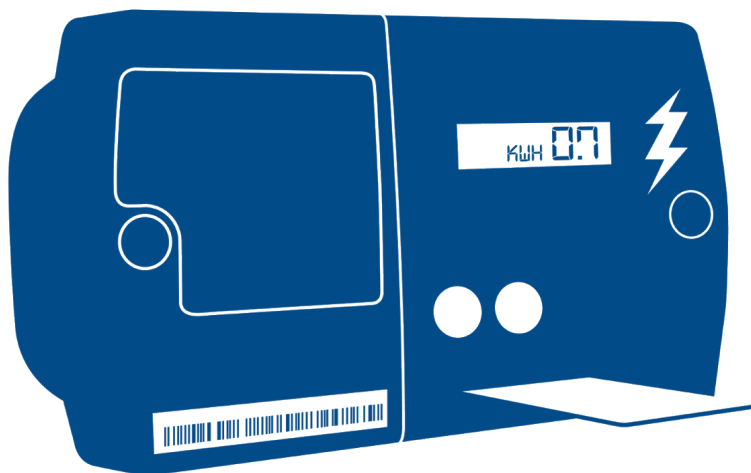


Supporting people in energy debt

Good practice guide for energy and
heat network suppliers



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Introduction

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. We are the statutory representative for domestic and microbusiness energy consumers across Great Britain.

Our good practice guides are designed to help energy suppliers and other stakeholders improve the support provided to their customers. While primarily aimed at energy suppliers, this guide is also helpful for heat network providers, network companies and other stakeholders in the energy sector.

The coronavirus pandemic has left millions of people worse off and struggling to pay essential household bills. While people try to keep warm this winter, 24% of consumers - equivalent to almost 7 million households - expect to struggle to pay their energy bills.¹ And, since the start of the pandemic, 40% of the people we've helped with debt have had a negative budget - meaning their income doesn't cover basic living costs. That's up from 37% in 2019.² People are resorting to coping strategies that often aren't sustainable and don't provide a way out of their problems. The debt charity Stepchange has found that 1 in 3 people negatively affected by the coronavirus pandemic have borrowed to make ends meet.³

In March 2020, all domestic energy suppliers committed to an [industry agreement](#) to offer enhanced support to keep people on supply and provide financial help, like payment holidays to customers in temporary payment difficulty. Ofgem's [new regulations](#) on debt and prepay self-disconnection make aspects of the commitment permanent and provide further protections for people struggling to pay for energy.⁴ In May, members of the Heat Network Industry Council also [published](#) an agreement setting out how they will identify and prioritise people who might need extra support and what that support should look like.

Energy debt, prepay self-disconnection and rationing energy use are not isolated problems; income insecurity, poor energy efficiency and household debt are all

¹ Accent Research for Ofgem/Citizens Advice, Consumer Perceptions of the Energy Market (Q3 2020), representative sample of 3,202 adults in Great Britain, fieldwork conducted in August/September 2020. Question on struggling to pay energy bills based on a representative sample of 1,538 adults in Great Britain, and has a confidence interval of +/- 2.1%.

² Citizens Advice (2020) [Life on less than zero](#)

³ Stepchange (2020) [Tackling the coronavirus personal debt crisis](#)

⁴ Effective from 15 December 2020

contributing factors. This means that a range of organisations, in the private, public and charitable sectors all have a role to play in supporting people in debt. Suppliers, though, have a vital role in helping struggling customers by identifying when they need help, engaging with them and supporting them to repay sustainably.

In 2019 we carried out research about improving support for energy consumers in vulnerable circumstances that fall behind on their bills and why they can struggle to engage with their supplier about debt.⁵ This research also looked at why some people struggle to engage with debt communications. Suppliers should consider how they can make it easy for people to see a way forward, with communications that are engaging and supportive.

Self-disconnection is a particular concern as we know it can exacerbate physical and mental health problems.^{6,7} There is evidence that some suppliers have not always set repayment plans to be sustainable for the customer. Polling by Opinium for Citizens Advice found that 63% of respondents repaying a debt through their prepayment meter (PPM) in the previous year had self-disconnected at least once, compared to 28% without a debt.⁸

Suppliers should consider that certain groups of people are more likely to experience financial difficulties and might find it more difficult to engage with their utility providers and other organisations about debt.⁹ These groups can include households containing someone with a child or long term health disabilities, and consumers in receipt of benefits.

This guide is based on insight from our consumer service and Extra Help Unit, research by Citizens Advice and others, and interviews with a range of energy market stakeholders. This included representatives from 7 energy suppliers including heat networks (of varying sizes and business models), as well as the Money Advice Trust, the Heat Trust and Ofgem. We would like to thank all interviewees for their time and insight.

⁵ Citizens Advice (2019) [Supply and final demand](#)

⁶ Citizens Advice (2018) [Improving support for prepay customers self-disconnecting](#)

⁷ Money and Mental Health Policy Institute (2019) [Debt and mental health: a statistical update](#)

⁸ Online survey of 1,020 prepay customers by Populus Data Solutions between 24th and 28th April 2020

⁹ Citizens Advice (2019) [Supply and final demand](#)

Key recommendations

We have grouped our recommendations under two main areas.

Proactive communications with a supportive tone

- Suppliers should support their customers by ensuring debt-related communications are clear, timely and easy to understand at every stage of the collections journey.
- Suppliers should trial diverse approaches and communication templates across multiple channels.
- The tone and language of communications should be framed in a way that focuses on engaging the customer and encourages them to get in contact.
- Communications should equip the customer with what they need to take action - what support is available and which first steps they can take to address their debt.

Connecting people to support

- Suppliers should support customers who are struggling to pay their bills by considering pausing debt collection activity to allow time for customers to access debt advice.
- Suppliers should assess what the individual customer needs are by considering what is helpful and practical for that particular customer.
- Suppliers should set up clear signposting and referral options to debt advice. When customers are in debt, it is really important for suppliers to recognise that their energy bill is probably not the only bill they're struggling with.
- Consumers are often unaware that extra financial help is sometimes available to reduce or write off debt. Depending on an individual's circumstances, suppliers should consider whether they may be able to help with an application to trust funds.

These areas are explained in more detail in the sections below.

Proactive communications with a supportive tone

Debt letters and other communications

When designing communications about debt for customers, suppliers should start with the customer's needs in mind. The following questions might be helpful prompts for suppliers when designing these communications:

- Is it clear who the communication is from?
- Is it clear whether or not a new stage has been reached in the debt collection process, and the implications of this, and is this communicated in a way that does not promote fear?
- What actions do we (the supplier) want the customer to take after reading this communication?
- What does the customer need in order to take these actions?
- How does the customer need to feel in order to take these actions?
- What can we write in this communication to help equip the customer with what they need to take these actions? And how can we help the customer to feel the way they need to feel in order to take these actions?

There should be careful consideration around the tone and language. Some suppliers have found that a non-judgemental tone encourages customers to get in contact to discuss their situation. For example, they might use phrases like "We know this might be an oversight, but we've noticed you missed your last payment."

There should be a call to action and the communication should equip customers with what they need to take that action. Emphasising the sorts of circumstances which might mean a customer needs further support can be helpful e.g. "if you have young children", "if you're over 60", etc. Suppliers should trial different approaches and communication templates with different groups of customers to find out what works.¹⁰

¹⁰ See the reading list in the annex for examples of communication trials from a group of social housing providers, in partnership with Capita, and from Anglian Water, in partnership with The Behaviouralist.

Poor practice we have seen around debt communications includes:

- Lack of clarity about the purpose of a communication
- References to complicated processes without explaining in simple terms what they mean, e.g. “We will apply to court for a warrant to gain entry and fit a prepayment meter”.
- Several channels being used, such as phone calls, voicemail messages and texts, which can feel like harassment to customers

In 2019 Citizens Advice held a hack day, bringing industry stakeholders together to discuss how debt communications could be improved. For further practical ideas on debt communications see our [blog](#), along with the [event slides](#), [user scenarios](#) and [template letter prototypes](#) we used during the event.

Debt Collection Agencies (DCAs)

We’ve found that different suppliers use debt collection agencies to varying extents. Some choose not to use them at all, while others choose to use them at certain points in their debt journeys. Suppliers should choose their partners carefully to make sure their culture is reflected in their actions. People see partners such as a smart metering engineer or a DCA as an extension of their supplier - and under Ofgem rules suppliers are responsible for the actions of these representatives.



Yusuf received a letter from a DCA asking for over £100, but he looked at his account and saw that this was a mistake. He called his supplier and they agreed that he didn’t owe anything. They assured him they’d stop the DCA’s communications, but the DCA contacted Yusuf again threatening to apply for a warrant.

Examples of good practice that we have seen with DCAs include:

- Suppliers maintaining feedback loops with their DCA partners and monitoring their performance and behaviour

- Regularly reviewing the communications and approaches used by their DCAs and making adjustments to improve their efficacy and ensure they reflect the company tone and culture
- Having high expectations of their ability to identify vulnerabilities and support customers in vulnerable circumstances in line with Ofgem's standards of conduct
- Requiring their DCAs to follow [FCA guidance](#) that applies to other types of debt collection

Examples of poor practice that we have seen with DCAs include:

- People feeling like they don't have a say in the terms of repayment plan, making it less likely that they will be able to make payments. This is non-compliant with the requirement on suppliers to consider customers' ability to pay.¹¹

Debt and self-disconnection

Our [research](#) has identified that when people fall into debt, aggressive debt collection tactics may deter them from engaging with their supplier and can lead to forced prepayment meter installations and disconnection.

Ofgem's [new regulations](#) provide further protections for people struggling to pay their bills - many of these focus on customers with prepayment meters who are at risk of self-disconnecting.¹² We've seen energy suppliers take practical steps to meet these regulations in a way that is supportive for customers as well as sustainable for companies themselves by:

- Providing a realistic amount of temporary credit to keep people on supply until they'll be able to top up again.
- Supplementing this credit with a conversation about finding a sustainable solution to help reduce the risk of the customer going off supply again. Ofgem's new rules mean that where the customer is repaying a debt, suppliers should always review repayment rates and ensure these are based on a customer's ability to pay.

¹¹ Ofgem, [Supply Licence Condition 27.8A](#)

¹² Effective from 15 December 2020

- Sending reminders about topping up and offers of support, acknowledging there are a range of reasons people might not top up.
- Making use of data about customers' topping up and usage habits to determine when something is out of the ordinary or where the customer has self-disconnected and offer support.
- Sharing insights and learnings with industry via forums such as Energy UK groups and the Heat Trust, on things like monitoring self-rationing.

Connecting people to support

People struggling financially can often be under significant stress, or be experiencing other mental health problems, and have few options to access additional funds immediately. Particularly, due to the coronavirus pandemic, many have found themselves without a job and struggling financially, with a huge rise in the number of people claiming Universal Credit and many falling behind with household bills. The financial situation for each individual will be different.

Suppliers should try to probe and understand the individual circumstances of each customer and how it will affect their ability to pay back their debt.

For example, some customers may experience a financially difficult period at the time of applying for Universal Credit, whilst they wait for their first payment to arrive. Customers who have been made redundant may not struggle financially until further down the line once their redundancy money has run out.

Suppliers should take into account the circumstances of the customer when deciding on a debt recovery plan, and should delay chasing for debt whilst customers are in the process of applying for Universal Credit.



Gary recently lost his job after he had some time off sick with coronavirus symptoms. He's applied for Universal Credit but the standard 5-week wait for his first payment means he'll be short on money for a while. He's fallen behind on several bills including energy and his situation has triggered his depression. After contacting the consumer service for help, he's been referred to the Extra Help Unit, who will liaise with his energy supplier on his behalf about putting his account on hold.

Independent debt advice will help consumers to understand the options to help resolve their money problems. This could include:

- Maximising their income, by assessing incomings and outgoings
- Understanding the various repayment options available and thinking about which ones are suitable for them, e.g. third party deductions from benefits
- Applying to grants and funds available to write off or reduce debts
- Resolving problems with their welfare benefits to make sure they're claiming everything they're entitled to

The appropriate solution for each customer will depend on their individual circumstances. It could involve setting up an affordable debt management plan, applying to an energy supplier's trust fund, applying for a debt relief order or other form of insolvency. Suppliers are often not best placed to decide which option is most appropriate for the consumer, especially if they have multiple debts. They should therefore signpost or refer consumers to organisations that can offer an independent diagnosis.

Specialist energy advice

Citizens Advice consumer service provides advice on all consumer issues, with specialist advice on energy and post issues. The consumer service can refer eligible household consumers or microbusiness to suppliers via the company referral mechanism.

Extra Help Unit (EHU) is a specialist support service that deals with cases where a domestic or microbusiness consumer:

- Has been disconnected or received a threat of disconnection
- Is vulnerable based on personal circumstances or difficulty in managing the issue themselves

The EHU is a referral only service and receives cases from the consumer service, Ofgem, Ombudsman Services or parliamentarians.

General debt advice

Local Citizens Advice provides debt advice through face to face, telephone and online appointments. Local offices are able to help consumers deal with their debt and manage their money.

StepChange is a debt advice charity which provides debt advice and fee-free debt management to help consumers tackle their debts

National Debtline is a debt advice charity run by the Money Advice Trust. It provides free and independent debt advice over the phone and online.

To make sure that referrals are bringing about positive and tangible outcomes for their customers, energy suppliers should monitor the experiences of customers they refer. We see good practice in this space when suppliers maintain feedback loops with the organisations they refer to, evaluate the results of referrals and use this insight to make improvements to the referral processes in place.



Ellen recently had her hours reduced at work and has also been through a relationship breakdown. During this time, she struggled to afford her energy bills. She contacted her supplier and they asked her to complete a financial assessment with their budgeting advice partner. But when she got in touch with the advice partner, they told her they couldn't help. Ellen feels like she's being passed around and now feels less trusting towards her supplier and the advice partner.

In order to access support energy suppliers need to give people sufficient time. We've seen people with various problems when they're accessing debt advice:

- The supplier tells the customer that collection activity will be paused, however this doesn't happen.

- The customer explains to their supplier when their next income is due, but suppliers disregard this and don't consider pausing collections activity or pausing debt build-up until then.

Pausing collection activity for people while they access support is vital.

From Summer 2021, new breathing space rules come into effect which freeze interest, fees and enforcement for people in problem debt for a 60-day period to give them time to get debt advice, with further protections for those undertaking mental health crisis treatment.¹³ Suppliers should take proactive action now and provide breathing space for customers who need it before Summer 2021.

Schemes to write off debt

A number of different options are available in some circumstances that could help customers to write off debt, including charitable grants and Warm Home Discount industry initiatives.

In our experience, consumers are often unaware of any schemes that are available to write off debt. Where consumers are aware of funds it is usually following conversations with their energy supplier where they have been signposted to the fund and told they might be able to access help. In cases where the consumer has heard of and applied to a scheme, they are usually in quite substantial levels of debt, often over £1,000.

The experience of applying for grants is not always positive. We have seen confusion about how to apply for these funds. Often customers are told they need to speak to a debt charity before applying but they are not sure how to do this. In this situation, a warm transfer to a debt charity can be helpful. We have also seen examples of where customers had made applications to energy funds but not heard back from their supplier.

Additionally, where customers have not been successful in applying for an energy fund, it is sometimes not clear what the next step is. This can leave customers feeling lost.

¹³ [The Debt Respite Scheme \(Breathing Space Moratorium and Mental Health Crisis Moratorium\) \(England and Wales\) Regulations 2020](#)

Suppliers should make sure that information about eligibility and the process for applying for schemes is clear and easily accessible. Their processes should include follow-ups with the customer and feedback loops with any partner organisations involved.

Reading list

Ofgem (2010) [Debt Review Report](#)

Capita (2015) [Nudging your way to reduced rent arrears.](#)

Anglian Water (2018) [Applying behavioural science to bad debt collection](#)

Citizens Advice (2019) [Managing Money on Universal Credit](#)

Money and Mental Health Policy Institute (2019) [Debt and mental health: a statistical update](#)

Money and Mental Health Policy Institute and Money Advice Trust (2020) [The need to know: Understanding and evidencing customers' mental health problems](#)

Citizens Advice (2019) [Supply and final demand](#)

Citizens Advice (2020) [Excess debts](#)

Citizens Advice (2020) [Life on less than zero](#)

Stepchange (2020) [Tackling the coronavirus personal debt crisis](#)

Citizens Advice (2020) [The end of the beginning](#)

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