

Staying Connected

How energy suppliers can help and support
prepayment customers who self-disconnect

Naomi Grayburn

April 2016



Contents

Executive summary	2
Methodology	4
Findings	6
Where do consumers go for help?	6
Who self-disconnects?	7
Why do consumers self-disconnect?	9
What do suppliers do when a consumer tells them they cannot afford to top up?	13
Getting the consumer back on supply	14
Reassessing debt repayment arrangements	17
Providing further financial assistance	19
Offering energy efficiency measures	23
Additional good practice	24
Conclusion	24

Executive summary

Keeping warm during the winter months is vital for good health and wellbeing. An affordable supply of energy is essential for heating, hot water and cooking, all of which help to keep us warm and well. Unfortunately, many households in Great Britain struggle to afford the energy they need and self-ration their usage or else fall into arrears with their energy bills.

Around 17 per cent of households now pay for their energy through a prepayment meter (PPM).¹ Compared to users of other payment methods (such as Direct Debit and quarterly bills), these households are disproportionately more likely to be on lower incomes and, as such, struggle to afford the cost of energy.² Also unlike credit customers, prepayment customers can easily become disconnected from their energy supply, simply by not topping up their meter. Often this is because they cannot afford to top up. We refer to this as self-disconnection. Self-disconnection poses a risk to the health and wellbeing of consumers, particularly those who are vulnerable.

We have estimated that 15 per cent of all PPM users self-disconnect from their energy supply at some point.³ Some self-disconnect regularly or occasionally for short periods of time, either as a means of budgeting or because they have forgotten to top up. However, some consumers self-disconnect because they simply do not have enough money to top up. Our research shows that these consumers, the most financially constrained, self-disconnect for the longest periods of time.⁴

We are concerned that an increasing number of consumers are at risk of self-disconnecting. As more consumers struggle to meet the costs of everyday living, the number with a prepayment meter also continues to rise. In 2014, approximately 300,000 new electricity PPMs and 320,000 new gas PPMs were installed in Great Britain. Around 60 per cent of these were installed to recover a debt.⁵ Compounding this, the Competition and Markets Authority recently revealed that prepayment customers are paying more than they should due to a lack of competition in this market segment.⁶

In October 2015, Citizens Advice developed a good practice guide for energy suppliers, outlining actions that they could take to help customers who told them

¹ Ofgem (2015) *Domestic Suppliers' Social Obligations: 2014 annual report*

² Citizens Advice (2014) *Topping-up or dropping-out: self-disconnection among prepayment meter users* and Consumer Focus (2010) *Cutting back, cutting down, cutting off*.

³ Citizens Advice (2014) *Topping-up or dropping-out: self-disconnection among prepayment meter users*

⁴ Ibid.

⁵ Ofgem (2015) *Domestic Suppliers' Social Obligations: 2014 annual report*

⁶ Competition and Markets Authority (2015) *Addendum to provisional findings: Revised AEC relating to the prepayment segment* and Competition and Markets Authority (2016) *Energy market investigation: provisional decision on remedies*

they had self-disconnected.⁷ The guide was based on existing good practice observed by our Extra Help Unit (see [About us](#)). The aim was to encourage cross-industry adoption and to stimulate discussions around what else suppliers could do to support their customers. A revised version of the guide has been published alongside this report.

This winter the Extra Help Unit helped 220 consumers in vulnerable circumstances who could not afford to top up their prepayment meters. We know that this is only a small proportion of consumers who self-disconnect. Some seek help directly from their supplier or from a third party such as a local Citizens Advice. Others may ask friends or family for help, while others might not ask for help at all.

This report seeks to understand the extent to which suppliers helped and supported customers who self-disconnected this winter, particularly in relation to our good practice suggestions. The findings are based on an analysis of all the self-disconnection cases received by the Extra Help Unit between October 2015 and February 2016.

Our findings present a mixed picture. We found that, in most cases, energy suppliers will provide emergency assistance to get consumers back on supply when they have self-disconnected. This generally takes the form of a discretionary top up, which is later recovered from the consumer in weekly installments. But suppliers are much less proactive at offering solutions that could help prevent further financial difficulties. They generally consider energy trust funds, the Warm Home Discount, debt advice referrals and energy efficiency measures when prompted. In a handful of cases, suppliers take extra steps to actively help consumers benefit from these measures. We would like all suppliers to consider how they can improve their policies and processes so that consumers who self-disconnect are provided with a level of support that is consistent with the acuteness of their situation.

We are mindful that there is a big question mark over where the responsibility of energy suppliers ends. National and local Government must play a role in safeguarding the health and wellbeing of these consumers too. The nature of PPMs means that they are a risk factor for all households on low or insecure incomes, and those experiencing changes to welfare benefits. We are keen for the Department of Work and Pensions to acknowledge this in the rollout of Universal Credit as well as in wider welfare reforms.

Finally, our findings raise questions about whether prepayment meters are an appropriate payment method at all for consumers who are financially, and otherwise, vulnerable. Suppliers are obliged to make sure it is 'safe and reasonably practicable' for a consumer to have a prepayment meter.⁸ So, when a consumer faces real health and safety risks by self-disconnecting, should suppliers be offering

⁷ This was shared with industry and stakeholders but was not published.

⁸ Electricity supply standard licence conditions, *28.1A Safety and reasonable practicability of prepayment meters*

an alternative payment method? Ofgem's recent focus on prepayment, through its Consumer Vulnerability Strategy, has highlighted other such concerns relating to the treatment of financially vulnerable consumers with a prepayment meter.⁹

We will continue to work with industry, the regulator and Government, disseminating good practice and pursuing these questions in order to safeguard the health and wellbeing of prepayment customers.

Key findings

- This winter the Extra Help Unit helped **220** consumers in vulnerable circumstances who could not afford to top up their prepayment meters.
- **73 per cent** of those who self-disconnected were in receipt of welfare benefits and nearly **one in five** cited a problem with their benefits as leading them to self-disconnect.
- **31 per cent** of households had someone with a physical health condition or disability in the property.
- **One quarter** of households had someone in the property with poor mental health.
- Discretionary credit was provided in **78 per cent** of cases - a total of **£5,744.32**. In most cases this was provided as a loan to be repaid by the consumer. In **16 per cent** of cases it was provided as goodwill.
- In **15 per cent** of cases the consumer had asked their supplier for a discretionary top up multiple times. In almost half of these cases, the supplier refused to provide any further assistance.

About us

Citizens Advice has a statutory duty to provide first tier energy advice via our Consumer Service helpline.

The Extra Help Unit (EHU) takes the majority of its referrals from the Consumer Service. It has statutory duties and powers to help energy consumers who are in a vulnerable situation due to their personal circumstances or the nature of their complaint, or because they are at risk of having their gas or electricity cut off. The unit consists of a team of specialist caseworkers who liaise with energy companies on behalf of clients.

⁹ See Ofgem (2015) *Consumer Vulnerability Strategy Progress Report* and Ofgem (2015) *Proposals to improve outcomes for prepayment customers*

Methodology

We carried out qualitative and quantitative analysis of all cases received by the Extra Help Unit between October 2015 and February 2016. This is a period when self-disconnection cases are generally at their highest volume.

The Extra Help Unit liaises directly with energy suppliers and records details of actions taken as part of the case resolution. They also record detailed information about the consumer's personal circumstances and the nature of their problem.

We are unable to capture any actions taken by the supplier after the case has been closed.

Findings

Between October 2015 and February 2016, the Extra Help Unit helped 220 consumers in vulnerable circumstances who could not afford to top up their prepayment meters. The following findings relate to these consumers.

Consumers are referred to the Extra Help Unit if they are at imminent risk of self-disconnection or if they are already off supply. Consumers at imminent risk of self-disconnection typically have a small amount of credit left on their meter or are in 'emergency credit'. The majority of referrals come from the Consumer Service helpline, with a small number also from Ofgem, local Citizens Advice and Ombudsman Services: Energy.

58 per cent of consumers with a gas meter were off supply when contacting the Extra Help Unit. By contrast, 64 per cent of consumers with an electricity meter had some credit or emergency credit remaining.

Where do consumers go for help?

Consumers who cannot afford to top up their PPM may seek help from a variety of sources, both formal and informal.¹⁰

Our omnibus research shows that consumers who are most likely to have difficulty paying for their energy are the most likely to borrow money from friends or family or to approach their supplier for help.¹¹ 18 per cent of prepayment users say they have borrowed money from friends or family at some time in order to top up, whilst only four per cent of Direct Debit customers have borrowed money from friends or family to pay an energy bill. 11 per cent of prepayment users say they have contacted their supplier to ask for help when they were struggling to afford their energy costs.

Asked hypothetically, 32 per cent of all prepayment users say that they would contact their supplier for help if they were to have difficulty paying and 31 per cent say they would borrow money from friends or family.

Of the consumers who received help from the Extra Help Unit because they could not afford to top up their PPM, 28 per cent had contacted their supplier first but their problem had not been resolved. This is lower among the whole PPM population, where only 11 per cent say they had contacted their supplier when they had payment difficulty. This reflects the Extra Help Unit's statutory duty to investigate complaints on the behalf of consumers for whom *"it is not reasonable to*

¹⁰ See Citizens Advice (2015) *Strengthening and streamlining energy advice and redress* and Citizens Advice (2015) *Knowing who can help: the future for energy consumer advice and redress*

¹¹ GfK Consumer Panel data (September 2015), sample size of 8050 respondents, weighted to represent 16+ GB household population

expect that person to pursue the complaint on their own behalf".¹² That is, consumers can be referred to the Extra Help Unit (often signposted by their energy supplier) precisely because they have been unable to resolve their issue directly with their supplier.

However, it is still notable that some consumers who self-disconnect do not receive the help they need from their energy supplier, either when contacting them directly or via a third party. A small number of our clients had sought help from a third party who tried to contact the supplier on their behalf but had not been able to reach a resolution.

Some consumers explicitly mentioned receiving help from friends or family: either borrowing money to top up their PPM or staying in their home when they couldn't afford to heat their own property. Others mentioned borrowing money from elsewhere in order to top up their PPM.¹³

Who self-disconnects?

All of the following statistics are based on Extra Help Unit clients who self-disconnected in Winter 2015-16 unless stated otherwise.

73 per cent were receiving at least one welfare benefit

- Half were receiving an out of work benefit
- 16 per cent were receiving a disability benefit
- 11 per cent were receiving tax credits
- Seven households were receiving or in the process of changing to Universal Credit

Our previous omnibus research found that 74 per cent of self-disconnecting households received one or more state benefit as part of their household income, and that PPM households who had self-disconnected were significantly more likely to be receiving means-tested or disability benefits (62 per cent) than those who had not self-disconnected (50 per cent).¹⁴

34 per cent had at least one child under 16 in the property

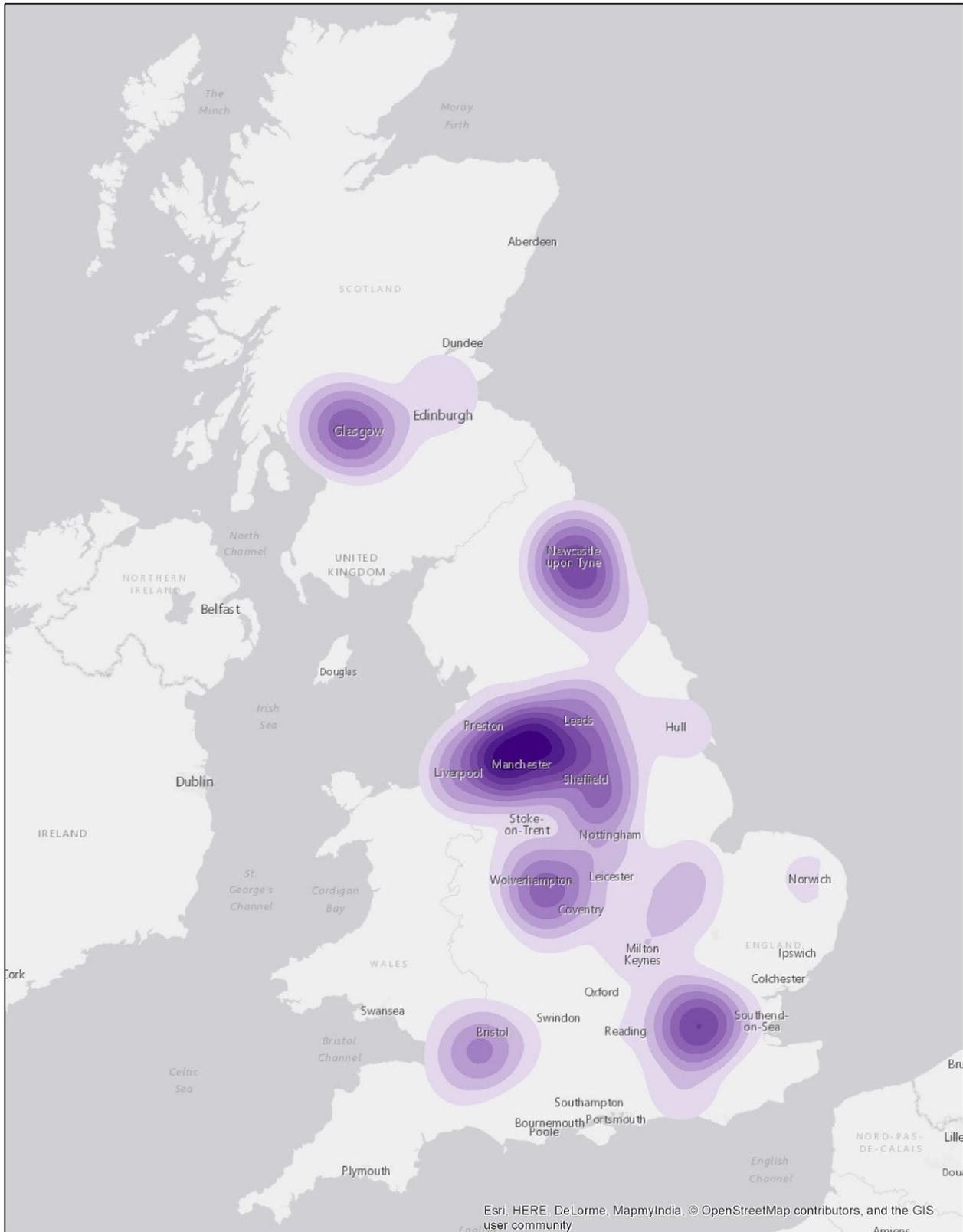
Our previous omnibus research found that 40 per cent of self-disconnecting households had children under 16 living there.¹⁵

¹² Consumers, Estate Agents and Redress Act (2007)

¹³ Five said they had received help from family or friends and four said they had borrowed money from elsewhere.

¹⁴ Citizens Advice (2014) *Topping-up or dropping-out: self-disconnection among prepayment meter users*

¹⁵ Consumer Focus (2010) *Cutting back, cutting down, cutting off*



▲ Density map showing the location of consumers who self-disconnected

The highest concentration of cases was in the North West of England

This region has some of the highest levels of social deprivation in the country.¹⁶ It also typically experiences wetter weather.¹⁷ This may contribute to higher levels of

¹⁶ Office for National Statistics (2015) *The English Indices of Deprivation 2015*

¹⁷ metoffice.gov.uk/climate/uk/regional-climates/nw

winter self-disconnections, or at least higher numbers of consumers seeking help because they cannot afford to keep warm during this period.

Cold homes and health issues

Respiratory and cardiovascular heart diseases, as well as mental health issues, are all linked to cold homes. Cold homes are also known to exacerbate existing illness, reduce dexterity and increase the risk of falls and accidents in the home.¹⁸

Of the consumers who sought help from the Extra Help Unit this winter because they had self-disconnected, **31 per cent** had someone with a physical health condition or disability in the household. **11 per cent** had someone in the property with a physical health condition linked to cold homes, including asthma, heart and lung conditions (such as COPD) and high blood pressure. **A quarter** of households had someone in the property with poor mental health. In our 2014 survey, we found that 56 per cent of self-disconnecting clients either had, or someone living with them had, a physical or mental health condition.

A number of consumers mentioned their experiences of living in a cold or damp home:

One consumer with a two year old child, living in an all-electric property, said that she was waiting for new windows to be installed and the property cost a lot to heat in the meantime.

Another consumer, who was off supply for both fuels, stated that the cold weather impacted on his health conditions. He was unable to top up due to a delay receiving his ESA and had been told there was a backlog of three weeks before he would receive his next payment.

Another consumer's grandson, calling on his behalf, explained that his grandfather had been sleeping in coats because it was so cold in the house. His grandfather was off supply for gas and not due to receive his next pension payment for three days.

In 13 cases, the consumer could also not afford to buy food, or was having to choose between food or fuel

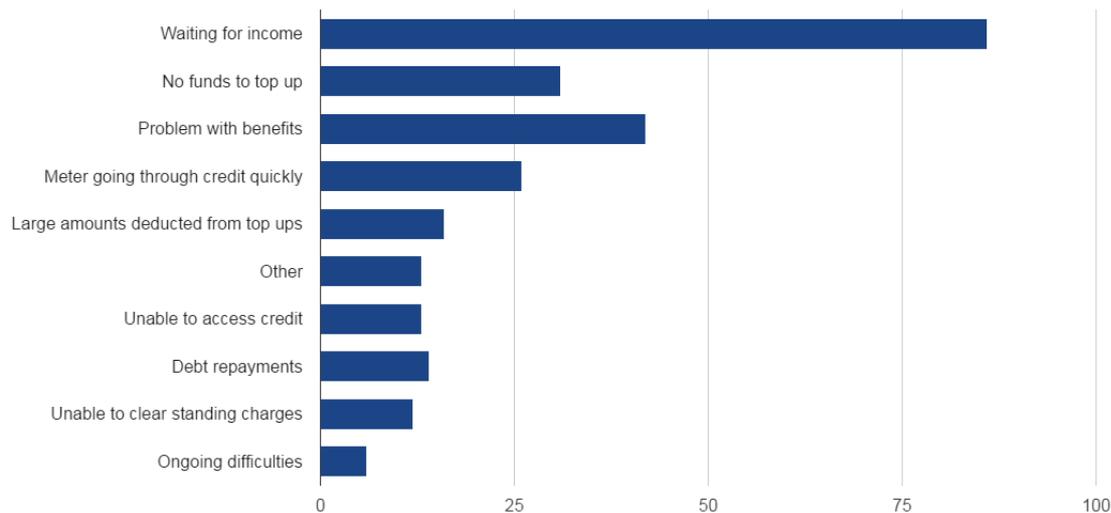
When we surveyed local Citizens Advice offices in 2013, we found that advisers were signposting to local food banks in 43 per cent of self-disconnection cases.¹⁹ This difference reflects the fact that local Citizens Advice provide general, holistic advice that looks at all of the consumer's problems. They are also more able to signpost to local services. In contrast, the Extra Help Unit provides specialist help with energy issues, so other issues such as struggling to pay for food are less likely to be discussed.

¹⁸ Marmot (2011) *The health impacts of cold homes and fuel poverty*

¹⁹ Citizens Advice (2014) *Topping-up or dropping-out: self-disconnection among prepayment meter users*

Why do consumers self-disconnect?

Consumers give a range of reasons for why they have gone off supply or think they are likely to go off supply soon. It is often a combination of financial circumstances, temporary or ongoing, and concerns about the amount of money needed to keep their PPM topped up.



▲ Why do consumers self-disconnect? (Number of cases)

Case examples: why do consumers self-disconnect?

1. The consumer receives Personal Independence Payment and Housing Benefit. There is an issue with his benefits and he has no funds to top up for a further week.
2. The consumer's benefits have been sanctioned. A new claim has been submitted for ESA and tax credits but no income is expected for a month.
3. The consumer has learning difficulties and asthma. The EHU had helped to arrange a discretionary credit 10 days previously but the consumer had accidentally topped up her old key instead of the new one and lost £5 credit. She has no further funds to top up.
4. The consumer's partner recently lost his job so they are now managing on only one part time income and are receiving tax credits. A PPM was fitted for gas arrears two weeks previously. The supplier had advised that her usage would be £20 a week and arrears collected at £5 per week. But she has had to credit £35 - £40 to the PPM in the past week and has now self-disconnected.

5. The consumer has issues with the PPM taking too much credit and not getting enough supply. She only has £5 to credit the PPM and feels there is no point as it would take this off her.
6. The consumer had been off supply for 2 weeks. The problem appeared to be related to a meter exchange after a fault on the meter. He had not had to top up since then but now there was a standing charge debt of £50 and he was unable to clear this.
7. The PPM was installed 10 days previously. He had topped up £10 and this had reduced to 20p the next day. He cannot afford to top up again.
8. The consumer states the meter is taking twice as much money as usual.
9. The consumer has no funds to top up.
10. The consumer is struggling to manage the PPM and is going off supply intermittently.
11. The consumer had been unable to afford to credit his gas PPM for quite some time and standing charges had accrued.
12. She had topped up £15 and only got £3 of credit. She was then unable to access the emergency credit facility.
13. The consumer has no funds to top up due to unexpected bank charges.

We found that, on contacting the Extra Help Unit, **39 per cent** of consumers knew precisely how long it was until they would next have money to top up. The time ranged from one day to one month. In contrast, **14 per cent** simply had no money and did not appear to know when they might next have some. **Three per cent** said they were struggling to manage their PPM on an ongoing basis.

19 per cent cited an issue with their benefits as leading them to self-disconnect:

- 15 had their benefits stopped or suspended
- 10 had their benefits sanctioned
- 9 had another issue with their benefits payments (not specified)
- 8 had a benefit claim in progress
- 5 had moved to a different benefit

A number of consumers had moved onto Universal Credit and were experiencing problems related to this. (Others were receiving Universal Credit but did not cite this as a reason for self-disconnecting.)

Universal Credit is currently being rolled out as part of the Government's wider welfare reforms. Citizens Advice has widely argued that welfare reforms must be evidence based, so that impacts are fully understood in advance, that

implementation should be slow and steady, and that those affected should be provided with appropriate advice and support.²⁰

There are a number of features of Universal Credit that may increase the risk of consumers self-disconnecting during the early stages of receiving the benefit. As payments are made monthly in arrears, rather than weekly, claimants experience a delay of around five weeks before their first payment. Some will also struggle to adapt to monthly budgeting and having to make direct rent payments to their landlord. In 2013, Citizens Advice ran a pilot in order to identify what support our clients would need in the transition to Universal Credit.²¹ We found that **nine in ten** of our clients would need support in one or more of the following areas: monthly payments, budgeting, banking, staying informed and getting online. 73 per cent would struggle with monthly payments and 77 per cent would struggle with managing changes to their money.

Universal Credit case studies

1. The consumer had been receiving ESA but was in the process of changing to Universal Credit. He had had no income for 4 weeks and it was a further week before he would receive the first payment. He only had 40p left on his electricity PPM and had no funds to top up. The supplier arranged a £20 discretionary credit, which would be recovered at £3.65 per week.
2. The consumer received Universal Credit and was not due his next payment for 3 weeks. He was struggling to manage on a limited income and was in emergency credit for both gas and electricity. He had had 2 crisis loans in the past 2 months, as well as a food voucher from the local council. The supplier provided £9 discretionary credit for gas and £11.50 for electricity. This was to be recovered at 25 per cent of top ups. The consumer was concerned that this would not last him.
3. The consumer received Universal Credit and had no income due for 5 days. She was in emergency credit for both fuels. She also had arthritis and nerve issues. The supplier provided £30 discretionary credit for each fuel, to be recovered at £3.70 per week.

Citizens Advice is currently undertaking research into the impact of welfare reform on utilities providers.²² This research will look at the wider question of how utilities companies can adapt to meet the needs of their customers during this period. One

²⁰ Citizens Advice (2015) *The role of Carer's allowance in supporting unpaid care*;
Citizens Advice (2015) *Citizens impact assessment: lowering the benefit cap*;
Citizens Advice (2015) *Citizens impact assessment: freeze to working age benefits*;
Citizens Advice (2015) *Citizens impact assessment; restricting access to housing benefit for young people*;
Citizens Advice (2015) *Personal independence payments: supporting participation in society and the labour market*

²¹ Citizens Advice (2013) *Universal Credit managing migration pilot: final results*

²² Following on from Citizens Advice (2013) *All change: why welfare reform should matter to creditors and utility companies*

aspect of this will be to look at how energy suppliers can prepare themselves for a possible increase in self-disconnections among prepayment customers.

It is important, however, to remember that consumers usually self-disconnect for a combination of reasons. Temporary financial difficulties, such as a drop in income, are often compounded with concerns about the amount of money needed to keep their PPM topped up.

12 per cent felt that their PPM was going through credit very quickly, suggesting that their energy consumption, or the cost of energy, was higher than expected. One consumer thought that this was due to a meter fault but, on investigation, the supplier found that their usage had simply increased in line with the colder weather.

Another **seven per cent** of Extra Help Unit clients said that large amounts were being deducted each time they topped up. This indicates that their meter was collecting debt repayments in installments. In three per cent of cases, it was identified that there was a debt belonging to a previous tenant of the property, but in all other cases the consumer was responsible for the debt. Consumers were not always aware that this was the case.

Six per cent were unable to access credit on their PPM or top up device. Reasons included:

- Meter fault or exchange leading to loss of credit
- Top up not transferring to top up device or PPM
- Change of supplier leading to loss of credit
- Emergency credit facility unavailable

Finally, in **five per cent** of cases, the consumer had a shortfall in standing charges which they could not afford to clear.

What do suppliers do when a consumer tells them they cannot afford to top up?

In October 2015, Citizens Advice developed a good practice guide for energy suppliers, outlining actions that they could take to help customers who told them they had self-disconnected. The guide was based on existing good practice observed by our Extra Help Unit.

The good practice points can be grouped into four main categories:

- **Getting the consumer back on supply** either by providing a discretionary top up which the consumer repays in installments or, where the consumer

has accrued standing charges and cannot pay these upfront, spreading standing charges.

- **Reassessing debt repayment arrangements** to make sure they are still affordable.
- **Providing further financial assistance** by proactively helping the consumer apply for the Warm Home Discount or a grant, or by referring them for money advice.
- **Offering energy efficiency measures**

We have assessed suppliers' actions against each of these good practice areas in order to identify what is working well and where there is room for improvement. We also observed some additional good practice points. These findings have informed a revised good practice guide, published alongside this report.

Overall, we found that energy suppliers are good at helping consumers to get back on supply when they have self-disconnected. In **78 per cent** of cases, suppliers provided a discretionary top up. In the majority of these cases, the consumer was expected to pay the amount back in installments. Our findings on debt recovery arrangements also paint a mainly positive picture. Suppliers are generally reassessing debt repayment rates where necessary. They are also demonstrating some flexibility, such as putting repayments on hold, where this is helpful for the consumer.

However, whilst suppliers are combatting the immediate symptoms of self-disconnection, they are not as effective as they could be at providing sustainable solutions. A handful of suppliers demonstrated good practice that we are keen for industry to learn from. For example, taking time to explain a grant application process or booking the consumer in for an energy efficiency home visit. Suppliers should also be using these opportunities to assess whether a PPM remains a safe and practicable solution for the household.

The Extra Help Unit dealt with 13 different energy suppliers who had customers who had self-disconnected this winter. These were:

Big six suppliers	Independent suppliers
British Gas	E Gas and Electric
EDF Energy	Economy Energy
E.ON	Ecotricity
Npower	Ovo Energy
Scottish Power	Spark Energy
SSE	Utilita
	Utility Warehouse

Below, we discuss our findings in more detail.

Getting the consumer back on supply

In general, suppliers are good at helping consumers to get back on supply when they have self-disconnected.

Discretionary credit was provided in 78 per cent of cases

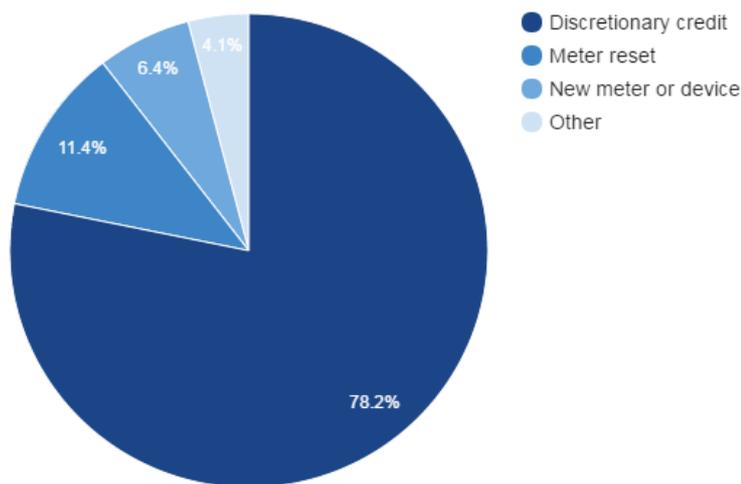
The total amount provided was £5744.32, which equates to an average of £33.40 per self-disconnecting household. In 16 per cent of cases, this was provided as goodwill. In all other cases, the amount would be recovered from the consumer.

The consumer's meter was reset in 11 per cent of cases

Six per cent of meter resets were to completely remove a debt (either belonging to the consumer or, in some cases, a previous tenant) or clear standing charges where the consumer could not afford to pay them.

A new meter or top up device was provided in 6 per cent of cases

Suppliers made sure to resolve problems with the consumer's meter or top up device where this had contributed to them self-disconnecting.



▲ Actions taken by suppliers to get consumers back on supply (number of cases)

In the majority of self-disconnection cases, the only way to get the consumer back on supply is by providing a discretionary top up. This is generally provided as a loan, which the consumer must repay as a proportion of future top ups. However, in **16 per cent** of cases discretionary credit was provided as a goodwill gesture meaning that the amount would not be reclaimed from the consumer.

Almost all of the suppliers dealt with by the Extra Help Unit seem to recognise the role of discretionary credits in getting consumers back on supply when they have self-disconnected. **12 out of 13** suppliers offered discretionary credit in at least some cases. The remaining supplier only had two cases to the Extra Help Unit this winter, in which alternative resolutions were offered. We do not know if they would have offered discretionary credit if this had been the most appropriate solution.

In our good practice guide, we asked suppliers to provide an appropriate amount of discretionary credit, taking into account the consumer's energy consumption and their financial circumstances, and to arrange a suitable repayment plan, where the credit was to be repaid. We found that suppliers generally conformed to these guidelines.

We will be following up with one supplier who was the exception. This supplier was often reluctant to provide discretionary credit and, when they did, the amount was not always enough to keep the consumer on supply until they were next due to receive income. They also failed to offer suitable repayment plans in some cases. In one case, they suggested a recovery rate of £1 per day or 20 per cent of all top ups, which was unaffordable for the customer. In another, they provided a discretionary top up to be recovered in a lump sum and did not offer any manageable repayment plan.

In 15 per cent of cases, the consumer had asked their supplier for a discretionary top up multiple times. In almost half of these cases (seven per cent) the supplier refused to provide any further assistance.

In our good practice guide, we asked suppliers to accommodate repeat requests for discretionary credit and take each case on an individual basis. We are aware that a number of suppliers have policies capping the amount of credit that will be issued per customer. These restrictions can be arbitrary and do not take into account the transience and insecurity of some consumers' situations. A person may fall into financial difficulty any number of times. Repeat requests may also indicate ongoing financial hardship, so additional support should be offered alongside emergency measures. Suppliers should also be using the opportunities to check whether a PPM remains a safe and practicable solution for the household.

Case study 1 - multiple requests for discretionary credit

The consumer was experiencing depression and anxiety and was undergoing medical tests. Her ESA payments had been suspended as she had failed to attend a medical appointment. She had since received evidence from her GP but the appeal could take 12 months.

She had £5 credit left on her gas and electricity PPMs with access to emergency credit facilities, but was concerned about lack of funds to top up. Local authority

assistance had been exhausted and the Extra Help Unit urged her to contact social services for further help.

The supplier confirmed that they had provided eight free top ups for electricity in the past 15 months (a total of £125) and four free top ups for gas (a total of £152). They agreed to provide a further £40 per fuel but said they did not intend to provide any more.

Case study 2 - multiple requests for discretionary credit

The consumer had complex health issues resulting from a road traffic accident several years ago. He also had cancer, COPD, schizophrenia, diabetes and depression. He received ESA and Personal Independence Payment but was not due payment for a further 12 days. He was in emergency credit on his electricity PPM with only £4 left.

The supplier had provided a £30 top up a few weeks previously. As this had not yet been repaid, they were reluctant to provide any further credit. The EHU persuaded them to provide an additional £30.

Some suppliers have told us that they are concerned about adding to the consumer's existing debt in case this worsens their situation. We encourage suppliers to take each case on an individual basis. Importantly, it is the consumer's rather than the supplier's interests that should be at the heart of this decision. The primary concern should be getting the consumer back on supply. The supplier should also take active steps to provide more sustainable solutions, such as referring the consumer for money advice.

Eight per cent of consumers experienced problems collecting discretionary credits

Some consumers experienced problems collecting a discretionary credit that had been issued to get them back on supply. This can happen when messages sent from the supplier to the top up outlet fail to transfer. It can also happen when consumers are not aware of how to collect the credit. In our good practice guide, we asked suppliers to clearly explain the process to their customers. Some suppliers demonstrated good practice by phoning customers afterwards to check that they had received the credit.

Outstanding charges were cleared in six per cent of cases

Five per cent of consumers had self-disconnected because of a shortfall in standing charges which they could not afford to pay upfront. In our good practice guide we

recommended that, in such cases, charges should be spread over a period of time. We found that suppliers were sometimes going further than this. In six cases, they completely cleared the charges from the meter.

In another six cases, suppliers reset the meter to clear a debt and stop debt recovery payments, either temporarily or permanently. In some cases, this was because the consumer was not responsible for the debt - either it belonged to a previous tenant or had been transferred in error during a change of supplier.

Reassessing debt repayment arrangements

Overall, we found that suppliers were taking action to reassess debt repayment arrangements where necessary. **Six per cent** of consumers said that they were struggling to keep their meter in credit because their debt repayments were unaffordable. And suppliers reassessed debt repayment arrangements in **eight per cent** of cases, suggesting that they are proactively checking arrangements even when this is not the consumer's stated reason for self-disconnecting. The EHU identified only two cases where the supplier should have reduced the consumer's debt repayment rate and did not.

In our good practice guide, we recommended that consumers in receipt of welfare benefits should be on a weekly repayment rate of no more than £3.70, equivalent to the Fuel Direct debt recovery rate. We found that, for the most part, suppliers were setting debt repayment rates in line with this. The average weekly repayment rate for those who received a discretionary credit loan was £3.14.

We also saw a small number of cases where the consumer lived in a rented property and the meter was collecting debt repayments for a previous tenant.²³ This was making it hard for them to keep the meter in credit. Refunds were offered in all cases but some consumers experienced difficulties getting debt repayments stopped due to technical difficulties.

Our good practice guide also suggested the possibility of offering debt holidays to some consumers. More generally, debt repayment arrangements should offer a degree of flexibility and reflect individual circumstances. A consumer may not be able to afford debt repayments alongside ongoing consumption costs for a period of time. If debt repayment arrangements are not amended to reflect this then they may self-disconnect.

Suppliers demonstrated flexibility with debt repayment arrangements in a small number of cases. Most of these related to a discretionary credit loan, with suppliers typically delaying repayments until the consumer would have funds.²⁴ For example:

²³ There were six cases where the consumer lived in a rented property and the meter was collecting debt repayments for a previous tenant.

²⁴ Suppliers demonstrated flexibility with debt repayment arrangements in seven cases, of which six related to a discretionary credit loan.

Case study - flexible repayment arrangements

The consumer's benefits had been sanctioned and they were unable to afford to top up their gas and electricity PPMs. The supplier checked how much credit the consumer would use and provided a £10 credit for electricity and £15 for gas. This was to last approximately 14 days. They agreed a debt recovery rate of £2 per week, to commence once the consumer's benefits were reinstated.

In another case, the supplier agreed to suspend repayment of standing charges over the winter months and review the debt in the spring:

Case study - repayment holiday

The consumer had not used gas over the summer months and had built up an outstanding balance of £98.85. The PPM was deducting a large proportion of all top ups and this was unmanageable. The consumer received income support, carer's allowance, child benefit, tax credits, housing benefit and council tax rebates. He was not due to receive any income for two weeks. The supplier agreed to reset the meter and suspend debt recovery over the winter months. The debt would be reviewed in the spring.

Providing further financial assistance

We found that suppliers are not as effective as they could be at providing sustainable solutions to consumers who have self-disconnected. In a small number of cases, suppliers demonstrated particularly good practice and we have highlighted these. We have also highlighted a number of cases where opportunities were missed to help these consumers.

The Extra Help Unit prompts suppliers to consider certain measures as part of each case resolution. These are:

- Checking eligibility for the Warm Home Discount
- Adding to the Priority Services Register
- Providing energy efficiency advice
- Carrying out a cheapest tariff check

Depending on the case, they might also suggest that the supplier considers helping with a trust fund application or providing a referral for debt or money advice, or anything else they deem appropriate.

In general, suppliers address each of the measures as prompted.²⁵ However, there is variation in how they do so, with some doing the bare minimum and others taking more proactive steps to help the consumer.

We think that suppliers can and should do more to make sure prepayment customers are able to stay connected. 15 per cent of Extra Help Unit clients had asked their supplier for help on multiple occasions because they could not afford to top up, indicating ongoing financial difficulties. These could be related to a variety of other factors such as employment, health, housing and relationships. Whilst a discretionary top up helps to get consumers back on supply in the first instance, it is vital that consumers get longer-lasting help too. This can reduce the risk of further self-disconnections and reduce the number of discretionary top ups that are needed.

A recent report by Baringa found that less than half of those recognised as financially vulnerable believe they get the support and services they need from their energy supplier.²⁶ It also highlighted that there are two important challenges here. The first is identifying financial vulnerability. In self-disconnection cases, this is arguably straightforward. A consumer who asks their supplier for assistance because they cannot afford to top up their PPM is self-identifying as financially vulnerable, one might argue. The second important aspect is actually improving the initiatives that aim to serve these consumers. Our research corroborates these findings. Energy suppliers need to do more to make sure self-disconnecting consumers benefit from initiatives that can help them stay on supply. This may require improvements to customer support and referral mechanisms.

Practically speaking, suppliers can offer the following types of support to help prepayment customers stay on supply:

- Grants and benefits specifically to help consumers pay their energy bills
- General financial assistance

In what follows, we discuss in detail what steps suppliers are taking to make sure self-disconnecting customers benefit from these measures.

Grants from energy trust funds

Around 10 per cent of consumers with a PPM are repaying a debt to their energy supplier.²⁷ We highlighted above the importance of agreeing affordable repayment plans. However, consumers who are struggling to repay the debt may be eligible for

²⁵ We do not know the extent to which consumers receive this support when they contact their supplier directly.

²⁶ Financially vulnerable customers are defined as those that have struggled to pay their bills and had to cut back on spending. Baringa (2016) *Financially vulnerable customers*.

²⁷ Ofgem (2015) *Domestic Suppliers' Social Obligations data: 2014*.

a grant from an energy trust fund.²⁸ Consumers who have self-disconnected and who have a debt should be checked for eligibility. This may help prevent future self-disconnections as well as more generally improving the consumer's financial situation.

The Extra Help Unit often prompts suppliers to consider this when a customer has self-disconnected and is struggling to repay a debt. Of 13 suppliers the Extra Help Unit dealt with, seven have their own charitable trust fund. A number of these funds will accept applications from customers of other suppliers.

We found that, when prompted, suppliers will generally discuss this option with the customer and may carry out an eligibility check. However, some consumers may need additional support in order to follow through with the application. Suppliers only took these extra steps in a small number of cases. Actions included:

- Taking time to clearly explain the application process
- Sending out an application form in the post
- Prioritising the consumer's application

The Extra Help Unit observed also identified a number of cases where the option should have been explored but was not. These consumers had large energy debts and were struggling to stay on supply. For example:

Case study - trust fund not explored

The consumer was off electricity supply with no ability to top up. She believed the meter to be faulty as it was going through lots of credit. The supplier investigated and found that her usage had simply increased in line with expected winter usage. It was an all electric property.

The consumer had a debt of £825 that she was repaying in weekly installments. The repayment rate was already set low at £3 per week. The supplier provided £20 credit but did not give details of their trust fund.

In our good practice guide, we also advised suppliers to put debt repayments on hold while applications are pending. The Extra Help Unit observed one case where the supplier had failed to do this:

28

citizensadvice.org.uk/consumer/energy/energy-supply/get-help-paying-your-bills/grants-and-benefits-to-help-you-pay-your-energy-bills/#Grants_To_Help_Pay_Energy_Debts

Case study - debt repayments not suspended

The consumer had no funds to top up and was about to go off supply for both fuels. He had topped up £15 and it had been used straight away. The supplier refused to provide a discretionary top up as they had already given one the previous month. The consumer was repaying a debt at £10 per week and there was no offer to reduce this despite them struggling. The consumer also confirmed that a trust fund application had been completed. The supplier could have offered to remove the debt from the PPM pending this application.

Warm Home Discount scheme

The Warm Home Discount is a Government mandated scheme whereby eligible households receive a £140 discount from their energy bill.²⁹ A core group of recipients, those in receipt of the guarantee credit element of pension credit, receive the discount automatically. Suppliers determine eligibility for a broader group of recipients generally on the basis of low income or health concerns.

Nine out of thirteen suppliers the Extra Help Unit dealt with are part of the scheme. Compared to the general broader group eligibility criteria, 73 per cent of consumers were receiving welfare benefits and 31 per cent had someone with a physical health condition or disability in the household. It therefore seems that many of the consumers who self-disconnected this winter may have been eligible for the Warm Home Discount. Of course, some may have been in the core group or may have had an application pending for the broader group, but this should be checked.

In general, suppliers discussed the Warm Home Discount with consumers when prompted. They usually directed them to their website for more information or supplied a phone number for the consumer to call. In 11 cases, the supplier took more proactive steps to help consumers apply for the discount. Actions included:

- Arranging a call back from a specialist team who could help with the application
- Taking time to clearly explain the application process
- Sending out an application form in the post

Money advice

Many consumers who self-disconnect are financially vulnerable and would be likely to benefit from money advice. When a consumer contacts their supplier asking for help topping up their prepayment meter, it is a good opportunity to offer this by signposting or referring to money advice agencies. Money advice can help

²⁹gov.uk/the-warm-home-discount-scheme

consumers maximise their income, make the most of their budgets and prevent further financial difficulties. This is different from debt advice, which focuses specifically on managing existing debts.

Out of 220 Extra Help Unit cases this winter, we are aware of only three consumers who were signposted or referred for debt advice. None were referred for money advice, as far as we are aware. The Extra Help Unit does not always prompt suppliers to take these actions. These figures are, however, surprising given that many energy suppliers have formal partnerships with debt advice agencies, with some offering warm referrals through dedicated phone lines. Going forward, we would like to explore this further with suppliers in order to understand the extent to which self-disconnecting customers are offered debt advice referrals.

Of course, not all prepayment customers who self-disconnect are in debt to their supplier and we would like to encourage suppliers to refer consumers for general money advice, where appropriate. We think self-disconnecting customers may be underserved by the existing referral options open to them.

This problem is not unique to energy suppliers. We estimate that 3.4 million people have fallen into a 'referral gap' where they have raised money issues with a trusted professional and have not received money advice or a referral.³⁰ Moreover, money advice is often seen as a last resort rather than a preventative measure.³¹

There is a real need and potential for energy suppliers to develop their offering in this area, particularly for customers who have self-disconnected. More specifically, it would help reduce the number of customers making multiple requests for discretionary top ups.

Baringa's recent report also highlighted that, by improving the services offered to financially vulnerable customers, suppliers could benefit from improved customer satisfaction and net promoter scores.³² We encourage energy suppliers to consider putting in place effective referral mechanisms to offer money advice to customers who self-disconnect.

Offering energy efficiency measures

We found that suppliers provided a minimum level of energy efficiency advice to consumers when prompted by the Extra Help Unit. This usually took the form of an energy efficiency pack sent in the post, or else giving the phone number for an independent energy advice provider. We consider these to be relatively passive measures and some consumers could benefit from more proactive help.

³⁰ Citizens Advice (2016) *The referral gap: how stronger referrals between free guidance and paid-for advice can help people manage their money*

³¹ Citizens Advice (2016) *The preventative advice gap: how money advice can help people avoid financial difficulties*

³² Baringa (2016) *Financially vulnerable customers*

Furthermore, it seems that many consumers who self-disconnected would benefit from robust energy efficiency interventions:

- **52 per cent** were in receipt of a welfare benefit that could make them eligible for the Affordable Warmth scheme.³³
- **12 per cent** felt that their PPM was going through credit too quickly, indicating high consumption.
- **11 per cent** had someone in the property with a physical health condition linked to cold homes.

In a small number of cases, the Extra Help Unit noted extra steps that were taken to increase the likelihood of the consumer benefiting from energy efficiency measures. These were:

- Arranging an energy efficiency home visit
- Carrying out a boiler scheme assessment
- Providing energy efficiency advice themselves over the phone

In our information request to suppliers in 2013, all suppliers placed an emphasis on offering energy efficiency advice to customers in vulnerable positions who are off supply. They talked about investing in training across their staff to check eligibility for insulation, home improvements or boiler replacements under the Energy Company Obligation (ECO) scheme.³⁴

So why is this not happening?

One possible answer is that consumers are not always receptive to energy efficiency interventions at the point of self-disconnecting. They might be primarily concerned with fixing the immediate situation and might not see the relevance of energy efficiency measures to their situation. We also know that there are wider questions about how best to have these conversations with consumers. We will be exploring this question further with industry and are particularly keen to identify any learnings that can be shared.

Additional good practice

In 14 cases, the supplier arranged for a meter exchange or new top up device in order to alleviate the consumer's situation. In four cases, meter exchange appointments were brought forward or booked as an emergency job. Eight suppliers took such actions. These included:

- Installing a smart meter
- Exchanging the PPM for a credit meter
- Offering to change the meter from two-rate to single-rate

³³ gov.uk/energy-company-obligation

³⁴ Citizens Advice (2014) *Topping-up or dropping-out: self-disconnection among prepayment meter users*

In nine cases, suppliers advised the consumer on how to use and manage their PPM. This included advice on emergency credit, friendly credit and standing charges.

Conclusion

Self-disconnection poses a real risk to the health, safety and wellbeing of energy prepayment customers, particularly those who are vulnerable. It is a phenomenon that is likely to increase rather than decrease in coming years. As more consumers struggle to meet the costs of everyday living, more households are paying for their energy through prepayment meters.

Suppliers are already adapting to meet this challenge and this report has highlighted existing good practice to be shared across industry. We have also identified several areas suppliers can build on, such as accommodating repeat requests for help and proactively helping consumers with scheme applications. Finally, we discussed the role of money and energy efficiency advice in helping prepayment customers to stay on supply. These are two areas that we would particularly like to explore further with industry. We also think that suppliers should be using these opportunities to reassess whether a PPM is safe and practicable for the household. This is something we will take forward with the regulator if necessary.

Ultimately, we would like suppliers to offer both reactive and proactive support to consumers who are self-disconnecting. We will continue working with suppliers, the regulator and Government to develop solutions and make sure prepayment customers stay connected.