

Supporting microbusiness customers with debt

A good practice guide for non-domestic suppliers



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Introduction

Since 2020, microbusinesses have been hit by crisis after crisis. From covid-19 to the ongoing cost of living emergency, the pressure has continued to mount.

The Energy Bill Relief Scheme has provided much needed support for microbusiness customers; but energy prices are set to remain volatile for the foreseeable future and will continue to have a significant impact, forcing microbusinesses into financial hardship:

- Over half of small businesses have accrued more debt since the start of the pandemic, and **96% are concerned about rising energy costs.**¹
- The number of microbusiness customers who have **contacted the Citizens Advice Consumer Service due to debt has doubled** this year.
- At the same time, we are still concerned that **non-domestic energy suppliers are not going far enough to help their customers** through this difficult time. Our data shows that concerning debt collection and disconnection practices are on the rise, and that many suppliers are not making sure that repayment plans are affordable.

Lack of support puts businesses at risk:

Ian's microbusiness is a restaurant that has high energy use. Due to spiralling energy costs, he's accrued a debt of over £10,000. His supplier wants him to pay half the amount upfront, but Ian can't afford this. He's offered to set up a repayment arrangement, but the supplier has refused. Without electricity, he can't operate, but he can't afford the upfront payment.



In this good practice guide we set out steps that energy suppliers can take to support microbusiness customers this winter.

Current supply licence conditions already require non-domestic suppliers to treat their customers fairly, and include requirements around accurate billing and making sure it's easy for customers to contact them.

However, in light of the extreme pressure small businesses are continuing to face this winter, we want suppliers to go further.

We recommend that non-domestic energy suppliers:

1. **Bill accurately and identify debt early:**

Failure to bill customers correctly can lead large debts to pile up: energy suppliers should engage with their customers to make sure they're using accurate meter reads to calculate bills.

2. **Support microbusiness customers who are in debt:**

Unaffordable repayment plans can devastate a business; suppliers should work with their clients to explore multiple options for managing their debt, including payment plans and breathing spaces.

3. **Take steps to identify and support customers in keeping the lights on:**

Disconnecting a microbusiness from their energy supply means that they cannot operate, and so should always be a last resort.

Closure will limit the businesses' ability to generate revenue, further impacting their ability to pay back any debt.

Suppliers must work with their customers to find a way forward that is achievable and sustainable - particularly during periods of high or additional costs.

Avoiding disconnections

When a microbusiness customer is in debt, their energy supplier should do everything that they can to help businesses stay trading, by avoiding disconnection. We are calling on all microbusiness suppliers to:

- ✗ Avoid requesting excessive upfront payments when a microbusiness customer is in debt.
- ✗ Avoid high fees for disconnecting and reconnecting a microbusiness customers' energy meter. Where fees are charged, many suppliers' disconnection and reconnection fees only cover the cost to the supplier. Citizens Advice believe that this is the right approach.
- ✓ Offer realistic repayment plans. Payment plans should take into account the size of a customers' energy debt, their income and other debts and expenses. Some suppliers offer microbusiness customers payment plans over at least 2 years. We consider this to be the right approach.
- ✓ Ensure that payment plans are flexible and offered on numerous occasions.

Suppliers should also think carefully about their debt communications. We recommend that debt communications:

- ✓ Are written in tone and language that focuses on encouraging the customer to get into contact.
- ✓ Equip the customer with the information that they need to take action. This should include highlighting the support that is available to the customer and the first steps that they can take to address their debt.
- ✓ Signpost customers to specialist organisations who can help. For example, Business Debtline and the Citizens Advice Consumer Service.

Stacey's story:

Stacey has recently moved into a premises and plans to open her restaurant within a few weeks. However, the electricity has been disconnected due to a debt on a previous tenant's account.

Stacey is struggling to get a resolution from her supplier: they want her to repay the debt until the dispute is sorted, but she can't afford the repayments. Without electricity, she can't open her restaurant. But if she pays the high upfront costs, she won't be able to pay her employees.



Billing correctly and identifying debt early

Errors in billing practices can have significant consequences for microbusiness customers. For example, failure to take account of meter readings can result in large catch up bills, exacerbating the risk of debt. Suppliers need to make sure that microbusiness customers receive accurate and timely bills.

We also know that microbusiness customers often struggle to understand the non-domestic retail market, and that they can find contacting their energy supplier difficult or intimidating. This is particularly true if they have affordability concerns.

Receiving accurate bills and resolving issues are the cornerstones of good supplier practice. Because of this, energy suppliers should make sure that they can consistently provide the following basic services:

- **Customers must be able to confidently and efficiently raise queries and complaints.** Suppliers must make sure that they are easy to contact, ideally providing multiple channels of contact.
- **When communications are sent out, suppliers should ensure that they are clear, comprehensive and transparent.** We also recommend that suppliers include signposting to advice organisations such as Citizens Advice and business debtline on all of their communications.
- When customers do get in touch, energy suppliers should have clear and **consistent processes in place to deal with common problems such as disputed bills or switching issues.**

These basic recommendations are underpinned by Ofgem's Supply Licence Conditions (SLCs). SLCs are limited to microbusinesses in the non-domestic market, but they cover the most essential activities that are necessary for protecting consumers. For example:

1. [SLC 0A] states that:

- Suppliers must treat customers fairly.
- Suppliers must provide customers with communications that are accurate, clear and transparent.
- Suppliers must make sure it's easy for customers to contact them for help or to make a complaint.
- Suppliers must act promptly to fix mistakes.

1. [SLC 21B] states that:

- Suppliers must take all reasonable steps to reflect provided or obtained meter readings in the calculation of bills.
- Suppliers must be able to provide a clear explanation of how a bill was calculated in simple terms.

1. [SLC 21BA] states that:

- Suppliers must not bill customers for usage older than 12 months (backbilling)

Supporting customers at mixed-use properties

When customers live in properties registered as non-domestic:

Some microbusinesses occupy buildings which are predominantly used to run that business, but that have domestic residents. It is not always clear that a customer on a non-domestic contract is living in a mixed use property.

Non-domestic suppliers need to consider whether someone is living in the property to make sure that they receive the right support or even to assess whether they should be on a non-domestic contract.

If a customer is correctly on a non-domestic contract, but they still live in the property, then this can make them more vulnerable to bill shocks and extreme debt collection activity than domestic customers.

To make sure that customers remain safe and on-supply when managing debt at their mixed-use property, we recommend that suppliers:

- ✓ Use key touch points (sales, metering appointments, debt discussions etc.) to understand who is using energy in the property.
- ✓ Ensure that all staff have received training on these types of metering arrangements.
- ✓ Ensure that customer facing staff have received enhanced training. This training should be focused on providing appropriate support to domestic customers.
- ✓ When disconnecting a microbusiness' energy supply, the supplier to conduct a pre-disconnection visit. This allows the supplier to understand whether a domestic customer is using the supply and to assess vulnerability.

Alix's story:

Alix lives above her father's business with her baby. She knows that there was debt on the account, but the father has been continuing to pay via a direct debit. Her supplier said that the direct debit had been cancelled, even though Alix could see that it had come out of the account. She has been disconnected with no warning - her father might have received an email but he is on holiday, and there have been no calls or visits to the property to make sure that disconnection would be safe.

Identifying and supporting vulnerable customers in debt

Ofgem's Vulnerability Strategy and Energy UK's voluntary commitment both outline expectations that would be good practice for non-domestic energy suppliers to follow.

Ofgem have also recently written to non-domestic suppliers to reiterate these expectations and to set out what good practice looks like.

Citizens Advice fully supports all the expectations set out in the letter and we will continue to monitor our data to make sure that good practices are being applied.

We want to see suppliers take more active steps to support customers who are struggling with debt, particularly where they are affected by the following circumstances:

1. Shared occupancy of non-domestic premises with domestic customers.

Where a supplier is aware, or becomes aware, of a shared domestic premise and the premise includes a vulnerable person, they should take all reasonable steps to ensure the customer remains on supply and that any financial vulnerability is not exacerbated by debt collection practices.

2. Transparency on suppliers' collections process:

Suppliers should have a clear and transparent debt collection process for their non-domestic customers which is consistently followed.

3. Suppliers' debt and disconnection pathways:

Suppliers must abide by all statutory requirements surrounding debt and disconnection. For example, where collection pathways are followed, these should be flexible, and all statutory timescales should be adhered to. Where payment plans are required, best practice dictates that individual needs should be taken into account.

4. Customers in payment difficulty:

Where a customer is in payment difficulty, suppliers should seek alternative solutions that avoid the need for disconnection. The disconnection of a customer should always be a last resort.

Supporting disabled consumers:

Working disabled people are slightly more likely to be self-employed than working non-disabled people.²

From our research in the non-domestic sector, we know that disabled consumers, or consumers with a long-term health condition, are more likely to experience difficulties engaging in the energy retail market. However, there's little understanding of how these vulnerabilities can cause problems for consumers in the non-domestic market.³

Energy suppliers must identify and support microbusiness customers who are in vulnerable circumstances. In a mixed-use property, there is also a risk that vulnerable consumers could be left off supply.

We recommend that energy suppliers:

- Make efforts to encourage microbusiness consumers to discuss their circumstances with them.
- Where vulnerability is identified, ensure that any support offered is adapted to meet the microbusiness owners needs.

References

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