

Good practice guide

Recovering energy debt from
the smallest businesses



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Citizens Advice is the official consumer body for energy. We use research and evidence from the people who contact our advice service every day to understand the problems facing energy consumers in Great Britain. We help solve these problems by engaging with industry, changing policy and supporting household and small business consumers to navigate the market.

Our good practice guides are intended to provide energy suppliers and other stakeholders with insight from the experiences of consumers across the market. They build on the experience of partners across the industry along with our own insight from the Consumer Service, Extra Help Unit and consumer complaints. All guides are available on [our website](#)

With thanks to Matt Vaughan Wilson from the Money Advice Trust, Andrew Poole from the Federation of Small Businesses, Colin Brooks from Energy UK, Abbas Panjwani from Ofgem and Sue Jackson and David Jones of Ombudsman Services for their reflections on some of the issues considered in this guide.

Recommendations

This good practice guide is based on our experience of supporting micro businesses in debt to their energy supplier. Through our advice and case handling roles, we have been able to identify positive policies and practices from some energy suppliers. We hope that these recommendations will help suppliers treat their small business customers fairly and negotiate sustainable debt repayment arrangements.

Our experience shows:

1. **Understanding occupancy** is essential. Suppliers need to take all necessary steps to work sensitively with the consumer or their relevant representative to identify whether there is a resident in a vulnerable situation associated with a business supply contract.
2. **Clear and consistent communication** is essential. Suppliers should support their customers by ensuring all debt letters and other communications are clear and easy to understand. It should also be easy to get in touch to discuss the situation, with companies setting clear expectations about the information required. This helps suppliers secure payments against the debts and the businesses remain on supply.
3. **Strong partnerships** with advice organisations can provide wider support to customers in debt. These types of partnerships are already common in the domestic energy sector. Signposting customers for additional debt support can often help businesses keep trading while maintaining their debt repayments.

These recommendations are based on our experience of working with suppliers with well trained staff and clear internal policies. It is important that suppliers' policies are flexible enough to give staff the ability to respond appropriately to the individual circumstances of their customers in order to reach the right outcome.

What is a micro business?

A micro business has less than 10 full time equivalent employees, **or** an annual turnover or balance sheet of less than 2 million Euro **or** consumes less than 100,000 kWh of electricity or 293,000 kWh of gas per year.

This is a complex definition and many micro businesses will not be aware that they benefit from additional protections in the energy market. Recent research from the Money Advice Trust and Business Debtline highlighted that only a minority of small business owners and operators have had had any formal training before starting their business¹.

Citizens Advice recommends that all small businesses are assumed (or deemed) to be micro businesses until the supplier is provided with specific data that proves that they do not meet the criteria.

Understanding Occupancy

Some of the most challenging cases involve shared supplies, where a business premise and a residential household share the same gas or electricity meter.

A significant number of small business cases received by the Citizens Advice Consumer Service² and Extra Help Unit involve properties where domestic residents are also living. In these circumstances, the debt collection process can cause significant anxiety and stress to customers, particularly when disconnection of the premise is discussed.

Suppliers' debt collection processes must be flexible enough to deal with these types of situations. The energy needs of all the occupants of the premises must be considered.³

All staff should receive at least a basic level of training to help them understand

¹ Money Advice Trust, [Supporting small businesses with energy debt](#), January 2018

² [Consumer Service Helpline](#)

³ Ofgem [open letter on non domestic debt and disconnection](#), December 2012

the additional complexities involved when dealing with these types of metering arrangements. Customer facing staff and specialist debt staff should receive enhanced training to help them understand how to provide appropriate support to household energy consumers. At the very minimum, suppliers should have a separate debt path for residential occupiers.

Suppliers should use every opportunity to collect this information. This includes capturing accurate address and residency data at the point of sale and during any subsequent interactions with individual customers.

Client story



Dylan runs a pub and lives in the flat above with his three children, who are aged between 13 to 19 years old. Both Dylan's pub and flat share the same gas meter. Despite making regular payments, Dylan had a gas debt of £8,000. His supplier disconnected the gas supply and refused to reconnect until Dylan had paid half of the outstanding debt amount as well as the reconnection charges. Dylan could not afford this amount and it was causing him a great deal of stress, because of the impact on his family and his business.

Dylan contacted Citizens Advice and explained that he could only afford to pay £1,000 upfront towards the cost of the debt and reconnection. Citizens Advice recommended that Dylan provide tax credit information to the supplier as evidence of children residing at the property. The supplier then agreed to reconnect the gas supply and set up a repayment plan.

Clear and Consistent Communication

There are a number of behavioural similarities between small businesses and domestic consumers on energy matters, which is why Ofgem has introduced additional protections for these customers.

Suppliers should ensure that all debt letters use clear and simple language to encourage contact.⁴ Early engagement can help prevent the debt from building to an unmanageable level for the customer.

A successful debt collection process is reliant on accurate and timely information provided by a range of parties. This process becomes significantly more challenging where there have been failures to provide timely information, on either the part of the supplier, their contracted parties or the customer.

The tone of all of these interactions can also play an important role. While most domestic suppliers have recognised the importance of providing specialist training for their staff to support their interactions with customers in vulnerable situations, it is important to remember that these skills are equally relevant to interaction with small business customers. Research by Bristol University highlights that consumers in vulnerable situations do run businesses and their circumstances will impact their interactions with energy suppliers⁵.

The Extra Help Unit's recent experience highlights the need for suppliers to provide clearer expectations of the type of evidence that consumers in debt need to provide. We have identified two priority areas:

1. When a customer informs a supplier of vulnerable circumstances at the property

There are two scenarios of particular relevance here. Firstly, where there is a vulnerable consumer residing at a premise on a business contract and secondly where a business owner is in a vulnerable circumstance.

If a customer informs the supplier that there is a vulnerable resident at the property then they may be asked to provide evidence to support this claim. Suppliers should ensure that all of its teams are aware of what type of evidence

⁴ Ofgem [recommendations on how to provide clear and simple wording in letters and other key communications](#)

⁵ Money Advice Trust, [Supporting small businesses with energy debt](#), January 2018

is acceptable and in what format. These requirements should be consistent across the business.

Client story



Jane contacted the Extra Help Unit on her mother's behalf, as a large debt of £28,000 had built up at their farmhouse. There were two meters at the property, one of which had been billed incorrectly for a period of time. The supplier had applied the back billing principles to her mother's account but incorrectly.

The supplier had told Jane that it would not disconnect the property due to the vulnerability of the residents, which included two children and Jane's mother, who is of pensionable age. However the supplier insisted on interacting with Jane over the phone rather than in writing as requested. This led to the supplier closing the complaint prematurely due to a lack of contact. When Jane attempted to reopen the complaint, the supplier insisted that the full outstanding balance was now due.

The Extra Help Unit's investigation resulted in the supplier correctly applying the back billing rules, with Jane's mother paying the £5,110 that she actually owed.

The provision of additional support should not be limited to consumers who are residing at the property. As noted in recent research from the Lending Standards Board, the interaction of personal, business and economic factors can cause or exacerbate vulnerabilities:

"These individuals are just as susceptible to life changing events or cognitive difficulties as any other person - the decision to establish and operate a business has no bearing on this".⁶

We would encourage all suppliers to provide training to all of their customer facing teams to enable them to identify and provide relevant support to

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<https://www.lendingstandardsboard.org.uk/wp-content/uploads/2018/07/Supporting-business-customers-in-vulnerable-circumstances-july-2018-1.pdf>

consumers in vulnerable circumstances.

2. When a customer moves to a new premises

The Federation of Small Business has highlighted the importance of understanding different types of ownership and tenancy, as these factors have such a strong influence on the businesses' level of ability to make decisions about their energy supply⁷.

Many of the smallest businesses are tenants and are reliant on a landlord to provide them with certain forms of evidence about their tenancies. Suppliers should consider what other forms of evidence may be sufficient to provide evidence of a change of tenancy if the tenancy agreement is not immediately available.

Client Story



Felicity contacted the Extra Help Unit and explained that she took over the lease for a property on 1 August 2017 but only moved in in November. Prior to taking on the lease, the property had been empty. She contacted the meter helpline and was told the name of the registered gas supplier. Felicity contacted the supplier and provided a copy of her tenancy agreement and opening meter readings.

The supplier told her that in addition to providing her tenancy agreement, she must provide a land registry certificate confirming details about the landlord. Felicity explained to the supplier that she pays rent to a solicitor who manages the property on behalf of the landlord. She was unable to speak directly with the landlord to obtain the required documentation.

This was ignored by the supplier, which obtained a warrant to disconnect the gas supply. The supplier did not recognise the consumer or her business as the person responsible for the property, so the debt of £4000 was in the name of the previous tenant. The supplier refused to stop the disconnection despite the Extra Help Unit raising this as a priority case.

⁷ Federation of Small Businesses, [The Price of Power, Energising small business in the next UK Carbon Plan](#), January 2017

While concerns have been raised regarding the misuse of the change of tenancy process to evade contract terms, there is no evidence that these cases make up a significant proportion of consumers contacting suppliers. The tone of communication should therefore be accessible and considerate to encourage contact and the sharing of pertinent information.

Strong Partnerships

During the debt collection process an energy supplier may identify that their customers have a range of needs. Establishing strong partnerships with other organisations can be key to securing repayment of the current debt and ensuring their customers are able to run a sustainable business.

Many suppliers have partnerships with advice agencies like Business Debtline where customers can be referred for wider debt advice. Some suppliers have also established an independent trust fund, which are common in the household energy sector, which provides sufficient funds to allow an applicant's historic debts to be written off.

Supporting customers in debt can lead to improved outcomes for the supplier and the individual business.

Client story



Sam runs a tattoo shop and his energy supplier was threatening to disconnect his electricity supply due to an outstanding balance. Sam's meter supplied the tattoo shop and his flat above the shop. He lived there with his baby, who was born prematurely and had significant health issues. The supplier knew of this vulnerability but was still threatening disconnection. Sam could not afford to pay the full debt balance but was willing to sign up to a more manageable payment plan.

When the supplier was contacted by the Extra Help Unit, Sam was informed of a supplier trust fund that would clear the debt. As part of this arrangement, Sam agreed to set up a direct debit to pay for his ongoing consumption.

There are a range of national and local organisations that provide support small businesses.

Business Debtline - www.businessdebtline.org

Federation of Small Businesses - <https://www.fsb.org.uk/resources>

Business Support Helpline - <https://www.gov.uk/business-support-helpline>

Business Planning in Wales - <https://businesswales.gov.wales/starting-up/>

Business Planning in Scotland - <https://www.bgateway.com/>

Complaint signposting

Where a customer makes a complaint regarding a debt, they can be assisted by the existing good practice regarding signposting. This should include:

- **Have a dedicated complaints page on the website.** This should be a page hosted on the website, and not a link to a separate document.
- **The complaints page should be easy to find.** There should be a direct, easily identifiable link to the complaints page from the homepage. Ideally the website should have a search function and if the consumer types in “complaint” the complaints page should be the top search result.
- **Clear steps outlining the complaints process.** There should be a simple step by step guide for consumers to understand their supplier’s complaints process, including contact details (for all forms of communication including phone, email and by post), timeframes and escalation pathways.
- **Citizens Advice consumer service details.** This should be prominently displayed on the complaints page. We recommend the following text:

If you need independent advice

It's easy to get independent advice about your energy supply. The Citizens Advice consumer service gives free, confidential and impartial advice. You can get in touch with them for advice at anytime during the complaints process.

Visit: www.citizensadvice.org.uk/energy or call the Citizens Advice consumer helpline 03454 04 05 06 (textphone 18001 03454 04 05 06) or submit a query [online](#)

- **Ombudsman Services: Energy details.** In a prominent position on the complaints page, OS:E should be described as free, independent, investigates complaints if no resolution after 8 weeks or a deadlock/final position letter has been issued. Their website and phone number should also be included. Citizens Advice consumer service should be mentioned before the Ombudsman Services: Energy but given the same prominence.

Free, confidential advice. Whoever you are.

We help people overcome their problems and campaign on big issues when their voices need to be heard.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.



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