

Vulnerable consumers in energy arrears

citizens
advice

Our objective was to explore the experiences of vulnerable credit meter consumers who are in energy arrears and may be reluctant to engage with their suppliers about this.

In November 2018, Collaborate Research conducted 20 in-depth interviews with vulnerable consumers who had been in energy arrears for at least 1 month – some of whom had not yet been in contact with their supplier about their debt.



The sample was free-found by specialist recruiters and quotas were set to represent the diversity of vulnerable circumstances, including...

- ▲ A broad range of physical and mental health conditions
- Caring responsibilities
- Severe financial hardship
- Life shocks
- Some for whom a prepayment meter would not be safe or reasonably practical due to their vulnerability



Reasons that vulnerable consumers fall into arrears

- Increased energy bills
- Reduced income
- Knock-on effects of other financial problems
- Money management issues

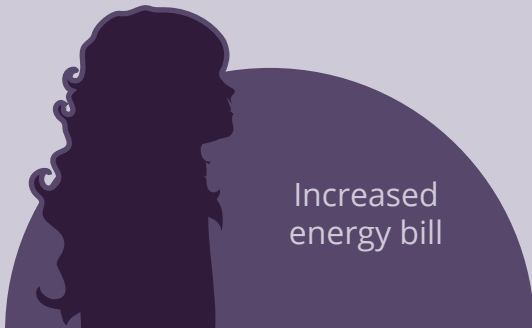


Liz's story

Liz is a part-time working single parent whose son who has been diagnosed with autism and ADHD.

She moved to a new private rental property and subsequently received unexpectedly high bills for both electricity and gas.

She thinks there may be problem with the boiler and that her son switched on the immersion heating by mistake.



Increased energy bill

Matt's story

Matt was a mortgage adviser and is now on long term sick leave due to the diagnosis of bipolar disorder.

He has had no income for 6 months and is in arrears with his mortgage and other bills but hasn't engaged as this causes anxiety and risks triggering a depressive episode.

He also tends to overspend when he experiences a manic episode.



Money management

Barriers to engagement for vulnerable consumers who are in arrears

- Distraction by a life shock
- Limited capacity to engage due to a health condition
- Complex needs, including multiple debts and benefits problems
- Challenges accessing support including difficulty communicating by phone or getting out to appointments

Vulnerable consumers currently lack a positive motivation to make contact with suppliers due to low awareness of the repayment options and support available.

In addition, some have had poor experiences of past supplier contact which can act as a deterrent to future engagement.

Rose's story

Rose's brother died unexpectedly and the funeral costs made her fall behind with her energy bills.

She delayed contacting her energy supplier because her grief and depression was all-consuming for several months following his death.



Distracted by life shock

John's story

John has COPD and uses oxygen 15 hours per day. This means he can find it difficult to concentrate.

He has debts in several areas but generally finds it difficult to focus on his financial difficulties because of his physical condition.

He forgot to apply for his Warm Home Discount this year and hasn't yet contacted any of his creditors.



Limited capacity to engage

Mixed experiences reported by those who have engaged with their supplier

While there were some examples of good practice, this research suggests room for improvement in the consistency of suppliers' approaches...

Positive experience

Maria's story

Maria's electricity supplier contacted her by email about failed direct debits but she didn't feel pressured.

She then phoned them and felt her situation was understood and she was not being judged by the agent.

She was offered a cheaper tariff which meant she could pay back the debt and for her ongoing usage for only a small increase in cost. The agent recognised that she was on the Priority Services Register (PRS). However, she doesn't think this was the defining factor in her positive experience, rather that it was just good customer service.

Kate's story

Kate was struggling to pay her full bill so was repaying what and when she could. She began receiving text messages daily which caused her stress and anxiety, affecting her mental health.

She phoned her supplier and found them to be "stern". She was asked if she could repay the arrears in its entirety and she said no. They then agreed a new date for her to repay. The agent did not ask about her personal circumstances and there was no indication that they were aware that she was on the PSR. There was no offer of a repayment plan.

Negative experience

Few have accessed specialist support such as independent debt advice



This suggests that referral pathways are not working effectively.

In addition, the current framing of 'debt advice' is not appealing to consumers:

- Not well understood
- Some don't feel they need money management advice
- Privacy concerns
- Focus on debt too narrow
- Need for advocacy on their behalf rather than just advice



However, where support has been accessed it can make a positive difference...

Peter's story

When Peter stopped getting benefit payments and was in a financial crisis, he was able to access support from his local Citizens Advice because of its close links with his GP surgery.

A Citizens Advice adviser comes to the surgery each week and his GP referred him when he presented with his situation.

The adviser made an appointment for him and contacted the DWP on his behalf. It took a long time to get through to the DWP which would not have been possible for Peter given his mental health problem and also as it would have cost a lot of money.

Successful support experience

Key implications



Current engagement barriers

Those not engaging are likely to be in very difficult situations with a number of barriers to engagement

Vulnerable consumers need to feel that there are benefits to engaging

“Aggressive” debt collection tactics risk exacerbating vulnerability and deterring engagement

They also need to feel they will be valued and respected



Opportunities to increase engagement

In addition, there is a need to address the barriers that currently prevent vulnerable consumers from accessing specialist support.

This includes reframing independent debt advice and ensuring referral pathways work effectively.