



Vulnerable consumers in energy arrears

Qualitative research findings

February 2019



Headlines

1

- A variety of factors can lead vulnerable consumers to fall into energy arrears, including increased energy bills, reduced income, knock-on effects of other debts, and money management issues

2

- A number of barriers to engagement exist among those in arrears, including not seeing an opportunity for resolution, focusing on higher priorities and low expectations of suppliers' responses

3

- Some engagement barriers are specific to vulnerable consumers – e.g. distraction by a life shock, limited capacity due to health conditions, complex needs and extra challenges in accessing support

4

- The triggers for ultimate supplier contact are more likely to be negative than positive but this risks discouraging further engagement as well as exacerbating vulnerability by creating stress and anxiety

5

- Variable experiences with energy suppliers were reported by those who have engaged suggesting inconsistency in suppliers' responses

6

- Overall, relatively few have accessed wider support suggesting that referral pathways are not currently functioning as well as they could be

7

- However, there were also some examples of independent support services having made a positive difference when they were accessed

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1. Introduction



Objectives

Citizens Advice wished to explore further the experiences of vulnerable credit meter consumers who are in energy arrears and may be reluctant to engage with their suppliers about this

1

- How did they get into the situation?

2

- Why are some not engaging with their energy supplier?

3

- What could be done to encourage earlier engagement?

4

- What else could support vulnerable consumers in energy arrears?

Research approach

Method

- 20 x in-depth interviews with vulnerable consumers in energy arrears (account in debit) for at least 1 month
- 15 interviews conducted face-to-face, 5 by phone
- Research spanned all 3 GB nations, different English regions, and both urban and rural areas
- Fieldwork conducted 1-23 November, 2018

Sample

- Eligible respondents were identified and screened by a specialist recruitment agency
- All were credit customers and all were on low incomes (<£16.5k)
- Some were not yet engaging with their supplier
- Quotas set for different types of vulnerability
- A mix of other characteristics also represented – see next slides for more information



Sample in more detail: Types of vulnerability represented

Long-term physical health conditions <i>(n=8)</i>	<ul style="list-style-type: none"> • Severe asthma • COPD • Diabetes requiring insulin • Fibromyalgia • Heart condition/hypertension • Limited mobility • Rheumatoid arthritis • Severe visual impairment 	Change in circumstances <i>(n=8)</i>	<ul style="list-style-type: none"> • Benefits issues • Bereavement • Housing change • Job loss • New onset health issue (spinal injury, high risk pregnancy) • Reduced income • Relationship breakdown
Mental health conditions <i>(n=6)</i>	<ul style="list-style-type: none"> • Anxiety and depression • Bipolar disorder • Post-natal depression • PTSD • Psychotic disorder 	Prepayment meter (PPM) not safe or practicable <i>(n=6)</i>	<ul style="list-style-type: none"> • Difficulty leaving home (due to mental health, mobility, visual impairment) • Need medical machinery (oxygen, sleep apnoea, telecare, telehealth) • Need refrigeration for medication • Need warm home due to medical condition
Caring <i>(n=6)</i>	<ul style="list-style-type: none"> • Child with special needs • Partner with dementia • Single parent of child <4 yrs 		
Severe financial hardship <i>(n=5)</i>	<ul style="list-style-type: none"> • Very low income • Very high debts • Insecure housing 		

Sample in more detail: Other variables

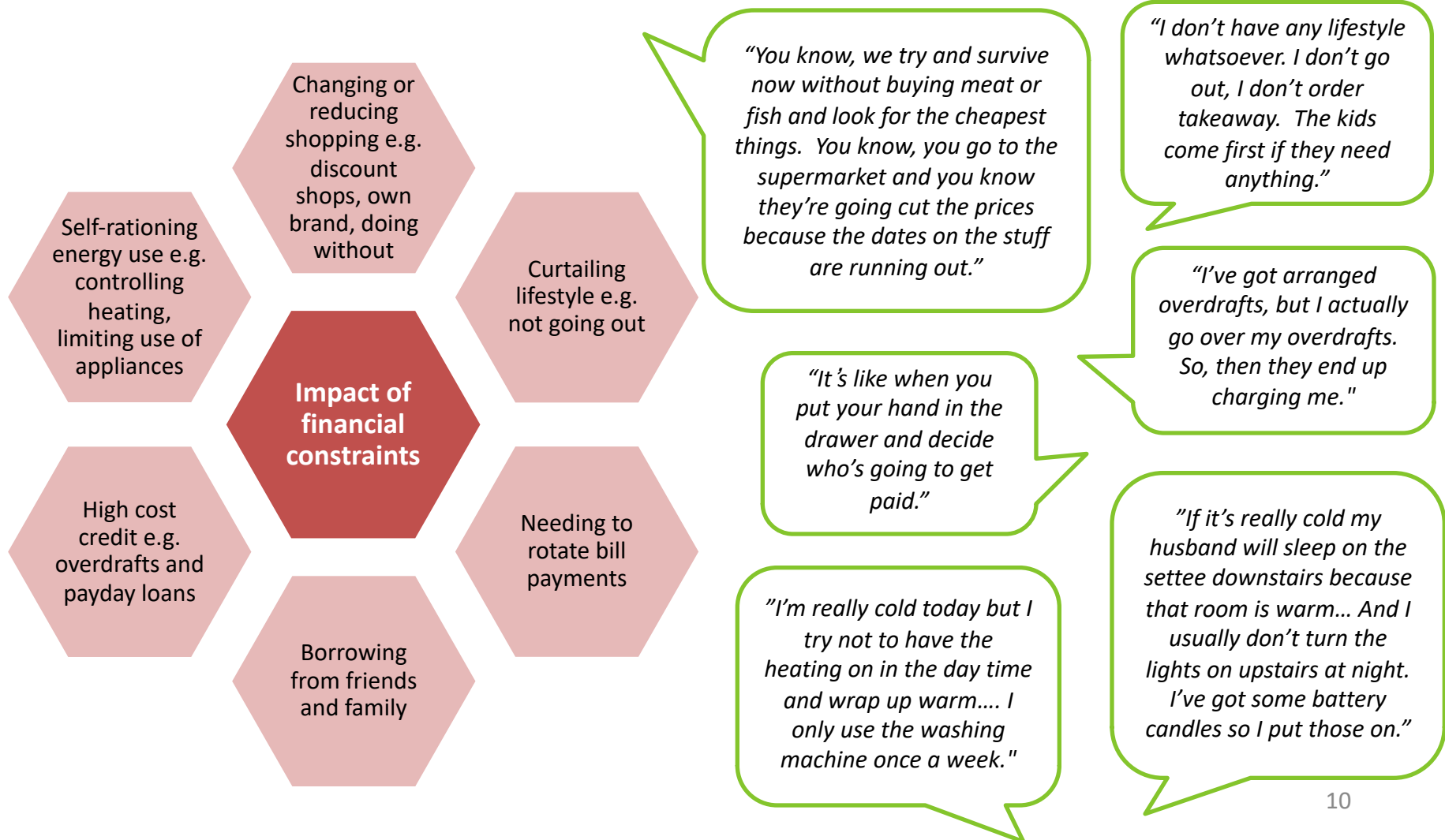
Length of time after account fell into arrears	1 month	6
	2-3 months	7
	4-6 months	4
	>6 months	3
Amount of energy arrears	<£100	9
	£100-300	8
	>£400	3
Supplier (Total >20 as some with more than 1 supplier)	British Gas	5
	EDF	3
	E.ON	3
	npower	2
	Scottish Power	3
	SSE/Swalec	5
	Other (non- Big 6)	2
Method of paying	Monthly direct debit	7
	Quarterly bill	7
	Payment card	6

Age (Age range 21-75)	Under 30	4
	30-49	6
	50-64	5
	65+	5
Gender	Female	15
	Male	5
Ethnicity	White British/other	15
	BAME	5
Work status	Working <16 hours	16
	Working >16 hours	4
Location (3 respondents lived in rural areas)	London	5
	Hertfordshire	2
	Birmingham/Mids	4
	North England	3
	Scotland	3
	Wales	3

2. Factors leading vulnerable consumers to fall into energy arrears



Managing expenses is very challenging for vulnerable consumers living on low incomes



There is a clear link between vulnerability and financial insecurity

Vulnerability can **directly contribute to financial difficulties** by causing distraction or disengagement



And financial difficulties can **exacerbate vulnerability** by leading to additional stress and anxiety

"I suppose I wasn't coping with myself or the bills. I didn't really want to know. I wouldn't open the letter. I wouldn't pay anything."

"Straight after I have the baby I've got to go in for surgery as well, so it's probably going to be a while. Hopefully I can get on my feet a bit better than what I am now, hopefully by then. Maybe sort all my bills and stuff out, at least try to anyway."

"Debt-wise I was getting depressed and then the split and having to move. So, yes, I think it all did contribute a lot to the depression."

"You wake up and you want to start the day afresh but you can't because you're thinking 'the postman comes at 11am, what bad news does he have today? What bill do I have to pay today?' It's like you can't move on."

"I couldn't sleep with everything going on. Everything was going round in my head, and I'd sit here and think, 'Oh, the electric. Oh, the gas.' I had a crying fit, to be honest."

Lack of market engagement means vulnerable consumers risk paying over the odds

Lack of market engagement is due to a number of factors...

Little experience of, or confidence in, comparing

- A number retained incumbent supplier when they moved into a property
- Some have never actively chosen a supplier

Susceptible to high pressure sales

- Some reports of being persuaded to switch in response to sales approach
- Not necessarily getting best deal this way

Unsure if it's possible to switch when in arrears

- Wouldn't have thought to find out
- Or don't want to rock the boat with their current supplier and risk more intensive debt recovery

Other barriers to engagement

- Low trust in suppliers/ perception that all the same
- Some lack internet access or confidence using
- A couple told by landlords that they couldn't switch

Very limited opportunity to reduce costs by increasing energy efficiency

- Some in rental properties with electricity only
- Less choice over appliances

"For some reason with my energy bills, I've just been very stagnant. Just kept it on whatever it was when I moved in, which is really silly, really. I think I find it a bit confusing. I've never done it. I don't really understand how it works. I kind of want my dad or someone to sit and do it with me."

"Since I moved here, my landlord will not let me change providers and I don't know why. I have discussed it with him before. I had to stay with [provider name]. There's only me and my daughter and it's coming to £70 electric, £70 gas, set rate. So, I'm paying £140 (per month)."

"I thought if I change to another provider, I was going to have a £2,500-3,000 debt. They're not going to just wipe it off. How am I going to pay for a new provider and pay that existing debt? It's beyond me how I can. I have thought of switching but then they're going to be knocking on my door for £3,000."

A number of factors can lead to energy arrears among vulnerable consumers...

Increased energy bills

- Bill shock (quarterly winter bill, final bill)
- Price rises
- Direct debit payments not covering usage

Reduction in income

- Being unable to work due to ill health
- Benefits issues

Income routinely not covering expenses

- Particularly at certain times of the year
- Some are routinely late payers

Knock-on effects of other financial problems

- Unexpected expenses
- Other debts

Money management issues

- Lack of engagement
- Financial capability issues

"(My direct debit) of £86 isn't cutting it and if I remain on that my debit on my account will get greater. They want it to be £101 a month and the difference could be my food bill for a week."




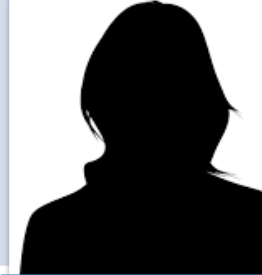

"I should have been moved over to PIP but they stopped my money. I had to go to the food bank. I was panicking."

"I'm having to fork out to try to get some arrears off the water and it's starting to take over from other things... I'm back and forth with bills at the moment."

"You sort of can't deal with (bills), you know. I'm trying to deal with so many things and worrying about my husband as he's in so much pain."

Case examples of factors leading to energy arrears

*All names have been changed to protect the identities of those involved

<i>Increased energy bill</i>	<i>Reduction in income</i>	<i>Income less than expenses</i>	<i>Effects of other financial problems</i>	<i>Money management</i>
 <p>Liz*, 32, lives in Hertfordshire</p> <p>A part-time working single parent whose son who has been diagnosed with autism and ADHD.</p> <p>Moved to a new private rental property and subsequently received unexpectedly high bills for both electricity and gas.</p> <p>Thinks there may be problem with the boiler and that her son switched on the immersion heating by mistake.</p>	 <p>Anna*, 25, lives in Cardiff</p> <p>She is 31 weeks pregnant with a high risk pregnancy and on long-term sick leave.</p> <p>She is no longer receiving statutory sick pay and receives no financial support from the baby's father.</p> <p>Not eligible for a number of benefits as she is employed but cannot intentionally leave employment or risks her Universal Credit application failing.</p>	 <p>Janice*, 57, lives in London</p> <p>A full-time carer to partner with advanced dementia.</p> <p>Partner also requires additional carers and they need to contribute towards the cost of these.</p> <p>Always behind on other bills and juggling payments.</p> <p>Most bills paid manually to provide more control.</p> <p>Repayment plans are part of routine management.</p>	 <p>Rachel*, 28, lives in London</p> <p>A trained midwife and single parent of a 3 year old.</p> <p>Working <16 hours per week due to costs of childcare.</p> <p>In a lot of debt, including c.£10,000 on credit cards.</p> <p>Unable to work enough to make the money she needs to reduce these.</p> <p>Rotates payments between creditors and feels her situation is insurmountable.</p>	 <p>Matt*, 35, lives outside Glasgow</p> <p>Was a mortgage adviser but on long term sick leave due to diagnosis of bipolar disorder.</p> <p>Has had no income for 6 months and is in arrears with his mortgage and other bills, including energy, but hasn't engaged as this causes anxiety and risks triggering a depressive episode.</p> <p>Also tends to overspend when he experiences a manic episode.</p>

3. Vulnerable consumers' responses to their energy arrears



A range of responses to energy arrears were observed from vulnerable consumers

Low/no engagement

“Head in the sand”

Total disengagement and avoidance

“I think I’m just really blocking it out, to be honest with you.”

“Robbing Peter to pay Paul”

Prioritising other expenses, bills and debts

“Just the mortgage, and eating and not fading away to nothing, are my primary objectives, and the rest will have to happen the way they happen.”

Unofficial ad hoc payments

Repaying a little when they can, without agreeing a formal repayment plan

“Sometimes I’ll pay £100 a month, sometimes I can’t quite manage that, it really just depends. Whenever I get a bit of money, I just try and just pay off what I can...I never really made a, sort of, payment plan because I knew I couldn’t actually stick to it.”

High engagement

Contacting supplier

More likely to be done promptly if have some capacity to repay or are very debt-averse

“I called them straight away as I don’t like to ignore these things.”

There are a number of engagement barriers including vulnerability-specific factors

See no way of resolving issue

- If the money isn't there they may see no opportunity for resolution
- Means no incentive to engage

"If they wanted payments and I couldn't do it then I would avoid speaking to them."

Delaying in the hope the situation will improve

- Demonstrating optimism bias and avoidance
- Also leads to disengagement and inertia

"You're paying the ones that were hounding you, the more serious. I'm weighing up the ones that I need to pay, and I need to pay this just to keep that at bay for now."

Focusing on other 'higher priority' expenses

- Bills and debts where consequences of non-payment seen as greater
- Higher priority living costs

"Sometimes they can't help you. Sometimes they're just like, 'Where's the money?'"

Low expectations of the supplier response

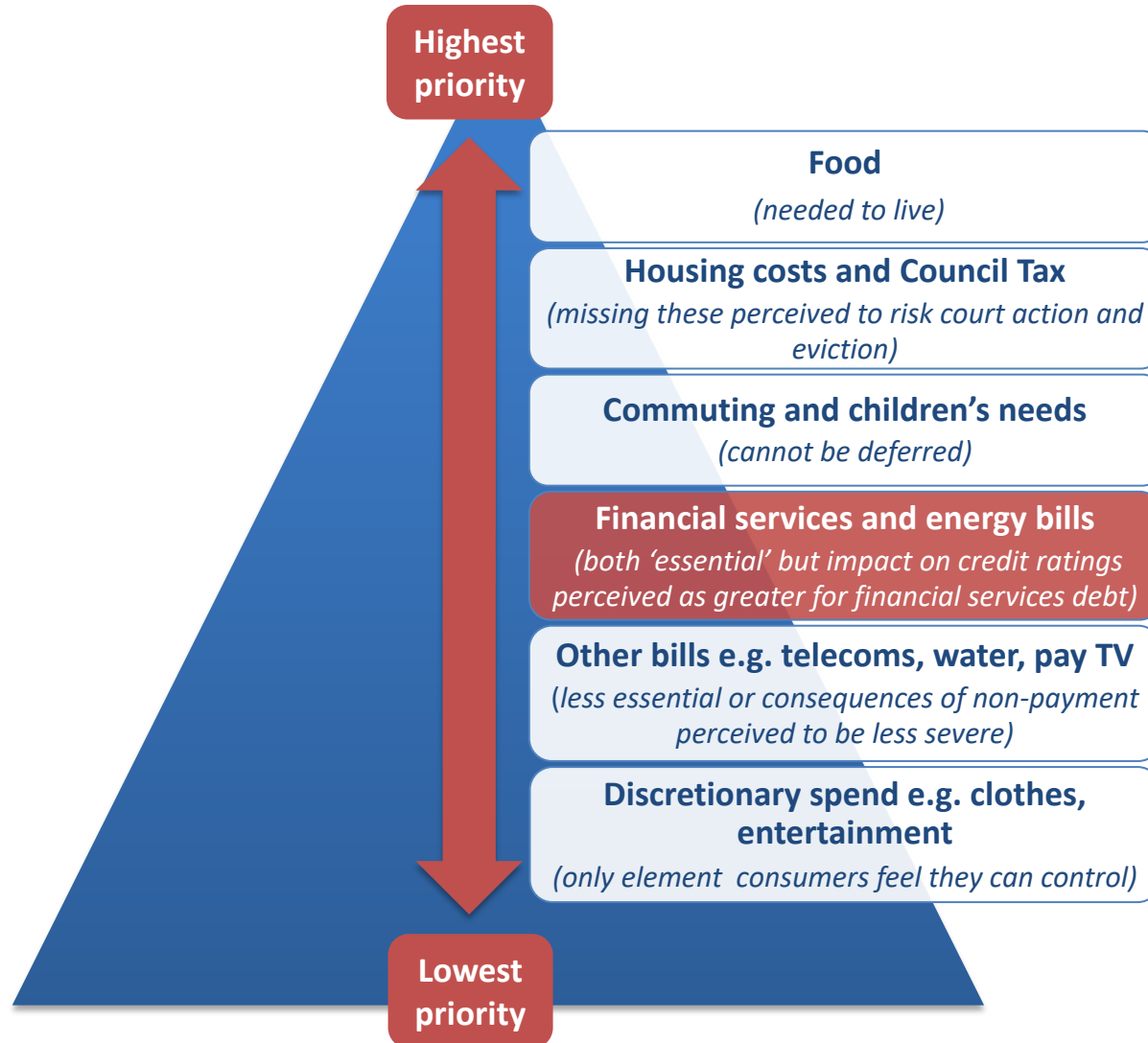
- Don't expect a sympathetic response
- May be due to previous poor experience
- Don't know what options or support available

"I have ups and downs, you see. So, when I'm having financial difficulties I get down. They were sending out letters and I had to get my daughter to phone up in the end."

Vulnerability-specific barriers

- Distracted by life shock
- Limited capacity to engage due to health conditions
- Complex needs and challenges to access support

How addressing energy debt may be deferred to deal with other 'higher priority' expenses



Bill prioritisation is based on assessment of the consequences of non-payment

Bills deemed to be 'higher priority' due to:

High volume of contact from creditor

Threat of bailiffs or court action to recover

Threat of eviction or disconnection of valued service

However, debt processes that are perceived by vulnerable consumers to be "aggressive" risk **exacerbating vulnerability** and may also lead to avoidance

Case examples of how vulnerability can be a barrier to engagement

*All names have been changed to protect the identities of those involved

Distracted by life shock

Limited capacity to engage

Complex needs

Challenges accessing support



Rose*, 71, lives in Cardiff

Her 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.



John*, 59, lives in Cardiff

He 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.



Peter*, 59, lives in Liverpool

He has psychotic disorder and money worries can exacerbate his condition.

He recently experienced a crisis where his benefit payments stopped in the transition from DLA to PIP. He needed support to get the payments reinstated as well as to deal with a range of creditors and to help him access essentials like food.



Jen*, 21, lives in Newcastle

Lives alone with her baby daughter and suffering from post-natal depression.

In arrears to both her water and energy suppliers. She has spoken with her water supplier which has asked for a letter from Citizens Advice as evidence. However, she doesn't feel comfortable going there on her own and hasn't been able to get through on the phone.

Low expectations of suppliers due to a lack of awareness or previous poor experiences

Lack of awareness of what support may be available

- Mixed awareness of option to arrange **affordable repayment plans**
- Mixed awareness of the PSR but low awareness of if/how support will be offered to **those on the PSR who are having difficulties paying**
- Low understanding of consumers' eligibility for support based on **factors other than age and disability**
- Mainly low awareness of **specific forms of support** e.g. Warm Homes Discount, referrals to other support services, discretionary grants

Previous poor experiences with suppliers in energy or other sectors

- Some had previous experience of supplier contact which was unsatisfactory or where their **vulnerability wasn't taken into account**
- A few had made **unsuccessful discretionary grant applications** and were dissatisfied by the response
- Some **did not regard the support they had been offered as helpful** (e.g. referral to independent debt advice)
- A previous bad experience with any supplier or their debt collection agency can negatively affect expectations of all suppliers and **deter engagement**

Triggers of ultimate engagement with energy suppliers

'Negative' triggers	'Positive' triggers
Written communication advising of escalation of debt collection process	Some were aware of the possibility to arrange an affordable repayment plan
High volume of communication by phone or text	A couple engaged in response to proactive face-to-face contact from the supplier

"You get one letter just saying, 'you need to pay such and such by a certain time otherwise we'll stop the tariff.' If you don't pay for that one, then I think the second letter is the 'we'll have to inform the debt collectors.'"

"They kept ringing me every day. If they couldn't get hold of me, they would then text me straight after hanging up the phone saying, 'You've got until six o'clock to call us,' quoting a reference on the text."

"It's a constant worry, isn't it? It's the last thing I think about before bed and the first thing when I wake up, the electric and is someone going to be knocking at the door."

"[Supplier] sent someone out to the house last month.... He just listened to what I had to say and said he would help me with paperwork to see if I could get some assistance."

Negative triggers tended to create significant stress and anxiety

4. Engagement with energy suppliers and other organisations



Variety of experiences reported by those who have engaged with their energy supplier

Negative

- Response lacking in flexibility and empathy
- Not taking affordability into account
- Suggesting or even enforcing a PPM

Variable

- Inconsistency between individual agents
- Differences between written and verbal communications
- Approach positive but outcome not satisfactory

Positive

- Efforts to understand circumstances
- Being asked what they can afford
- Being treated as a valued customer

"It was all about money. It was like, 'Right, this is going to be on credit file that we are taking it off in instalment and we'll not take it off until this is paid.' It was very high pressure. He was in a call centre and he was reading off the script."

"I'd explained my whole situation to this girl who was trying to help me. Then she disappeared and I couldn't get back in touch with her. Next thing I knew I getting these scary letters and it was like 'hold on a minute, I've actually called you, I'm not disappearing off the face of the earth and trying to avoid this debt'."

"I'm on the whatever register with them but she was just dead helpful. Didn't judge me in any way, just said 'lets get this sorted, right, are you happy with that?'. It was a big relief when I got off the phone to her."

Case examples of different experiences of engagement with energy suppliers

*All names have been changed to protect the identities of those involved

Positive experience



Maria*, 37, lives in Glasgow

Her 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 PRS. However, she doesn't think this was the defining factor in her positive experience, rather that it was just good customer service.

Mixed experience



Hazel*, 54, Lives in Glasgow

Her direct debit payments are no longer covering her gas usage and her supplier said that they want to raise this which she refused as she couldn't afford this.

The supplier then sent an agent out to visit her unannounced which she found embarrassing.

He was sympathetic and helped her to apply for the discretionary fund which made her feel hopeful.

However, she was turned down without explanation and without any right to appeal which has left her feeling disappointed.

Negative experience



Kate*, 36, lives in Hertfordshire

She 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. They did not ask about personal circumstances and no sense they knew she was on the PSR. There was no offer of a repayment plan.

Negative experience



Vanessa*, 45, lives in rural Staffordshire

She has been unable to afford her electricity for an extended period as she has been unable to work due to a progressive condition.

With the supplier's agreement she has been paying what she can.

However, she has not been able to pay much as she is waiting for benefits so has amassed a debt of £3,000.

The supplier has now told her that her only option is for them to install a PPM. This is even though this is not safe or practicable in her case (severe visual impairment and isolated location).

A more positive and constructive approach would be valued by vulnerable consumers...


"I think it helps by having a friendly voice, by always taking a positive approach in a negative situation. Always discussing things that they can do. because you don't know what's going on with the other person on the other side of the phone."

"Generally, a more of a kind, understanding communication. I think that language has to be different. You're getting these letters when you literally could be at breaking point with something."

"I knew that was my debt. I knew it had to be paid, and if they'd come forward and said, 'Right, let's work with you and try and set up a plan where you can pay the debt, pay something off the arrears, and pay your bill as it comes,' yes, I would appreciate that. That would be a way forward, but there was more demand. It just felt like the company get what they want, and then they don't really matter where it comes from, how you get it."

"A lower tariff, maybe, but for the information to come to me, rather than having to go and find it. It's not because I'm a lazy person, but some days, honestly, the pain is so bad that it just affects you not only physically but mentally. I don't think people really appreciate that, so I would like the information to be offered. I don't want to have to go scouring for this sort of thing."

There is also learning from other sectors on good and bad debt collection practices



Payment holidays (financial services and pay TV) and freezing interest payments (financial services)

Forgiving debt (pay TV and water) or agreeing to write off debt if ongoing usage is paid for (water)

Being generally understanding and willing to arrange **affordable repayment plans** (water)

Providing **social tariffs or capped bills** to reduce ongoing costs (water)

“They actually called me back and said they’d cleared my bill entirely because of all the time I’ve been with them.”

Rapid escalation of debt process and “aggressive” communications (local authorities)

Disconnecting essential services (e.g. telephone where line required for telehealth/telecare)

“Council are worst. Straight away they send out letters saying that, you know, they’ll get the debt collectors in or that you’ll be taken to court. I think you get three warnings with them as well. Even in their first warning, they’re like, ‘You know, we’ll escalate to debt collectors and then the court.’”

Little third party support being used - partly due to low awareness & access issues

Low awareness...

"You don't know what's out there. We have this big world, I know where I could find McDonald's, I know where I can find a bank, I know where I can find Sainsbury's, but I don't know where to find a company that offers help. There are no advertisements on TV, there are no advertisements on the radio. And it's sad because you have all the things that are bad for you that are advertised everywhere, but people that actually need to help don't know where to go. You get pizza leaflets through your doors but you don't get, 'Hi, if you need help with this,' you know?"

Access issues...

"Every time I'm ringing, I'm not getting an answer. It just rings through and it says, 'There's no one available on this line,' and then it just gives you over the phone information, like, automated. It's not what I'm trying to ask about."

"Obviously, that's another thing, like, it's getting out there. That's when I feel most anxious, sitting in places like that...I'm not comfortable to go there by myself and, by the time someone's in (to go with me), it's shut."

Suggests referral pathways are not working effectively

In addition, 'debt advice' as currently framed is not appealing

Reasons for lack of appeal

- **Not well understood** – debt advice can be confused with debt consolidation
- **Don't need advice** – many feel they don't need advice to help them budget
- **Privacy concerns** – some are reluctant to divulge personal circumstances
- **Focus too narrow** – people with complex needs require holistic support
- **Advice not enough** – a number want advocacy on their behalf rather than just advice

"Debt advice is such a generic statement. You're getting advice from someone that doesn't even know you. So, that's why I never, ever really go towards it."

"I don't think I've actually sought any official money, debt, kind of advice. I do feel there's ever such a slight element of, I hate to say this, but a slight bit of almost shame attached to it in a way."

"I get put off by the debt advice thing. They're not going to swoop in and take all my problems away. They're just going, I don't want to say lecturing, but they're going to try to give me ways of staying a bit more in control. But the thing about me is that I absolutely know how to be sensible and in control, I've just had a really crappy year."

"Yes, I just find it really hard. Yes, okay, they give you a bit of advice but that's it and then you're, sort of, left to do it all yourself, but then when you've got someone who's like me who can't always do it themselves, you need that someone else to, sort of, take over. On the days that you are struggling."

But also evidence that when support is accessed it can make a positive difference

Case example of a successful support experience



Peter*, 59, from Liverpool

When he stopped getting benefit payments and was in a financial crisis, Peter 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 problems and also as it would have cost a lot of money.

citizens
advice



"I got good advice before from StepChange. They physically applied for all my single person deductions because I didn't have a clue."

"I think the people of Liverpool rely very much on CAB. Other than the CAB, there's no one else who helps. They just shut them all down. If you see the queues outside the CAB and the food banks."

"We had a nurse that came to him, his dementia nurse, she filled a lot of forms in for me there and then, the things that we didn't know we could claim for." (This service has now been stopped due to lack of funding)

*All names have been changed to protect the identities of those involved

5. Conclusions and key implications



Conclusions

1

- Efforts to increase consumers' engagement need to acknowledge both the general and vulnerability-specific barriers that currently exist

2

- Debt processes that are perceived by vulnerable consumers to be “aggressive” risk exacerbating vulnerability and causing avoidance and alienation

3

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

4

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

5

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

6

- In addition, there is a need to address a number of barriers that currently prevent vulnerable consumers from accessing specialist support

7

- This includes reframing how the option of debt advice is presented to consumers by suppliers and ensuring referral pathways work effectively

Key implications



Recommendations for further consideration

What could encourage vulnerable consumers in arrears to engage?

- **Early supplier-initiated** attempts to contact – by phone & F2F where possible
- **Positively framed** communications
- Being more transparent about **support being available** for those struggling to pay
- Making consumers aware of the possibility of arranging **affordable repayment plans**
- **Greater consistency in response** by suppliers so that past experience is not a deterrent to future engagement

What else could support vulnerable consumers in arrears?

- Better identification of the **less obvious forms of vulnerability**
- Routinely agreeing **affordable repayment plans** for vulnerable consumers in debt
- **Eliminating enforcement of prepayment meters** for vulnerable consumers in debt
- Supporting consumers to **reduce ongoing energy costs**
- Making consumers aware of **additional financial support** where relevant
- **Reframing independent debt advice** and ensuring **debt referral pathways** work effectively

Also room for improvement in the provision of independent debt advice more generally

