



## **Unit 8**

### **Debt & Disconnection**

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## Document History

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### Reviewed by

This document (or component parts) has been reviewed by the following:

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## Unit 8

### Debt and disconnection

#### Introduction

A 'fuel poor' household is one which needs to spend more than ten per cent of the household income on heating and lighting to maintain adequate levels of warmth and meet other energy needs. This situation is widespread in the UK (an estimated 6 million households are defined as living in fuel poverty) and affects the most vulnerable people in society.

The stages of the consumer's journey addressed in this unit are as indicated below:



Currently the Government has a 'Fuel Poverty Strategy' which aims to eradicate fuel poverty by 2016 in England. The devolved governments have similar targets. The Strategy aims to tackle the three main causes of fuel poverty: low income, poor energy efficiency standards and high fuel prices. The main focus of the Strategy is on improving the energy efficiency standards of low income consumers' homes – the Government regards this as the long term sustainable solution to fuel poverty. Improved standards should make it easier for consumers to pay their fuel bills, while also improving the comfort of their homes. Thus, consumers are less likely to fall into debt and in the worst case face disconnection from supply. The Department of Energy and Climate Change is responsible for coordinating activity on fuel poverty across various government departments.

The Energy Retail Association (ERA) has reported that energy suppliers are committed to tackling fuel poverty and pledged to spend £375 million between 2008 and 2011 on 'social initiatives' as part of a voluntary agreement with Government. 'Social spend' is monitored by Ofgem – the bulk of this is spent on social tariffs and fuel discounts. From April 2011, fuel companies gradually wound down their voluntary initiatives and instead provide a mandatory 'Warm Home Discount' (WHD). This provides a £140 discount, on electricity bills to a 'core group' of low income pensioners. The core group are those in receipt of the Guarantee element of Pension credit, where their name (or a partner's) is on the bill and their supplier is in the scheme (suppliers who have over 250,000 customers). The money is not paid to the person but is a one-off discount on their bill between October and April.

A 'broader group' of other low income households, on means tested benefits, may also receive the discount, although they need to apply to their suppliers. There is an overall financial cap on WHD payments, which is shared out amongst the suppliers offering it according to market share.

Fuel companies also spend significant sums on energy efficiency measures for low income consumers under the mandatory Carbon Emissions Reductions Target (CERT) programme. Consumers defined as 'Priority Group' or 'Super Priority Group' generally get measures free under this scheme. Suppliers are also obliged as part of their CERT obligation to provide discounted energy efficiency measures to 'able to pay' consumers. Ofgem is responsible for monitoring supplier performance under CERT.

The Government ran the Green Deal and Energy Company Obligation (ECO) in late 2012. ECO replaced CERT and is designed to complement the Green Deal scheme. In brief, Green Deal was intended to fund the installation of energy efficiency measures in consumers' homes at no upfront cost to the consumer. Instead, the consumer pays for the cost of the measures through a charge on their electricity meter. The 'Green Deal charge' should be less than the saving on fuel bills made that is made possible by the energy efficiency measures. The charge stays with the electricity meter even if the consumer moves home. Some consumers in receipt of certain benefits will receive energy efficiency measures for free or at very low costs from their fuel company through the Affordable Warmth element of ECO. In England, this will replace Warm Front in 2013. The Devolved Nations will continue to run their publicly funded grant schemes which they intend to integrate with Green Deal and ECO. The government stopped funding the Green Deal Finance Company, which was set up to lend money to Green Deal providers. Consumers may still be able to get Green Deal funding from providers financing the scheme themselves. The Green Deal provider is responsible for any warranties or maintenance specified in the consumer's contract.

Suppliers have been encouraged to use their own records, compiled from details about their consumers, to ascertain those who would benefit from receiving advice upon energy efficiency. We will see below that the SLC also put certain obligations on suppliers to provide information to consumers about energy efficiency.

## **Review of suppliers' approaches to debt management and prevention**

This was a joint review with Consumer Focus as part of a wider project considering debt and disconnection and the final report was published in June 2010. The aim was to identify how suppliers help consumers who are facing increasing levels of general and energy related indebtedness. A number of recommendations were made to suppliers, and as always, the suppliers are aware that if they do not comply with such recommendations, it is always open to Ofgem to go one step further and make such requirements into licence conditions or legislation.

The main recommendations are that suppliers should:

- follow the new key principles to check a consumer's ability to pay
- ensure that charges for disconnection and reconnection are transparent
- use discretion to waive or reduce such charges if there is genuine hardship
- proactively offer help and solutions before debt becomes unmanageable
- review staff incentive schemes to ensure that they do not lead to inappropriate outcomes for consumers
- offer Fuel Direct more readily
- work to overcome problems with practices used to determine whether it is safe and practicable to fit a prepayment meter (PPM)
- ensure that high standards are attained when using processes to recruit debt collection agencies



In your advisory role at Citizen's Advice you will undoubtedly encounter many enquiries from consumers who are having problems paying their gas and electricity bills. You will also receive calls from consumers who either face disconnection of their gas and / or electricity supply or who have already been disconnected.

In this unit we will look at:

Section 1: Getting into debt

Section 2: Repaying the debt

Section 3: Financial and other assistance

Section 4: Disconnections

## Section 1

### Getting into debt

#### Reasons for debt accumulating

In unit 5 'Charging for fuel' we considered the main reasons why somebody may experience an unexpectedly high bill. Very similar reasons may mean that a consumer is unable to pay for their energy bill and may fall into arrears. These can be summarised as:

- (a) There is an increase in amount owing on the bill due to more energy consumption. This may occur for a variety of reasons, including:
- seasonal variations in the weather leading to more fuel being used over the winter months
  - unexpectedly cold weather for the time of year causing an usually high energy usage
  - more time spent in the home leading to increased energy usage caused by:
    - unemployment
    - working from home
    - retirement
    - new baby – home kept warmer
    - illness – home kept warmer
  - more people at home, for example, relatives staying
  - additional electrical equipment faulty gas and electrical appliances using more energy
  - appliance accidentally left on all of the time (for example, immersion heater or electric fire)
  - getting to know a new heating system not understanding Economy 7 (particularly storage heaters)
  - gas boiler needs servicing and not working as efficiently
  - moving into a new house and familiarisation of heating system, timers etc. needed
- (b) The consumer may have a faulty meter which has inaccurately recorded the energy consumption (although this is rare)
- (c) The consumer's meter may not have been read accurately, either by themselves or by a meter reader acting on behalf of the supplier
- (d) Bills issued may have been based upon estimates calculated according to historical consumption details rather than actual meter reads

- (e) Payments which have been made by the consumer to the supplier may have been mislaid or misdirected to the wrong customer account
- (f) The bill issued may have been calculated using the wrong tariff
- (g) The consumer may have received a bill from more than one supplier for the same period
- (h) The supplier may have made some other error when billing the consumer and / or taking payment by direct debit

## Being in 'arrears'

Technically a person will be in arrears if they do not pay for their energy when the supplier demands payment. This is normally done by issuing a bill which requires payment within a specified timescale, normally 28 days from the date of the bill.

In unit 5 'Charging for fuel' we discussed the situation where a consumer may wish to challenge their bill on the grounds that it is incorrect in some way. Here we will consider the position assuming that the bill has been correctly calculated based upon correct data but that the consumer has been unable to pay their bill within the timescale required. In section 4 we will consider the issues surrounding disconnections and when this can occur.

Suppliers may employ debt collection agencies to recover monies owed to them. Such agencies are also bound by the supplier's code of practice as they are acting as agents of the supplier.

As we discovered in unit 5 'Charging for fuel' section 1, any legal action to recover sums owing to the supplier by the consumer must be commenced within six years from the date of the breach of the contract occurring in accordance with the Limitation Act 1980 (5 years in Scotland under the Prescription and Limitation (Scotland) Act 1973). After this period of time the debt is said to be 'statute barred' and the supplier is prevented from taking court action to pursue the debt. This means that the creditor may pursue the consumer for payment because the debt is still owed, but the debt may not be legally recoverable, (the creditor cannot take the consumer to court to recover the debt).

The limitation period is likely to run from the date the consumer last made payment or last wrote to the creditor. If the consumer has not previously made a payment under the agreement or written to the creditor the limitation period is less clear but it is likely to be interpreted as being from the date of the agreement. If a County Court Judgment is in place the debtor cannot rely on the 6-year limitation for the debt, but if the County Court Judgment is over 6 years old the creditor may need a court order to pursue the debt further.

Where a consumer acknowledges a debt within the 6-year period, by letter or payment, the time starts again from the date of acknowledgement. Where the acknowledgement is made after expiry of the 6-year period, the debt is still owed but is still statute-barred, and the limitation period does not start again.





## Debt counselling / advisory services

We see later in this unit that where the consumer faces imminent disconnection, has been disconnected, or is 'vulnerable' their case can be referred to the EHU, for further assistance.

It is very important that consumers who find themselves in debt act promptly to try to resolve their situation with the supplier. By ignoring the debt that has accumulated and by failing to keep in touch with the supplier, the consumer may find an increased risk that the supplier will take steps to disconnect their energy supply and take legal action to recover the debt owing through the court system. Professional advice from a trained counsellor / advisor to assist the consumer in handling their debt can be an invaluable service. It may also be the case that the consumer owes debts to other creditors as well as to their energy supplier and that they are struggling to manage their finances. It may therefore be appropriate for you to consider signposting consumers to the following organisations for assistance:

### Signposting to Local Citizens Advice (LCA)

For further information including details of the nearest LCA use the 'Find my Local Citizens Advice' tool on [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)

#### Citizens Advice

**Tel: Adviceline England: 0300 330 1313 & Wales 03444 77 20 20**

**Website: [www.citizensadvice.org.uk/debt-and-money](http://www.citizensadvice.org.uk/debt-and-money)**

Citizens Advice offers support and assistance to clients with debt and money issues including how to sort out your debts, how to dispute a credit debt, tips on budgeting, options for getting out of debt, dealing with urgent debt etc.

#### Citizens Advice Scotland

[www.cas.org.uk](http://www.cas.org.uk)

CAB Scotland provides advice and information to people in need in over 200 locations throughout Scotland.

#### National Debtline

**Tel: (0808) 808 4000 (Freephone)**

**Website: [www.nationaldebtline.org](http://www.nationaldebtline.org)**

This is an independent service which is part of the Money Advice Trust. The service is provided free of charge and in confidence. It aims to assist those who are in debt by offering expert advice and by providing self-help to deal with debts.

#### Money Advice Service (The)



**Tel: 0300 500 5000**

**Website: [www.moneyadviceservice.org.uk/en](http://www.moneyadviceservice.org.uk/en)**

Free impartial money advice, set up by government to help clients to improve their finances. There are support tools and calculators provided to keep clients on track and plan ahead and support is offered to clients in person over the phone and online.

### **Money Advice Scotland**

**Tel: (0141) 572 0237 (Freephone)**

**Website: [www.moneyadvicescotland.org.uk](http://www.moneyadvicescotland.org.uk)**

Money Advice Scotland is primarily a support agency for those organisations and individuals who provide a free, independent, confidential and impartial money advice service to the general public. It does not provide an advice service to the general public itself but can direct people to their nearest free advice agency.

### **StepChange**

**Tel: (0800) 138 1111**

**Website: [www.stepchange.org](http://www.stepchange.org)**

This is a charitable organisation which offers debt/budgeting advice and a specialist credit counselling service. The organisation works to a code of ethics and helps debtors to negotiate future payments with creditors (previously called the Consumer Credit Counselling Service). Advice is given on a wide range of matters including: debt management plan and bankruptcy advice to equity release and mortgages.



## Summary

There are various reasons why consumers may get into debt with their energy supplier. Technically a consumer will be in arrears if they do not pay their bill within 28 days of receipt of the bill for electricity and from the date of the gas bill.

Consumers who are experiencing financial problems paying for their energy bills may also have more widespread debt problems and would therefore benefit from receiving advice from a general debt advisory body.

## Section 2

### Repaying the debt

#### Controls in place to protect consumers

Failure to pay a bill when issued can have serious consequences and in section 4 we will consider the supplier's right to disconnect the supply providing this is done in accordance with the legal protection given to consumers.

SLC(G&E)27(S) imposes obligations on suppliers that aim to protect consumers who are / will experience problems in paying their gas / electricity bills. Consumers must be offered the following details and ways of paying:

- by regular instalments which are calculated to take into account the consumer's ability to pay and by means other than through a PPM
- by payments via Fuel Direct (discussed below)
- through a PPM providing that it is safe and reasonably practicable in all of the circumstances for the consumer to do so
- provide information about how to reduce charges through more efficient use

The supplier is also required:

- when calculating regular instalments / PPM, to take all reasonable steps to ascertain the consumer's ability to pay, giving due consideration to information provided by third parties if available and the value of all of the charges recoverable through the use of a PPM
- to ensure that any differences in the terms and conditions between payment methods are cost reflective
- produce and publish information setting out their own procedures for dealing with consumers who have problems paying their bills

Under SLC(G&E)25A(S) there is also a prohibition on undue discrimination between one group of domestic consumers and another (where the terms of supply are less favourable to one group of consumers without any objective justification, for example, PPM consumers).

Ofgem has indicated the type of actions ('key principles') that they expect suppliers to carry out in order to comply with these requirements as being:

- having appropriate credit management guidelines and policies
- making proactive contact with consumers
- understanding individual consumer's ability to pay
- setting repayment rates based on ability to pay
- ensuring the consumer understands the arrangements and
- monitoring payment arrangements after they have been set up

### **Practical tips**

It is therefore essential that consumers who are already having payment problems, or who are likely to do so, take early steps to contact their supplier and provide a full explanation of their financial and other relevant circumstances

- if the consumer is unable to agree repayment rates with their supplier the consumer should be advised to follow the supplier's complaint handling procedure for the escalation of the complaint. You are able to access this information on Adviceguide – you should check to see if the consumer can escalate their case to a senior or team manager, or where the consumer is considered to be vulnerable, to a specialist team
- if the consumer is vulnerable, has been disconnected or faces the threat of imminent disconnection refer the case to the EHU in line with RAST protocols (discussed in section 3 (b)) below
- all of the suppliers have schemes to write-off debt which may be available to the consumer in certain circumstances. Such schemes are often supported by Trust Funds

Ofgem has reported that suppliers have already made substantial improvements in anticipation of the remedies brought about by the Probe, which will particularly benefit PPM consumers who have historically been subjected to higher charges.

Further protection is given regarding the issue of when disconnections can take place which will be discussed in section 4.

### Practical tip

When giving advice to consumers who are in debt to their supplier it is very important to advise them to refer to the supplier's own policy / code of practice for dealing with debt as these will differ from one supplier to another. The SLCs offer some protection to consumers by requiring certain key things to be covered in their policy / code, examples of which are shown above.

You can access the suppliers' codes of practice on Knowledge Base to assist the consumer during the call.

### Example

Mrs Roche has an outstanding bill with her gas supplier for £80. The bill should have been paid three weeks ago but she did not have the money to pay it. She has just started a new job and will be paid at the end of the month and so she has contacted her supplier requesting that they extend the time for payment so that she can pay it out of her wages. The supplier became very aggressive and said that she should be able to pay the £80, it was ridiculous of her to say that she could not afford this and refused to extend the payment date.

### Advice

Mrs Roche should be advised that suppliers are expected to have credit management guidelines and policies and should take into account the consumer's ability to pay. Mrs Roche should request a copy of the supplier's code of practice that deals with consumers who are having difficulties paying their bills (you may be able to access this during the call on the Adviceguide). Mrs Roche should also be advised to request the supplier's policy for escalation of the complaint (you can access this on the Knowledge Base and should check to see if she can escalate the case to a senior team manager). She should confirm her complaint by WRDKC / COP and be encouraged to call back for further advice if the problem remains unresolved.

## Information from suppliers about their options

When calculating the rate of repayments with the consumer SLC(G&E)27.8(S) provides that the supplier must take all reasonable steps to ascertain the consumer's ability to pay and use any information that they have available from third parties.

Suppliers are also under an obligation to provide a choice of payment methods and to give certain information to the consumer. For example, SLC(G&E)27(S) states that domestic consumers must be offered



certain services if the supplier is aware / has reason to believe that the consumer is having difficulty in paying their bills. This includes information about how to reduce charges through more efficient energy use.

These are, therefore, important reasons why consumers should contact their supplier as soon as they are aware of financial problems that will prevent them from paying their energy bill so that they can discuss their options with their supplier.

Suppliers are obliged to provide information to consumers about improving energy efficiency under SLC(G&E)31(S). They must also have directed consumers to other sources of additional information or assistance about energy efficiency including information regarding financial assistance that can be obtained from the government towards efficiency measures. This information should be provided free of charge to the consumer upon request, must be published on their website and available via a telephone information service.

Often suppliers will do their best to assist the consumer in accessing information about fuel efficiency and may operate their own schemes which are available to consumers.

#### **Practical tips**

Consumers can contact the national free phone number for the Energy Savings Trust to obtain details of local energy advice agencies.

## **Arrangements to pay arrears and prevent disconnection**

A consumer may be able to avoid disconnection taking place by using one of the following options:

### **(a) Temporary payment arrangements**

If the reason which has led to the arrears accumulating is the result of a short-term situation the supplier may be willing to negotiate arrangements with the consumer to re-pay the debt during the period before the issuing of the next bill. As the consumer is in a contract with the supplier, this will need to be achieved through negotiation with the supplier and we have just considered above the obligations imposed on suppliers under their licence conditions.

The supplier is unlikely to be willing to enter into such negotiations if the consumer has a history of defaulting in payment of their bills, in which case the supplier may wish to resolve matters by other means as discussed below.

## **(b) Agreeing a payment plan with the supplier**

When a supplier is calculating the rate at which arrears should be paid and the method of repayment they should take into account the consumer's ability to pay. The factors referred to in SLC(G&E)27(S) discussed above will also be relevant and so the consumer should consult the supplier's code of practice for dealing with consumers who are having difficulty making payments.

Payment plans are usually put in place with credit meters, PPMs or variable tariff meters (electricity) whereby the supplier will calculate an amount to be paid by the consumer in order to cover the rate of current consumption plus part-payment towards the arrears. It may also be appropriate for the consumer to be transferred to a social tariff.

### **Practical tip**

It is advisable for consumers to ensure that the supplier accurately estimates the current consumption to avoid the risk that the supplier may attempt to recover the arrears more quickly by overestimating the consumption levels and adding this to a sum to reflect payment of the arrears. The consumer could carry out quarterly meter reads to keep a track on the amount of fuel actually used and compare this to the figure estimated by the supplier.

If the consumer believes that the rate set is too high they should WRDKC / COP to their supplier to ask that the payment arrangement is reviewed (and their tariff if applicable).

If the consumer has had a change of circumstances since they agreed their payment plan with their supplier they should ask the supplier to revise the plan and provide as much relevant information as possible regarding their circumstances to the supplier. The supplier should make it clear that consumers can contact them in these circumstances or if they otherwise have a problem with the repayment arrangement (this applies to all repayment arrangements not just payment plans).

### **Example**

Mrs Bond calls you for advice as she states that she is having real difficulties in keeping up payments that she has been asked to make under a repayment plan with her supplier. Mrs Bond is very anxious and is worried that if she misses her payments her supplier will disconnect her supply.

#### **Advice**

Mrs Bond should contact her supplier to discuss her concerns. Her supplier has obligations under their licence conditions SLC(G&E)27(S) to take into account her ability to pay when calculating the rate at which the arrears, which she has accumulated, are to be paid off.

She should ensure that she provides full details of her financial situation to her supplier and asks them to revise her payment plan. Mrs Bond should be reassured that disconnection is usually seen as a last resort and that there are other measures which the supplier is obliged to take to avoid this.



Mrs Bond should check the supplier's code of practice for dealing with arrears (you could also check this for her from the information held on Knowledge Base). She may also be able to negotiate a different tariff (for example, social tariff if applicable).

She should ensure that she confirms everything by WRDKC / COP to the supplier. Mrs Bond should be encouraged to call back for further advice if the problem remains unresolved.

### **(c) Pre-payment meters (PPMs)**

The use of PPMs and the pros and cons of using a PPM was discussed in detail in unit 5 'Charging for fuel'. As we have seen the PPM can be used to enable the meter to be set to collect the arrears over a specified time period, and the supplier is obliged to take into account the consumer's ability to pay before setting the rate of recovery of the debt owing.

If a consumer is not willing to negotiate with their supplier, it is open to the supplier to apply to the court for a warrant to enable them to install a PPM as an alternative to disconnection. It is usual for many suppliers to apply a standard repayment rate where the consumer is not at the property when a PPM is installed during a warrant visit. In order to comply with their licence obligations, it is important for suppliers to leave a note to inform the consumer of the rate that has been set on the PPM and to ask them to contact the supplier if they are concerned about the rate set. The supplier needs to be able to show that all of the circumstances including those noted during the warrant visit were taken into account by them when setting the repayment rate.

One of the problems with the use of a PPM to collect debt is that it can lead to self disconnection as the charges build up if the meter is not credited regularly, so that a supply will only recommence when the arrears which have accumulated are paid off through the meter. This was discussed in more detail in unit 5 'Charging for fuel'. Gas Quantum and Smart Card electricity meters, however, do not have these problems as they always allow for an amount of the credit used to provide an amount of fuel supply on each occasion that credit is applied to the meter.

PPMs are not a suitable option for all consumers, for example, due to practical problems which may be encountered in purchasing the credit to top up the meter or where an electricity supply is vital for their health, for example, breathing apparatus is used by the consumer. If a supplier insists upon the installation of a PPM when it is not suitable for the consumer as they cannot use it, they will be in breach of their duty to provide a supply (discussed in unit 7 'Connections, quality of supply and safety'). Also Ofgem has a duty to consider the reasonableness of the supplier's actions if insisting upon the use of a PPM or the payment of a security deposit (discussed below).

SLC(G&E)28.3(S) requires suppliers to produce a written statement in plain intelligible language setting out the arrangements that they have in place for consumers who have PPMs. Certain specified information such as the pros and cons of having a PPM, where to get information if the PPM or the device used to charge it is not working properly and the procedures and timescales that the supplier will follow when resetting or removing the PPM must be shown on the supplier's website (if they have one). The supplier must take all

reasonable steps to inform each of its PPM consumers of the statement and how to obtain it at least once a year.

#### **(d) Payment of a security deposit**

In unit 5 'Charging for fuel' it was explained that when a consumer has a poor payment history a supplier may require the payment of a security deposit which is a sum of money paid by the consumer to the supplier and is held as payment against future bills. A supplier may also seek the payment of a security deposit where the consumer does not have a previous payment history.

Under SLC(G&E)27.3(S) a supplier cannot require a domestic consumer to pay a security deposit where:

- the consumer agrees to the premises being supplied through a PPM and it is safe and reasonably practicable in all of the circumstances of the case or
- if it is unreasonable in all the circumstances of the case to require the consumer to pay a security deposit

These deposits are held for a period of 12 months and interest is paid on the money deposited at basic rate. It is considered that security deposits should be around 1.5 times the average quarterly consumption. SLC(G&E)27.4(S) provides that a security deposit must not exceed a reasonable amount.

If all bills are paid on time for 12 months the supplier should pay the deposit money back within 14 days, failing which the consumer should contact the supplier.

#### **Practical tip**

Where a consumer wishes to resist a supplier's request for a security deposit, they may need to gather evidence to show to the supplier that a payment plan is a suitable alternative. One of the ways that they may be able to do this is by showing that they have managed to pay other household bills regularly and on time.

If the supplier is unwilling to agree a payment plan and the consumer cannot pay a security deposit a PPM may be the only other realistic option available.

#### **(e) Fuel Direct payments**

As we have seen in unit 6 'Paying for fuel', Fuel Direct (often referred to as the 'Third Party Deduction Scheme') is a scheme run by the DWP and enables payments to be deducted from certain qualifying benefits.

The scheme is restricted to consumers who are in debt to their supplier for at least one fuel type for £73.10 or more (the current single person's benefit allowance). This has often been used by suppliers as a last resort when other options, including the fitting of a PPM have been exhausted. However, in the Debt Management Review, Ofgem stated that consumers should be informed of Fuel Direct when it is the most suitable method of payment for that consumer.

However, suppliers are required by the SLC to provide the Fuel Direct scheme and to ensure that they offer it to those where it would be the most appropriate payment method. The level of payments deducted to cover current fuel use and a proportion of the debt owing is agreed between the local benefit office, supplier and consumer.

At the time of writing these materials the sum of £3.70 per week for fuel can be deducted. Consumers who are in receipt of the following benefits may currently be eligible for the scheme:

Income Support

Pension Credit

Employment and Support Allowance

Income-Based Jobseeker's Allowance

### **Practical tip**

Consumers who wish to apply to register for Fuel Direct should contact their local benefits office. Citizens Advice advisors should not offer advice regarding consumer's eligibility for the scheme and should signpost the consumer to their local benefit office for further information.

Here, arrangements are made for the debt to be repaid directly by the awarding body for the benefit, which is usually the DWP, to the supplier so that the deductions are made at source. The decision as to whether this type of arrangement can be set up rests with the awarding body (DWP). Once the debt has been repaid the consumer may not be allowed to continue making payments via Fuel Direct unless the DWP agree that the consumer is at risk of defaulting again on their fuel bills. The decision rests with the benefits agency that will assess whether it is in the interests of the consumer and their family for the scheme to continue.

There are many potential benefits for consumers in paying via fuel direct as it takes away the threat of disconnection, provides an alternative to a PPM where this would not be appropriate and allows a low level of repayment (currently £3.70 per week). The tariff that the consumer is charged whilst in the scheme will vary depending upon who they have their supply contract with. Some suppliers allow Fuel Direct payment consumers to go on their social tariff whilst others may apply their standard tariff. Ofgem have requested

that suppliers consider putting all of their consumers on Fuel Direct onto their cheapest tariff, including their social tariffs (Debt Management Review).

There are potentially some drawbacks with using Fuel Direct too. If consumption levels are not reviewed regularly by suppliers the consumer runs the real risk of accumulating further debt whilst paying through Fuel Direct if they consume more energy than was estimated. This problem is further pronounced by the fact that only a set amount can be paid each week under the scheme so that the consumer may not realise that they are getting further into debt and being less attentive to energy saving measures than they may otherwise have been. This emphasises the supplier's need to fulfil their obligations in offering the consumer energy efficiency advice.

In accordance with the SLC(G&E)27.5(S) and 27.6 suppliers should ensure that a consumer is informed of the Fuel Direct scheme and can access it where this is the most appropriate payment method.

### **Example**

Hannah was recently made redundant and is claiming unemployment benefits. She is struggling to pay her bills and had heard from a friend that she may be able to have the payments for her fuel taken direct from her benefits. She has contacted her supplier who has said that she cannot pay her bills in this way.

### **Advice**

Hannah should be advised that the supplier's licence conditions require her supplier to offer those who are in payment difficulty the option of having charges deducted from their benefits. This is called 'Fuel Direct'. Hannah should escalate her query with the supplier (the supplier's policy should be available on Knowledge Base). She should confirm her complaint by WRDKC / COP. Hannah could also contact her local benefits office to see if they can assist further with this issue. She should be encouraged to call back for further advice if the problem remains unresolved.

### **(f) Part payments in full and final settlement**

A consumer who is in arrears with their account with their energy supplier may be able to negotiate an agreement with the supplier that upon payment of a lesser sum than that owing, they will be discharged from the debt. Legally for this agreement to be enforceable in contract law it is advisable that the consumer makes a formal written offer to the supplier stating that they are making the offer to pay the lesser sum in 'full and final settlement' of the arrears and that upon receipt of the agreed payment that the supplier waives their right to take any further recovery action.



Legally, for the agreement to vary the contract in this way, the supplier must be accepting a lump sum part-payment in return for accepting the lesser amount, or benefit in some other way (for example, by being released from its obligation to read the consumer's meter or by the consumer agreeing to a PPM).

The supplier may also be willing to waive their right to recover arrears where the consumer has switched supplier and again this should be documented by WRDKC / COP to the supplier.

It may also be the case that the consumer negotiates with the supplier for some time to pay off the arrears on the basis that if they maintain an agreed level of payments that the supplier will not take action to recover the debt during that time. Here, where the consumer has acted in reliance on the agreement reached and made the payments stated, the supplier is then legally 'estopped' from taking debt recovery action for the agreed period. Again, it is important that the consumer confirms any such agreements by WRDKC / COP to the supplier.

According to the Debt Management Review, once a consumer has agreed a repayment arrangement with the supplier, Ofgem expects the supplier to confirm the repayment amount in writing and explain at the beginning of the agreement when they expect the debt to be cleared so that consumers know how much they are paying towards their arrears and how long it will take to pay them off. They should also confirm in writing at the end of the agreement that the debt has been cleared.

## **Ways to reduce future charges**

### **(a) Payment by Direct Debit**

This payment option has already been discussed in detail in unit 6 'Paying for fuel'. This is a favoured option for suppliers as it ensures that regular payments are made by the consumer and is less burdensome administratively for the supplier. It is also often beneficial to consumers as suppliers will provide discounts as an incentive to pay by this means.

The SLC provide protection for the consumer as they obligate the supplier to provide certain information to the consumer where they are paying by direct debit.

SLC(G&E)27.14(S) says that the supplier must provide the domestic consumer with an explanation in clear, plain intelligible language of the basis on which they have fixed the amount of their direct debit payment (and any variation of that fixed amount).

SLC(G&E)27.15(S) also provides (unless a principal term of the contract clearly states otherwise) that the supplier must take all reasonable steps to ensure that the fixed amount of the direct debit payment is based

on the best and most current information available to them, including information as to the quantity of the electricity or gas which they reasonably estimate has been or will be supplied under the contract.

SLC(G&E)27.16(S) refers to the situation where credit has accumulated. Here the supplier is required, when requested by the consumer, to refund in a timely manner any credit to them which has accumulated, unless it is fair and reasonable in all of the circumstances for the supplier not to do so. If this is the case, the supplier must inform the consumer of its view and of the reasons for holding that view.

In reality, this is likely to occur where the supplier withholds payment which has accumulated over the summer months in order to cover what the supplier can reasonably anticipate will be needed to cover the increased consumption over the winter months, based on previous consumption history.

### **(b) Changing tariff**

Tariffs were discussed previously in unit 5 'Charging for fuel'. A consumer should consider whether they are on the cheapest tariff available to them. All energy suppliers are obliged to offer social tariffs to vulnerable consumers at a cheaper rate. This will apply to those consumers who are:

- elderly
- on a low income
- disabled

As well as a cheaper rate the consumer may also get other services as part of the scheme. Consumers should be advised to contact their supplier for details of the schemes run by them and to check the eligibility criteria.

Schemes currently available although subject to change are set out in the table below. When giving advice to consumers refer to information on the supplier's website or on Knowledge Base.

Where consumers have installed systems which enable them to produce / generate energy they may be eligible to claim Feed-in tariffs. Information about these can be found in unit 5.

### **(c) Changing supplier**

Shopping around for the best deal is one of the most effective ways of reducing energy bills.

Consumers may wish to check with their current supplier to see if they are on the cheapest tariff available. Otherwise they may wish to get information from the suppliers' websites by using price comparison sites which have already been discussed in unit 3 'Marketing energy'.

All suppliers must publish their prices and will send details to consumers upon request.

Where consumers have concerns about the quality of service that they may receive from a new supplier it is advisable to ask about their performance and to check their codes for handling complaints.

It is important to the consumer to ascertain the different payment methods that can be used to pay for their energy bills and to enquire as to which method would be the cheapest for them.

If consumers are cancelling a contract when changing supplier they need to check that they will not incur a penalty for doing so.

## **Licence conditions and other forms of protection**

### **Debt blocking**

Where a consumer wishes to switch to another supplier but is in arrears to their current supplier they may be 'debt blocked' and prevented from transferring until the debt has been cleared. It is therefore important for them to arrange to re-pay the debt in full or agree a repayment plan as soon as possible. Where this is the case, the supplier is obliged to offer the consumer advice regarding their debt, tariffs and energy efficiency in line with new licence conditions which came into place on the 18<sup>th</sup> January 2010

The new licence conditions also provide that a consumer should not generally be debt blocked if the outstanding charges are made up entirely of a disputed amount or supplier error. This may occur for the reasons that we have already considered earlier, such as incorrect meter readings and other billing problems.

If the supplier has increased prices the consumer has 30 working days to clear the debt and switch supplier without being charged the price increase retrospectively in accordance with SLC(G&E)23(S). For further details see Annexe 14

The Debt Assignment Protocol and new SLC(G&E)14.6(S) states that consumers who are in debt and have a PPM can still transfer to another supplier enabling the transfer of up to a maximum of £500 of debt to the new supplier (providing the new supplier agrees to this).

Although a PPM must still then be used with the new supplier, it may be possible to negotiate a cheaper tariff making the transfer worthwhile.

Other measures which arose from the Probe which will be of importance to those who are vulnerable and / or in debt are:

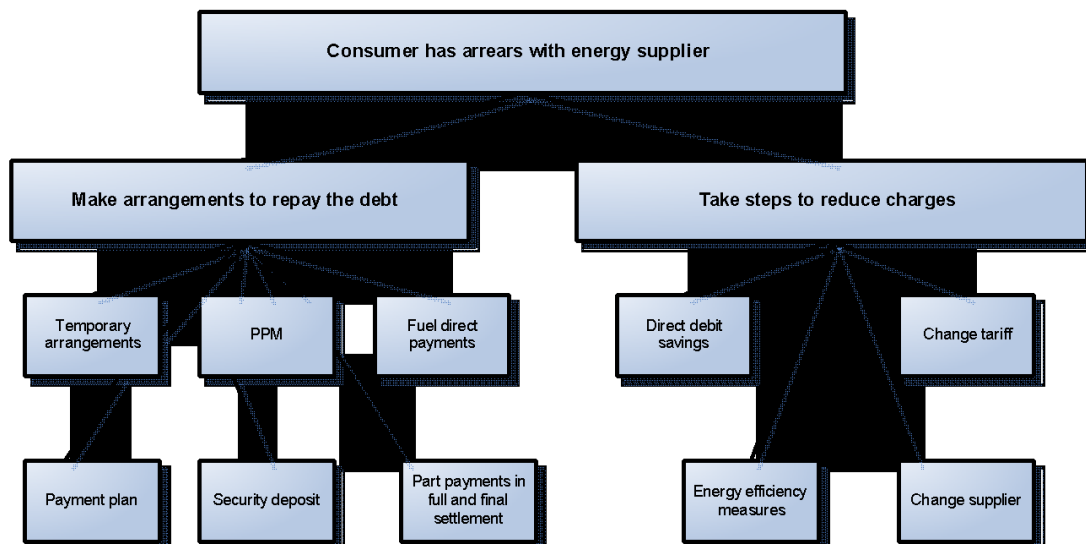
- the enhanced rules regarding doorstep sales which require suppliers to provide written estimates and sales literature which is clear, accurate and easy to understand
- with effect from July 2010 suppliers are obliged to produce more information regarding bills (for example, tariff name, the consumer's consumption over the past twelve months in kilowatt hours where the consumer has been a consumer of the supplier for that time period, projected costs over the next twelve months and an annual statement setting out specific information)
- Overarching standards (standards of conduct) introduced by Ofgem following the Probe also provide that suppliers must:
  - not sell products or services that consumers do not fully understand or which are inappropriate for the consumer's needs and circumstances

- not offer products which are unnecessarily complex or confusing

As was discussed in unit 1 'Understanding the energy industry', although the overarching standards are not enforceable they will assist Ofgem in monitoring the behaviour of individual suppliers and will hopefully serve to drive the improvement in standards. It is therefore important that your case notes provide clear summaries of any relevant information that consumers provide to Citizens Advice about these issues so that Ofgem can monitor the situation.

## Summary of ways to pay arrears and avoid disconnection

### Paying arrears and preventing disconnection





## Summary

- Various controls have been put in place by licence conditions which require suppliers to offer certain payment methods to consumers, including by regular instalments, via Fuel Direct and through a PPM if it is safe and reasonably practicable in all of the circumstances for the consumer.
- Suppliers should provide information to consumers about how to reduce charges through more efficient energy use and some suppliers offer their own schemes for improving energy efficiency.
- Suppliers must also take into account the consumer's ability to pay when calculating the level of instalments.
- Differences in charges between payment methods must be cost reflective and there is a prohibition on undue discrimination.
- Suppliers are required to publish information about dealing with consumers who have problems paying their bills which the consumer should consult when having problems. This can often be found in a code of practice.
- Licence conditions require that suppliers impose obligations on suppliers to ensure that consumers are given a range of payment options.
- Disconnection of a consumer's energy supply is seen as a last resort and there are a variety of other ways that the matter can be resolved, such as temporary payment arrangements / payment plans / the installation of a PPM / paying a security deposit / paying via Fuel Direct / negotiating a part payment in full and final settlement of the debt outstanding.
- Consumers can take various steps to reduce charges in the future for the gas and electricity supplies including paying by direct debit / changing tariff / changing supplier.
- Licence conditions protect consumers from being 'debt blocked' by suppliers if it is the supplier's fault that they are in arrears.
- The Debt Assignment Protocol and licence conditions provide that consumers who are in debt and have a PPM can still transfer supplier taking up to a maximum of £500 debt to their new supplier (if the new supplier consents).
- Overarching standards have been introduced to provide further safeguards.

## Section 3

### Financial and other assistance

#### Financial assistance

##### (a) The Energy Savings Trust

This organisation provides details of grants available to households who wish to make changes to their property to help them save on their energy consumption. There are qualifying criteria which can be found on their website at [www.energysavingstrust.org.uk](http://www.energysavingstrust.org.uk). They also offer a telephone helpline.

##### (b) State benefits

Suppliers may be trained to offer some basic benefit advice to their domestic consumers as over the past few years obligations have been put upon suppliers to establish means of promoting energy efficiency and savings, achieving 50 per cent of the total improvements made for those consumers who are in receipt of specified benefits or credits.

#### **Practical tip**

It is not within the remit of a Citizens Advice consumer service advisers to offer benefit advice to consumers. It may be that consumers who are in receipt of certain benefits such as Income Support (IS) and Job Seeker's Allowance (JSA) have access to further help and assistance with fuel related costs, such as cold weather payments, winter fuel payments and eligibility for Fuel Direct (discussed below). Those in receipt of Housing Benefit (HB) may need advice regarding the way in which the amount that they are charged for fuel affects their assessment for HB.

Consumers should be signposted to their nearest CAB for advice or alternatively the local Jobcentre Plus which can be accessed online via [www.direct.gov.uk](http://www.direct.gov.uk)

##### (c) Cold weather payments, crisis loans and other 'Social Fund' loans

Certain consumers who are in receipt of IS or JSA may be eligible for a cold weather payment from a government fund called the 'Social Fund' to help with meeting the extra heating costs when the weather has been exceptionally cold (there is a definition of what this means) for at least seven consecutive days. The Social Fund may also award grants (for example, community care grants, budgeting loans, crisis loans) in

specific circumstances where the claimant meets specific requirements. Those seeking a crisis loan do not need to be in receipt of IS or JSA but do need to be otherwise eligible.

### **Practical tip**

CA advisors should not offer specific advice to consumers regarding a consumer's eligibility for this or any other payment.

CA advisors may advise consumers that they can contact their local pension centre or local jobcentre plus for details of cold weather payments and other loans. Details of their local centres can be found on [www.directgov.org.uk](http://www.directgov.org.uk). The website also contains basic information about eligibility and how to proceed with a claim or enquiry.

### **(d) Winter fuel payments**

These are available to consumers living in the UK who are of state pension age and should be paid automatically with a state pension. They can also be claimed from the DWP by telephoning the Winter Fuel Payment help line. The money can actually be used for any purpose, it does not have to be spent on fuel bills.

### **(e) Warm Home Discount**

Fuel companies are required by law to provide a Warm Home Discount to a 'core group' of low income pensioners and a small 'broader group' of other low income consumers. Eligible households should receive the discount automatically through a 'data matching' process between DWP and suppliers. However, some eligible households will not be matched through this route and will therefore have to make a separate claim.

### **Practical tip**

If a consumer meets the qualifying criteria and does not receive a letter, the supplier should be contacted to ensure that name and address details are correct.

In addition consumers can also contact the specialist WHD contact centre on 0345 603 9439

Other low income consumers may be eligible for the discount under the 'broader group' provisions. Consumers should be advised to contact their suppliers directly if they feel they may qualify for assistance under the scheme. They will need to provide proof of entitlement to the qualifying benefit. The Government has suggested that suppliers may wish to target those eligible for Cold Weather Payments, although suppliers can choose other criteria. Ofgem is responsible for approving all 'broader group' schemes. Many more people are eligible for Cold Weather Payments than 'broader group' funding will provide for. Thus,



receipt of Cold Weather Payments does not guarantee eligibility for the discount under the 'broader group' provisions, unless the household meets the 'core group' criteria.

### **Practical Tip**

Consumers should be advised to contact their suppliers for information about the different schemes they offer.

### **(f) Charitable payments**

Various charities may be able to assist the consumer with fuel costs and reconnection charges, particularly where they are 'vulnerable'. This is a complex area and consumers may be signposted to their nearest local Citizens Advice for further information and advice regarding any payments that they may be able to apply for.

Consumers can also visit their local library for information held in directories such as that published by the Directory of Social Change which informs of the help that may be available to them.

The EHU will also be able to provide such advice to the consumer as and when cases are referred to them in accordance with RAST protocols.

### **(g) NEST**

This is a scheme which runs in Wales and aims to improve energy efficiency in homes. It provides grants to eligible people who are either:

- homeowners
- resident householders
- tenants of private property (non council)

Note: local authority and housing association tenants are not eligible to apply.

Applicants must also be in receipt of certain state benefits and live in homes with low energy efficiency standards (below EPC E).

Examples of the type of works which may be carried out under the schemes include:

- cavity wall insulation
- loft insulation
- installation of central heating system
- hot water tank insulation
- draught- proofing

- energy advice

### **Practical tip**

It is not within the remit of CA advisers to give advice to a consumer as to whether or not they are eligible to receive grants but it may be appropriate to signpost the consumer to the following number for further advice:

Home Energy Efficiency Scheme (Wales): <http://www.nestwales.org.uk>

### **(h) Trust funds**

Consumers should be advised to check with their supplier to ascertain whether any trust fund payments are available to them. Some examples of such schemes are:

- EDF Energy Trust

Consumers of:

EDF Energy

London Energy

Seaboard Energy

Sweb Energy

may be able to claim a grant from the EDF Energy Trust if they are having problems paying for their fuel and other essential household bills.

For further information and advice regarding eligibility and the type of help which may be available, consumers can contact the EDF Energy Trust at [www.edfenergytrust.org.uk](http://www.edfenergytrust.org.uk)

- The British Gas Energy Trust / The Scottish Energy Trust

The British Gas Energy Trust may provide grants to help some of the domestic consumers of British Gas and Scottish Gas in England, Scotland and Wales who need assistance in paying for fuel and other household bills.

Enquiries can be made by contacting the British Gas Energy Trust online at [www.britishgasenergytrust.org.uk](http://www.britishgasenergytrust.org.uk)

Details of other trust funds can be found in unit 9 'Complaint resolution and consumer organisations'.

### **(i) Warmzones**



These are schemes which are funded by both suppliers and Local Authorities but which are limited to specific parts of the country. They offer free loft and cavity wall insulation to those who are in fuel poverty or over 60. There are also discount schemes for those who are deemed 'able to pay'. Local contact details can be found online at [www.warmzones.co.uk](http://www.warmzones.co.uk) or by e-mail to [enquiries@warmzones.co.uk](mailto:enquiries@warmzones.co.uk)

## Other assistance available

### (a) The Priority Service Register (PSR)

What is the PSR?

It is possible that you may take a call from a consumer who qualifies for certain free services under the PSR. Suppliers are under a duty under SLC(G&E)26.1(S) to establish and maintain a PSR listing all domestic consumers who are in a vulnerable position or who because of their personal characteristics, may require such priority services. Changes to the PSR provisions took place in January 2017 so that suppliers would be required to take a flexible approach to the priority services they offer to best meet the needs of individual customers requirements. SLC(G&E)26 was amended to reflect a more principles-based approach in comparison with earlier regulatory obligations. Distributors have similar duties, including to establish and maintain a PSR and make information about services available to those affected. Transporters have no obligation to maintain a formal PSR and only have to provide services to customers they are notified about.

Personal characteristics means any of the following:

- being of pensionable age
- being chronically sick
- having an impairment, disability or long term medical condition (including but not limited to a visual, auditory or mobility impairment)
- having any other characteristics identified by the supplier as relevant due to the nature of the priority services

Although all suppliers run these schemes the name of the scheme and the services available from each supplier under their particular scheme may vary. They all have to offer, and then if required, provide whatever free services each consumer reasonably requires because of their personal characteristics or vulnerable situation.

SLC(G&E)26.5(S) expands on the supplier duty to establish and maintain a register by requiring suppliers to take all reasonable steps to do the following:

- promote the existence of the PSR
- promote the existence of the priority services they have available
- identify consumers, through interactions, who should be on the PSR

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- offer to add any or all of the minimum details to the PSR

The supplier has a duty to add a consumer's minimum details to the PSR, subject to relevant legal data protection and privacy restrictions. The minimum details are:

- the consumer's name
- details of any relevant personal characteristics or vulnerable situation
- any other relevant details as specified and published by Ofgem

The minimum details must be shared with distributors and transporters, subject to data protection and privacy laws, using the relevant industry mechanisms, as set out in the Master Registration Agreement or published by Ofgem.

SLC(G&E)26.5(S) lists the priority services as appropriate mechanisms and arrangements to enable the following:

- identification of supplier representatives – the supplier must offer additional support to assist consumers identify any person acting on behalf of the supplier. This could offer additional protection from bogus callers, if the consumer wishes to require use of a password for example (previously called the password protection scheme)
- communications nominee scheme – communications, e.g. bills and statements of account, can be sent to a second addressee who can help with the reading and checking of information
- meter reading – this can be arranged to take place at appropriate intervals where the consumer informs the supplier that there is no one available to read the meter
- PPM meter functioning – the functionality of a PPM should be safe and reasonably practicable in all the circumstances of the case. Ofgem may issue guidance in relation to this [SLC(G&E)28.1B]
- accessible communications - as far as is reasonably practicable and appropriate to the consumer's needs, communications should be provided in a format that is accessible to them, on the basis of their personal characteristics or vulnerable situation
- additional services - further services, similar to those above, should be offered if the supplier identifies them as appropriate to the consumer's needs and it is reasonably practicable to provide them

The following are also provided:

- gas safety check – consumers can request that all gas appliances are checked annually if they are in receipt of a means-tested benefit and there is not a landlord who is responsible for arranging the check, and if they either [SLC (G)29(S)]:
  - (a) live with others, at least one of whom is under five years old; or
  - (b) are of pensionable age, disabled or chronically sick and either:
    - (i) live alone; or
    - (ii) live with others who are all of pensionable age, disabled, chronically sick or under 18

- alternative provisions if the gas supply is disrupted – all adults within a PSR residence can request alternative heating and cooking facilities in the event of a disrupted supply. The conditions for this are set out in Annex 4 and such cases can be referred to EHU for further action
- priority restoration - Consumers on the PSR will be a priority to be reconnected in the event of a disruption to their gas supply SLC(G)6.13(T)
- advance notice of planned interruptions – if the DNO plans to disrupt their electricity supply they should give consumers appropriate information and advice. During unplanned interruptions they should be promptly notified and kept informed of when the supply is likely to be restored and of any help that may be available SLC(E)10.5(D)

Note that if a supplier alters the position of one of their meters or replaces the meter for one that has been specially adapted for a customer who is disabled, they should not charge the customer for the alteration or replacement.

### **Practical tips**

Consumers should be alerted about how to join the PSR by their supplier and what services are available

There is no charge and consumers should contact their supplier to get an application form for their scheme. Consumers can register for all or some of the services available.

If the consumer has their gas and electricity supplied from different companies they will need to contact both suppliers and apply under each supplier's scheme.

Consumers should provide full details of any particular needs that they may have and support should be provided to assist the consumer in identifying people working on the supplier's behalf, this could include provisions of a password which should be provided by the supplier's representatives (such as meter readers and sales persons) if they wish to do so. DNOs should provide a password to identify its representatives.

If the consumer is a tenant they will not be able to register for a free gas check under the PSR as it is the landlord's responsibility to ensure that all gas appliances are checked at least every 12 months.

Contact details for information about the PSR for each of the Big 6 suppliers can be found on Knowledge Base.



## (b)The Extra Help Unit

When is it appropriate to refer the case to the EHU?

### Circumstances when it is appropriate to refer case

- the consumer has been disconnected, or
- the consumer has been threatened with disconnection, or
- has experienced a failure in a PPM or
- the case involves a 'vulnerable' person (somebody who it is not reasonable to expect to pursue the complaint themselves)

The obligation also includes the situation where the consumer has been disconnected and refused a reconnection or threatened with a refusal to reconnect.

### Disconnection and PPM failures

The following cases should be referred:

- the consumer remains disconnected as a result of a deliberate act of the distributor or GT
- the consumer has been disconnected as a result of allegations of meter tampering, theft of supply or similar offences
- there is a real and imminent likelihood of the consumer being disconnected (this should be assessed subjectively in accordance with the company's disconnection policies)
- the consumer has been disconnected and then reconnected but there is an issue with the way in which the disconnection took place or money owed by the consumer in relation to the disconnection (for example, the reconnection fee)
- a PPM has failed and the consumer has no supply or is about to lose a supply due to: an act or omission of the agent or their supplier, a fault with the meter or credit device or the inability of the consumer to charge the meter

Disconnection does not include situations where the consumer is 'off-supply' due to failure or maintenance of the network and such cases should not be referred (unless the consumer is also vulnerable – see below).

Failures of PPMs resulting from acts or omissions by the consumer should not be referred unless the consumer is also vulnerable.

### **Vulnerable consumers**

Industry guidelines have developed to allow Citizens Advice consumer service to transfer cases to the EHU where a consumer is vulnerable. A consumer will be vulnerable if it is not reasonable to expect the consumer to pursue their own complaint with their supplier due to:

- the urgency of their situation
- their personal circumstances
- the complexity of the problem making it hard for the consumer to deal with the supplier themselves thereby needing expert help to resolve matters
- any combination of the above issues

A person will not be deemed to be vulnerable just because of a particular attribute that they have, for example, the fact that they have a physical disability or English is not their first language. It is important that complaints are considered on a case-by-case basis. The advisor should consider whether the consumer understands the issue and any advice given to them, if they can confidently deal with their case and whether it is reasonable to expect them to deal with their case within any applicable time limits.

Consideration should be given as to whether other routes of redress, such as the supplier's empowerment arrangements or other organisations are more appropriate in the circumstances. If you are in any doubt then the case should be referred.

It is important to consult the RAST protocols when considering whether or not to refer a case to the EHU for further guidance.

### **Practical examples**

### Example 1

Mr Bush has a PPM meter for his electricity. The meter is displaying an error message which states 'call help' and he has been without electricity for three days now despite contacting the supplier on numerous occasions in order to resolve the matter. This case should be referred to the EHU because it appears that the meter has failed and on the face of it this is not due to the actions of the consumer.

### Example 2

Doris has recently been diagnosed with Alzheimer's and she is struggling to manage her affairs. She has received some letters from her gas supplier relating to outstanding debts but is finding it very difficult to resolve the matter with the supplier due to her condition. The supplier has mentioned the possibility of installing a PPM but Doris is not convinced that she would be able to manage to maintain the supply. This case should be referred to the EHU because Doris is vulnerable.

### Example 3

Wayne has received a notice of intention to disconnect his electricity supply due to his arrears. He is suffering from cancer and is currently having daily treatment for his condition and as a result he is unable to deal with the issue. This case should be referred to the EHU because Wayne is vulnerable and it appears that the threat of disconnection is 'real and imminent'.

### Example 4

Mrs Heraty has been disconnected due to meter tampering. Her supplier wants to charge her £900 to be reconnected. This case should be referred to the EHU because she has been disconnected and it appears that there may be an issue with the level of the reconnection fee.

### Circumstances when it is NOT appropriate to refer case

It may not be appropriate to refer cases where there are no disconnection or vulnerability issues.

Cases that should not be referred include the following:

- the consumer is 'off-supply' due to failure or maintenance of the network and the consumer is not vulnerable
- the failures of a PPM resulting from acts or omissions by the consumer and the consumer is not vulnerable
- the threat of disconnection is not 'real and imminent'

Advisers at Citizens Advice can still offer assistance to the consumer who may potentially be vulnerable by giving advice in accordance with the supplier's own procedures and explaining how to escalate the complaint. It may also be appropriate to signpost the consumer to the redress scheme run by the Energy Ombudsman (discussed later in unit 9 'Complaint resolution and consumer organisations').

## Practical examples

### Example 1

Mr Peterson has no electricity supply to his property. It appears that there has been a 'black-out' as he says that all of his neighbours are also without supply. This case should not be referred to the EHU unless he is also a 'vulnerable consumer', for example uses a dialysis machine that needs electricity to work.

### Example 2

Serena got into debt with her gas supplier 11 months ago. She has since moved to a different property and receives gas from a different supplier but has now received a letter from that supplier stating that if she does not pay the outstanding arrears they will take legal action against her. This case should not be referred as the consumer has not been threatened with disconnection, they have been threatened with court action.

### Example 3

Mrs Carrington received a letter from her supplier in relation to her outstanding electricity bill that she did not pay in relation to the supply for the last quarter. This is the first letter that she has received in relation to this matter. The letter demands that she pays the money otherwise further action will be taken. This case should not be referred as the threat of disconnection is not 'real and imminent'.

### Example 4

Mr Walker recently received a visit from an independent engineer in relation to a boiler service. The engineer disconnected the boiler as it was unsafe and informed the consumer that they would need to have essential repairs carried out before it can be used or to replace the boiler. This case should not be referred to the EHU as the consumer has not been disconnected as a result of an act of his supplier or transporter.

A further discussion of the EHU can be found in unit 9 ' Complaint resolution and consumer organisations'.

## Summary

- There are various sources of financial assistance and advice that may be available to the consumer who is having difficulties paying for their gas and electricity bills.
- Suppliers are required by their licence conditions to have a PSR for domestic consumers who are of pensionable age / have a disability / are chronically sick.
- PSR consumers are able to access a variety of additional services including a password protection scheme, bill nominee scheme and gas safety checks amongst others.
- Licence conditions also place suppliers under a duty to make facilities available to domestic consumers who are partially sighted, deaf or hearing-impaired.
- The EHU has an obligation to deal with cases where the consumer has been disconnected / has been threatened with disconnection / experienced a failure of a PPM / involves a 'vulnerable' person and cases should be referred to the EHU in accordance with RAST protocols.

## Section 4

### Disconnections

#### Disconnections

It is relatively uncommon for a supplier to take the ultimate step of disconnecting a gas or electricity supply as in the majority of cases other solutions, such as those that we have considered in section 2, will apply.

As we have also seen, EHU has a statutory duty to investigate disconnections concerning vulnerable consumers and such cases will need to be referred to them in accordance with your office protocols.

If a consumer is off-supply for other reasons, such as planned interruptions and safety issues, the legal situation and appropriate consumer advice is discussed in unit 7 'Connections, quality of supply and safety'. The issues surrounding PPM consumers who have self disconnected and suppliers ability to discount consumers remotely are discussed in unit 5 'Charging for fuel'.

Disconnections which arise as a result of meter tampering have already been discussed in unit 5 'Charging for fuel'. None of these issues are further discussed here. In this section we are considering the position where a disconnection occurs as a result of non-payment of charges which have accrued.

#### **(a) When do disconnections for non-payment happen?**

Theoretically disconnection can take place 28 days after payment has been 'demanded' (the date of the bill). In practice, the usual sequence of events will depend upon which supplier is involved.

The following table is taken from the Ofgem report 'Review of suppliers' approaches to debt management and prevention' dated June 2010, and sets out the key stages that could be identified in the Big 6 suppliers debt paths. As each supplier takes actions at different times the table below shows the range of timescales across the Big 6 suppliers.

Suppliers' actions	Timescales (showing range across the 'Big 6' suppliers)
Pre-bill actions	EDF – account monitored until first bill issued SSE – first bill escalated follow-up
Bill issued	Day 1
Reminder notice	Day 10 – 28
Second reminder notice	Day 20 – 42
Outbound call	Day 17 – 50 (first call)
Final demand notice	Day 14 – 71
Pre-disconnection visit	Day 50 – 133
Pre-disconnection letter	Day 35 – 106
Human Rights letter	Day 67 – 176
Warrant	Day 67 – 210
Disconnection (no known vulnerable consumers disconnected)	Day 81 – 245
Post disconnection follow- up	1 – 10 days of disconnection

## Summary

In essence, a gas or electricity supplier is not permitted to disconnect the supply without:

- sending the consumer a bill
- after 28 days from sending the bill, then sending a disconnection notice
- giving at least seven working days notice in writing of disconnection

Any failure to give the required notice of disconnection is an enforcement matter for Ofgem.

Disconnection of a consumer's supply is the absolute last resort and, as can be seen from the table above, suppliers will often go to further lengths than legally required before taking the final step to disconnect the supply.

Consumers should be encouraged to check that the charges that they are being asked to pay are accurate and are not based upon estimated readings. Consumers should contact their supplier to try to negotiate ways of paying the undisputed amounts in order to avoid disconnection.

Usually disconnection will only happen after the possibility of fitting a PPM device has been refused, or an agreed payment arrangement has fallen into default and Fuel Direct payments are not feasible.

In accordance with protection given by the Utilities Act (electricity: Schedule 4, para 2(2) and gas: para 84(3)) disconnection cannot take place in respect of amounts which are 'genuinely in dispute'.

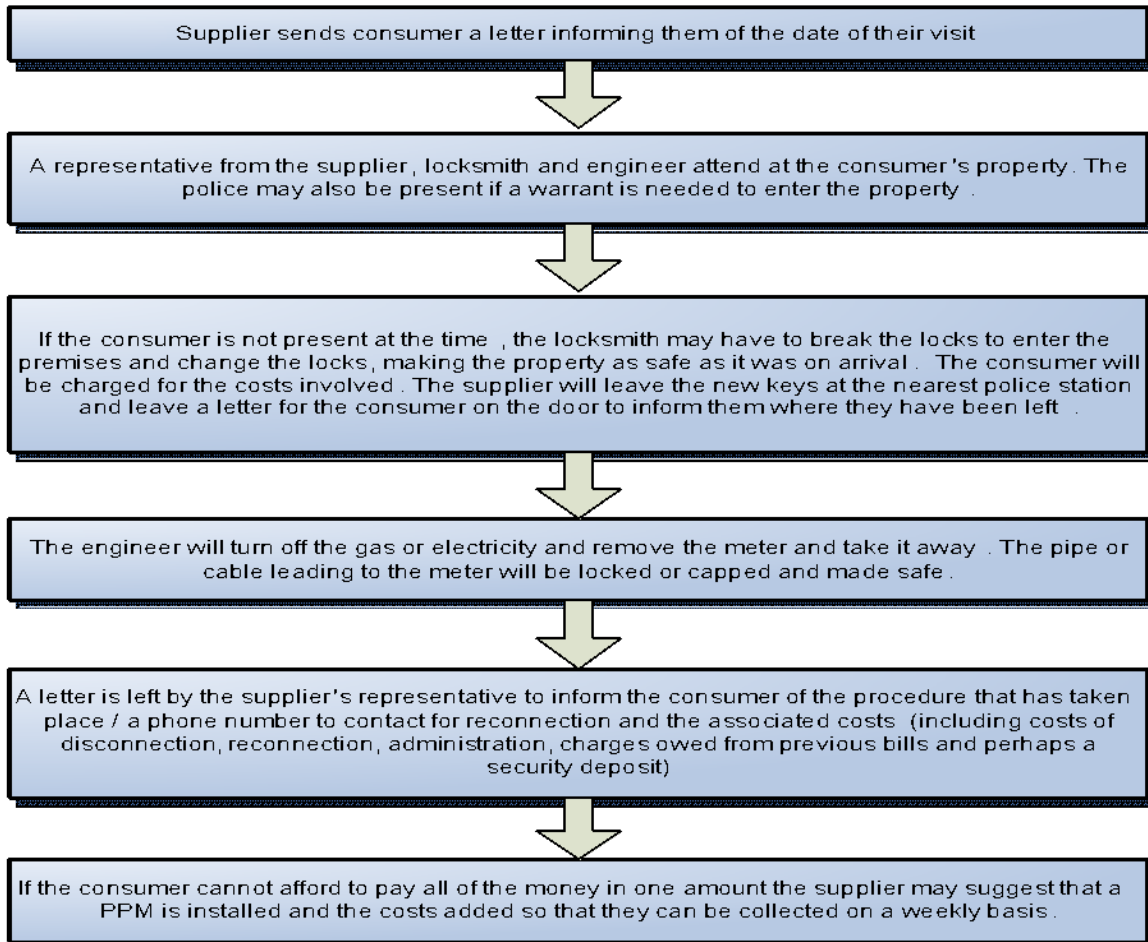
Pursuant to the Electricity Code (schedule 6 EA 1989) an electricity supply can be cut off at the premises to which the bill relates. However, in accordance with the Gas Code (schedule 2B para 7(1) and (3) GA 1986) if a consumer leaves an address where arrears have accumulated, the gas supplier may disconnect the consumer's supply at their current address (providing that they are still with the same supplier).

As a general rule, where a consumer transfers to a new supplier when they are in debt with their previous supplier, neither the previous supplier nor the current supplier can disconnect in relation to that debt. The only circumstances in which this may happen would be if the debt was transferred to the new supplier, whereupon they can disconnect in relation to the debt. However, this is not a common occurrence.

Special rules apply where the consumer is vulnerable which are discussed below.

## (b) Typical disconnection procedures





**Important: Consumers should never attempt to reconnect their own supply as this is highly dangerous and a criminal offence.**



### **(c) Provisions for vulnerable people**

As we have already seen, fuel poverty is one of the main reasons for disconnection and affects the most vulnerable people in society.

Another initiative taken by the ERA in 2004 was the launch of a Safety Net procedure which aims to ensure that no vulnerable consumer in Britain is knowingly disconnected from their gas or electricity supply whatever the time of year.

The definition of 'vulnerable' which has been agreed by ERA members is:

'A consumer is vulnerable if for reasons of age, health, disability or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household'.

The ERA has indicated that this definition of 'vulnerable' may also include a household where children reside.

The ERA state that as part of the Safety Net, energy suppliers will:

- 'wherever possible, attempt to capture information about consumers and identify potential vulnerability
- ensure that vulnerable consumers' internal records are updated to indicate that special attention is required
- work, where appropriate, with advice agencies, support services and charities to offer vulnerable consumers the most suitable support to help with their energy consumption and debt management
- have specialist teams to assist vulnerable consumers and to support the implementation and ongoing administration of vulnerable consumer policies
- offer a range of debt repayment options in order to find the most appropriate solution for the consumer's circumstance

- make attempts to contact all consumers following a disconnection, with the aim to agree a re-payment plan with that consumer
- as a priority, re-connect any consumer who has been found to be vulnerable after disconnection, where possible within 24 hours
- ensure follow up contact with consumers, where necessary, after a payment plan has been agreed
- ensure all business functions, both internal and external, who may have contact with vulnerable consumers, are aware of the provisions of the Safety Net.'

Where a supplier does not become aware that the consumer is vulnerable until after disconnection has taken place the supplier will aim to reconnect within 24 hours and then discuss payment options with the consumer to cover the costs of the debt and the on-going usage.

### **Example**

Sylvia is 92 years old, she is not generally in very good health and she lives alone. She has been disconnected from her supply because she has fallen into arrears. Sylvia is very distressed about this as it is winter, the weather has forecast snowfall over the coming days and all of her cooking and heating facilities require gas.

### **Advice**

Sylvia should be advised that suppliers should not disconnect the elderly during the winter months and in any event should aim to reconnect within 24 hours when the consumer is vulnerable. The case should be referred to the EHU in accordance with RAST protocols on the basis that she has been disconnected and that she is vulnerable.

Suppliers also agree that any third parties that are used to collect debts on their behalf will adhere to the same principles regarding consumer vulnerability and have in-house policies and procedures to deal with this.

### **Practical tip**

If the supplier does not comply with the Safety Net procedure, the case should be referred to the EHU.

#### (d) Supplier's obligations under their licence conditions

Consumers receive some protection from disconnection under the SLC and also under the provisions set out in their codes of practice.

SLC(G&E)27.1–27.8(S) require, amongst other things, that suppliers:

- offer the consumer a wide range of payment methods including payment by cash to a person and at a place that is reasonable in all of the circumstances of the case, fortnightly or more regularly AND payment in advance through a PPM (some exceptions apply)
- ensure that any differences in the terms (including price) and conditions as between payment methods for paying charges for the supply reflect the costs to the supplier of the different payment methods
- offer the consumer the following 'services' when they are aware or have reason to believe that a domestic consumer is having difficulty paying all or part of the charges for the supply
  - using, where available, means by which payments can be deducted at source from social security benefit payments received by the consumer (such as Fuel Direct)
  - by regular instalments \* paid through a PPM
  - by using a PPM, where it is safe and reasonably practicable in all the circumstances of the case of the domestic consumer to do so\*

\* The supplier must take all reasonable steps to ascertain the domestic consumer's ability to pay and must take this into account when calculating instalments, giving due consideration to:

- 1) relevant information provided by third parties, where this is available, and
- 2) where instalments will be paid using a PPM, the value of all of the charges that are to be recovered through that meter

give the domestic consumer information on energy efficiency advice in their homes

SLC(G&E)27.9(S) further provides that a supplier must not disconnect a domestic supply for non-payment of charges unless it has first taken all reasonable steps to recover those charges by the 'services' mentioned above.

SLC(G&E)27.10(S) also protects consumers by stating that suppliers must not disconnect at domestic premises during winter where the consumer has not paid charges where the supplier knows or has reason to believe that the consumer is of pensionable age and lives alone or only lives with persons who are of pensionable age or under the age of 18.

SLC(G&E)27.11(S) says that suppliers must take all reasonable steps to avoid disconnecting, in winter, at domestic premises where a consumer has not paid charges if the occupants of the premises include a person who is of pensionable age, disabled or chronically sick and to whom SLC(G&E)27.10(S) does not apply. This is known as the 'winter moratorium'. In the Debt Management Review, Ofgem commented that the supplier is obliged to take all reasonable steps to ascertain the status of the consumer and the occupants of an affected premise before exercising any right to disconnect for failure to pay charges.

SLC(G&E)27.12(S) requires suppliers to publish information about their obligations when consumers are experiencing payment difficulties and disconnection for unpaid charges. This must be available on their website and they must take reasonable steps to inform their consumers of how to access this information at least once a year. They should also give the information to the consumer free of charge if they request it. Many suppliers have incorporated this information into a code of practice.

### **Practical tips**

It is still good practice for you to advise consumers to check the suppliers' codes as there may be assistance available. For example, some suppliers will set out the circumstances in which they will not disconnect a consumer.

You can find a copy of the codes on Knowledge Base and the consumer should be able to view a copy on the supplier's website or by making a request to the supplier.

Suppliers are required to comply with the provisions set out in its code of practice prior to disconnection. If a consumer rings to say they have been disconnected they need to be referred to EHU in accordance with RAST protocols.

**Note** – if the call is made outside of the normal operating hours of the EHU the advisor will refer the case to the supplier.

### **(e) Suppliers' rights of entry onto consumer's premises to disconnect**

As we discussed at 4.1 (a) above a gas or electricity supplier is not permitted to disconnect the supply without:

- sending the consumer a bill
- after 28 days from sending the bill, then sending a disconnection notice

giving at least seven working days notice in writing of disconnection.

Providing that this has been done, the supplier can disconnect a consumer's supply if:

the consumer has given their consent to the supplier entering their premises to disconnect, or they can disconnect an external meter without the need to obtain the consumer's consent.

If the consumer has not given consent and entry onto premises is needed the supplier will need to apply to the magistrate's court (Sheriff's court in Scotland) for a warrant to permit them to do so. This will incur costs which can be recovered by the supplier from the consumer. Alternatively, the supplier may disconnect the consumer's supply from the mains supply outside their property which makes the disconnection very expensive.

Under The Rights of Entry (Gas and Electricity Boards) Act 1954 the supplier must leave the premises as secure as they found them and make good any damage caused or pay compensation.

#### **Example**

Mr Green states that a representative from his electricity supplier and a police officer are currently at his door. They state that they are here to disconnect his supply. Mr Green has received letters plus a disconnection notice due to his arrears but he thought that these were 'empty threats' used to scare people into paying. He has told them that they cannot come into his house but has contacted CA to find out if they have the power to enter his house.

#### **Advice**

Mr Green should be advised that the supplier can disconnect in the circumstances that he has described but if Mr Green does not give his consent for them to enter his premises, the supplier will need to apply to the magistrates court for a warrant to gain entry. As Mr Green is facing the 'real and imminent' threat of disconnection. Mr Green should be referred to the EHU in accordance with RAST protocols.

### **(f) Disconnections in error / without notice**

There may be occasions when a consumer will complain that they have been disconnected in error as they have not fallen into arrears with their payments and have not received the requisite notices from the supplier.

There could be a variety of reasons for this including the following:

- wrong property
- wrong meter
- wrong consumer name
- disconnected for a non-existent debt
- disconnected for the previous occupant's debt
- disconnected for invalid safety reasons

Here it would be reasonable for the consumer to expect the supplier to restore the supply, were disconnected in error, as soon as reasonably possible. Ideally this would take place immediately or within a few hours. The consumer should not have to pay for any of the usual charges associated with disconnection and reconnection.

### **Example**

Mrs Simpson moved into a new property last week. She has just been to the supermarket and when she returned home her keys would not work and she found a letter on the door addressed to the previous occupant. She opened the letter and it explained that she had been disconnected and that a new set of keys had been left at the local police station. Mrs Simpson is in a very distressed state.

### **Advice**

It appears that Mrs Simpson has been disconnected in error. The supplier should re-connect the supply as soon as possible and she should not be charged for the reconnection. The case should be referred to the EHU in accordance with RAST protocols.

If the supplier unlawfully disconnects the consumer's supply this is an enforcement matter for Ofgem. The supplier can be ordered to connect or to continue with the consumer's supply whilst the dispute is being resolved. If the supplier fails to comply with an order made by Ofgem it is open for the consumer to bring court proceedings themselves to enforce the order.

**Example**

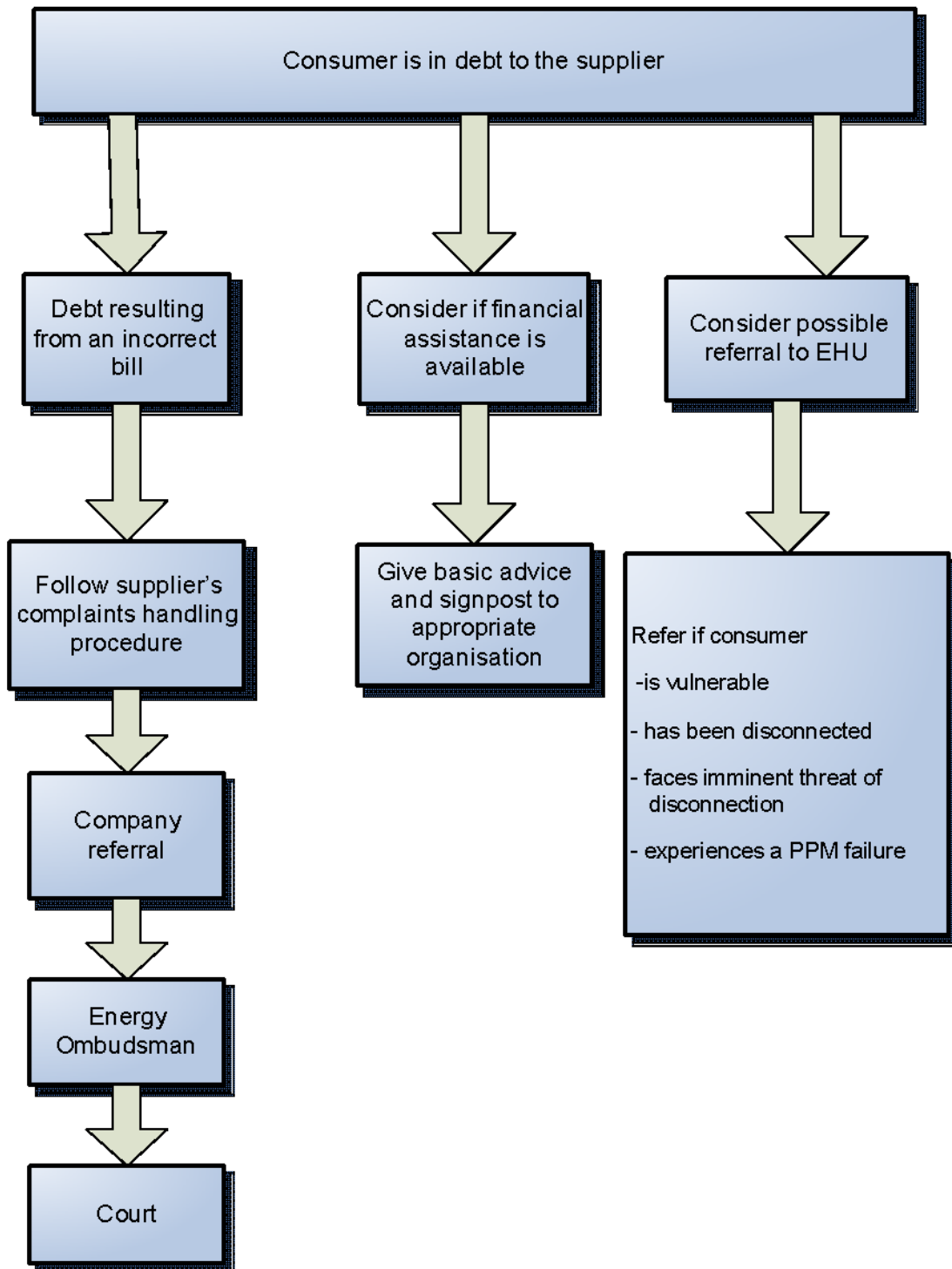
Gabriel is in arrears with his gas supplier. He has a bill which has been outstanding for the last two months. He has spoken to his supplier over the telephone a number of times and they agreed to give him more time to pay. However, he has just received a phone call from his partner who says that the supplier has just visited the premises and disconnected the supply. This came as a shock to Gabriel as the supplier had not warned him of this.

**Advice**

Gabriel should be advised that his supplier should not disconnect his gas supply without giving him a written disconnection notice giving him at least seven working days notice. It is also likely that the supplier has not followed their own code of practice regarding disconnections. The case should be referred to the EHU in accordance with RAST protocols as he has been disconnected.



## Handling calls concerning debt and disconnection



## Summary

- In theory disconnections can take place 28 days after payment has been 'demanded' providing that the supplier has also sent a disconnection notice giving at least seven working days notice of the disconnection.
- Consumers should be encouraged to keep in good communication with their supplier to try to find a way to resolve matters as disconnection is seen as a last resort.
- Cases should be referred to the EHU for advice and assistance in line with your office protocols where the consumer is 'vulnerable' or has been disconnected, has experienced a failure in a PPM (not resulting from an act or omission by the consumer) faces the imminent threat of being disconnected.
- Licence conditions require that disconnection cannot occur unless all reasonable steps have been taken to recover charges using a PPM where it is reasonably safe in all of the circumstances to do so and include a winter moratorium protecting certain categories of consumers during the winter months from disconnection.
- The government is working with suppliers, Ofgem, Citizens Advice and other organisations with the overall objective of reducing fuel poverty and disconnections.
- The ERA have established a Safety Net procedure which aims to ensure that no vulnerable consumer in Britain is knowingly disconnected from their gas or electricity supply.
- Providing that the rules have been complied with a supplier can enter a consumer's premises to disconnect a supply where the consumer has given their consent. Otherwise they will need a warrant from the magistrate's court (or sheriff's court in Scotland) before doing so.
- A warrant is not needed to disconnect an external meter although this is usually a much more costly process.
- Where a disconnection takes place the consumer's property must be left as secure as it was beforehand and the supplier is liable to compensate the consumer or make good any damage caused.
- There may be situations where a disconnection takes place in error or is otherwise unlawful, which is an enforcement issue for Ofgem to consider.