an appeal decision and was potentially facing a further 3 weeks without income. He was also awaiting an operation following an accident.

He had no funds to top up his prepayment meters and was off supply for gas and in emergency credit for electricity with only £1.55 left to use. He had contacted his supplier asking for help but they had not been willing to provide discretionary credit as previous assistance had already been given (£6 credit had been given a few months previously).

How it was resolved

The EHU contacted the supplier who agreed to provide £60 discretionary credit for electricity and £58 for gas, the equivalent of 3 weeks usage. The consumer had to repay this at £3.65 per week.

The supplier also contacted the consumer to help him apply for Warm Home Discount and their energy efficiency team provided him with further advice.

Acknowledgements

We give thanks to Accent for their valuable research that made this short report possible.

Further reading

2017: [Good practice guide: holistic support for energy consumers who self disconnect from their prepayment meter](#)

2017: [Supplier good practice guide: responding to prepayment meter consumers who self disconnect](#)

2016: [Staying connected: how energy suppliers can help and support prepayment meter consumers who self disconnect](#)

2014: [Topping-up or dropping-out: self-disconnection among prepayment meter users](#)

2010: [Cutting back, cutting down, cutting off: self disconnection amongst prepayment meter users](#)