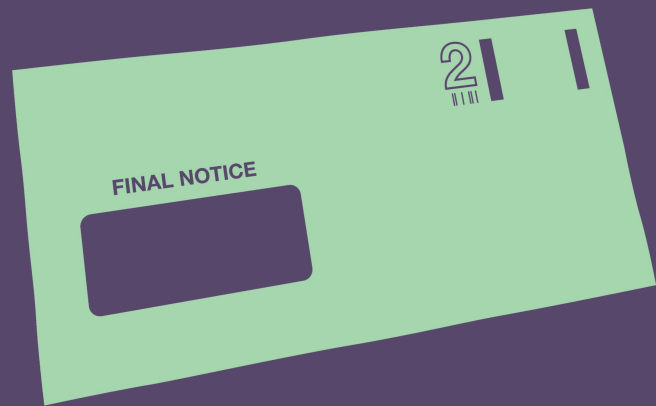


Supply and final demand



**citizens
advice**

Improving support for energy consumers
in vulnerable circumstances who fall
behind on their bills

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Summary of research

This research explores the experiences of consumers in vulnerable circumstances who fall behind on their energy bills and are on credit meters.

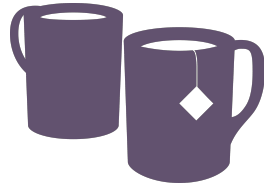
This follows our previous [research](#) looking into the experiences of consumers with prepayment meters (PPMs).

Installing a PPM is one method of recovering debt, but it's not suitable for everyone because not topping up the meter might mean losing energy supply.

How was the research carried out?

Collaborate Research carried out 20 in-depth interviews with consumers in vulnerable circumstances who had been behind on their energy bills for at least one month.

The participants were independently sourced to agreed quotas from low-income areas across England, Wales and Scotland. Interviews were mainly carried out in people's homes.



We included consumers who had been behind on their energy bills (in arrears) for one week or more. Some consumers we heard from hadn't been in contact with their supplier about their situation.

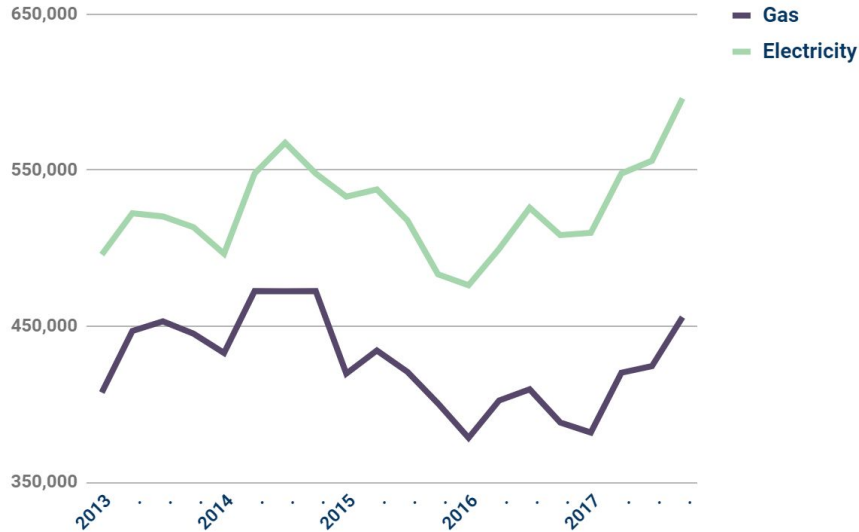
Key findings

- Consumers in vulnerable circumstances experience specific barriers to engaging with their supplier about their situation
- Debt collection methods perceived as 'aggressive' by consumers may exacerbate their vulnerability and deter engagement
- Support is often framed in a way that sounds generic and unhelpful

Collaborate Research produced a [report](#) and [infographic](#) outlining their research findings. This policy report summarises these findings and makes recommendations for suppliers and Ofgem.

Why do we need this research?

Ofgem data shows that the number of consumers falling behind on their energy bills without an arrangement to repay the debt is rising.



The average amount owed by these consumers is £555 for electricity and £493 for gas accounts.¹

Ofgem data includes consumers with an unpaid bill for more than 13 weeks. The definition used for this research is broader and includes consumers with an unpaid bill for one week or more.

43,232

...people came to us with energy debt problems in 2018

12%

...this was a 12% increase since 2017

48%

...had a long term health condition or disability.²

Ofgem say they want suppliers to 'take advantage of the large amount of best practice examples already out there and invest adequately in support for vulnerable consumers'.³

Suppliers should use this research to improve the ways they approach vulnerability and debt recovery.

Who did we speak to?

Ofgem defines vulnerability as when a consumer's personal circumstances and characteristics combine with aspects of the market to create situations where someone is:

- significantly less able to protect their interests in the energy market and/or
- significantly more likely to suffer detriment or more substantial detriment.

Vulnerability can change and someone can become vulnerable at any point.

We included people with a range of vulnerabilities in this research, including physical and mental health conditions, caring responsibilities and financial difficulties. We also included people who had experienced a life shock, such as a bereavement or relationship breakdown.

Most of the participants were in complex vulnerable circumstances, with multiple problems as well as energy debt and with long-standing financial difficulties.

These are some of the people we spoke to.*



Irene, 65, has multiple physical health conditions including diabetes, high blood pressure, hypertension, asthma and sleep apnea aneurysm. She relies on an electrical CPAP machine for her sleep apnea.



Hilary, 29, is a single mum with a 2 year old child. She is living with her sister following a relationship breakdown. She suffers from anxiety and depression.



Matt, 35, was diagnosed with bipolar disorder a couple of years ago. He used to work as a mortgage adviser but was signed off sick and then his company let him go. He is now struggling with money but doesn't want to lean on his family too much.

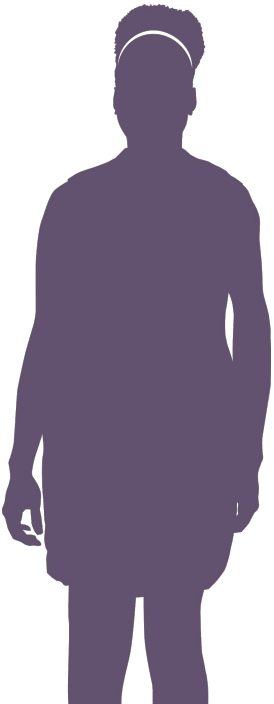


Jen, 21, lives alone with her 1 year old daughter and is suffering from postnatal depression. Her partner is a full-time carer for his brother and is waiting on his claim for Universal Credit.

* All names in this report have been changed to protect identity.

What happens when consumers fall behind on their energy bills?

Consumers with prepayment meters (PPMs)



Freya falls behind on her energy bills

Her supplier installs a prepayment meter (PPM)

Freya must top up her meter to pay off the debt and pay for the energy she uses

She may be disconnected from her supply if she doesn't top up enough



Jack, who has mobility problems, falls behind on his energy bills

His supplier doesn't install a PPM because his disability means he is unable to access his meter

Jack receives bills, letters and phone calls from his supplier asking him to pay off the debt

He will stay on supply but his debt will build up if he doesn't engage with his supplier

PPMs are not suitable for everyone. Consumers with certain vulnerabilities may remain on a credit meter instead. Suppliers should only install a PPM if it is 'safe and reasonably practicable'.

Consumers with credit meters

Key finding: Consumers in vulnerable circumstances experience specific barriers to engaging with their supplier about their situation

A life shock, such as a bereavement, can take someone's mind off energy bills

Rose, 71, fell behind with her energy bills after paying funeral costs when her brother died unexpectedly. For people in these situations, engaging with their supplier may be the last thing on their mind. Rose didn't contact her energy supplier because her grief and depression were all-consuming for several months.

- **Having caring responsibilities can make it hard for someone to prioritise energy problems**

- Esther, 65, is a carer for her husband who has dementia and other health conditions. They get the Warm Home Discount because their dementia nurse helped her apply. Without proactive advice and support, people like Esther are unlikely to access the support they're entitled to. If the person they care for used to manage the bills, this responsibility might be new and challenging for the carer.

Health conditions can make it difficult to speak on the phone or read letters

Vanessa, 45, has severe vision problems that have worsened in the last 5 years. She lives with her two children in a rural area. People may not be aware of support available to them if their health has changed quite rapidly and they haven't needed to access support before.



Our recent work on the [mental health premium](#) found that people with mental health problems often pay extra for their essential services. The impact of falling behind on energy bills is likely to be worse for people with mental health problems.

Key finding: Debt collection methods perceived as 'aggressive' by consumers may exacerbate their vulnerability and deter engagement

Lack of consistency in communications can contribute to stress and anxiety

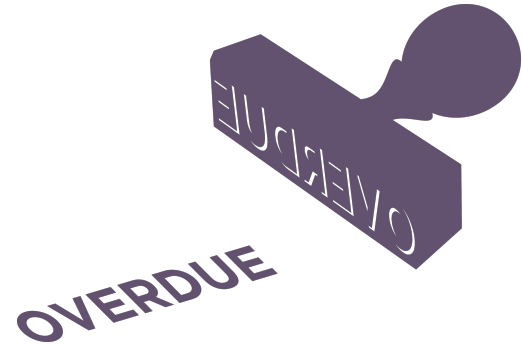
Liz, 32, who has a 9-year-old son with autism, received a gas bill that was much larger than expected. She thinks her son may have turned the immersion heating on. Her supplier was understanding when she called them, but then she received strongly worded letters that didn't acknowledge the phone call. This left Liz feeling anxious and unsure where she stood.

Strongly worded letters can lead to inertia rather than action

- It can feel like there's no way forward when communications focus on the problem rather than potential solutions. Felix, 34, who has depression, agreed a payment plan with his supplier but they were insisting on an unmanageable amount. He then started to receive text messages saying he may be disconnected, causing distress and exacerbating his mental health conditions.

A negative experience of engaging can put someone off future engagement

Kate, 36, has a son with type 1 diabetes so needs her energy supply to refrigerate insulin. She has bipolar disorder and PTSD. After getting a letter mentioning support, she called her supplier and arranged a payment plan but they were stern with her. A negative experience of engaging could discourage people like Kate from getting in touch again.



Key finding: Support is often framed in a way that sounds generic and unhelpful

There is a lack of awareness of the support available

Many people weren't aware that their supplier has to support customers in vulnerable circumstances. Jocelyn, 58, got into debt after problems moving to Universal Credit. She only heard about her supplier's discretionary emergency fund when she spoke to a manager. People who don't reach out to their supplier may not find out about options like the Warm Home Discount, discretionary funds and payments or Fuel Direct.



The Government's [policy proposals](#) around 'breathing space' aim to give people in debt a period of time to access debt advice, with legal protections that pause debt recovery action during this time.

By having good partnerships with debt advice organisations and support services, suppliers can help make sure this works well.

Debt advice often doesn't feel relevant or practical enough for people

Rachel, 28, is a single parent of a 3 year old and works as a midwife. She works less than 16 hours per week because childcare costs would be unaffordable. Her supplier offered her debt advice but Rachel felt this wasn't tailored to her situation and wasn't a genuine offer of help. Without relevant examples of support, the value of making referrals to debt advice and support can be lost.

The stigma attached to debt advice can put people off engaging with support

Some people may not be receptive to accepting help. Bill, 59, has chronic COPD and uses oxygen therapy about 15 hours per day. He doesn't want debt advice because he doesn't want someone telling him what to do. Early and proactive contact, initiated by suppliers and available face to face where possible, could create a more positive and collaborative experience of support.

What problems are we seeing?

Here are some stories from people we helped through the [Extra Help Unit \(EHU\)](#), the Citizens Advice service's team of specialist case workers who help with complex energy problems.



John, who has a chronic health condition, received a letter stating a warrant would be carried out to install a prepayment meter (PPM) within a matter of days. Although the arrears balance was less than £200, when he contacted his supplier they were unwilling to set up a suitable payment plan.



Aisha has anxiety, alcohol dependence and related health problems. Her supplier issued a notice of intention to apply for a warrant for a bailiff to recover the debt. This exacerbated Aisha's anxiety when she had just accessed support.

How were these problems resolved?

The EHU negotiated affordable payment plans for both of these people.

John's supplier agreed to charge for his ongoing energy usage only, pending an application to their trust fund to repay the balance, and also offered cheaper tariffs.

Aisha's supplier agreed to remove some of the debt charges and offered a goodwill gesture to put the account into credit.

What could suppliers do earlier?

John and Aisha's cases show that suppliers aren't always taking into account how much their customers can afford to pay early on.

Ofgem rules say that suppliers should set up payment plans or take payments from benefits (Fuel Direct) when someone is struggling to pay their bills, taking ability to pay into account.⁴

Ofgem data shows that smaller suppliers are setting up higher weekly debt repayment amounts for people on credit meters than larger suppliers. They also have agreed repayment plans with fewer of their customers that owe money than big suppliers.⁵

£14.58

Small suppliers

£7.28

Medium suppliers

£5.39

Big 6

Average weekly debt repayment amount (non-PPM) by supplier size (2017)⁶

What should suppliers do?



Have a strong process for identifying all forms of vulnerability - and take vulnerability into account throughout each person's case.



Use smart data to identify arrears at an earlier stage. [Our research](#) has shown this is valuable to consumers, but must be done sensitively, in a way that gives consumers control of their data.



Discuss relevant support options with the consumer such as the Warm Home Discount, discretionary payments, Fuel Direct and ECO.



Ensure that the tone and message of debt communications are consistent and personalised. Refer people to debt advice at the right time, and frame it in a positive way.



Suppliers need to take a range of approaches. The UKRN published a [report](#) on how to use data effectively, and Energy UK and Money Advice Trust published a [guide](#) to identifying mental health issues.



Set up repayment plans based on the [ability to pay principles](#) we developed with Ofgem.⁷ Start by asking people what they can manage, so they feel involved and are more likely to keep up with payments.



Our [Good Practice Guide](#) for supporting consumers who self-disconnect will be relevant for customers who fall behind on their bills.

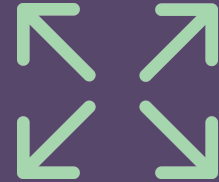


There are more ideas around how to effectively refer consumers to independent support in our [Good Practice Guide](#).

Policy recommendations

1

Suppliers should have a comprehensive package of support to help people to see a way out of their situation and be involved in decisions



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- Suppliers should have processes to identify all forms of vulnerability. They should initiate early attempts to contact consumers in vulnerable circumstances, by phone and in person where possible. And they should have a range of channels for consumers to contact them, including telephone. See our [blog](#) on why it's important for suppliers to have a telephone line.
 - Suppliers should routinely set up affordable payment plans with consumers in vulnerable circumstances early on, based on a holistic understanding of their situation that takes into account the ability to pay principles.
 - To maximise the benefits of the Government's 'breathing space' proposals, debt advice should be framed in a more appealing way. Suppliers should establish good referral pathways with specialist support organisations and highlight the benefits of support to consumers.

Policy recommendations

2

Suppliers should frame their debt communications in ways that are consistent with their other communications and emphasise the benefits of engaging with them



-
- Suppliers should make their communications consistent with any previous communications, so that past experience doesn't deter future engagement. Debt communications should be consistent in tone and message across the range of channels used by a supplier, such as phone, email, text and post. They should highlight the benefits of engaging with them.
 - Suppliers should trial new approaches to debt communications to find out what works best for different consumers. Trials could provide evidence about which approaches to debt communications work with different consumers and create opportunities for learning among suppliers.

Policy recommendations

3

Ofgem should use its Vulnerability Strategy to set an ambitious vision for supporting people in vulnerable circumstances who fall behind on their bills



- In line with the [recent NAO recommendations on regulation](#), Ofgem should set targets for the sector in relation to debt, assess performance against them regularly, and use this to decide whether it needs to take further action.
- Ofgem's recent review of suppliers' procedures and communications with customers in payment difficulty showed inconsistencies in repayment rates and weaknesses in assessing consumers' circumstances. Ofgem should publish the overdue lessons learned document from this exercise.⁸
- Ofgem should consider moving the ability to pay principles into the licence, to give them more prominence and weight. This would align with other areas of the licence which use principle-based rules, such as informed choices. Ofgem should also compel trials of new approaches to debt communications, if suppliers fail to do so voluntarily.
- Alternative methods of collecting debt are not working well enough.⁹ Ofgem should commit to working with the Department for Work and Pensions to review the guidance and application process for Fuel Direct. This can be a more appropriate and affordable way of collecting debt depending on an individual's circumstances.

Footnotes

¹ Ofgem, [Social Obligations Reporting](#)

² Citizens Advice data, 2018. Includes face-to-face, phone, messaging and email advice contacts handled by local Citizens Advice offices and excludes contacts to our consumer service and Extra Help Unit.

³ Ofgem, [Vulnerable consumers in the energy market: 2018](#), p. 49

⁴ Ofgem, [Electricity supply licence conditions](#), 27.6 - 27.8

⁵ Ofgem, [Vulnerable consumers in the energy market: 2018](#), p. 26

⁶ Calculated using 'Average weekly amount towards debt' figures from Ofgem, [Monitoring social obligations: 2017 annual data report](#), p. 2. N.B. 'Small suppliers' = suppliers with 249,999 accounts and under. 'Medium suppliers' = suppliers with 250,000 - 999,999 accounts. 'Big 6' = supplier with 1 million accounts and over. As of December 2017.

⁷ The principles were developed by our predecessor body, Consumer Focus.

⁸ Ofgem, [Vulnerable consumers in the energy market: 2018](#), p. 21.

⁹ See Citizens Advice, [Universal Credit and debt](#) (2017) and [Switched on: Improving support for prepay customers self-disconnecting](#) (2018)

* All names in this report have been changed to protect identity.

Acknowledgements

We'd like to thank Collaborate Research for working with us.

Further reading

Citizens Advice, [Switched on: Improving support for prepay customers self-disconnecting](#) (2018)

Citizens Advice, [Beyond good practice guides: Improving support with essential services for people with mental health problems](#) (2018)

Citizens Advice, [Staying connected: How energy suppliers can help and support prepayment customers who self-disconnect](#) (2017)

Citizens Advice, [On supply, in control: Using data to identify and support energy consumers in financial difficulty](#) (2016)

Ofgem, [Social obligations reporting](#)

Ofgem, [Vulnerable consumers in the energy market: 2018](#)

Ofgem, [Vulnerability Strategy](#) (2013) - due to be updated in 2019

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