



Monopoly Money - how consumers overpaid by billions

We give people the knowledge and confidence they need to find their way forward and use our evidence to show how things can be improved for people.

Overview

- New Citizens Advice analysis shows how regulators across essential markets have allowed water, energy, broadband and telephone networks to overcharge people by **£24.1 billion** over the past 15 years. Errors in energy and water have cost consumers **£11 billion** and **£13 billion** respectively.
- We're calling for **companies to return some of this money to customers** by the end of 2019 through a rebate on their bills, and for **regulators to stop this happening again** in future.
- If companies fail to act, **the government should step in** and force firms to take action.

What is the problem?

- Networks are the companies that provide the pipes and wires that connect energy, water, broadband and telephone lines to our homes.
- These sectors face little, or no, competition to drive down the price they charge their customers - which might consist of retailers, or individual consumers, depending on the market. Instead, regulators (Ofcom, Ofwat and Ofgem) tell network companies how much they can charge by setting a price control. Customers pay for these charges as part of their energy, water, broadband and telephone bills.
- Our research shows that **regulators have systematically set prices too high**. We found that regulators over-estimated the cost of borrowing and investment over the last 15 years.
- These misjudgements on key decisions have meant that **people are paying far too much** for the pipes and wires that connect energy, broadband, phone and water to our homes.

How much have consumers overpaid?

- Consumers have overpaid by **£24.1 billion** for water, energy, telephone and broadband infrastructure
- Errors in energy and water have cost consumers **£11 billion** and **£13 billion** respectively
- Consumers have overpaid for broadband and telephone infrastructure by **£100 million** in the period 2014-2018.

Citizens Advice has found customers have overpaid by :



Total overpayment over the last 15 years:

£24.1bn

How has this happened?

- These overpayments have occurred partly because **regulators made forecasting errors**. They predicted that costs, such as debt, would be higher than they in fact were.
- **Regulators also over-estimated how risky these businesses were** for investors.

What should happen next?

- Instead of forecasting costs, **regulators should use available market data to calculate costs** and **adjust their estimates of investment risk**. This would avoid consumers paying too much in future.
- The people our advisers see are almost **5 times more likely to be in poverty** than an average member of the UK population, and are often in severe financial crisis. **A voluntary contribution back to consumers** could really help at a time where many people are struggling.
- While several energy and water companies have taken steps to return some money to customers, **we're calling on the remaining companies to make voluntary contributions back to consumers through a rebate on their bills by the end of 2019**.
- If companies fail to act, **government should step in and force firms to take action**.

Sources:

Citizens Advice, [Monopoly Money](#), May 2019

Citizens Advice, [Energy Consumers' Missing Billions](#), July 2017

For more information, or to find out how you can raise awareness in Parliament, contact Priyanka Patel, Senior Campaigns & Public Affairs Officer on priyanka.patel@citizensadvice.org.uk