

The Fuel Picture

CAB clients' experience of dealing with fuel suppliers

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1. Summary and introduction

- 1.1 This report is about the problems Citizens Advice Bureau clients have dealing with fuel suppliers and paying for fuel today. It describes the experiences of CAB clients with a range of fuel suppliers reported to the National Association of Citizens Advice Bureaux (NACAB) in the two years ending November 2001. In the two years ending March 2001 Citizens Advice Bureaux (CABx) in England and Wales and Northern Ireland advised on 282,268 problems with fuel supplies, of which 190,645 related to debts and problems with paying for fuel. This report is based on evidence from over 3400 individual bureau evidence reports CABx have sent to NACAB about clients' problems with gas and electricity suppliers. Over two-thirds of these reports concerned problems with gas supplies and one third concerned electricity supplies. CABx clients are often people who live on very low incomes, or are dependent upon welfare benefits or have multiple debts.
- 1.2 This report has been produced as part of a partnership project between the National Association of Citizens Advice Bureaux (NACAB) and British Gas. The project, 'Delivering High Quality Energy Advice', aims to improve energy efficiency and fuel debt advice for CAB clients, suggest improvements in services for British Gas customers on low incomes and help reduce fuel poverty overall for vulnerable households. It is envisaged that the findings will help to identify and develop improvements in customer service in the overall energy industry. Part of the project has been an investigation into the nature of the problems brought to CABx by gas and electricity consumers who are experiencing fuel poverty

Fuel poverty and CAB evidence

- 1.3 Fuel poverty is defined by the Government as when a household needs to spend 10 per cent or more of its income on energy to maintain an adequate standard of warmth¹. It is estimated that over 4.5 million people in the UK fall into the category of being fuel poor. Fuel poor households are thought to be especially old people, families with children, the unemployed, people with disabilities and people suffering long term illness. Fuel poverty is caused by a combination of poor energy efficiency in the home; fuel costs and household income.
- 1.4 The Government has set a target to end the blight of fuel poverty for vulnerable households by 2010 and published a strategy for tackling fuel poverty¹. This strategy will involve Government, the private and public sectors implementing a range of measures to improve the home energy efficiency of fuel poor households; reduce fuel bills and ensure fair treatment of consumers on low incomes and development of energy industry initiatives to combat fuel poverty.
- 1.5 CABx are uniquely placed to contribute to the Government's strategy for tackling fuel poverty. First, CABx clients are more likely than the population as a whole to be people on low incomes and dependent on social security

¹ The UK Fuel Poverty Strategy, DEFRA, DTI November 2001

- benefits, in social class DE ². By reason of their low income CAB clients are more likely than the population in general to be experiencing fuel poverty in that their fuel bills will be a more significant proportion of their household expenditure.
- 1.6 CABx collectively advised people about almost six million problems in 2000/01. Of those enquiries 28 per cent (1.7m) concerned welfare benefits – of which enquiries about disability benefits was the single largest area of benefit enquiries. A further 16 per cent of enquiries concerned a wide range of debt problems ³.
- 1.7 CABx are able to advise people about a range of problems – offering holistic advice straddling areas such as employment problems, debt and welfare benefits. They also carry comprehensive information and can give advice about a range of energy efficiency information and grant schemes. CAB workers have wide experience and training in welfare benefits, debt and consumer rights.
- 1.8 CABx have a wide network and are close to people, offering both face to face, telephone and email advice. CABx deliver advice from over 2,000 different locations across England, Wales and Northern Ireland. And 83 per cent of CABx offer home visits which are vital for people who cannot reach the CAB. Many CABx can advise in more languages than English, for example 18 per cent of CABx have Urdu speaking advisers. Punjabi, Gujarati, Bengali, Hindi and Welsh language speaking advisers are available at many CABx. Through this work CABx often advise clients living on state pension or disability benefits who are not getting all the benefits they are entitled to. A CAB adviser can help to maximise income in these cases.
- 1.9 Through its social policy work the CAB Service has well established systems for reporting the problems of clients to NACAB. Reporting by CABx enables policy makers and service providers to gain an insight into the perspective of consumers who might not normally complain or make their views and experiences known through other means.

Key problems faced by CAB clients

- 1.10 Problems associated with competition in the gas and electricity markets have predominated in the bureau evidence reports submitted to NACAB during the past two years. The introduction of competition in the fuel industry has been a very significant change for the industry. It is not, therefore, surprising that such a major change will have had an impact on CAB clients. However, from the perspective of CABx and their clients competition has often brought problems for low income or disadvantaged consumers. CABx are reporting today problems of misselling and poor service after transfer from one supplier to another which would have been inconceivable a decade ago. And they are also continuing to report many long standing problems such as problems

² Peoples Panel – Report for NACAB (August 1999)

³ National Association of Citizens Advice Bureaux Annual Report 2000/2001

our clients have with using prepayment meters. The key problems discussed in this report are as follows:

Sales practices

- 1.11 20 per cent of all evidence reports submitted by CABx concern poor sales practices on the part of fuel suppliers. Although these practices may not appear to have an immediate impact on fuel poverty or budgeting we consider that our clients' experiences here are relevant to the debate about how to tackle fuel poverty. In many cases confidence in the integrity of the supplier, and the industry at large, has been dented. Some suppliers will need to consider how they can re-build confidence on the part of the most vulnerable consumers in order to work with them to tackle fuel poverty.

Transferring between suppliers

- 1.12 Over a third, 35 per cent, of evidence reports submitted by CABx concern problems with billing and payment methods. The majority of these reports concern the often chaotic aftermath, for CAB clients, of changing their supplier. A number of problems appear to occur regularly including confusion about supplier identity, erroneous or unwanted transfers, problems with estimated meter readings at transfer, lack of co-ordination between suppliers, consumers receiving bills from two suppliers and consumers receiving no bills after transfer. In some cases clients on low incomes have found they had unexpectedly higher bills after transfer. And it has taken years for some clients to cancel unwanted transfers.
- 1.13 It is worrying that many apparently vulnerable and probably fuel poor consumers have come to CABx with problems about transfer which have caused chaos to their household budgeting.

Billing problems

- 1.14 For fuel poor households regularity and certainty of bills is key to budgeting. Many CABx have reported cases of estimated bills over long periods; no bills and billing errors and poor presentation of information about accounts. These are not new problems – but solving them would assist people on low incomes with budgeting.

Payment methods

- 1.15 CABx report a range of problems their clients have with payment methods such as prepayment meters including delays in installations; installation against the wishes of the customer; lack of easy or no cost access to payment points; problems of disconnection, in many cases arising from faults on cards and payment systems and delays in sorting out these problems. Information given to consumers about the status of prepayment meter accounts is often poor, and errors can go undetected for long periods of time. If a CAB client is suddenly faced with either a demand for more money or a huge overpayment neither is satisfactory for someone budgeting on a low income.

Arrears collection

- 1.16 Many CAB clients seek advice about fuel because they either are in debt or fear they may be because of problems with billing or payment. In some cases the consumer is actually experiencing formal debt recovery action and is having difficulty negotiating a reasonable payment arrangement. CAB evidence suggests that consumers in these circumstances are not always treated reasonably, particularly where they are not represented by an advice agency, such as a CAB. Often CAB evidence is that the rate of recovery sought by suppliers can be too high. In some cases reported debt collection agents acting for suppliers exhibit oppressive and abusive practices.

Poor communications with customers

- 1.17 A recurring theme of the cases reported by CABx is poor communications on the part of fuel suppliers which make it time consuming and difficult to resolve simple problems quickly, particularly for customers who are older or disabled. The automatic answering systems used by many suppliers have been described by elderly CAB clients as ‘robophones’. And in some cases the challenge of simply getting through to a supplier is what has brought a client into a CAB. One CAB estimated that they spent over three hours on the telephone to one fuel supplier in one quarter, accounting for six per cent of their telephone bill.
- 1.18 The report also looks at CAB clients’ experiences of
- disconnection procedures
 - disputes about liability for fuel charges
 - problems about security deposits

Conclusions and recommendations

- 1.19 It is recognised that CAB evidence is, by definition, evidence of problems and representative only of CAB clients experiences rather than those of fuel suppliers’ customer base at large. This report is not a survey of fuel customers as a whole. Nevertheless, evidence of service failures experienced by customers who are on the lowest incomes, or benefits, and who are arguably the most vulnerable is so widespread we believe it threatens the present Government’s strategy for tackling fuel poverty experienced by the most vulnerable households.
- 1.20 CAB clients’ primary concerns are to be able to pay for the service they require in a manner and at a rate that they can afford, and to avoid debt or disconnection. When things go wrong they want to be able to communicate directly with someone who will listen and take responsibility for resolving their problem without undue delay. If financial difficulties arise they require an appropriate and proportionate response from the fuel supplier and protection from disconnection. But often this seems to be out of their reach.
- 1.21 An effective strategy for eliminating fuel poverty must be built on a sound foundation of high standards of customer service for all consumers. Fuel

suppliers need to dramatically improve the standard of service they provide to their most vulnerable customers. If they do not they will fail to play the part they should in delivering the Government's wider strategy for eliminating fuel poverty.

- 1.22 The report is divided into 10 sections describing each of the key problem areas reported by CABx. Recommendations are made in the each section of this report for ways that suppliers could improve service standards to customers at point of transfer, during routine billing, when customers are using prepayment meters and when they are in debt. In some areas simple compliance with existing regulatory requirements in relation to transfers between suppliers and debt recovery is needed.
- 1.23 In other areas we see a need for regulation to be extended and enhanced to put a stop to practices which are harming consumers. The force of competition alone is clearly not eliminating poor service for customers who are CAB clients. Indeed the competitive pressures on companies seem to produce the conditions in which vulnerable consumers who lack resources and skills are taken advantage of. More explicit controls over the transfer process are needed so as to improve the quality of that process, and provide real incentives to companies to inform customers about their rights.
- 1.24 Services that are available for customers with specific needs could well be a key delivery channel for advice and action on tackling fuel poverty. But they need to be promoted more effectively by companies and effectively integrated into other customer service systems to ensure that customers are handled appropriately and receive good and appropriate services to meet their needs.
- 1.25 The final section of the report includes a full list of all the specific recommendations made.
- 1.26 In this report the names of individual CABx have been excluded in order to safeguard our client's confidentiality. Additionally, since the evidence quoted has been selected from a large volume of reports about the experience of CABx clients, we have not included details of the identity of fuel suppliers involved in each particular case. It is not our intention to allocate responsibility or blame to individual suppliers, but to invite fuel suppliers to consider how they can improve standards of service in the industry.

2. Problems with competition in the fuel market

- 2.1 In this section we describe CAB evidence of a range of problems their clients have experienced as a result of the introduction of competition into the fuel supply industry. Issues covered include marketing and sales practices and a range of problems that arise when people transfer from one supplier to another.

Selling Practices

- 2.2 A substantial proportion of the gas and electricity problems reported by CABx focus primarily on high-pressure selling and mis-selling by suppliers. Reports in this category form an estimated 20 per cent of all cases reported to NACAB by CABx. The range of issues covered includes misleading or improper sales techniques, doorstep and telephone sales, customer misunderstanding or lack of capacity or authorisation to enter the contract, and fraudulent practices by some sales agents. From an examination of the evidence in other areas, it is strikingly evident that poor selling practices can have a dramatic knock on effect for many clients of CABx when dealing with the fuel suppliers. If there are errors about meter readings and misinformation this can cause chaos for the consumer. The following cases illustrate the problems:

A Sussex bureau reported their 80 year old client had been visited at home by a man claiming he represented a government initiative for gas rebates for the elderly. He asked to see her bills and she signed a form for the rebate. She found she had been transferred to a new supplier and assumes the man took her bank details from papers attached to her bills for direct debit. She has returned several times to the bureau for support in cancelling the direct debit, dealing with a demand for £46 and returning to her original supplier.

A West Midlands CAB reported the worry and stress caused to a client transferred without his knowledge. The signature on the agreement is not his but the purported new supplier' solicitor has threatened legal action.

A client from the South of England was transferred after being asked to complete a questionnaire. Although with CAB help the account was reinstated to the original supplier and a good will payment was made in compensation, he still received three further bills and a disconnection threat from the erroneous supplier, despite their admission that he was not their customer.

The consequences of supplier transfer for CAB clients

- 2.3 Around 35 per cent of all bureau evidence reports about gas and electricity problems, concern 'billing issues and payment methods'. Of these, the overwhelming majority of reports received in the past two years concern the often chaotic aftermath of supplier transfer for many CAB clients. Sometimes these follow-on problems are linked to the flawed selling process itself, for example the client may be unaware of who their supplier as a result of an

erroneous transfer. In other cases there will simply be a failure of administration or co-ordination between suppliers following the transfer. All too often the result will be a build up of debt for the consumer, and frequently a desire to cancel the contract or to change supplier again.

Confusion about supplier identity

2.4 For many CAB clients the major problem that confronts them after a transfer has taken place is establishing who is supplying them with their gas or electricity. Confusion about supplier identity can arise both in cases where the customer has made an informed choice to transfer, and in those cases where the transfer seems to have taken place without their full knowledge or consent. Frequently, the problem arises in cases of multiple transfers, and many bureaux comment on the ease with which customers can transfer, particularly those who may be especially vulnerable to sales pressure. If the client is unsure who their supplier is at any one time, then it follows that they will also be unsure whom to pay, with a consequent build-up of arrears. The following cases illustrate the different types of problems brought to CABx:

A CAB in Kent reported a couple who received letters from a new supplier about electricity used, when they thought they were still with their old supplier. They had no recollection of signing anything, although the old supplier confirmed that they had been transferred. They were threatened with disconnection because of the confusion.

A CAB in Lancashire reported the case of a client who applied to change from separate gas and electricity suppliers to a dual supplier, but now wanted to change back again. She was confused as to what bills she had and had not received and what she had or had not paid. She said that someone recently came to read her meter but she didn't know where they were from and the meter reader was unable to tell her.

An 84-year-old CAB client in Lancashire living alone, had twice been persuaded by doorstep salesmen to change suppliers, and on both occasions had subsequently returned to his original suppliers. The end result of these four changes was that the client was confused about what bills had been paid.

A CAB in Sussex reported a 90-year-old partially sighted client who had been paying three different suppliers of electricity for the same period. She just paid the bills as they came in and was totally unaware of who her supplier was, which was a cause of great confusion and distress.

The client of a CAB in Staffordshire was upset by receiving a debt collector's letter on behalf of an electricity supplier, despite the fact that she had not agreed to transfer to them, nor received any bills from them.

The client of a London CAB learnt of his electricity transfer only when his existing supplier called to take a final reading and a welcome letter arrived from a new supplier. After six months of trying to sort this out himself he contacted the CAB; many phone calls and copious

correspondence followed before the second supplier finally agreed that they were not supplying him.

- 2.5 A significant number of reports indicate that the problem of establishing the identity of the supplier often arises on moving to a new address.

A CAB client in Leicestershire notified the company which he thought was supplying him with gas about the lack of bills, and promptly received a bill for £600, followed by a further bill for £800 when he disputed the amount. He then received a letter from the same company to say they did not supply him. He had no idea who his supplier was or how to find out.

A London CAB reported a client who moved into rented property and, despite many requests for information, was given no details of the electricity supplier. She did not know whom to contact for this information among the many different suppliers.

Estimated meter readings on transfer

- 2.6 For people on low incomes budgeting effectively requires some confidence about how much they are going to have to pay for essential services. The introduction of competition in the industry has intensified the need for reliable information to be available to low income consumers. When a transfer takes place, it is the new supplier's responsibility to ensure that a transfer meter reading is obtained and passed to the previous supplier. The experience of CAB clients, however, suggests that this does not always happen. A great many bureau evidence reports highlight the problems that arise when transfers take place on the basis of estimated or disputed readings.

A CAB client in Surrey who could not remember having signed a new contract, was dissatisfied not only that she had been transferred, but also that she then received excessively high bills based on estimated readings, including an estimated reading at the time of transfer.

A CAB in the Midlands was advising a disabled client in hospital. The CAB discovered that she was paying two different gas companies and two different electricity companies on a payment card. There had been three transfers in less than two months, involving five companies, all transfers based on estimated and inaccurate meter readings.

"Untangling the history of the utility suppliers was a difficult task," the bureau reported, "This has proved a very distressing thing for our client to have to deal with. Not only was she unclear as to which company was supplying her at any given point, but she was further confused by the starting and closing readings which did not relate to the actual meter readings. After three months of continued negotiation with the companies involved, we are barely any further forward. This complicated scenario appears to have arisen from de-regulation...and the ease with which clients can change to new companies. However, failure of all the companies involved to take up to date readings before taking on new

accounts has led to a completely confusing situation for a vulnerable person.”

A CAB in Hertfordshire reported the case of an elderly client who was persuaded to change electricity suppliers twice in one year. No meter readings were taken by the suppliers, relying on the customer's own reading, which turned out to be too high, and subsequently estimating. The customer refused to pay the inflated bills that she then received, knowing them to be wrong. One supplier started debt proceedings without checking the meter readings or the customer's past history of consumption. When the CAB asked why they would not send a meter reader, they were told that it was too far away.

Supplier co-ordination on transfer

- 2.7 Many CAB evidence reports highlight a lack of effective co-ordination and communication between suppliers when problems arise on transfer, especially over estimated or disputed meter readings. As a result of this supplier failure, CAB clients frequently have to fend off repeated claims for payment that should never have been made in the first place. In other cases the consumer ends up overpaying. People on very low incomes can least afford to cope with these situations. CABs who become involved in the often lengthy process of disentangling these problems sometimes report, with some degree of astonishment, that they are asked to act as a go-between by suppliers, because of the apparent inability of some fuel companies to communicate effectively with each other.

The client of a West Midlands CAB was being billed by two companies for the same supply of gas after transfer, because of overlapping meter readings which had apparently not been agreed between the suppliers. Despite his own efforts to resolve this, the client had received a number of solicitors' letters and threats of legal proceedings.

A West Midlands CAB reported a case where it took nearly two years to secure a transfer back to the original gas supplier, because of lack of agreement over a final meter reading on the first transfer. The second supplier blamed the first for failing to supply a reading, while the original supplier assured the bureau (on six occasions) that they had passed this information on. The customer meanwhile received incorrect and escalating gas bills, followed by threats of disconnection and legal action.

A CAB in Sussex reported the case of a 95-year-old partially sighted client who had changed gas and electricity providers, but seemed unsure who they were, and as a result had been overcharged. After intervention by the bureau the client received a refund cheque. The bureau commented that the three companies concerned “do not seem to liaise at all over transfers,” and called for better communication between suppliers in these circumstances.

A CAB client in London who returned to his original electricity supplier one month after transfer, was then billed for more than £150 by the interim supplier because no notification was received of the second transfer. The CAB report highlighted the fact that the interim supplier asked the CAB to pass on the request for confirmation from the other supplier, rather than making direct contact themselves.

In Wiltshire a CAB client who was in credit with his original supplier at the time of transfer, continued to receive bills from them and, eleven months later, a telemessage threatening disconnection by Justice's warrant in the presence of the police. The reason was that the new supplier had failed to provide a final meter reading to the old supplier. The client, an 80-year-old man suffering from Parkinson's disease, had responded to every communication from his original supplier, to no avail until the bureau intervened, when an absolute assurance was given that disconnection would not take place.

Double billing after transfer

- 2.8 Perhaps the most frequently reported consequence of supplier transfer for CAB clients is the problem of double billing. Clearly this is linked in many cases to the lack of a final meter reading, and to the failure of effective liaison between suppliers, as described in the cases outlined above. Double billing creates confusion and aggravation for consumers, and frequently contributes to arrears building up when the consumer does not know which bills to pay.

A CAB in North Wales advised a couple who regretted having given in to a persistent doorstep salesman, and had been trying to transfer back to their original electricity supplier. Meanwhile they were receiving bills from both suppliers.

A CAB client in the West Midlands had been paying one gas supplier regularly, then had his supply disconnected by a second supplier because he had not paid them. Transco confirmed that the second company was supplying him, but the first company was very reluctant to reimburse his payments.

A CAB in Devon reported the case of a confused elderly client who had changed electricity supplier twice, and gas supplier once, in response to doorstep selling, although unaware of having signed anything at all. She subsequently received bills for electricity from two companies for the same period, and the bureau was still trying to sort this out three months after her first visit to them.

The client of another West Midlands CAB had been getting electricity bills from two suppliers since she responded to a request from a doorstep salesman to change supply. She had made numerous telephone calls before discovering that an error had been made because she had two meters (standard and off-peak) but only one had been transferred.

- 2.9 Double billing can result in overpayments when the customer is intimidated into making payments to both suppliers by threats of enforcement action.

A West Midlands CAB reported the case of a client who continued to receive bills from his gas supplier of the previous two years even after he had reverted to his original supplier. He paid one of the bills because court action was threatened.

A London CAB client requested cancellation of an electricity transfer which had been signed for by her mother in a supermarket. Over the next six months she had paid several bills for electricity, not realising until then that she had been paying both companies for the same supply. She had tried to resolve the matter herself, by telephone calls and letters to both companies, but was unable to do so.

- 2.10 Very often double billing seems to arise because a final meter reading has not been received from the new supplier.

A CAB in Cumbria advised a disabled client who suffered from memory loss due to head injuries received in an accident. After moving into rented property he was billed by two gas suppliers simultaneously and continued to pay both accounts as and when the bills arrived without question. The CAB discovered that an incomplete transfer had taken place, with both companies admitting that their paperwork was incomplete and neither following up an obviously incorrect meter reading that was the cause of the problem.

A CAB client in Wales continued to receive bills from his previous supplier after transferring, and had paid some of them because he was worried about the consequences of non-payment. He consulted the CAB about a final red bill. The original supplier blamed the new supplier for not providing a final reading and said they would continue to issue bills until they received the final reading. The new supplier claimed that they had already sent it four times, but that they would do so again. This client was unable to use the telephone himself because of hearing difficulties. He received no special assistance from either supplier to sort out the problem.

A CAB client in Hampshire was having two monthly direct debits of £23 each taken from her bank account by two different gas suppliers, because one alleged that the other had not supplied a final reading on transfer and therefore the original account could not be closed. This was causing hardship to a client who was already in debt, and who needed a lot of help with correspondence because of sight impairment.

No bills after transfer

- 2.11 In contrast to those who experience double billing after supplier transfer, there are numerous reports of CAB clients who cease to be billed altogether in these circumstances. For many of them this leads to difficulties in paying the

arrears which inevitably build up. Many bureau reports mention that their clients are on low incomes and in receipt of means tested benefits, making it especially difficult to cope with arrears, even when these may have been foreseen. For many clients, the response to such poor service will be to want to change suppliers again.

The client of a Norfolk CAB had received no bills for 18 months after changing supplier, both suppliers concerned denying that they were supplying her, even after the CAB had confirmed the identity of the supplier with Transco. The bureau noted that there would be a large bill to pay once this matter was resolved.

A CAB in Sussex reported the case of a client who received no bills for 18 months after transferring his gas supply, although he continued to make regular fortnightly payments. He then received a bill for nearly £400, followed two weeks later by a red notice threatening disconnection. The client was faced with the imposition of a prepayment meter if his offer to clear the arrears by instalments was not accepted.

A CAB client in the West Midlands had not received any bill for two years after changing supplier, despite many requests to the new supplier to read his meter.

Another Sussex CAB client had reverted to her original electricity supplier after receiving double bills, but then received no bills for nine months. She wrote to the supplier four times during this period, and when the CAB contacted them they confirmed that the letters had been received, but no action had been taken – there was no record on their computer of the client coming back as a customer.

A CAB in the North of England had an elderly disabled client who was transferred to a dual fuel supplier without her knowledge. She had had no fuel bills for eight months and would not use her electricity or gas for fear of the large bills to follow. The CAB was passed backwards and forwards between the two companies concerned, with neither taking responsibility for the customer, who was upset and confused.

Higher bills after transfer

- 2.12 For many CAB clients, a major source of dissatisfaction after transfer is that they receive higher bills than before, when their expectation was that their bills would, if anything, be lower. In many cases the reason for the unexpectedly high bills is over-estimating, as in so many of the cases outlined above. In other cases unexpectedly high bills may be due to errors, poor administration or because customers have actually been misled during the selling process about the possibility of making savings. A common reaction from clients, once again, is the wish to cancel the transfer.

A West Midlands CAB client received a first over-estimated bill for £160 after changing electricity supplier, compared with her normal bill of £20.

An investigation was promised, but despite this the client continued to receive un-amended and then even higher bills.

In Cambridgeshire a CAB client received notification of increased monthly direct debits from £16 to £60, a few months after changing electricity supplier in order to benefit from lower bills.

An 80 year old pensioner client of a CAB in Hertfordshire found that initially her electricity bills doubled when she changed supplier, then she received a bill which was three or four times her normal charge, which she was unable to pay. She was told that there would be a charge for a meter check unless she went on to the special needs register – which she agreed to do – but she continued to be worried as to why her electricity was costing so much more than before. She regretted having been pressured into changing supplier by a salesman in a shopping centre.

A CAB client in Essex felt that he had been misled by a doorstep salesman who persuaded him that his electricity bills would be lower because he would no longer pay a standing charge. The client noticed from his bill that he was paying a higher rate for the first 250kw, instead of a standing charge, and found his bills to be as high or higher than before.

Problems cancelling unwanted transfers

- 2.13 The inevitable outcome of poor service by new suppliers is that many CAB clients seek to cancel their transfers and return to their original suppliers. In other cases the decision to cancel may simply be the consequence of over-zealous sales techniques which result in an inappropriate sale to a reluctant customer. Unfortunately, the experience of CAB clients demonstrates that cancellation itself can be enormously difficult.

A London CAB reported the case of a client whose 19-year-old son signed up for a new supplier without her authorisation, believing it would be cheaper. When the client found out she cancelled, but received a bill from the new supplier nevertheless threatening legal action. After numerous phone calls it was discovered that the client had never left her original supplier after all, although the new supplier insisted that she had for a three month period until they checked with Transco. The bureau noted, "We are getting lots of problems due to swapping suppliers, people signing up due to incentives, wanting to swap back and having chaos with their bills".

A CAB client in Surrey decided that she did not want to change supplier after having signed a contract for gas supply during the visit of a persuasive door to door salesman. The CAB assisted her to cancel within seven days and written confirmation was sent. Despite this she received a welcome letter three weeks later from the new supplier. On telephoning the supplier, the CAB was assured that the contract had been cancelled, but the standard letter had been sent before this

became effective. Two months later the client was bewildered to receive a 'final' account from her existing supplier, with whom she wished to remain. It emerged that the contract had not been cancelled at all and would now take a further 4 to 6 weeks to process.

Conclusions and recommendations

- 2.14 There are currently 15 different domestic suppliers of gas and electricity and an emerging panoply of different tariff options available to consumers. A prerequisite for a healthy market must surely be that consumers are well informed and sufficiently confident to play their role in the market of shopping around to get the best deal, avoiding misselling and being taken advantage of thus keeping suppliers on their toes.
- 2.15 Research by Mori for Ofgem has found that 37 per cent of gas consumers and 38 per cent of electricity consumers have experience of switching suppliers in the fuel market⁴. That research found that a significant proportion of consumers were satisfied, around 86 per cent. But the same research shows that two out of three customers questioned could not say that they were able to make their own price comparisons between suppliers, and of the third who said they could do so 35 per cent said that they found it difficult. This finding is not at all surprising when one considers the low levels of financial literacy today. The Moser report (Improving Literacy and numeracy: A Fresh Start, 1998) estimated that one adult in five in the UK is not functionally literate, with far more, between 30 per cent and 50 per cent having problems with numeracy. This would suggest to the CAB service that a significant proportion of switching activity in the fuel market is highly likely to be sub-optimum for the consumer.
- 2.16 The unconfident consumer is being taken advantage of in this market. CAB evidence shows a significant problem of inappropriate and aggressive selling and erroneous (unwanted and possibly fraudulent) transfers. Consumers who are not confident, do not know their rights or do not know how to quiz a fuel salesperson or challenge misleading statements can be easily exploited.
- 2.17 To an extent the Regulator, Ofgem, has acknowledged recently that these problems exist. In March 2002 the fuel suppliers licence condition relating to marketing practices had its life extended to March 2004. This is welcome. The marketing licence condition (condition 48) imposes a number of requirements on companies in the way they handle transfers. A separate licence condition (condition 44) sets out minimum requirements in relation to the provision of contracts to customers⁵. Key provisions of these two licence conditions include:
- in the marketing process consumers should be able to identify the company that is being represented, understand a contract is being made for fuel supply and unsolicited visits should be at reasonable times;

⁴ Experience of the competitive domestic electricity and gas markets – research study conducted for Ofgem by MORI, November 2001

⁵ Electricity Supply Licence: Standard Conditions – DTI September 2001 and Gas Supply Licence: Standards Conditions – DTI September 2001

- the supplier must make reasonable *endeavours* to contact newly acquired customers, between 24 hours and 14 days after a domestic supply contract is made by phone, at the doorstep or in a public place to check the consumer knows about the transfer, is content to proceed and is happy with the way the marketing was conducted; and
- if the follow up contact establishes the consumer does not wish to transfer the company is expected to terminate that contract and pay *compensation where appropriate*.

2.18 In relation to supplying customers with copies of contracts licence conditions (conditions 42,43,44) ⁶ require that:

- supply companies must take 'reasonable steps' to draw potential customers' attention to the principal terms of a domestic supply contract before entering into that contract; and
- companies should supply a copy of the full terms of the contract within five days of entering into the contract.

2.19 A voluntary Charter for fuel companies on erroneous transfers came into effect at the end of 2001 ⁷. The aim of the Charter is to ensure that customers who have been transferred to another supplier 'in error' will be switched back to the previous supplier with as little inconvenience as possible and that either supplier will sort out the problem. All electricity and gas suppliers have adopted the Charter. The key provisions are that:

- customers can contact either the old or new supplier if they believe they have been erroneously transferred;
- the contacted supplier will liaise with the other supplier to resolve the matter; and
- the customer will be provided with confirmation that they will be returned to their old supplier within 20 working days of their initial contact.

2.20 CAB evidence so often shows that companies and their sales staff have not complied with one or more of the provisions of the licence conditions on marketing and contracts described above. However, the conditions provide an easy escape from high levels of compliance because they impose only reasonable endeavours obligations in relation to critical matters such as making a follow up contact to check the customer is content to proceed with transfer. To an extent the erroneous transfers charter would not be needed so much if the licence conditions were being complied with or were tougher in the first place. For example, if customers **always** received a follow up contact within fourteen days of a contract being entered into, unwanted transfers would be identified and the licence obligation to terminate such contracts would become a reality.

⁶ Electricity Supply Licence: Standard Conditions – DTI September 2001 and Gas Supply Licence: Standards Conditions – DTI September 2001

⁷ The Erroneous Transfer Customer Charter, Ofgem/Energywatch, 17th October 2001

- 2.21 The CAB Service has not so far seen evidence to suggest the voluntary Charter is working in practice. It also lacks the teeth that are needed to engage with an issue where companies appear to stand to gain the most by exploiting consumers who are disadvantaged.
- 2.22 In a new world of competition and contracts in the fuel supply market, it no longer seems appropriate for the rules of the game, enshrined in licence conditions to be couched in the 'reasonable endeavours' language that may have been appropriate to the regulation of a company which supplied fuel under a statutory duty. In other competitive markets which are regulated, for example the consumer credit market, there are very strict requirements for the form and content of agreements, disclosure and cooling off periods. The time has come for similar constraints to be applied to fuel companies' sales practices and contractual notifications. Transfers that are based on a fully informed choice by the customer about what to expect of the new supplier are likely to be more satisfactory and lasting to the benefit of both parties.
- 2.23 The CAB Service would like to see a number of key changes to improve things for consumers. First there needs to be a prescribed, standardised and formal procedure for arranging transfers to put an end to the chaos that is the result of current marketing practices for many CAB clients. Specific recommendations are:
- Ofgem should enforce licence condition 44⁸ so that in all cases the customers should receive a copy of the contract and terms and conditions within five days of requesting or agreeing to transfer. Ofgem should monitor compliance with this obligation and take firm enforcement action for failures;
 - the licence conditions on marketing and contracts (conditions 42, 43, 44 and 48)⁸ should be amended so as to ensure that in all cases where a customer is transferring from one supplier to another:
 - the customer should have a minimum period of 14 days from a request to transfer or cancel and be reinstated to their former supplier;
 - transfers should not take place without an actual meter reading accepted by both suppliers and the customer. The new supplier should confirm to the customer with the copy of the contract that the former supplier has been notified of and has accepted the meter reading at transfer;
 - when a customer wishes to withdraw from a contract at any stage both suppliers should work to put the consumer back in the position they started in; and
 - the licence condition on marketing should require that training of sales representatives not only covers the requirements of the condition but all legal and regulatory obligations relating to consumers, including consumer protection legislation such as that relating to doorstep or distance selling.

⁸ Electricity Supply Licence: Standard Conditions – DTI September 2001 and Gas Supply Licence: Standards Conditions – DTI September 2001

- 2.24 If changes are not made to ensure that contracts and terms and conditions are issued to transferring customers in all cases as proposed above then as a minimum:
- The licence condition on marketing should be amended to require a follow up contact within 14 days with **all** consumers who are being transferred to a fuel supplier following distance selling, doorstep sales or sales in supermarkets and public places.
 - The licence condition on marketing should provide that in any case where a contract is found to be unwanted by the consumer during a follow up contact the customer should be reinstated to their former supplier immediately. In the event of this taking more than 28 days consumers should be paid compensation automatically and the amount of compensation should increase as the period of time it takes to cancel the contract increases.
- 2.25 The intention of our recommendations is that **every** customer should receive prescribed written information when they transfer including details of the new supplier's prices, payment methods, frequency of meter readings, policy on deposits, debt and disconnection, any additional services for specific needs customers and right to cancel the contract. Customers who are in arrears at the time of transfer will need to be informed how they will be expected to pay these. At present, the controls in the licence condition seem to leave too much of a possibility that companies need not supply this information at the point of transfer.
- 2.26 There is a need for much more effective incentives on suppliers to comply with conditions relating to selling and transfer procedures. Again a more prescriptive approach may be a more effective way of policing than reliance on the regulator's enforcement of vague obligations concerning 'reasonable attempts'. We would like to see that any transfer that takes place in breach of prescribed procedures should be invalid, so that charges are not recoverable by the new supplier unless they have fully disclosed the contract and term and conditions to the consumer and adhered to other key features of the process such as cancellation rights. This would be comparable to the situation which now applies in relation to regulated consumer credit agreements under the Consumer Credit Act: regulated agreements which are not made in accordance with prescribed procedures can be challenged as to their enforceability. Companies who do not currently have an interest in a quality transfer process may only become interested if there is a potential financial impact. Ofgem should have the power to resolve disputes about individual cases where it is alleged that a supplier has not complied with the transfer process. Ofgem should also use this information to take action where fuel companies are in breach of licence conditions and/or consumer protection measures, such as for distance and doorstep selling.
- 2.27 Finally CAB evidence points to real difficulties that some consumers, particularly those who rent their property have in identifying their supplier when they move into a new home. Incoming tenants are not necessarily in contact with outgoing tenants, and landlords may not have access to this information either. Simple low tech measures such as the supplier at any

one time applying a sticker or label to the meter, which is then covered up by the next suppliers sticker, could resolve this. The sticker could carry the date the supplier took over, the contact details and the account number or a meter reference for gas or supply number for electricity. A central databank, or register, shared between all suppliers would also assist in discovering the identity of the supplier when this is not known or readily identifiable. We recognise that Transco offers a supplier identification service, based on meter reference numbers, in respect of gas supplies but consumers wishing to find out who their electricity supplier is do not currently have access to such a service and may find themselves approaching several different suppliers.

3. Persistent billing problems and their consequences

- 3.1 It is not only in the aftermath of supplier transfer that billing problems arise. There are many reports of CAB clients experiencing problems with bills whether transfers have taken place or not. In a competitive market bills are also an important tool for customers looking for the most cost effective supplier.

Estimated bills

- 3.2 Perhaps the most frequently reported are those problems that relate to inaccurate estimated bills and lack of meter readings. An overestimate can be very worrying for the consumer and can result in them paying too much to the supplier.

The client of a Midlands CAB received a hugely inflated electricity bill based on an estimated reading. The bill was reduced from £1700 to £57 after an actual reading was taken. Several months later the same thing happened again, the client receiving an estimated bill for £1250 that she was then advised to ignore until a reading was taken.

A CAB in Merseyside advised a very distressed client who received an estimated bill for over £100 after never having had a bill for more than £20 in the past 18 years.

A CAB in Sussex reported the case of a pensioner who, having paid an estimated bill, was then told that she was over £90 in credit on her next bill, based on a reading, and that the credit would be carried forward to the following bill. This client was struggling to manage on a low income and needed the money in hand. The CAB felt that the supplier should have refunded the overpayment without being asked, or at least asked the customer what they would prefer.

- 3.3 For many CAB clients, it is under estimated bills that cause the biggest problems, resulting in the build-up of arrears which may then be unmanageable. For clients on a low income the process of paying off arrears can cause prolonged financial hardship.

A CAB in Kent advised an elderly couple who were shocked to receive an unexpectedly large electricity bill for over £500 when their previous bill had shown a credit. The problem was due to estimated bills in the past, but the clients were unable to read their own meter. They had been paying £5 per week on a card at the Post Office, but were now having to pay by key meter and pay an extra £5 weekly to clear the debt.

A CAB in the Midlands had a client whose meter had never been read by her gas company until they submitted a final account of £800 (compared with her previous bill of less than £20). The company said that the customer should have phoned the readings through, but the bureau noted that this attitude takes no account of the customer's ability to do this – in this case the customer did not speak English.

A CAB client in Hertfordshire received a final bill from his gas supplier for over £2000 on moving house. When he asked for an explanation he was told first that no readings had been taken for the last five years, then later, that readings had been taken but not actioned. The supplier admitted that the mistake was theirs, but the client nevertheless received a threat of legal action if he did not pay up.

- 3.4 Many CAB clients are simply unable to read their own meters for a variety of reasons including disability and lack of numeracy. CAB clients would benefit from more support and assistance with reading meters, but it seems that this is not always easy to obtain.

A Lancashire CAB contacted the gas supplier of an elderly client in response to a high estimated bill, and received a helpful offer to come and read her meter quarterly. However, on being transferred to the department that would arrange this, the adviser was told that no such arrangement was possible, and it was only by the adviser pressing further that a reluctant agreement to do so was obtained. The client was so upset by this attitude that she was contemplating changing her supplier.

The client of a CAB in Greater Manchester was upset to be told that her weekly payments would go up from £8 to £12 on the basis of an estimated bill. The gas supplier invited her to read her own meter but she was unable to do so as she was partially sighted.

- 3.5 Some CAB clients complain that the supplier takes no notice of their own readings when they do provide them.

The client of a CAB in Surrey had set up a direct debit arrangement with his gas supplier five years previously. Although he had regularly submitted meter readings it appeared that no account had been taken of them, because he was consistently undercharged. He then received a bill for £5000. "The client did not dispute the amount", the bureau wrote, "but he is appalled by the degree of mismanagement, and the size of the shortfall which has been allowed to accrue".

A client in North Wales had a series of over estimated readings resulting in a letter from a debt agency demanding £330. He had written and telephoned the supplier many times, with his own reading, to no avail. The supplier told the CAB that they were unable to amend the reading. They then sent a letter asking for an increase in direct debits from £20 to £130 per month, which they subsequently acknowledged was a mistake.

A London CAB client objected to a high estimated bill, because her circumstances had changed and she was using less gas than before. Despite providing the supplier with two meter readings she had not received an amended bill, just several reminders.

Absence of bills

- 3.6 As with estimated bills, the problems of receiving no bills at all are not exclusively related to supplier transfers. For CAB clients, the consequences are the same, the build up of arrears causes major difficulties in budgeting for people on low incomes. The evidence seems to indicate that this problem most often arises as a result of supplier administrative failure when dealing with customers who have moved in to a new address. Many CAB evidence reports highlight the frustration and expense for clients involved in making numerous telephone calls to their supplier and still getting no results.

A West Midlands CAB reports the case of a client who had not received an electricity bill in nine months since moving to her current address. A single parent in receipt of means tested benefits, she was concerned about being faced with a large bill. She had repeatedly rung the supplier and had been told several times that her account was not fully recorded on the computer. She was also told that her bills were likely to be about £30 per month, but the supplier refused to give the client information about where to pay, saying there was “no point” in making payments because the account was not yet on the system.

A CAB in Kent reported that a client had not received electricity bills for two years after moving to a new property, although the meter was read eight times during this period and numerous telephone calls were made to the supplier. The client finally received a letter from the supplier stating that she had not paid her bill, but no figure was stated. On contacting the supplier again she was told it would probably be £1200 and this could be spread over three years, interest free. The client continued to be worried in case she did not receive further bills.

The client of a CAB in Lancashire had notified his gas supplier on a number of occasions that he had not received a bill since connection, four years previously. When the bill finally came, the balance to pay was over £1000. The client could not afford to pay in full immediately, but was concerned about the length of time it would take to pay off.

- 3.7 Occasionally the failure to issue a bill is associated with a change in payment method or a change of meter, for example

The client of a CAB in Wales had not received any bills for a year after having his prepayment meter exchanged for a quarterly credit meter. He had been told that his supplier was in dispute with Transco about meter readings. He had been saving towards his bill but was worried about the outcome.

Billing errors

- 3.8 Bureaux report billing errors of all kinds that cause problems for their clients, undermining their ability to budget and frequently increasing their indebtedness to suppliers. Of course occasional errors will occur. But many CAB reports highlight the difficulties encountered in trying to resolve these

problems, which are frequently accompanied by heavy-handed threats of enforcement action even where there are genuine disputes. Clients', and CABx confidence in suppliers' ability to put things right, or to deal with them fairly, is undermined.

A CAB in Avon reported the case of a client who received an unexpectedly large quarterly gas bill for £600 for a small flat, followed by a letter explaining that this was a revised demand after a period of incorrect meter readings. It subsequently emerged that the supplier had read the wrong meter for four and a half years, but they were apparently unable to provide an explanation of how the bill had been calculated and under these circumstances the client was unwilling to pay.

A CAB in Dorset assisted a client whose electricity bills had been wrongly addressed to his Housing Association landlord for some three years. He had been charged a commercial rate for his electricity, and was being threatened with disconnection for non-payment. CAB intervention led to him being credited with £95.

A CAB in Devon had a client who received a gas bill for 10 times the normal amount that she felt must be due to an error. Despite many phone calls she was unable to get anyone from the company to look at the problem and shortly afterwards she received a disconnection letter. After the CAB made contact with the supplier it was eventually accepted that the high bill had been issued in error, and five weeks later a revised bill was sent for the usual amount without apology or explanation. Only the day before the client had received another letter threatening disconnection.

- 3.9 For some CAB clients, exceptionally high bills inevitably lead to doubts about whether the meter is working properly. However, the high cost of a meter check prevents many clients from establishing beyond doubt whether or not they are being correctly billed.

The client of a CAB in Merseyside was disputing her gas bills which she felt were exceptionally high when set against average consumption in other similar properties with similar appliances. There was a possibility that her meter was at fault. However, as a single parent of four children in receipt of means tested Income Support, the cost of a meter check at £50-£60 was beyond her means.

A CAB client in Northumberland who suspected a faulty gas meter was told there would be an £85 fee for a check, payable in advance. The client was unemployed and could not afford this, but the fee was not negotiable.

- 3.10 Some CAB reports suggest that mistakes with respect to metric or imperial measurement of gas supply are a continuing source of some billing errors.

A CAB client in Norfolk who moved home received a gas bill about three times higher than her previous bills in a similar property. The supplier

told her that she would need a meter check costing £86. However, after intervention by the CAB, the explanation emerged that the billing was being calculated in imperial units whereas the meter was metric.

A CAB in Yorkshire had a pensioner client who received a letter stating that she had been undercharged for gas usage because their records showed her meter was metric when in fact it was imperial. The letter stated that there would be no recovery of underpayment, but she subsequently received a bill for over £600.

- 3.11 Much of the CAB evidence on billing suggests that suppliers were not properly prepared or equipped to deal with the large numbers of customers moving around the system that has been the inevitable result of competition for example

The client of a CAB in Devon had experienced billing errors by his gas supplier for over a year, receiving seven conflicting bills during that period. With respect to delays in responding to letters, the company wrote "This has been caused, in part, by our unprecedented success in attracting thousands of customers each week, but also by gaps in gas industry systems".

Clarity of bills and other information for customers

- 3.12 CAB reports often call for greater clarity in the presentation of fuel bills, and some also comment on information leaflets and letters that are unclear or misleading. A number of factors are identified which can cause confusion. They include bills showing a credit which are for information only; unclear two tier charging systems; items labelled "account adjustment" without further explanation; balance brought forward shown at the top of the bill and deducted at the bottom; lack of advice to individual customers about price changes; units priced at the old and new rates on the same bill without explanation; lack of explanation of prompt payment discount; and long bills containing unnecessary internal information. Some bills are so difficult to understand that they are as incomprehensible to advisers as they are to clients.

A CAB in Sussex advised a client whose meter had never been read by her gas supplier and who received a number of incomprehensible bills from which it was unclear how much she was expected to pay. The bills were undated. A telephone call to the supplier failed to clarify what the client owed. The client was being threatened with disconnection but was willing to pay if told how much.

Conclusions and recommendations

- 3.13 Our clients often find bills difficult to understand and are often unaware when estimated bills are leading to the build up of a significant liability. Information about the standards and services that are available from the company, and consumers' rights could also be improved - companies could do a lot in this area to improve their customer service and promote their codes of practice.

- 3.14 In terms of presentation of information estimated bills, in particular, should draw attention to the fact that they may be subject to revision at a later date. Estimated bills should alert customers to the possibility of the need to check the meter reading themselves to avoid an error. This could help prevent a large liability to build up, which may turn into a debt.
- 3.15 All customers should be entitled to receive accurate bills on a regular basis. We are concerned that the licence conditions (condition 17)⁹ set a very minimal base-line that companies should ‘*use all reasonable endeavours*’ to read and inspect meters every two years. Although individual companies may read meters more frequently than this the compliance standard is extremely low. We recognise companies are encouraging consumers to provide their own readings over the telephone. Such initiatives, if information is noted on and combined with clear information about consumption estimates and charges can help to build up better information for future estimating.
- 3.16 However, there will be many customers for whom self reading is not practical or is unduly complex, yet the company meter read is very infrequent, possibly only once in two years. We would like to see companies offering more frequent meter readings such that any customer who has difficulty, for any reason, in reading their own meter should be entitled to have their meter read quarterly on request, free of charge, and every customer should be informed of this entitlement. This is currently only open to those on the Priority Service Register and where nobody else living with them can read the meter.
- 3.17 Ofgem and Energywatch should produce guidelines for fuel suppliers on improving the layout of bills and information provided with bills
- 3.18 Ofgem should investigate incidence of estimated billing in the fuel supply industry and identify the scale of consumer detriment that this is causing, particularly in low income cases.
- 3.19 A proportion of CAB evidence reports concerns disputes about liability where there may be question about meter accuracy. In some of these cases our clients have found it enormously frustrating to deal with the company, and certainly very difficult to get the matter taken up as a complaint. In cases where a meter is suspected of being inaccurate Ofgem can resolve a dispute by subjecting the meter to technical testing. Companies should make all customers aware of their right to have the meter independently checked by Ofgem where there are reasonable grounds for suspecting it may be faulty.
- 3.20 Customers should not be held liable for arrears arising from supplier billing errors, or from faulty meters, where they cannot reasonably have been expected to know there was an error. Ofgem should take steps to ensure that all companies have procedures in place which ensure this does not happen.

⁹ Electricity Supply Licence: Standard Conditions – DTI September 2001 and Gas Supply Licence: Standards Conditions –DTI September 2001

4. Problems with prepayment meters

- 4.1 The great majority of bureau evidence reports that focus on problems with payment methods relate to prepayment meters. To some extent this reflects the fact that people on low incomes form a high proportion of all CAB clients. Prepayment meters are popular with many clients on low income, helping them to keep a check on their expenditure and to avoid getting into arrears. For others they are an inconvenient and expensive way to pay for fuel, and their use gives rise to an unquantifiable incidence of self-disconnection. CAB clients experience a variety of problems with prepayment meters ranging from delays in installation, compulsory installation, lack of payment points, lack of information and build up of arrears.

Delays in installation

- 4.2 For those clients who choose to pay by prepayment meter, bureau evidence suggests that there are often long delays in getting prepayment meters installed, resulting in the build-up of arrears for customers who are not only anxious to avoid, but also possibly least able to cope with, debt.

A CAB in Greater Manchester had a young client who requested a gas card meter on moving into his new home, and was told that there was a six month waiting list for installation. After five months he was receiving warning letters about non-payment of his bill. When the CAB contacted the supplier they said that if he continued not to pay his bill, then, at the fifth reminder letter they would compulsorily install a card meter. The CAB succeeded in getting the installation brought forward.

A CAB client in Berkshire wanted to get a gas prepayment meter installed as soon as possible after moving, in order to avoid getting into debt. He experienced a delay of up to 10 weeks in installation. The bureau commented: "the client is getting into debt through no fault of his own. This is particularly difficult for someone on a tight budget imposed by being on benefits."

Installation against the consumers will

- 4.3 For other CAB clients prepayment meters are far from being the payment method of choice, being inconvenient, inefficient and more expensive than other methods of payment. Nevertheless, CAB evidence suggests that many clients are required by their suppliers to have prepayment meters installed as their only alternative to avoid disconnection when they get into debt.

A South London CAB advised a client who had electricity arrears of £120. She offered to pay £50 immediately, but her supplier would only accept full payment or they would fit a prepayment meter. The client did not want this but had to accept it.

A CAB client in Devon, whose partner had moved out leaving her with debts, returned home to find that her electricity supplier had forced entry with a warrant to install a key meter. She discovered that notice had

been served on him as the account holder, but not on her as the occupier, giving her no opportunity to negotiate. Furthermore the cost of the warrant was added to the debt being collected from her via the key meter.

A CAB in Cornwall reported a client who was in dispute with her gas supplier about arrears relating to a previous address. The supplier installed a prepayment meter against her wishes.

- 4.4 It appears that some suppliers have a blanket policy of imposing prepayment meters on customers who have just come off Fuel Direct payment arrangements ¹⁰, regardless of their circumstances.

The client of a CAB in London was to be removed from the Fuel Direct scheme because her gas account was no longer in arrears. Despite the fact that she was more than £70 in credit and would have liked to move to a monthly payment scheme, her gas supplier informed her that they would now install a prepayment meter. On being contacted by the CAB, the supplier stated that it was always their policy to install a token meter for customers coming off Fuel Direct, unless a substantial security deposit was paid, regardless of the credit on the account.

A CAB client in Bedfordshire had been paying for gas and electricity by direct deduction from her Income Support, but was unable to continue with this arrangement when moving from income support to state retirement pension. She wished to change to regular weekly payments, but her gas supplier insisted on waiting for the Benefits Agency to tell them that that direct payments had ceased, when they would install a prepayment meter in order to collect the arrears.

- 4.5 Other circumstances where customers may find themselves with no alternative to paying on a prepayment meter include moving into a new property where the meter is already installed. CAB evidence suggests that getting the meter removed may be a lengthy process.

A CAB in Warwickshire reported the case of a client who requested a card to operate the quantum meter several days before moving into his new home. Having been told that this would take 48 hours, he did not receive the card until three days after the move. He was without heating and hot water during that time. When he asked for the meter to be removed, he was told that it would take at least 21 days for a credit check to be done before the meter could be removed.

Lack of access to payment points

- 4.6 There are numerous reports of difficulties for CAB clients with prepayment meters getting to payment points. This falls particularly hard on those who may have had meters installed against their will, and often results in periods of disconnection of supply. Travel costs incurred in order to make payments

¹⁰ The Social Security (Claims and Payments) Regulation 1987

inevitably divert the limited resources that these clients have available to meet their fuel bills.

A West Midlands CAB advised a client who had to have a prepayment meter installed for electricity because of her debt problems. She lived in a rural area and, in order to charge her key, had to travel by bus at a cost of £2 each time to one of the nearest towns, places that she rarely had a need to visit otherwise.

A CAB in Greater Manchester was consulted by a client whose supplier had installed a prepayment electricity meter to recover arrears. Her nearest outlets to recharge her electricity card were seven or eight miles away. Public transport to both places was difficult and expensive from the client's home – the client had only 50p on the meter and no means of getting to either place when she contacted the bureau. The CAB eventually secured the supplier's agreement to remove the meter.

In Kent a CAB advised an elderly client, without a car, who had to travel either to another village or to the local town in order to charge his gas prepayment card. He was concerned about what would happen if he were ill in the winter and unable to top up his card – he depended on gas for all his heating and cooking.

- 4.7 Problems of lack of access to payment points are aggravated when existing points cease to function for some reason, with an apparent lack of advice and support from suppliers to their customers, who may be left stranded without fuel.

A CAB in Buckinghamshire could find no alternative key charging location for a client whose key would not charge at the only site in his area. He was left without electricity.

A CAB in Cornwall advised a disabled client who found himself unable to charge his gas card at three different outlets that he had tried. The supplier was contacted by the CAB and advised that the card would have to be put in a machine owned by them, the closest being nine miles away. The client had no transport and little money, but the bureau was given to understand that the supplier was not responsible for outlets not owned by them and that it was up to the client to get to the nearest one.

Disconnection and prepayment meters

- 4.8 Unlike any other method of payment, where the incidence of disconnection for debt can be precisely measured, self-disconnection by users of prepayment meters goes largely unrecorded, especially where this is simply due to a lack of funds to feed the meter. Clients who self disconnect for periods of time due to inability to pay are unlikely to seek advice each time this happens as it becomes a way of life. So CABx may only learn about this incidentally to another enquiry. Some Bureau reports of clients experiencing disconnection with prepayment meters indicate that the sole reason is the client's inability to pay. There are also many reports about disconnection with this method of

payment relating to faulty cards or faulty meters, where a lack of adequate response on the part of the supplier is an aggravating factor.

In Kent, a CAB client whose gas card was found to be faulty was told by her supplier that it would take three days to get a replacement. This left her without heating and unable to cook. The CAB felt that the response time should have been much quicker, especially in cold weather.

In North London a CAB client had been without gas for three months after his meter failed to accept his new card, and his supplier had failed to take action to sort the problem.

In a report from a West Midlands CAB, the client's meter was accepting the card but not supplying gas. The client, a single parent, had been trying to resolve the situation for three days before coming to the CAB. The supplier seemed to have little information about the client, no record of a prepayment meter, and no knowledge of a new supplier. After many phone calls, the bureau obtained agreement to fix the meter, but the client had been without gas for almost five days with an adverse effect on the health of her children.

- 4.9 Customers who lose their prepayment cards are often reported as receiving a particularly unsympathetic response from their suppliers, although the reasons for the loss may be entirely beyond their control.

A CAB in Shropshire reported the case of a single parent with three young children who was without heating and cooking after losing her gas card at the weekend. The supplier's response after numerous phone calls was that they would do nothing to ensure continuation of supply under these circumstances, and the client would have to wait up to three days for a new card.

A CAB in Greater Manchester reported a similar case where the client lost her card on a Saturday and found that the emergency supply was insufficient to last the weekend. She then had to wait for a new card to be posted to her, and was without heating while looking after two young children in exceptionally cold weather.

Information supplied to prepayment meter customers

- 4.10 Other reports from CABx about prepayment meters relate to a variety of problems, of which the most frequent is perhaps the lack of information supplied to the customer.

A West Midlands CAB reported the case of an elderly client who had gone on to a gas prepayment meter two years previously to collect arrears, and could not understand why they had not been paid off. "She receives no information regarding her gas usage, gas charges or arrears outstanding and fails every time to speak to anyone due to maze of pre-recorded messages." Nor did she have a meter user guide. The client was said to be experiencing "exasperation and despair".

In Yorkshire a CAB client with a prepayment meter had received no statement of account for 15 months, and the supplier would not send one without a written request.

Arrears build up on prepayment meters

- 4.11 Some CAB reports highlight client objections to being unexpectedly asked to pay for arrears when prepayment meters have been under-registering usage. It appears unreasonable both to CAB clients and to their advisers that the consumer should be held liable for the consequence of equipment that is either faulty or wrongly calibrated, due to supplier failure. This seems particularly harsh when the clients concerned reasonably believed that they had paid for all their fuel in advance and had budgeted accordingly.

A CAB client in Hertfordshire had been paying for gas on a card meter for four years when he received a bill for more than £100, although his meter showed a credit. The supplier informed the CAB that the arrears accrued because of inaccuracy of a previous prepayment meter, and the arrears were to be deducted from his ongoing card payments.

In South London, a CAB client was upset to receive a letter from his electricity supplier threatening to gain access by magistrates warrant, if necessary, in order to replace a faulty prepayment meter. The letter also demanded over £70 for the estimated arrears, and threatened to charge the client for the cost of the warrant. This was the first notice the client had received that his meter was faulty.

A CAB in the Midlands contacted the gas supplier of a client who had been billed for £40 arrears, after paying through a prepayment meter for several years. A new meter had been fitted, and calibrated to collect the arrears despite the client's objections to this. The supplier informed the CAB that the old type of meter frequently became faulty, and possibly produced false meter readings. Despite this they insisted on their right to recover the arrears, although the client was not at fault and had no means of checking the accuracy of the meter himself.

Conclusions and recommendations

- 4.12 Many fuel consumers who are on a low income or who have been in debt to the supplier at some time have experience of using prepayment meters. This is because the prepayment meter has been a preferred tool on the part of companies for managing debt. Indeed, its use has been a key feature of debt recovery practice in the fuel industry for decades. 15 per cent of electricity and nine per cent of gas domestic consumers currently use a prepayment meter.
- 4.13 The meter enables the consumer to continue to have a means of accessing a fuel supply on condition of payment in advance. In the context of debt recovery procedures this prevents a 'permanent' disconnection taking place.

- 4.14 Fuel companies are obliged to offer prepayment meters as part of their Code of Practice on the Payment of Bills and Guidance for Dealing with Customers in Difficulty. This Code requires that prepayment meters should be provided before disconnection action is taken when a payment arrangement has broken down. A separate Code of Practice on Prepayment Meters deals with operational standards such as density access to payment points at which consumers could recharge their keys or cards.
- 4.15 Prepayment meters are a means of retaining access to a supply, and avoiding the costs of disconnection and reconnection. But from a social policy perspective prepayment meters have always held a number of problematic and negative features;
- clients away from home, for example due to hospitalisation, find on return they have to pay a considerable amount off any arrears before fuel supply is available;
 - if the consumer has no money to feed the meter (using electronic keys or cards) there is no access to fuel and the consumer is effectively disconnected, hence the concept of self-disconnection;
 - meters can be calibrated to collect the debt at different rates and there is scope for over-calibration which may not be obvious to the consumer;
 - tariffs for prepayment meter customers have commonly been higher than for other consumers, it is argued due to the differentially higher cost of serving prepayment meter customers with meter technology and a network of payment points;
 - prepayment meter users face higher costs and inconvenience of travelling to and from payment points to charge up their keys and cards;
 - CAB advisers' experience has been that often consumers in debt are not offered any other choice of payment arrangement but a prepayment meter;
 - prepayment meter users do not receive regular written updates on the state of their overall debt, which can mean that a period of overpayment can go unnoticed; and
 - in the event of meter or key/card errors, the consumer loses supply, and our evidence suggests consumers can have enormous difficulties getting technical problems resolved quickly.
- 4.16 The CAB Service would like customers who are in debt to be offered a choice of payment methods, such as fuel direct or weekly payment schemes, before having prepayment meters forced upon them. Here the problems we have identified may be due to variable compliance with the spirit of the existing licence conditions. Ofgem therefore should take steps to ensure that its compliance monitoring in relation to debt recovery practice is capable of discovering whether companies are actually complying with the licence and codes of practice. To do this Ofgem will probably need to audit companies' debt recovery practices.

- 4.17 The CAB Service would also like to see the licence condition (condition 36)¹¹ on the use of prepayment meters strengthened so that prepayment meters should not be installed without consumer consent.
- 4.18 There is currently a guaranteed standard for a response time to reported meter failure of 3-4 hours where prepayment meter faults result in a loss of supply, plus an entitlement to compensation of £20 if the company fails to meet this.¹² But CABx evidence shows that this is not being delivered in many cases and should be better monitored by the Regulator, Ofgem. Ideally all prepayment meter customers whose supply is subject to disconnection because of breakdown, loss or damage to supplier equipment, payment points or cards/keys, should receive priority assistance with a view to restoring supply immediately, including at weekends. Ofgem should monitor compliance with the fact that consumers should receive automatic compensation for failures.
- 4.19 Access to local payment points where keys / tokens can be charged is essential for prepayment meter customers, many of whom are not able to afford travel expenses. Ofgem guidance is that payment points should be available within a one mile radius, unless this is unreasonable. In rural areas particularly there may not be a suitable for payment facilities within one mile of every customer using a prepayment meter. Ofgem should enhance its guidance on the Code of Practice on Payment of Bills and Guidance on Dealing with Consumers in Difficulty (condition 35)¹³ so that the current requirement that prepayment meters should only be fitted 'where safe and practical to do so' takes account of practical access for the consumer. For consumers the practicalities of using prepayment meters includes extra costs that they may incur travelling to and from payment facilities. Ofgem's guidance could, for example, be strengthened to the effect that where a local payment point is further than a customer can access easily without needing to incur additional transport costs, an alternative payment option should be offered, such as a payment card.
- 4.20 Prepayment meter customers, like other customers, should routinely receive quarterly statements of account from their supplier. And refunds due to over calibration should be guaranteed within a set period of time of two weeks. The provision of quarterly statements to prepayment meter customers, including details of the allocation of payments to current consumption and to arrears, should avoid these customers receiving unexpected demands for arrears payments where meters have not been properly programmed.
- 4.21 Finally, we are very concerned about cases where customers have accumulated large debts because their prepayment meter was set at the wrong tariff rate and as result they have underpaid. Prepayment meter

¹¹ The Social Security (Claims and Payments) Regulation 1987

¹² The Electricity (Standards of Performance) Regulation 2001 as amended by the Gas (Standards of Performance) Regulation 2002

¹³ Electricity Supply Licence: Standard Conditions – DTI September 2001 and Gas Supply Licence: Standards Conditions – DTI September 2001

customers should not be pursued for arrears that may accrue as a result of faulty or wrongly calibrated prepayment meters which has resulted in underpayment. In these cases there should be no legal right to collect amounts accrued on faulty or wrongly calibrated meters. These customers should be able to rely on the reasonable expectation that they are paying for their fuel supply in advance and the supplier – who controls the technology – has set the meter correctly. This approach would incentivise the company to ensure high standards of accuracy.

5. Other payment methods

- 5.1 CAB clients experience a range of problems with other payment methods including direct debits and direct payments.

Direct debits

- 5.2 A significant proportion of problems reported by CABx relating to direct debits appear to be administrative errors related to transfer of suppliers. Either the former supplier continues to draw on a direct debit or a new supplier fails to set up a direct debit.

A CAB in Surrey reported the case of an elderly disabled couple whose previous electricity supplier continued to take money from their account by direct debit for seven months after ceasing to supply electricity to them. They were not offered any interest on the funds.

A CAB client in Merseyside continued to have direct debits taken from her account by her former supplier for three months after transferring her gas account. She came to the CAB as she was having difficulty getting a refund.

In Kent, a CAB client signed a direct debit arrangement on transfer of gas supply, but this was not activated for more than a year despite numerous phone calls. The client then made a written offer to pay off the resulting arrears in monthly instalments, but received no reply, although receipt of the offer was acknowledged when she phoned. The client then received a letter from debt collectors demanding payment in full.

Elderly clients of a West Midlands CAB agreed a direct debit of £23 per month on changing gas supplier. Some months later they discovered that the direct debit had been increased to over £100 per month for three consecutive months without any reference to them, and they had incurred overdraft charges as a result. They lost confidence in this payment method and cancelled the direct debit arrangement.

Savings stamps and payment cards

- 5.3 CAB evidence suggests that clients are not always fully informed about what payment methods will be available to them after transfer, or that, in some cases, their range of payment options will be reduced.

The client of a CAB in Sussex, who transferred to a dual fuel supplier and then back to his original suppliers, found that under his new contract he could not use £300 worth of savings stamps bought before his original transfer.

A client in Hertfordshire experienced a similar problem when she changed to a new gas supplier who would not accept her £70 worth of stamps. The process of getting a refund was complicated and there was

no advice in the changeover letter about what to do with prepaid stamps from another company.

A CAB in Greater Manchester advised a client who was paying fortnightly on a card scheme when she agreed to transfer utilities. The salesman assured her that all necessary arrangements would be made and she continued to use her old card. Three months later she received unexpected demands for payment from both suppliers, the second supplier stating that they had no knowledge of a request for a payment card. The client faced increased fortnightly payments to clear her arrears.

A CAB client in the West Midlands was induced to change gas supplier with the promise that she could continue to use her previous weekly payment card. It turned out that she could not do so and there was no easy payment facility with the new supplier. She eventually changed back again

Direct payments

- 5.4 The direct payments scheme or Fuel Direct is a scheme whereby payment towards fuel arrears and current consumption can be made directly from benefits by the Benefits Agency. A fixed amount of a maximum of £2.70 is paid directly to the fuel supplier towards arrears together with an amount estimated for current consumption. It is a valuable and necessary payment method for some benefit claimants, and can be crucial for some customers to prevent disconnection. In earlier reports the CAB Service has made a number of recommendations for ways in which the scheme could be improved to provide consumers with readier access to it and better information about the status of their payments against their debt¹⁴. Consumers have found it impossible to get access to this payment method for a variety of reasons, including the level of benefit in payment, the fact of other direct payments, and their amounts, and supplier and DSS refusals. But a new dimension has emerged in the context of competition illustrated by the following case

A CAB client in the South who had been paying for electricity with a prepayment meter was persuaded to change supplier by the promise of cheaper fuel, but still had arrears owing to her former supplier on transfer. She was unable to clear these in full or by the substantial instalments demanded, so the bureau tried to make arrangements for direct payment from benefit to the two suppliers. However, it was not possible for the local Benefits Agency to split payments in this way, with arrears payments to one supplier and current payments to another. The bureau noted that transfer of supplier could reduce available payment options for clients who are in arrears.

¹⁴ Out of Control, CAB evidence report about the impact of utilities regulation on low income households, NACAB December 1993

Conclusions and recommendations

- 5.5 There is a need for fuel customers to be able to transfer payment arrangements smoothly and easily when they transfer from one fuel supplier to another.
- 5.6 The CAB service recommends that:
- all domestic fuel suppliers should accept customers' existing fuel savings stamps, payment cards and tokens as payment towards the new supply;
 - for Direct Debit customers confirmation of the status of any Direct Debit should be included in the fuel company's confirmation of supply letter to both new customers and to those they are no longer supplying; and
 - where customers transferring supplier have been paying fuel debts to their old supplier through Fuel Direct payments, an easy payment scheme should be offered by that supplier to allow continuity of payment of the debt at the same rate. It will also be essential that accurate information about the outstanding sum is confirmed at this point, as discussed in chapter 6 'Arrears collection' (para 6.11).

6. Arrears collection

- 6.1 A proportion of bureau evidence reports, approximately five per cent focus primarily on problems arising with arrears collection methods themselves. Key problems are reported with the rates of recovery, company failures to act on arrears resulting in a build up of a large debt, debt collection practices and the acceptance of administration orders by fuel companies. However, almost all the evidence on which this report is based touches in some way on the causes of arrears, and on the effectiveness of customer and supplier efforts to avoid arrears or to deal with them once they have arisen.

Rate of recovery

- 6.2 The most consistently recurring problems reported by CABx concern the rates at which arrears are collected. Despite the fact that fuel suppliers are required by their licence conditions (condition 35)¹⁵ to take ability to pay into account when determining the rate at which arrears will be repaid, bureau evidence suggests that they frequently fail to do so.

A CAB in Northamptonshire reported the case of a severely disabled client who tried to negotiate an affordable arrears repayment arrangement with both his gas and electricity suppliers. Prepayment meters were not an option for this client who was unable to operate them without the help of a carer. The gas and electricity suppliers were insisting on payments of £15 and £12 per week respectively, and refused to negotiate lower repayments even when the CAB drew up an income and expenditure sheet showing that the client could not afford more than £10 per week. It was not until the CAB complained to Energywatch and to Ofgem that lower payments were accepted. Meanwhile the client received numerous letters threatening disconnection of his gas supply.

A CAB client in Cumbria received no bills for a year after changing electricity suppliers, despite his requests for one. When he asked for time to pay the large bill that eventually arrived he was given 12 weeks, but could not afford this rate of repayment. The CAB noted that the company was in breach of its licence conditions.

- 6.3 The maximum rate of arrears repayment for clients in receipt of Income Support, and paying for fuel by direct deductions from their benefit, is currently £2.70 per week in addition to an amount for their current consumption. This rate is prescribed by Income Support Regulations and is therefore arguably a reasonable maximum rate of recovery for anyone whose income is at Income Support level. Bureau evidence shows, however, that many clients who are in receipt of means tested benefits, but are not paying by a direct payment arrangement, are being asked to pay a good deal more than this maximum.

¹⁵ Electricity Supply Licence: Standard Conditions – DTI September 2001 and Gas Supply Licence: Standards Conditions – DTI September 2001

A CAB client in the Northwest had a prepayment meter installed to collect substantial gas arrears after her husband left her with the debt. Repayments had been set at £10 per week, and then reduced to £7 and then to £4. The client had put in £35 and only received £10 of gas. A single parent, on Income Support, she had no more money for gas when she approached the CAB, and faced another six days without heating or cooking facilities. The CAB negotiated with the supplier to reduce the repayment rate to £2.70 per week, but understood that this would take two weeks to process.

A report from a Midlands CAB highlighted the failure of the gas supplier to inform their customers on Income Support that they can repay arrears at a lower rate. In this case the client, a lone parent, had been told she must pay £11 per week off the arrears.

A CAB in East London was assisting a client who was being charged £12 per week through his token meter for arrears. This was a much higher weekly amount than he would have to pay if his arrears were deducted from his Income Support.

CABx in Yorkshire and in Kent both reported clients on Income Support who were receiving only £3 of gas for every £10 that they put into the meter, while £7 was going towards the arrears. In both cases the repayment rate was reduced to £2.70 per week after CAB intervention.

A CAB in Wales reported a client with £90 electricity arrears as a result of delays in billing him. He was unemployed and in receipt of Jobseekers Allowance (paid at Income Support level), but was being asked for £7 per week to clear the arrears.

- 6.4 Even where arrears are recovered under a direct deduction from benefit arrangement, there is evidence to suggest that suppliers can expedite their recovery of arrears and get around the maximum recovery rate by inflating their estimate of the amount required for current consumption. The result is that clients who are already on a subsistence level of income end up paying more than they can reasonably afford.

A North London CAB advised a client who had accumulated gas arrears in excess of £300 as a result of estimated bills. A direct payment arrangement was set up and the supplier asked for deductions of £9 per week for current consumption plus the standard £2.70 for arrears. However, the client's actual weekly consumption, at under £5 per week, was considerably less than the current consumption figure demanded. When the CAB adviser queried this rate of payment, the supplier's Customer Services officer said that the supplier required the arrears to be paid within one year. They had therefore fixed the current consumption figure at a rate that would achieve this, by loading the arrears payment onto it. The breakdown of payment, he claimed, was not important, because the whole amount goes into one pot and would enable the arrears to be cleared within a year.

A Norfolk CAB reported the case of a single parent with £700 electricity arrears, who started to have over £20 per week deducted from her Income Support of £75 per week under a fuel direct arrangement. The supplier had estimated her current usage at £18 per week for this purpose. The bureau noted, however, that recent estimated bills suggested current usage of only £13 per week. They then asked the client to read her own meter, which gave a true figure for current consumption of £5 per week. The bureau called for all clients paying by fuel direct to have their meters read as a matter of course each quarter, in order to help to avoid this excessive level of deduction.

Failure to collect arrears through prepayment meters

- 6.5 A number of bureau evidence reports concern the problems of CAB clients who have been told that their arrears will be collected through their prepayment meters, but later discover that this has not been done.

The client of a CAB in Kent had a gas prepayment meter fitted to collect arrears at £2.50 per week. Four years later she received a demand for £100 payable immediately – the supplier said the meter had “not picked it up” so she had not cleared any of the debt. The client was sick and in receipt of means tested Housing Benefit. She tried to negotiate reasonable instalments, but was asked for £4 per week which she could not afford. She was told that her benefit income did not mean that she was ‘allowed’ to pay the £2.70 per week which would have been payable by an Income Support claimant. It was not until the client sought advice from the CAB that the supplier agreed to reduce the rate of repayment to £2.70 per week.

A South London CAB reported a case where the gas supplier omitted to programme the client’s debt into a meter, which had been specifically installed for that purpose, some seven years previously. When the meter was changed recently, the new meter had started to collect the debt at £4 per week. The CAB challenged this debt collection on the basis that the debt was more than six years old, and the supplier then conceded.

Clients of a CAB in Gloucestershire were convinced that their prepayment meter had been collecting £5 per week gas arrears for two years, as they had been told that it would, despite the fact that the supplier now told them that it hadn’t. Their level of arrears was just the same as before. The clients had no receipts and could not prove how much they had paid. The bureau noted that the supplier had all the power in this situation, and that people with prepayment meters are “those with least means, least power and least expectation of being able to fight for their rights.”

Heavy-handed debt collection tactics and the use of debt collectors

- 6.6 CAB evidence suggests that fuel suppliers’ use of external debt collection agencies to recover arrears of fuel payments has increased markedly since

the introduction of competition into the fuel supply industry. No doubt this development is inevitable in those situations where the debtor has moved on to a new supplier; the former supplier who is owed money has fewer collection methods available to them than before and is in much the same position in relation to the debtor as any other creditor. It is less clear why fuel suppliers would make more use of external debt collectors to recover debts of existing customers. Many CAB evidence reports highlight the unacceptable tactics of some debt collection agencies that they are intimidatory, sometimes amounting to harassment contrary to the requirements and expectations of legislation designed to ensure debt collection practices are not unfair or oppressive (principally the consumer credit licencing regime administered by the Office of Fair Trading and the Administration of Justice Act (s40)). The following cases illustrate this point.

A CAB in the Midlands reported the case of a client in debt to her gas supplier, who was visited by a “meter reader” who made comments about her house, in particular about new items of furniture, and who upset her small grandchild. When the CAB telephoned the supplier to complain, they were told that this person was a representative of a commercial debt collection agency who was employed by the supplier to report on the state of the house and its contents, prior to considering disconnection or court proceedings.

The client of a CAB in Greater Manchester received a letter from debt collection agents acting for a gas supplier which looked to her alarmingly like a court letter. This particular practice of using ‘look-a-like’ documents has been the subject of specific guidance from the Office of Fair Trading to holders of consumer credit licences designed to outlaw misleading communications.

A CAB in Kent reported the case of a client on Income Support who owed money to a former gas supplier. When the CAB contacted the debt collection agents on her behalf, with a proposal that she pay £2.70 per week (the standard rate for people on Income Support), they were rude and unhelpful. They asked to speak directly to the client and then abused her, quickly reducing her to tears by threatening bailiff’s action, although no court proceedings had yet been taken.

- 6.7 It is not just debt collection agencies whose tactics are regarded by CABx and their clients as unnecessarily heavy-handed. The suppliers too often demonstrate an unsympathetic attitude towards clients whose existing repayment arrangements have broken down.

A Midlands CAB advised a pensioner who was making weekly payments of £10 to clear a £200 debt to a former gas supplier, but missed one or two weeks because of illness. The supplier then demanded full payment of the balance within seven days, or recovery action would be taken. The client was unable to afford to comply. The CAB contacted the supplier who refused to negotiate despite the client’s age, ill health and low income, and the fact that the debt was not increasing.

A CAB in South Wales reported the case of a single parent on Income Support who missed three payments under her gas prepayment plan. It was not possible to install a prepayment meter in her case. When the client telephoned the supplier to explain her circumstances she was told that she would be cut off.

Supplier's attitude to Administration Orders

- 6.8 Some bureau evidence reports raise the issue of suppliers' policy when a fuel debt is included in an Administration Order. Even where payments for ongoing supply are secured, it appears that suppliers may be ignoring the implications of the Administration Order, either by continuing to collect arrears by another means, or by proceeding with disconnection action.

The client of a Greater Manchester CAB was granted an Administration Order that included a gas debt. The gas supplier refused to acknowledge their inclusion in the order and would not adjust the client's prepayment meter to cancel the recovery of arrears.

A CAB in the West Midlands reported the case of a single parent with four dependent children, on Income Support, with multiple debts. She obtained an Administration Order that included her gas arrears, while her current gas consumption was covered by a Fuel Direct arrangement. Her gas supplier however insisted on proceeding with disconnection action, claiming that the Administration Order breached her previous arrears repayment arrangement. The supplier cited a policy drawn up with Ofgem in defence of their action.

Conclusions and recommendations

- 6.9 Where customers have not been able to pay their fuel charges their licence (condition 35) ¹⁶ requires suppliers to have a Code of Practice on Payment of Bills and Dealing with Customers in Difficulty. A key principle of the Code is that suppliers are supposed to take account of a customer's ability to pay when agreeing the rate at which debt is to be repaid.
- 6.10 CAB evidence suggests that there is considerable scope for suppliers to improve compliance with this licence condition by informing customers of their rights and taking a more open approach to the process of establishing how much a customer may be able to afford to pay towards their arrears. Key measures which could bring greater compliance include the following:
- the duty of suppliers to take ability to pay into account when determining the rate of arrears repayment should be publicised in writing to all customers who are in arrears, without their having to request a copy of the relevant code of practice;

¹⁶ Electricity Supply Licence: Standard Conditions – DTI September 2001 and Gas Supply Licence: Standards Conditions – DTI September 2001

- customers in arrears should routinely be invited to make an offer that they can afford, or to make a statement of their means in order that an appropriate rate of repayment can be determined; and
- customers who are in receipt of Income Support or other means tested benefits should always be offered a rate of repayment which does not exceed that currently applying to Fuel Direct arrangements. This is currently required under supplier's Codes of Practice on Payment of Bills and Guidance for Dealing with Customers in Difficulty. As a matter of good practice all companies should consider lower repayment rates in individual circumstances. Customers whose income is at or equivalent to income support should also be offered the same standard.

- 6.11 CABx often find that customers who are repaying arrears through Fuel Direct arrangements from their Income Support are not kept informed about the status of their debt. At the outset of these arrangements, these customers should be provided with written details from fuel suppliers of how the figures for their current consumption have been estimated. This information is essential if they are to have confidence in the fairness of the estimate and be able to challenge it. If a company overestimates current consumption this can be a surreptitious way of recovering the debt more quickly than the permitted fuel direct rate of payment towards debt of £2.70 per week. Customers who pay via Fuel Direct should receive quarterly statements of their account. Any overpayments should be repaid to the consumer within a guaranteed period of two weeks.
- 6.12 The use of debt collectors to recover fuel debt needs to be carefully monitored by companies and Ofgem to ensure that, where appropriate, their methods and procedures comply with any specific regulatory requirements for the collection of fuel debts. The principle should be that the behaviour of third party debt collectors is a compliance issue for the company – the debt collectors should be judged against the same expectations as if the debt was being collected by company staff.
- 6.13 Finally fuel suppliers should be bound by Administration Orders of the court on an equal basis with other creditors, and should not attempt to simultaneously collect their debts by other means. We believe this is supported by Ofgem guidance on fuel suppliers' Codes of Practice for Payment of Bills and Guidance for Dealing with Customers in Difficulty and, therefore, evidence of such practice is a compliance issue which Ofgem should be monitoring.

7. Disconnection

- 7.1 A small number of bureau evidence reports, around three per cent, concern actual disconnection of supply, as opposed to threatened disconnection. Although the number of cases reported by CABx is small, every one potentially represents a major disaster for the client or family concerned. Reasons for disconnection vary, but a worryingly high proportion of those reported by CABx appear to be due to supplier error, or at the very least to precipitate action on the part of the supplier. In many cases it would appear that a more thorough investigation of the circumstances, or a more constructive dialogue with the customer, might have avoided the need to disconnect. CAB reports about poor practice in this area suggest that disconnections can often arise as a result of disputes, errors and failures following transfer of suppliers, when someone moves into a new property or when fuel direct arrangements fail. A few persistent themes emerge from bureau reports of disconnection, as demonstrated by the following shocking examples.

Pensioner clients of a CAB in Yorkshire had been paying £9 per week for three years by arrangement with the company which they believed was their gas supplier, since moving to their home. Meanwhile bills arrived from a second supplier and they were told to ignore these. Eventually the second supplier disconnected them, by forcible entry during their absence from home. They came to the CAB who arranged for them to be reconnected, and for a refund of the £800 collected from them by the supplier who had not been supplying them. Three weeks later, they returned to the CAB, still disconnected and without a refund. The CAB requested a copy of the contract that the second supplier had with the clients, but were told that no such contract was necessary in order for them to supply.

A CAB in Bedfordshire advised a young mother with a 4-week-old baby who had moved into a council flat two months previously. She had received demands for payment for gas supplied to the previous tenant and had phoned and faxed the supplier to inform them that she was now the tenant. Despite this, the supplier obtained a warrant to force entry and disconnected while she was out.

A CAB in London reported the case of a client whose gas supply was disconnected while she was out of her house, because of non-receipt of Fuel Direct payments from the Benefits Agency. The client could show proof of her benefit deductions to the supplier. It took four hours for the client and her children to regain entry to their house after the locks had been changed, and another eight days before they had any heating, cooking and hot water.

Conclusions and recommendations

- 7.2 Suppliers should always make the most strenuous efforts, in every case where disconnection is imminent, to make face to face contact with customers so that all possible alternatives to disconnection can be explored.

- 7.3 There should be no question of disconnection where liability for arrears is in dispute. CAB evidence suggests that improved communication and liaison with customers could resolve many such disputes. There is also a need for greater transparency about procedures for raising and getting disputes resolved. In some cases CABx have advised on disputes that have been ongoing for a considerable period of time without being formally acknowledged as such by the company or escalated to a higher level. Key measures needed include the following:
- details about how to query and resolve disputes about bills should accompany every bill;
 - where any dispute is raised but cannot be resolved quickly with the supplier customers should be informed about the appropriate dispute resolution procedure available through the Code of Practice on Complaints Handling Procedure;
 - customers who raise disputes should be given information about the role of Energywatch in investigating unresolved complaints, together with the Energywatch contact details that are already required by Ofgem's code of practice guidance;
 - in any cases where there is a referral to Energywatch concerning an amount that is in dispute there should be an automatic hold put on further action by the supplier, including disconnection, until investigation of the complaint has concluded; and
 - Ofgem should undertake regular scrutiny of this matter to ensure that companies are complying with the code of practice and giving consumers information about dispute resolution procedures.
- 7.4 It is noted that in relation to the new Financial Ombudsman Service, consumers will be able to refer their complaint to the relevant Ombudsman if it has not been resolved within eight weeks. This time limit would be usefully applied in the fuel industry, across all suppliers' Codes for Complaints Handling Procedure, to prevent disputes becoming protracted or delayed by the parties.

8. Liability Disputes

- 8.1 A similar number of bureau evidence reports to those reporting on disconnection, around three per cent, concern disputes about liability. Amongst these, three major themes emerge as causes of liability disputes: where no fuel has been supplied; where the arrears belong to a previous occupier; and where the liable person has died.

No gas supplied

- 8.2 For gas, the predominant reported cause of liability disputes is where no gas has been supplied at all but the client continues to be billed. Many of these disputes concern liability for standing charges only, where the gas supply apparently remains connected although unwanted. The numbers of such disputes should have reduced since the abolition of standing charges for gas supply in April 2000. But CAB evidence shows that some disputes of this nature are still likely to arise, apparently due to a failure to take appropriate administrative action on accounts where no gas is being supplied.

A CAB in Staffordshire advised a 78-year-old pensioner whose gas had been disconnected some 13 years previously. Throughout this period she had been paying standing charges, and had continued to receive quarterly bills, many of them estimated. Despite numerous telephone calls and letters, the bills kept on coming until she received a hand delivered letter from the supplier stating that they were applying for a Justice's Warrant to disconnect, by forced entry if necessary, for alleged arrears in excess of £20,000. The supplier told the adviser that the client must telephone every time she receives a bill. The client had no telephone of her own and had hearing difficulties.

A Midlands CAB reported the case of clients who had been living at their present address for over 30 years, and were not connected to the gas supply, when they received correspondence from debt collection agents relating to alleged non-payment of gas bills. The adviser contacted the debt collectors and was assured that no further demands would be sent. Several months later the clients received a letter from different debt collectors pursuing the same alleged debt.

Previous occupier arrears

- 8.3 CABx have reported cases where clients are pursued for arrears and alleged arrears relating to a previous occupier and are treated suspiciously and given quite wrong advice. Lack of promptness in dealing with these disputes effectively and fairly on the part of the supplier adds to the distress experienced by the client:

The client of a CAB in Wales moved in to a council property. Having established with some difficulty the identity of her gas supplier, she telephoned them with a meter reference number and meter reading. She then received a bill for over £500 dating back three years. On contacting them again she was told that she would need to supply her

tenancy agreement, driver's licence, birth certificate and bank statement in order for her liability to be re-assessed. When the CAB intervened, the only information actually required was confirmation of the tenancy commencement date.

A CAB in Lancashire reported two cases where clients had been held liable for bills of previous occupiers. In one case the gas supplier had stated to the client that the "next tenant inherits the debts of the previous tenant". In the other case, a couple had received bills, reminders and threatening letters relating to a period before their occupancy, despite their repeated calls and letters to the gas supplier. The supplier asked for a letter from their solicitor as proof of the date they bought the property, otherwise court action would be taken. The clients had to pay £40 for a solicitor's letter.

Death of liable person

- 8.4 Where relatives or representatives report the death of a person liable to pay for fuel, suppliers should deal promptly and sensitively with the information supplied to them. It is particularly upsetting for families to continue to receive bills addressed to the deceased person when they have taken steps to inform the supplier. The fact that cases such as the following are reported to CABx suggests some fundamental weaknesses in some fuel suppliers' customer service functions.

The client of a CAB in Yorkshire had been receiving gas bills for her son for two years after his death, despite paying the bills up to the date of death, and twice supplying death certificates and proof that there was no estate. At one point she received a £7 refund cheque, made out to her late son in respect of his mother's death, and then a further payment as a goodwill gesture and letter of apology after this cheque was returned. Subsequently she received a further demand for £400 allegedly outstanding, with a threat of court action. The CAB wrote that they were "appalled at the attitude of (the supplier) and that they have dragged the incident out for nearly 18 months when it should have been resolved within weeks, and at the unbelievable request...to speak to the deceased client for authority! The client was very distressed throughout her visit to the Bureau and stated she has been ill with the worry about the debt in case she was taken to court."

A CAB in the West Midlands advised a client who used to visit an elderly person who had no family. When that person died, leaving no estate, the client read all the meters and informed the utility companies, giving her own address as a point of contact. There was no problem with the majority of creditors. Only one fuel supplier continued to send demands for payment, with the threat of court action, despite the client pointing out that she was not responsible for the bills.

Conclusions and recommendations

- 8.5 Like so much of the other evidence considered for this report, a common feature of all these bureau reports is the apparent inability of suppliers to take effective action on information supplied by their customers. Disputes become unnecessarily drawn out, frequently causing immense distress and frustration to the client, and requiring the intervention of a third party before they are resolved. In some cases company staff hold a completely incorrect view of the legal position of the consumer and impose unreasonable documentary requirements on them, suggesting a need for better staff training.
- 8.6 All suppliers should ensure that their customer service staff are trained and properly informed about liability for charges in the event of a death or change of occupiers. Fuel suppliers should consider setting up specialist teams to deal with matters where a customer has died so as to ensure that all the administrative changes to account details are handled properly and sensitively.

9. Security Deposits

- 9.1 Bureau evidence about security deposits reveals a variety of circumstances in which deposits are demanded. Often CABx report that companies have sought a deposit unreasonably. Many of the clients affected have never been in debt for their fuel supplies but simply lack an adequate credit rating in the eyes of the fuel supplier, sometimes having no credit rating because they have never borrowed any money. For people on low incomes finding lump sum payments of several hundred pounds can be impossible. The imposition of security deposits in these cases means the consumer may be faced with the impossible choice of accepting a prepayment meter contrary to their preference, borrowing money, possibly at very high rates of interest or face disconnection. By pursuing a policy of imposing high security deposits on low income consumers suppliers may be embedding the financial exclusion and debt of these customers.
- 9.2 Despite the fact that the Regulator, Ofgem, has a statutory power to resolve disputes over security deposits, the customers affected do not seem to be made aware of this by the suppliers. And it may be that many advisers are also unaware of it. In most cases where supply is already connected, the deadline for payment of the deposit to prevent disconnection is often too short to mount an effective challenge, or in some cases to raise the money for the deposit.

A London CAB noted that the gas supplier's policy on deposits would affect any low-paid client, moving in to a new address, who had no previous record of paying for utilities. Their client wanted to pay for supply by small regular payments on a payment card, but was being asked for a deposit of £180 by the gas supplier in order to be allowed to do so. The only alternative offered was a prepayment meter that would cost more in the long run.

A CAB in Hampshire reported the case of a man who had never been in debt with his gas supplier, and paid his bills by direct debit. However, because he had come to an Individual Voluntary Arrangement with other creditors when he got divorced, he was now being told by the supplier that he must pay a deposit of £190 or go on to a prepayment scheme.

A West London CAB advised a client who had moved into permanent accommodation from a long-term homeless hostel (where rent was inclusive of fuel). He had already been paying for gas for six months when the supplier visited in his absence to disconnect him because of his refusal or inability to pay a security deposit of £180, or to go on to a prepayment meter, or to pay by direct debit. The client was disabled and had no bank account

Conclusions and recommendations

- 9.3 Fuel suppliers have discretion about requesting security deposits from customers. A security deposit may be seen as protecting the company from non-payment of future bills. However, companies may not request a deposit

in cases where the customer is to receive supply via a prepayment meter. In some cases companies will ask a consumer to provide a guarantor or details of a credit card. But in other cases the company will ask for a lump sum payment as a deposit. The licence conditions (Condition 45)¹⁷ say the security deposit can be one and a half times the average quarterly fuel unless it is reasonable for it to be more than this.

- 9.4 As noted these policies can be extremely harsh for a consumer who has no credit card, friends or family able to guarantee their payments or enough cash for the lump sum. In view of Government initiatives to tackle financial exclusion and extend access to banking to the people who have been without such a facility we believe it is appropriate for Ofgem to review the policy on security from the perspective of their impact on financial exclusion. Ofgem should consider whether it would be reasonable for companies to accept direct debit authorisations instead of credit card details and lump sums. Ofgem should also look at whether fuel suppliers could do more to promote access to banking and cheaper forms of borrowing to consumers who have difficulty complying with the present security policies.
- 9.5 In the event of a dispute about the nature and value of security requested either the supplier or the consumer can refer the matter to Ofgem for a determination (Condition 45)¹⁷. There is a need for the dispute determination role to be much better publicised. Every customer who is required to pay a deposit should be clearly informed of their right of appeal and if an appeal is lodged disconnection should not take place until the dispute is resolved.

¹⁷ Electricity Supply Licence: Standard Conditions – DTI September 2001 and Gas Supply Licence: Standards Conditions – DTI September 2001

10. Communication with customers

- 10.1 A recurring theme throughout the CAB evidence reviewed for this report is the very great difficulty experienced by CAB clients, and their advisers, in establishing effective communications with the fuel suppliers. Time and again CABx comment on the number of attempts made to resolve problems directly with suppliers before the Bureau has been approached. High costs are incurred on repeated telephone calls and clients' letters are often ignored. Clients complain of the difficulties of getting past automated telephone answering systems in order to speak to a person, and all too often they are then referred from one department to another without anyone appearing to be willing to take responsibility for or to act on their problem. Advisers fare little better, although it does seem that their enquiries are more often taken seriously than those of their clients.

A Hertfordshire CAB reported the case of a client who queried an excessively high electricity bill. He telephoned the company but was simply told that he would have to pay it and then check it against the next bill. The CAB adviser felt that the customer services assistant adopted a very different, and more helpful, attitude when telephoned by the CAB. A mistake was spotted in that the client had been charged the wrong rate for night-time electricity and a reduced bill was promised.

A South London CAB advised a client who had received impossibly high gas bills after a meter change. She had tried to resolve this issue herself with the supplier's customer services, but said she was always "fobbed off". She attributed this to her dyslexia and felt that she was being discriminated against. After the bureau contacted the supplier, the company admitted that there had been an error and the client had been billed at three times the rate that was agreed in her contract.

A CAB in Sussex attempted to contact the gas supplier of their client to talk about his debt. "It took one and a half hours to actually talk to someone who could give the adviser an answer."

Another CAB in Sussex advised a single mother, on Income Support, without access to a telephone of her own. She had moved into council accommodation and had tried on five occasions to arrange connection of the gas supply by using public phones, repeatedly running out of money while being transferred between departments. The family had been without heating and hot water for two weeks. The CAB adviser spent 35 minutes on the telephone, being passed through four departments, before being able to arrange for connection.

The client of a CAB in Wales was waiting almost a month for her electricity to be connected after moving into a council flat where the previous tenant was in arrears. The CAB wrote: "As usual with call centres, contact was almost impossible. Six attempts were made to contact the supplier before we eventually got through and then joined the 21 minute queue. It is just not possible to wait this length of time if you have to phone from a call box."

- 10.2 Automated telephone services are frequently cited as being a barrier rather than an aid to effective communication. Many CAB clients need the option of speaking to an operator.

A CAB in Staffordshire advised an elderly client who had transferred both his fuel suppliers and then was supposed to have cancelled one of the transfers, and was getting unexpected bills and threats of disconnection from his original supplier. "It took an experienced adviser nearly two hours to get to the bottom of this matter. Automated 'phone lines added to the difficulty of doing this."

A West Midlands CAB described an elderly client being confused by a "robophone" when she tried to contact her electricity supplier. The CAB noted that automatic answering systems can be confusing for people of any age, and suggested that more care should be taken to ensure that the message is easily understood

- 10.3 CABs often need to provide forms to third parties such as the Benefits Agency confirming that they are acting on behalf of a client, authorising the third party to discuss the matter with the CAB. Sometimes the lack of an authorisation form from the CAB client is raised as an obstacle to the fuel supplier communicating with the CAB adviser. CAB experience suggests that sometimes this is used as a delaying tactic by the supplier and that when forms are provided they can often go astray in the company systems.

A Suffolk CAB wrote of a major gas supplier that is "one of the worst offenders for refusing to discuss clients' circumstances. (They) always ask for a faxed Form of Authorisation and say they will phone back when they have received the fax. But they never phone back."

A CAB in Cheshire advised a disabled client experiencing billing confusion following supplier change. The client could not come into the bureau but had to be visited by the adviser at home. Having spent 45 minutes on the telephone to the gas supplier on one day, when the client's authorisation was given, at the subsequent telephone contact the adviser was told that the client's case could not be discussed without the client's permission "because of Data Protection". The adviser rang back a few minutes later and spoke to somebody else.

A CAB in the Midlands sought to clarify billing confusion following supplier change for a recently widowed client, by contacting the two gas companies involved. "In practice," the CAB wrote, "this proved to be a long, demanding and frustrating task. Automated 'Helplines' rendered it difficult in the extreme to discuss matters with appropriate staff. Also, both companies were reluctant to communicate with us on the grounds that they had supposedly not received our Form of Authority."

- 10.4 A frequent complaint against suppliers concerns contradictory communications, possibly due to a failure of internal communication, or simply when an agreement to do something has not been recorded.

A Sussex CAB client queried a gas bill of £70 and sent her own meter reading, for which she received an acknowledgement to say that it was being dealt with and she would be contacted within 10 days. Meanwhile, two days later she received another computer-generated demand for payment stating that legal action was about to be taken. She was fearful of this happening until a phone call from the CAB to the supplier “put the matter into perspective.”

A Greater Manchester CAB advised a couple who were both disabled. They received a high bill following under estimated readings, because their meter was read only once per year. Despite making an agreement to pay by instalments, and keeping to it, the clients received a final notice because the supplier had failed to record the agreement.

- 10.5 When fuel suppliers' customer service staff fail to listen to their customers or act on information supplied problems take an unnecessarily long time to resolve, leading to increasing frustration and expense for customers.

A London CAB client provided an accurate meter reading to her new gas supplier on transfer as requested, but subsequently received a higher bill than usual based on an estimated reading. She had contacted the supplier on several occasions, but nine months on had still not received an accurate bill. “The client has become increasingly frustrated as she has no telephone and uses payphones to contact the company. Each time the client calls she is put on hold for long periods of time – at the client’s cost. Each time the client is told that the company has the correct meter reading and will resolve the issue within the next couple of weeks – nine months later and the problem still exists.”

The client of a CAB in East London spent over 12 months trying to resolve the problem of his gas prepayment meter deducting too much from his charge card. During that time the client made over 50 telephone calls from public payphones at a cost of at least £1 each. When the problem was finally resolved, due to the client’s persistence, the supplier declined to compensate him either for the cost of the telephone calls or for the stress or inconvenience caused “as these are difficult to quantify”. The client was awarded £20 as a gesture of goodwill.

Conclusions and recommendations

- 10.6 On the basis of CAB evidence, it appears that improved access to effective telephone communication could have a significant impact on the speed with which problems are resolved, to the benefit of all parties. There is little doubt that many CAB clients, and their advisers, would like to see an end to automated telephone answering systems, which seem to cost them so much time and expense when they attempt to contact suppliers. Failing this our evidence points to the need for companies to make a number of changes to the way these services are delivered:

- recorded messages should be kept as short and simple as possible, with the option to speak to an operator offered at the earliest opportunity;
- front end messages should indicate where the customer is in the queue and the expected wait to get through to a representative; and
- fuel suppliers should consider the provision of freephone numbers for dealing with billing problems and debt, or, at the very least, instruct operators to offer an immediate call back to any customer calling from a payphone or a CAB.

10.7 In addition CABx would welcome initiatives by companies to establish specialist teams of customer service staff that they could speak to about clients problems. This could save time and provide a focus in the company for the proper administration of client authorisations provided by CABx.

10.8 No amount of improved telephone access will help, however, unless there is someone at the supplier end who has the commitment and authority to take responsibility for solving the problem, and to see it through to a resolution. In many cases CABx time is wasted in repeat calls to different members of staff. Industry practice should be that where a problem is not resolved on the spot callers are given a reference for their enquiry to use in future, a firm timescale for resolution or further contact and the name/number of a more senior person to contact if there is a failure to contact the customer again. Ofgem and Energywatch should gather and publish information about company performance in dealing with telephone queries to enable consumers to compare suppliers effectively and to check that the guidance for complaint handling procedures are being followed. This monitoring should capture quality of calls as well as speed in responding.

11. Customers with specific needs

- 11.1 Gas and electricity suppliers are required by the conditions of their licences to pay particular attention to the needs of elderly, disabled and chronically sick customers, for example by maintaining a register of such customers and by adopting a code of practice detailing the specific services available to them. In many instances, the needs of these customers, for example to receive accurate and regular bills, are no different from the needs of any other customers. CAB clients, as a group, contain a high proportion of elderly, disabled and chronically sick people. Our evidence demonstrates that their needs are often not being met and suppliers are frequently failing to respond adequately to their specific needs. Either the services for customers with specific needs are not made available to them at all, or they are not publicised well enough.

A CAB in Suffolk reported the case of a disabled pensioner, living alone, whose gas meter was positioned so low that he had to sit on the floor to read it. But he could not then get up again. He received a standard letter quoting £300 for repositioning the meter, which frightened him. The CAB arranged for him to be put on the supplier's specific needs register so that the meter could be moved free of charge.

A south London CAB reported the case of an elderly client with learning difficulties who was unable to read her own meter. She received a series of high estimated gas bills and the CAB requested a meter reading on her behalf. They were told that there would be a charge for reading the meter more than once per year. The CAB commented, "It is unacceptable that this client should have to pay for the 'privilege' of receiving a correct reading and hence an accurate bill."

A retired client of a CAB in Devon wished to transfer back to her original gas supplier because her new supplier insisted that she must read her own meter despite her disabilities. She had severe arthritis and had difficulty holding a pen to write. She lived alone and had no telephone.

A CAB in the West Midlands reported the case of a deaf client who requested the presence of a sign language interpreter when the gas company came to check her landlord's gas appliances, because there were specific problems that needed to be addressed. The supplier refused to accept responsibility for arranging an interpreter, despite the fact that, in the view of the CAB, they were providing a service covered by the Disability Discrimination Act.

A client of a CAB in Greater Manchester, who had Parkinson's disease, tried to correct his estimated electricity meter reading by using the automated telephone service. He was cut off several times because the automated answering machine could not understand his voice. The Bureau called for such clients to be given the option to speak to an operator who could help them.

Conclusions and recommendations

- 11.2 All fuel suppliers must have, and obtain Ofgem approval for two codes of practice outlining the services that they will provide for customers with specific needs (Condition 37 and Condition 38)¹⁸. Commonly companies produce one code which covers all of the services which are available for customers who are of pensionable age, who are disabled or chronically sick, or who are blind or deaf. At the heart of these codes is the obligation to set up a Priority Service Register. Where customers join the Priority Service Register they can receive annual safety checks, special adaptations and advice on appliance use, repositioning of meters so that they can be read easily, passwords for identifying company staff, large print bills, nominated bill recipients and quarterly meter readings. No additional charges are made for these services.
- 11.3 CAB evidence suggests that there may be many consumers who could benefit from these services but who are unaware of what is available. At present fuel suppliers' codes of practice for customers with specific needs should be publicised to customers at least once a year.
- 11.4 To maximise take-up, however, suppliers' internal procedures and/or computer systems should be capable of alerting any staff when they are dealing with a registered specific needs customer, or, in appropriate cases, reminding staff to raise the possibility of registration with the customer.
- 11.5 Ofgem should monitor how well companies promote services for customers with specific needs and integrate these with other systems so as to provide a high standard of service at all times to these customers.

¹⁸ Electricity Supply Licence: Standard Conditions – DTI September 2001 and Gas Supply Licence: Standards Conditions – DTI September 2001

12. Conclusions and list of recommendations

- 12.1 This report provides an overview of the types of fuel enquiries that CABx have been dealing with since the market for fuel was opened up to competition in 1998 for gas and 1999 for electricity. The evidence described in the report illustrates the experiences of those fuel customers for whom the market is not working well and who have sought advice from CABx.
- 12.2 The problems CAB clients are experiencing have as their root one or more of the following:
- the regulations designed to protect consumers are not sufficiently clear;
 - companies are not complying with regulations designed to protect consumers; or
 - companies are simply providing a poor customer service.
- 12.3 In the rest of this concluding section we discuss the scope of the current regulatory regime and go on to list the specific recommendations for improvements in regulation, compliance and customer service in the fuel industry that we have outlined in each section of this report.

Overview of the current regulatory regime

- 12.4 The regulatory regime for fuel companies appears to be comprehensive, in scope, and aimed at protecting consumers. Primary legislation, principally the Gas Act 1986 and the Electricity Act 1989, as amended by the Utilities Act 2000, prescribes that companies must be licensed to supply fuel to domestic, and other, customers. Licences include conditions which set out requirements placed on domestic fuel supply companies. These licence conditions are effectively rules which the regulator, Ofgem, uses to police the market for fuel.
- 12.5 The licence conditions address a number of specific areas where companies interface with customers. There are conditions relating to the reading and inspection of meters and complaint handling procedures. Some licence conditions require the fuel supply companies to produce codes of practice that will describe, for customers' benefit, details of their policies and practices in these areas. The codes normally have to be approved by Ofgem who ensures that the codes include any specific licence requirements for these particular obligations and otherwise meet any guidance the regulator has given. In Appendix 1 of this report we provide a synopsis of the main features of the licence conditions and association rules which are concerned with companies' interactions with consumers.
- 12.6 The codes of practice are a key instrument in consumer protection in the fuel industry. The basic scope and content of many of these codes has been in existence for over 15 years. The codes are intended to let consumers know how they can expect their supplier to comply with the licence requirements. codes cover areas such as payment of bills and dealing with customers in difficulty, prepayment meters and complaint handling procedure, procedures for access to premises and powers of entry; advice on efficient use of gas and

- electricity and services for customers with specific needs because they are disabled, for example.
- 12.7 Ofgem, the regulatory body, produces guidance for domestic fuel supply companies setting out what should be included within various codes in order for a company to obtain Ofgem approval. Ofgem's guidance reminds fuel suppliers that they should be making use of complaints to gain information about consumers' problems and identify improvements in service.
- 12.8 The codes of practice are available to fuel customers on request and could potentially be a tool in choosing a supplier by comparing issues such as the frequency of meter reading or times within which types of complaint will be processed and resolved, which can vary from company to company.
- 12.9 Most importantly fuel suppliers must comply with the conditions of their licence and, where relevant, codes of practice that have been prepared pursuant to a licence condition and approved by the regulator, Ofgem. This means that the regulator can, and should, take enforcement action where it is satisfied that a company is not complying. Where a licence condition or a code of practice is breached, enforcement action can encompass ordering a company to comply. In the event of a continuing failure to comply, a company could now attract a financial penalty, under section 27A(8) of the Electricity Act 1989 and section 30A(8) of the Gas Act 1986 (these sections were added by sections 59 and 95 of the Utilities Act 2000). From 13 April 2002, Ofgem can impose penalties up to the value of 10 per cent of the companies' turnover¹⁹. The CAB service welcomes this new power. If used by Ofgem to tackle some of the problems CAB clients have been experiencing it should offer an important incentive to ensuring all companies comply with the baseline standards required by licence conditions.
- 12.10 In addition to the licence condition and guidance Ofgem has produced a Social Action Plan (March 2000) which sets out work that it is undertaking on helping to tackle fuel poverty. Ofgem has sought to improve the codes of practice which are prepared pursuant to licence conditions so as to bring about improvements in the way that customers who are fuel poor are handled by fuel suppliers. Ofgem considers that provision of services has been enhanced since November 2000 in the following ways:
- increased access to payment facilities for customers paying frequently by cash;
 - a new code to ensure better information and services for prepayment meter customers;
 - a more proactive approach to the prevention of debt, through emphasis on early contact with customers;
 - a better dialogue with customers in debt and an obligation to take into account the customer's ability to pay when negotiating debt repayments – the codes now say that customers on benefit will not normally be asked to pay more than the Fuel Direct rate (currently £2.70 a week);

¹⁹ The Electricity and Gas (Determination and Turnover for Penalties) Order 2002

- improved promotion and provision of energy efficiency advice, in particular for customers on low incomes or those with payment difficulties – with such customers being directed towards grant schemes such as the new Home Energy Efficiency Scheme (HEES) and Energy Efficiency Commitment (ECC); and
 - improved promotion and provision of services for vulnerable customers.
- 12.11 Ofgem has also introduced new arrangements for monitoring suppliers' performance against their codes and sought to improve the operation of the Fuel Direct scheme. It is currently working with Energywatch, the consumer representative body for fuel consumers, to develop best practice guidelines for suppliers on the prevention and management of debt. There are also a variety of standards of performance for suppliers. Ofgem has also sought the adoption of a voluntary charter for fuel suppliers on the handling of erroneous or unwanted transfers of customers in the new competitive market.
- 12.12 And in addition to the fuel specific regulatory regime of licence conditions and commitments general consumer protection law, such as that relating to unfair contract terms, doorstep and distance selling applies to dealings between fuel suppliers and domestic consumers.
- 12.13 In the context of an apparently comprehensive and long established set of licence conditions and codes of practice designed to protect consumers, the CAB Service finds it disappointing that it so often advises people who have received poor service and treatment when dealing with fuel suppliers. As the industry has opened up to competition CABx have been concerned by the emergence of problems with fuel sales practices and problems caused by transfers. **The evidence in this report shows that often domestic fuel supply companies are failing to provide what the licence conditions and codes of practice require, or these have been interpreted in practice in such a way as to reduce consumer protection.**
- 12.14 CAB clients who feature in this report, and particularly those who are fuel poor and on low incomes, do not have the resources to absorb the expense in money, time and emotional stress experienced when fuel suppliers fail them. Our recommendations, based on CAB evidence, are designed to strengthen regulation where appropriate; highlight where companies need to comply more fully than at present; propose giving companies incentives to comply; and identify ways in which companies can improve their service.

Recommendations

Transfers (paragraphs 2.23 to 2.27)

- Ofgem should monitor fuel suppliers to ensure that all customers transferring from one supplier to another are supplied with a copy of the contract and terms of conditions within five days of requesting transfer, as required.
- All customers should have a minimum period of 14 days from a request to transfer in which to cancel and be reinstated to their former supplier.

- Transfers should not proceed unless the new supplier notifies the former supplier of the customers' final meter reading for billing purposes, advises the customer that this has been done, and the reading is accepted by the former supplier.
- Suppliers should work together to reverse **any** transfers where the customer indicates they wish to cancel.
- Sales representatives should be fully trained in relevant consumer protection law and obligations specific to the fuel industry.
- As a minimum companies should be required to make a follow up contact with **all** consumers who are being transferred within 14 days of the 'sale'.
- Where a post-transfer follow up contact finds that a consumer did not want or no longer wants to transfer, the transfer should be cancelled and the customers reinstated to their former supplier immediately.
- In any cases where a consumer wishes to revert back to their former supplier this should be organised immediately. Where action to reinstate a consumer to a former supplier takes more than 28 days consumers should receive compensation automatically, and the amount should increase with the time it takes to cancel the contract.
- If a transfer takes place in a manner which does not comply with the required procedure the contract concerned should be invalid and the supplier should not be entitled to recover charges from the consumer. This should include situations where the supplier fails to provide a copy of the contract and terms and conditions in the requisite time.
- The industry should devise simple means and a central database or register to enable all consumers to find out easily who their fuel supplier is.
- Ofgem should have the power to resolve disputes about individual cases where it is alleged that a supplier has not complied with the transfer process.

Bills (paragraphs 3.15 to 3.20)

- All consumers should be entitled to receive accurate bills, based on their actual meter readings.
- In addition to promoting self reading and making this as accessible as possible companies should offer customers the facility to have their meter read, on request, quarterly, free of charge if they have any difficulty reading their own meter accurately and in case of dispute.
- Ofgem and Energywatch should produce guidelines for fuel suppliers on improving the layout of bills and information provided with bills.
- Ofgem should investigate the incidence of estimated billing in the fuel market and identify the scale of consumer detriment that this is causing, particularly to low income consumers.
- Companies should regularly and prominently inform consumers about their rights to have their meter independently checked by Ofgem.
- Ofgem should ensure that all companies have procedures which ensure consumers are not held liable for amounts caused by company errors or faulty meters.

Prepayment meters (paragraphs 4.16 to 4.21)

- Consumers who are in debt should be offered a choice of payment methods, including weekly payment schemes and Fuel Direct.
- Prepayment meters should not be installed without consumer consent.
- Ofgem should audit companies' debt recovery practices to check that companies are complying with the licence and codes of practice.
- Ofgem should monitor companies compliance with guaranteed standards for response times and payment of compensation to prepayment meter customers where there is a fault resulting in loss of supply.
- Prepayment meter customers should receive quarterly statements of account from their supplier.
- Alternatives to prepayment meters should be offered in all cases where customers cannot readily access a payment point where keys / tokens can be charged.
- Where a prepayment meter has collected too much from a customer refunds should be made within two weeks
- Where a prepayment meter has been faulty or wrongly calibrated by the company the consumer should not be pursued for any arrears that may have accrued.

Other payment methods (paragraph 5.6)

- Fuel supply companies should accept one another's savings stamps, payment cards and tokens towards payment where fuel customers transfer.
- The status of Direct Debits should be confirmed by both new and old suppliers when the customers using this method of payment transfer.
- Alternative means of paying the equivalent sum should be offered to all customers paying arrears through Fuel Direct when these customers transfer to a new supplier.

Debt recovery (paragraphs 6.10 to 6.13)

- Consumers in debt should be given clear and more prominent information about the supplier's duty to take their ability to pay into account when agreeing the rate for repayment of the debt.
- Consumers in debt should be invited to make offers that they can afford or provide information about their income and other commitments so that an appropriate amount can be agreed.
- Consumers in debt in receipt of means tested benefits or who have incomes at this level should always be offered a rate of debt repayment equivalent to the Fuel Direct rate (of £2.70 per week currently).
- Companies and the Regulator, Ofgem should monitor the practices of any debt collection agencies used to collect fuel debt to ensure they comply with fuel industry standards.
- Ofgem's monitoring of companies debt collection practices should establish whether fuel companies are complying with county court Administration Orders in relevant cases.

- Customers who pay via Fuel Direct should receive quarterly statements of their account, including all payments made and any overpayments should be refunded within two weeks.

Disconnection (paragraphs 7.2 to 7.3)

- In addition to companies seeking to make effective face to face contact with consumers facing disconnection, consumers threatened with disconnection should be given much more and better information about their rights in the debt recovery process, procedures for raising disputes and getting these resolved and sources of independent help and advice.
- In any case where a dispute is referred to Energywatch this should result in a stop on further action including disconnection until the dispute is resolved.
- Ofgem should audit regularly to ensure companies are complying with the code of practice relating to disconnection and are giving consumers facing disconnection information about raising and resolving disputes.

Disputes about liability (paragraphs 8.5 to 8.6)

- Fuel suppliers should ensure that all customer service staff are trained and properly informed about the liability for charges in the event of a death or change of occupier.
- Fuel suppliers should consider setting up specialist teams within their customer service operations to deal with cases where the consumer has died.

Security deposits (paragraphs 9.4 to 9.5)

- In every case where a company requests a security deposit the consumer should be given clear information about their right to appeal and have the matter determined by Ofgem and their fuel supply protected until the determination has been made.
- Ofgem should review fuel suppliers' policies on requesting security deposits and consider whether they are appropriate from the perspective of tackling financial exclusion. As part of the review Ofgem should consider what steps fuel suppliers could be expected to take to advise customers about access to banking services and cheaper forms of borrowing.

Communication and customer service (paragraphs 10.6 to 10.8)

- Where companies establish call handling systems or call centres they should ensure that recorded instructions are kept short and simple as possible and the option to speak to a representative should be available very early in the menu. Systems should advise callers of their place in the queue and the expected wait.
- Companies should consider providing free phone facilities for consumers, and advice agencies to use to resolve billing and debt problems. Failing this call centre representatives should offer to call back any customer calling from a payphone or a CAB.

- Where consumers raise problems, queries and disputes with suppliers they should always be given reference numbers and the name of a senior person to contact if the problem is not resolved quickly.
- Ofgem and Energywatch should gather and publish information about company performance in dealing with telephone queries. The information collected should cover speed and quality of response.
- Companies should consider establishing specialist teams to deal with calls and contacts from CABx and advice agencies.

Customers with specific needs (paragraphs 11.4 to 11.5)

- Companies need to do more to promote the service they give to customers with specific needs because they are older, sick or disabled. For example all staff should be trained to identify when these services might be useful for an individual customer and encourage customers to register for those services.
- Companies need to ensure that all their internal systems and procedures take account of whether a customer has notified the company of a specific need, or has registered for the Priority Service Register.
- Ofgem should monitor how well companies promote services for customers with specific needs and how well companies use information they have about customers' specific needs to provide a good standard of service at all times to these customers.

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Appendix 1: Existing obligations of fuel companies

1. In order to provide a context for the recommendations in this report, this appendix summarises relevant obligations already placed on fuel companies who supply consumers, where these rules are relevant to our recommendations. These obligations are found in licence conditions and in standards of performance.

Licence conditions

2. Under the Gas Act 1986 and the Electricity Act 1989 as amended by the Utilities Act 2000 companies must be licensed to supply fuel. Licenses are granted and policed by the regulator, the Office of Gas and Electricity Markets (Ofgem). Licences contain a set of standard conditions, determined by the Secretary of State, that detail the obligations placed on all fuel companies. Individual licences can include additional conditions. This appendix refers to the published standard licence conditions and the relevant licence condition number has been indicated for reference purposes.
3. Licences and the conditions set under them provide the means of ensuring that the fuel industry works to a set of rules that are fair and that offer reasonable protection for fuel customers. They provide specific consumer protection in addition to the general legislation for the protection of consumers that applies to all goods and services.
4. Some of the licence conditions require the licensed fuel supplier to produce a code of practice that meets that licence requirement, detailing the company's own policies and procedures for achieving this. Where a code of practice is required there is a set process (*licence condition 27*), to obtain Ofgem's approval, which includes consultation with Energywatch. Ofgem also provides guidance for domestic suppliers on the content of these codes. Codes are required to be available on demand **and** brought to the attention of relevant customers at least once a year.
5. Where there is evidence of persistent breaches of licence conditions, including the codes of practice, Ofgem can use its enforcement powers. These include: undertakings to improve, issuing an enforcement order, changing that licence to require a specific action agreed by the company and Ofgem and the imposing financial penalties. The power for Ofgem to levy financial penalties on companies, up to 10 per cent of turnover, is available under section 27A(8) of the Electricity Act 1989 and section 30A(8) of the Gas Act 1986. (These sections were added by sections 59 and 95 of the Utilities Act 2000). Ofgem has only been empowered to use this enforcement tool since the 13 April 2002²⁰.

²⁰ The Electricity and Gas (Determinations of Turnover for Penalties) order 2002

Standards of Performance

6. A further important tool available to the regulator is the consumer protection Standards of Performance. These are found in regulations made under the Gas Act 1986 and the Electricity Act 1989 and the Utilities Act 2000. These regulations are statutory instruments that originally applied to the fuel companies who were the monopoly providers before competition. Standards of Performance are common to all fuel companies. The current version of them came into force on 1.10.2001 with amendments from March/April 2002 for Electricity and 1.4.2002, including amendments, for Gas. Their purpose is to lay down specified time limits, 'prescribed periods', within which certain services must be provided and specific sums, 'prescribed sums', that must automatically be paid to customers (in cash, by cheque or by crediting the account) where the fuel company fails to meet these requirements. This does not preclude any relevant damages claim but is designed to ensure all customers are paid when a fuel company fails to meet these requirements. Standards are made for meter accuracy disputes, charges and payments, prepayment meter problems, appointments and loss of supply. Information about what fuel customers should expect from these standards must be provided once a year and on request as well as being lodged with the regulator. Standards of Performance are also a tool for the regulator to monitor fuel companies' performance through records of compensation given.

Transferring or changing from one supplier to another

7. There are several licence conditions designed to protect consumers when they are exercising their rights to choose the fuel company they want to supply them.

Marketing (licence condition 48- Marketing of Electricity/Gas to Domestic Customers)

- Supply companies must have appropriate procedures for the selection of marketing staff involved in oral communications with customers. Reasonable steps must be taken to train these staff so that information they give customers about competition, prices and terms of supply such as payment methods is not misleading.
- Consumers should be able to identify the company approaching them as a potential chosen supplier and understand a contract is being made for fuel supply.
- Unsolicited visits should be at reasonable times but no specific times are detailed as being reasonable.
- Between 24 hours and 14 days after a domestic supply contract is made by phone, at the doorstep or in a public place the supplier must endeavour to phone or write to check the consumer knows they have made this contract, to check that the customer wants this contract and also that they are happy with the way it was done.
- If the customer does not want this contract the fuel company making this initial contact should terminate the contract and pay compensation where appropriate.

- The supplier should keep a record of these follow up contacts and should use this information to remedy weaknesses and report on it to Ofgem and Energywatch.

Contracts (licence conditions 42-Domestic Supply Contracts, 43-Contractual Terms – Method of Payment, 44-Notification of Terms)

- Supply companies can only supply fuel to domestic customers under a supply contract or a deemed contract
- A deemed contract is one that applies to a customer who hasn't expressly agreed a contract with that supplier, such as a new tenant or occupier of supplied premises.
- The supply contract must be in a standard form but there can be different forms of it for, for example, different payment methods.
- The supply contract must set out the terms and conditions, including price terms and terms for cancelling the contract.
- In any contract with consumer's fuel supply charges must be shown separately from charges for other goods and services supplied under the same contract.
- Contract terms can vary for different 'classes' or groups of customer so, for example, the terms for customers in a particular area or paying by a particular method can differ from terms offered to other customers but all contracts should aim to include terms similar to those in a deemed contract.
- Supply companies must take 'reasonable steps' to draw potential customers' attention to the principal terms of a domestic supply contract and, once a customer has entered into a contract, supply a copy of the full terms within five working days.
- A range of payment methods and intervals must be available to domestic customers. Also, Standards of Performance for electricity suppliers require that suppliers who receive a customer request to change payment methods must provide a full explanation within five working days if they do not expect to agree this request. Failure to do this requires an automatic payment of £20 to the customer.

Supply details (licence condition 21 –Publication of Information to Customers)

- Supply companies should inform customers of their supply number (for electricity)/ meter point reference number and transporters details (for gas) on every bill or statement or at least annually for customers who do not receive bills or statements.
- There is some provision for discovering who your fuel supplier is if you do not know. To get this information for the electricity supplier the original local electricity distribution company for that area has to be contacted and their Meter Point Action Service (MPAS) can provide the electricity supply number and current supplier details. To find out who supplies the gas to their home consumers can contact the M-Number hotline on 0870 608 1524 for their Meter Point Reference number and supplier details.

Temporary loss of fuel supply

- Where the fuel company is responsible for a loss of supply and fails to restore it in 24 hours domestic consumers must automatically be paid £30 and a further £30 for each subsequent 24 hours without supply, under gas Standards of Performance.
- Under Standards of Performance, where service pipe work is done at an existing gas customer's premises and the company fails to reinstate the premises within 10 working days, domestic customers must receive £50 and a further £50 for each additional period of five days whilst this failure continues.
- Where electricity customers suffer a power cut of more than three hours on three occasions in a year the customer must automatically receive a payment of £50, under Standards of Performance.
- For other electricity power cuts the Standards of Performance require an automatic payment to the domestic customer of £50 where loss of supply exceeds 18 hours and a further £25 for each additional 12 hours without supply.

Billing

Meter Reading (licence condition 17- Reading and Inspection of Meters)

- Supply companies are required to 'use all reasonable endeavours' to read and inspect meters every two years. Individual companies have different practices for meter reading frequency and should supply this information on request.

Meter accuracy Standard of Performance

- Standards of Performance provide that domestic fuel customers can notify the supplier if they think that the meter is operating inaccurately. The supplier then has to either offer to visit the customer within seven working days to inspect the meter or explain within five working days why whatever is being complained of is happening. If the supplier fails to act within these time limits they must automatically pay the customer £20.

Information on fuel consumed (licence condition 40- Information Given to Domestic Customers)

- Fuel suppliers must keep their customers informed of the amount of fuel registered by the meter, where the meter has been read, or estimated to have been used if there has not been a firm reading. This information must be shown in each bill or statement or at least annually for customers who do not receive bills or statements.
- The most recent meter reading must be supplied to customers who ask for their meter reading.
- Information about Energywatch must be supplied with each bill or statement.

- As a Standard of Performance, all fuel customers must be sent a copy of a statement explaining the rights detailed in the Standards of Performance and the level of performance achieved once a year.

Prepayment meters

Ofgem approved Code of Practice (licence condition 36- Code of Practice on the Use of Prepayment Meters)

- The Code of Practice must contain the suppliers' policies on installing prepayment meters and procedures to inform customers about their operation, advantages and disadvantages. It must also including details on token/key/card outlets in the area, actions available if the meter or token fails and applicable Standards of Performance, as well as calibration and removal arrangements.
- Ofgem guidance for code of practice content includes a detailed list of information on remedies, charges and challenges available to customers. It includes an expectation that company outlets for obtaining and charging tokens will be available not more than a mile away. There is also an expectation that the code of practice includes procedures for dealing with customers in financial difficulties. Ofgem further expect there to be 'reasonable' access to token points but give 'a rural area' as an example of where one mile may not be reasonable. Levels of service on distance to token facilities should be described in the code of practice.
- Ofgem expects codes of practice to include repairs to token points with attendance in six hours/repair in twelve hours, a freephone or local rate service for malfunctions, three hour response time to repair meters on weekdays and four at weekends, emergency credit provision to cover a three day weekend and arrangements to contact customers where self-disconnection is a concern.
- The Standards of Performance Regulations say that where the relevant fuel company fails to respond within the specified times to a customer's contact about a prepayment meter that has failed, that customer should automatically receive compensation of £20. The specified times are four hours on any day for gas and three hours on working days and four hours on other days for electricity.
- Ofgem guidance is that repayment of debts through calibration of prepayment meters should be 'manageable' and that the rate of debt recovery should be at the fuel direct level for customers on relevant benefits. Ofgem policy does not appear to extend this beyond those on Income Support or Job Seekers Allowance although companies clearly may go further at their discretion.

Arrears collection, Disconnection and Deposits

Ofgem approved Code of Practice (licence condition 35 - Code of Practice on Payment of Bills & Guidance for Dealing with Customers in Difficulty.)

- Fuel suppliers are required to have a Code of Practice on Payment of Bills & Guidance for Dealing with Customers in Difficulty.

- The codes must include procedures the company uses to distinguish customers in difficulty from other defaulters so that the supplier can provide energy efficiency information, accept fuel direct payments, detect where instalment arrangements are failing, make instalment arrangements taking account of ability to pay and, where arrangements fail, provide prepayment meters before any disconnection action. Winter disconnection should be avoided for people who are pensioners, are disabled or are chronically sick.
- Ofgem code of practice guidance says that the code should include a statement that the supplier will take account of ability to pay when agreeing repayment arrangements and calibrating prepayment meters and that the company will confirm with customers that the arrangements are manageable.
- Ofgem code of practice guidance on identifying and dealing with consumers in difficulty says the code should include details of the attempts that will be made to contact customers by letter, phone or in person and time scales for follow up action. It also says that rate of debt payments should be on a pro-rata basis with other creditors where information is provided via an acknowledged money advice agency.
- Ofgem's code guidance includes a range of relevant information to be included and that the code, or a summary of it, should be provided at an early stage in any action for non-payment.
- Ofgem guidance on how the code of practice should deal with security against non-payment of future bills includes what constitutes security i.e. a deposit, prepayment meters, direct debits or a guarantor. It also includes how deposits are calculated (1.5 times the expected quarterly bill for fuel), repayment of deposits, Energywatch's role in dispute resolution and Ofgem's appeals mechanism role in relation to security deposits.

Security Deposits (licence condition 45)

- Fuel suppliers cannot require a deposit from customers who are using a prepayment meter or are having a prepayment meter fitted or 'where it is otherwise unreasonable in all the circumstances'. There is no definition of 'unreasonable'.
- Security deposits can be 1.5 times the average quarterly fuel use or 'more if it is reasonable in all the circumstances'. A firm meter reading is not required for this calculation.
- After a month, simple interest is payable on deposits, at the base rate of a bank designated by Ofgem – currently Barclays Bank Plc.
- Deposits must normally be repaid within 14 days where the previous 12 months' bills have been paid within 28 days so that no debt remains. There is an exception where it is 'reasonable' for the deposit to be kept.
- Any deposit should be repaid within a month where the supplier changes and no money remains owed. This would not apply if the account had been legally assigned.
- Both fuel suppliers and customers have the right to refer a dispute to Ofgem about whether a security deposit is to be paid and if so how much it should be. Ofgem then makes a determination.

Customer Service and Communications

Ofgem approved Code of Practice (licence condition 39 – Code of Practice on Complaint Handling Procedure)

- Fuel suppliers are required to have a code of practice detailing their procedure for handling consumer complaints, including the time within which types of complaint will be processed and resolved.
- Ofgem's code guidance says that complaints should be dealt with fairly and efficiently and in the shortest possible time and the company should use the complaints handling procedure to gain intelligence about its customers' problems, so as to make improvements.
- Ofgem guidance also expects the code of practice to include details of how to contact the supplier to make complaints and any special arrangements to facilitate this for customers who are of pensionable age, disabled or chronically sick or whose first language is not English.
- Ofgem guidance expects the code of practice to include a procedure for reviewing complaints at a more senior level where consumers are dissatisfied, including a named individual or job title. Ofgem also requires that details of how Energywatch can assist, arrangements for compensation when Guaranteed Standards of Performance have not been met and details of other relevant advice agencies be included.
- Performance Standards provide that disputes about entitlement to compensation can be referred to Ofgem for a determination. Ofgem can require that the relevant party meet the costs of determination. Where an order is then made for a supplier to make a payment to the customer and they fail to do this, the customer can set this sum off against any charges he/she owes to that fuel company.
- Appointments are covered by Performance Standards. These require that when a customer or the supplier instigates a request for the company to visit the customer at home, the supplier must, within a reasonable time, offer a timed appointment. If the supplier fails to do this, or fails to keep such an appointment and does not give a days notice, they must automatically pay the customer £20.

Specific Needs Customers

Ofgem approved Code of Practice for Persons Who are of Pensionable Age or Disabled or Chronically Sick. (Licence condition 37) & Provision of Services for Persons Who are Blind or Deaf (licence condition 38).

- Suppliers are required to have a code of practice on customers who are of pensionable age, disabled or chronically sick. The code must include arrangements for the fuel supplier to notify customers, at least once a year, of its 'Priority Service Register' to obtain certain free services for these customers, and how they can be included on the register.
- Advantages of being on the Priority Service Register include:
 - an annual safety check for registered customers but only where they do not live with an adult who would not qualify within this group;
 - special adaptations and advice for appliance use;

- repositioning meters;
- passwords so that the customer can identify the people working for the fuel supplier e.g. if they call to read the meter;
- nominated bill recipients; and
- quarterly meter readings.
- Ofgem guidance on this code of practice includes measures to link the licence provisions for avoiding disconnection of this group of customers in winter and provisions for customers who are deaf or blind.
- The code of practice for services for customers who are deaf or blind, must include that suppliers bills must be provided to blind or partially sighted customers and to deaf or hearing-impaired customers in a form that these customers can access and their enquiries and/or complaints must be facilitated.
- Priority service gas customers must be provided with alternative heating and cooking facilities within four hours, where the fuel company is responsible for the loss of supply. Where the fuel company fails to do this the customer is entitled to automatically receive a payment of £24.

Record of Report on Performance (licence condition 26)

- Fuel supply companies are required to keep a record of the operation of arrangements made in several of the licence conditions relating to their dealings with customers. Ofgem and Energywatch must be provided with the information in these records on Ofgem's written request.
- Energywatch are currently gathering information on complaints statistics.
- Standards of Performance statements must be prepared by fuel companies to explain customers' rights under these standards. Before making this available to customers a copy must be given to Ofgem and to Energywatch.

Erroneous Transfer Customer Charter

- All fuel suppliers have signed up to the voluntary Erroneous Transfer Charter, which came into effect at the beginning of 2002.
- The principle of this charter is that customers who have been transferred in error will be switched back with as little inconvenience to the customer as possible.
- An appropriately trained representative of the contacted supplier should explain to the customer:
 - what action will be taken;
 - when they can reasonably expect to be transferred back to their original supplier;
 - that they will only pay once for the energy consumed and where possible, how their billing arrangements will be treated;
 - how they will be kept informed of progress towards resolution; and
 - on request, how complaints will be resolved and, where appropriate, how compensation claims will be dealt with.
- The contact supplier will send written confirmation of the details provided above within five working days of the customer contact. Where possible the supplier will include an explanation of why the erroneous transfer took place.

- The customer will be provided with confirmation within 20 working days of their initial contact that they will be returned to their old supplier.
- Either supplier can be contacted to achieve this and the charter is due to be reviewed in August 2002 to check whether it has been effective or further action is required.

Appendix 2: CABx that submitted evidence between January 2001 and December 2001

EAST REGION

Abbots Langley
 Aylesbury
 Basildon
 Beccles
 Bedford & District
 Billericay
 Bishop's Stortford District
 Braintree & District
 Brentwood
 Broxbourne
 Bury St Edmunds
 Cambridge & District
 Castle Point
 Chiltern (Amersham)
 Clacton-on- Sea (Tendring)
 Colchester
 Corby
 Daventry & District
 Dereham (Norfolk Rural)
 Diss Eye & Harleston
 Dunstable & District
 Ely
 Epping
 Felixstowe & District
 Fenland (Main)
 Great Yarmouth
 Harlow
 Haverhill
 Hemel Hempstead (Dacorum)
 Hertford
 Hertsmere
 High Wycombe
 Hitchin
 Huntingdon
 Ipswich & District
 Kings Lynn & District
 Leighton Linlade
 Letchworth
 Loughton
 Lowestoft
 Luton
 Mid-Suffolk (Stowmarket)

Mildenhall & Brandon
 Milton Keynes (Bletchley)
 Newmarket
 Northampton & District
 Norwich & District
 Oxhey & District
 Peterborough
 Rickmansworth
 Royston
 Southend-on-Sea
 St Albans
 St Neots
 Stevenage
 Uttlesford (Saffron Walden)
 Waltham Abbey
 Ware & District
 Watford
 Wickford
 Wellingborough
 Witham
 Wyomondham & District

LONDON REGION

Addington
 Barking & Dagenham
 Beckenham & Penge
 Beddington & Wallington
 Bermondsey
 Bexleyheath & Welling
 Brent
 Brentford & Chiswick
 Bromley & Chislehurst
 CALL (Citizens Advice for London)
 Catford
 Chelsea
 Dagenham
 Ealing
 Edmonton
 Eltham
 Enfield Town
 Erith
 Feltham
 Finchley (Friern Barnet)
 Fulham

Grahame Park
 Haringey
 Harrow (Harrow Outreach)
 Hendon
 Hillingdon (Hayes)
 Hillingdon (Ruislip)
 Hillingdon (Uxbridge)
 Hillingdon (Yiewsley)
 Holborn
 Holloway
 Kensington
 Kentish Town
 Kilburn
 Kingston-upon-Thames
 Mitcham
 Morden
 New Barnet
 Newham Docklands
 Orpington
 Paddington
 Palmers Green
 Pimlico
 Putney
 Redbridge
 Richmond Upon Thames
 Romford
 Royal Courts of Justice
 Sheen
 St Helier
 St Marylebone
 Sutton
 Thornton Heath
 Tooting & Balham
 Tower Hamlets East
 Twickenham
 Whitechapel
 Woolwich

MIDLANDS REGION

Ashfield
 Banbury & District
 Bassetlaw (Retford)
 Bedworth & District
 Beeston
 Bicester
 Biddulph

Bilston	Rugby	Harrogate
Birmingham City Centre	Rugeley	Hartlepool
Birmingham District Health Project	Rutland	Hull City Centre
Boston	Shrewsbury	Keighley
Bridgnorth & District	Smethwick	Leeds
Brierly Hill	Solihull	Middlesbrough
Bromsgrove & District	South Derbyshire	North Tyneside (The Valley)
Burton-upon-Trent	South Holland	Otley
Cannock	South Shropshire	Redcar & Cleveland (Guisborough)
Chelmsley Wood	Stamford & District	Richmondshire
Chesterfield	Stoke-on-Trent (District)	Ripon
Coalville & District	Stone	Rotherham
Coventry	Stourbridge	Ryedale
Cradley Heath	Straford-on-Avon	Scarborough & District
Derby	Tamworth	Sedgefield & District
Dudley	Telford Town Centre	Selby District
Eastwood & District	Tipon	South Kirklees (Huddersfield)
Grantham & District	Uttoxeter	South Tyneside
Halesowen	Walsall	Stainforth
Handsworth	Warwick District	Stockton & District
Harborough District	Wellington	Information & Advice Service
Hereford & District	West Bromwich	Thorne & Moorends
Hinckley	West Lindsey	Tynedale
Kidsgrove	Wolverhampton (Pendeford)	Wakefield District
Kings Heath	Worcester	Wansbeck
Leicester	Wychavon District (Evesham & Droitwich)	Washington
Lichfield	Wyre Forest	Wear Valley
Lincoln & District	Yardley	York
Low Hill		
Lutterworth		
Malvern Hills District	NORTH REGION	NORTH WEST REGION
Mansfield & District	Alnwick & District	Altrincham
Matlock	Barnsley	Ashton-in-Makerfeild
Melton Mowbray	Batley (N. Kirkless)	Atherton
Newark & District	Berwick	Barrow-in-Furness
Newcastle-under-Lyme	Blyth Valley	Bebington
Northfield	Boothferry District	Birchwood
North East Derbyshire (Clay Cross)	Bradford (West Yorkshire)	Birkenhead (Charity) Ltd
North Shropshire (Market Drayton)	Castle Morpeth	Blackburn
North Warwickshire	Calderdale	Blackley
Nottingham & District	Chapelton	Blackpool
Nuneaton	Chester-Le-Street	Bolton & District
Oldbury	Craven (Skipton)	Bradford (Gtr Manchester)
Ollerton	Doncaster	Burnley
Oswestry & Border	Doncaster	Carlisle
Redditch	Easington & District	
Ross-On-Wye	Garston	
	Gateshead	
	Hambleton	

Chester
Chorley & District
Crewe & Nantwich
Crosby
Cumbria Rural
(Grange)
Eccles
Ellesmere Port
Failsworth
Gorton
Hazel Grove
Heswall
Heywood
High Peak
Hindley
Hope Hospital
Hulme
Hyndburn
Irlam & Cadishead
Knowsley Central
(Huyton)
Knowsley North
(Kirkby)
Lancaster
Leigh & District
Liverpool City Centre
Longsight
Lower Broughton
Lymm
Lytham St. Annes
Macclesfield &
Wilmslow
Manchester Central
Marple & District
Middleton
Millom
Morcambe & Heysham
Northwich
Old Trafford
Oldham District
Penrith & Eden
Preston & District
Prestwich
Radcliffe
Ribble Valley
Rochdale
Royton
Runcorn
Sale
Skelmersdale (West
Lancs)

Southport
St Helen's
Stretford
Swinton & Pendlebury
Ulverston & North
Lonsdale
Walkden
Wallasey
Walton
Warrington
West Kirby
Whitehaven
Winsford
Withington
Workington
Wyre Ditsrict (Poulton-
Le-Fylde)
Wythenshawe

SOUTH REGION

Aldershot
Andover
Ash
Ashford
Basingstoke
Bexhill & Rother
Bishop's Waltham
Bognor Regis
Bracknell
Brighton & Hove
Broadstairs
Buckingham, Winslow
& District
Burgess Hill
Budah
Camberley
Canterbury
Chichester & District
Cranleigh & District
Crawley
Crowborough
Dartford
Deal
Dorking
Dover
East Grinstead
Eastbourne
Eastleigh
Edenbridge &
Westerham
Epsom & Ewell

Esher & District
Fareham
Farnborough
Farnham
Faversham & District
Fleet & District
Godalming
Gosport
Gravesham
Guildford
Hailsham
Haslemere
Hastings & Rother
Havant & District
Haywards Heath
Henley & District
Horley
Herne Bay
Horsham
Isle of Wight (Newport)
Kent Probation Service
Lancing & Sompting
Leatherhead
Leigh Park
Lewes (Peacehaven)
Littlehampton
Lymington
Maidenhead
Maidstone
Malling
Medway
New Milton & District
Oxted
Petersfield
Portsmouth
Reading
Redhill (Reigate &
Banstead)
Ringwood &
Fordingbridge
Romsey & District
Runnymede
Sevenoaks
Shoreham & Southwick
Sittingbourne
Slough
Southampton
Staines (Spelthorne)
Sunbury & Shepperton
Swanley WRU
Tadley & District

Tenterden
Thame
Thanet
Tonbridge
Tunbridge Wells
Walton, Weybridge &
Hersham
Waterlooville
Waterside
West Berkshire
Whitehill & Bordon
Whitstable
Winchester
Woking
Wokingham
Worthing & District
Yateley & District

WALES

Abergavenny
Abertillery
Ammandford
Bangor
Bargoed & District
Barry
Bridgend
Caernarfon
Caerphilly
Cardiff City Centre
Cardigan & District
Carmarthen
Chepstow
Colwyn Bay (Conwy)
Cowbridge & District
Cynon Valley
Denbighshire
Exeter
Flint (Delyn & Deeside
District)
Haverfordwest
Llanelli
Llandudno
Llangollen
Machynlleth & District
Meirionnydd
(Dolgellau)
Merthyr Tydfil
Monmouth
Montgomeryshire
District
Neath

Newport
Penarth
Pontypridd
Port Talbot
Prestatyn
Risca
Ruthin & District
Swansea
Torfaen (Cwmbran)
Wrexham & District
Ynys Mon (Holyhead)

WEST REGION

Barnstaple (North
Devon)
Bournemouth
Bridport & District
Bristol
Cheltenham & District
Devonport (Plymouth)
Dorchester & District
East Dorset
Forest of Dean
Frome & District
Henley & District
Ilfracombe (North
Devon)
Kennet
Kingswood District
Liskeard
Mid Somerset
Newton Abbott
(Teignbridge)
North Cornwall
(Bodmin)
North East Somerset
North Somerset
North Wiltshire
Oxford
Pembroke Dock
Penzance (Penwith)
Plymouth City Centre
Salisbury & District
Sherborne
South Gloucester
South Hams
(Dartmouth)
South Somerset
Stroud
Swindon and District
Taunton & District

Tavistock
Teignmouth (Dawlish)
Thame
Torquay (Torbay)
Truro (Carrick)
West Wiltshire
Weymouth & Portland
Witney

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