citizens advice

July 2026

Hidden debt, hidden risks

Fixing the two-tier system for heat network consumers with bundled charges

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Executive Summary

Heat networks are poised to be a cornerstone of the UK's energy transition, expected to meet 20% of our heating demand by 2050.[1] This could unlock billions in investment and create tens of thousands of jobs.[2] Done right, heat networks can deliver more efficient heating systems, lower bills and greener energy. Many councils, housing associations and businesses work hard to provide clean, affordable and reliable power through new investment in heat networks.[3] And the government and Ofgem have taken major steps toward realising these goals by introducing long overdue consumer protections and improved technical standards.[4] But progress to improve the consumer experience for existing heat networks risks being undermined by a two-tier system for people who pay for their heating within rent or service charges. This is called 'bundling' or 'bundled charging'. And it affects a third (34%) of heat network consumers. Today, that's more than 360,000 people.[5] But, by 2050, bundled charges could affect over 1.2 million people if the sector grows as planned and nothing is done to address the two-tier system and improve heat network infrastructure.[6] The government and Ofgem can fix this problem now. If they don't, murky bundled charges could undermine the new consumer protections.

Bundled charging leaves people behind

Bundling puts people at risk of losing their home if they fall behind on their bills. It also creates double standards in billing and back-billing and a serious loophole in fair pricing rules. Bundling can also make it harder to hold suppliers accountable when things go wrong. Our research identifies how housing rules and new heat networks regulations interact, how this impacts overall protections for these consumers, and recommendations to address risks.

The risk of eviction and forfeiture for hidden heat network debt

When heating and hot water costs are "bundled" within rent or service charges, heating debts can be hidden within rent or service charge arrears. This means the debt can be treated the same as if the person is in rent arrears, and eviction proceedings can be used to recover heat network debt. Leaseholders who pay for heating as part of their service charge can also face the threat of forfeiture if they fall behind on payments.[7] An energy company with a separate supply contract doesn't have the ability to threaten someone with eviction or forfeiture for non-payment of energy debt. 1 in 7 (14%) people with a heat network debt have experienced extreme forms of debt management, including eviction, threats of eviction, forfeiture orders and other court orders.[8] The proportion of heat network consumers in debt in England and Wales is lower (8%) compared to all UK households in energy debt (15%).[9] As such, cases of eviction and forfeiture caused by hidden heating debt are relatively rare. But one person losing their home as a result of energy debt is one person too many.

Double standards in billing and back-billing

People who pay within service charges aren't protected by the 12 month limit on back-billing. Housing law allows landlords to pursue charges up to 18 months old - or even longer in some situations. Billing transparency measures are also weaker: rules on frequency, billing periods and choice of payment methods don't apply to people who pay via service charges.

- Half (52%) of bundled consumers don't recall receiving a bill, account summary, statement or something else detailing what they pay for heating and hot water.[10]
- Of all heat network users who do receive bills, 1 in 7 (15%) have had a back-bill of longer than 12 months.[11] This is now against the rules for those who pay separately, but consumers paying via rent or service charge don't receive the same protection.
- Some clients we've helped via our specialist heat network advice have faced service charge bills for heat used up to 5 years ago. One group of leaseholders were recently charged over £110,000 in heat costs under the 18-month service charge rule. This gives the landlord 18 months to recover costs once the landlord gets charged - but the costs themselves date back 5 years.

Pricing Loopholes

People who pay via service charges aren't protected against retrospective price increases, which are plainly unfair. They aren't protected by the 6-month limit on price increases either. In the service charge system, people first get an estimated bill and get a bill for the actual costs later - then they have to pay the difference.

- Our research shows the difference between estimated and actual costs for heating can be very big, thousands of pounds in some cases.
- Bundled consumers are twice as likely to say they don't know what type of tariff they're on (58%) compared to non-bundled consumers (30%).[12]
- Suppliers with bundled charges only have to follow Ofgem's fair pricing framework 'as best as possible'. Housing law takes precedence. This loophole means these consumers might not benefit from fair pricing rules at all.

Weaker accountability and slower resolution

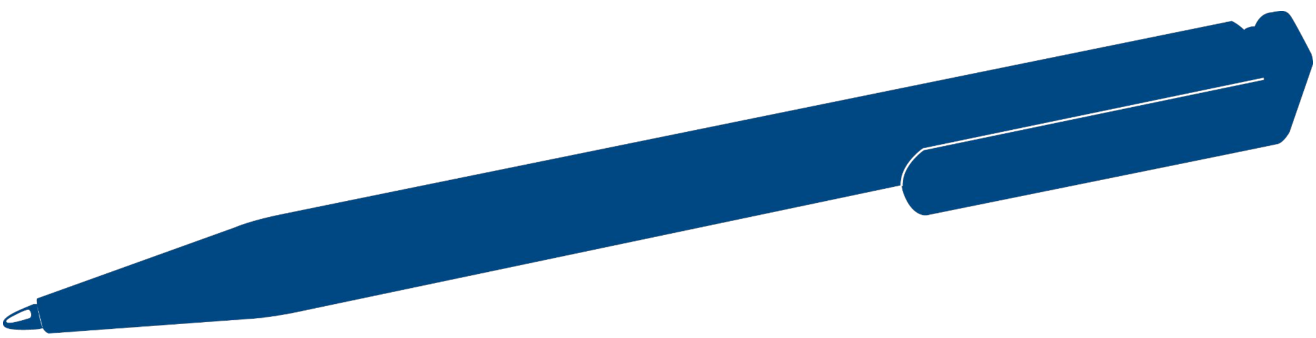
Bundled consumers face an ongoing information gap in contracts and billing, which may make it harder to get help when things go wrong.

- No automatic right to a separate heat contract document and a patchwork of redress pathways.
- Bundled consumers are more likely not to receive a contract when they move into their home: half (50%) said they didn't receive a contract, compared to 3 in 10 (30%) of non-bundled consumers.[13]
- Rules on billing frequency, billing periods and choice of payment methods don't apply for people who pay within service charges.

Recommendations

Government departments and regulators must make heat networks work now, not just in the future. If we don't fix the foundations now, consumers could experience bad outcomes for years to come.

- To make sure fewer people face bundled charges in future DESNZ must progress proposals for the roll-out of individual metering in older heat networks with ambitious timelines.
- To prevent eviction and forfeiture for heating debt, social tenants in England should get the same protections against debt-driven evictions that already exist in Wales. Courts should have greater oversight of private tenants facing eviction for heating debt and forfeiture should be abolished.
- To improve transparency and accountability, MHCLG should progress proposals for regulation of managing agents and improved service charge processes and Ofgem should set deadlines for providing missing contract information.
- To prevent long-term back-bills and retrospective pricing, Ofgem should make sure the companies that supply heat networks with energy are upholding the non-domestic Standards of Conduct on billing.



Introduction

Bundling puts people at risk of eviction, large back-bills and frequent price increases. Bundling also lowers transparency and accountability, and slows resolution if things go wrong. In this report, we show that bundled heating and housing charges can lead to serious harm, and set out a roadmap for change.

In January 2026 rules people have long taken for granted in the gas and electricity sector were introduced for heat network consumers for the first time. These include customer service standards to treat people fairly, billing transparency and debt support. Properly enforced, Ofgem's regulation should improve outcomes for consumers over time.[14]

But conflicts between Ofgem's rules and existing housing law mean that vital protections on debt, billing and pricing don't apply to everyone. Because of this, people with bundled charges will continue to face worse outcomes than people who pay for their heating separately.

Bundled charges affect around 150,000 households - over 360,000 people.[15] Nationally representative surveys from 2022 and 2026 confirm a third of heat network consumers pay via rent or service charges.[16] The total number of people who get their heating and hot water from heat networks is 1.1 million - or over 450,000 households in England and Wales.[17] By 2050, if the sector grows as planned and nothing is done to address the two-tier system and improve infrastructure, bundled charges could affect half a million households - up to 1.2 million people.[18]

The government's plan to roll-out individual metering in old and new networks should give suppliers the tools to reduce bundled charging in future. Ofgem has set an expectation in guidance that suppliers should move to unbundled charging when individual meters are installed.[19] But this is an expectation not a rule. Ofgem's regulations exempt suppliers who bundle costs into service charges from important protections on back-billing, billing and pricing.[20] To avoid incentivising suppliers to stick with - or even change to - service charge billing when meters are installed, the two-tier system of protections must be addressed.

A two-tier system of protections for a third of heat network consumers risks undermining the government's ambitious plans for both energy and housing. This matters because continued bad outcomes for bundled consumers could not only hinder the Department for Energy Security and Net Zero's (DESNZ) plans to improve energy security through the growth of heat networks.[21] The Ministry for Housing, Communities and Local Government (MHCLG) also want to deliver a decade of renewal in social housing, a fairer future for private renters and improved homeownership for leaseholders.[22]

Bundled charges affect people across housing tenures to different degrees. It's most common for people in social housing but it affects renters and leaseholders in the private sector too.[23] This means it's a complex problem to solve. But not fixing the problem could mean many people don't feel the full benefit that would otherwise flow from several ongoing reforms:

- The Renters Rights Act 2025, which puts an end to no-fault evictions and limits rent increases to once per year.[24]
    - Bundled consumers may be more vulnerable to eviction for rent arrears, which is a mandatory ground for eviction under the Renters Rights Act. This is because bundled heat charges can make large contributions to rent arrears. For people who get billed separately by a supplier, energy debt is counted separately to rent.

- The Leasehold and Freehold Reform Act 2024 is intended to improve the transparency of service charges and make it easier for leaseholders to challenge poor practices by landlords.[25]
    - But transparency for heat network costs within service charges could still be poor and difficult to challenge.
- The new Decent Homes Standard, which applies from 2023, says that 'every tenant should have the right to a warm home that is affordable to heat.[26]
    - Bundled consumers are still at risk of shock bills, unexplained charges and frequent price increases, which could make heating unaffordable.

Together, these reforms seek to make the housing system fairer, safer and more transparent. But, the two-tier system of protections for heat network consumers could mean many people won't feel the effects of these improvements. The housing reforms don't give heat network consumers similar protections to what they'd have if they paid for heating and hot water under a separate supply contract. And Ofgem's regulations exempt suppliers with bundled charges from some of their most important rules on back-billing, billing and pricing, as parts 2 and 3 of the report show in more detail.

The risk of eviction for hidden heating debt has potential to be especially damaging, as we cover in depth in part 1 of this report and as Sienna's story shows.[27] Sienna is a social housing tenant who has lived in her community for decades. In an interview she described how difficult it was for her and her neighbours when high heat network costs led to threats of eviction.

> *"So every time mail comes through the door, you're worried... It was quite. I would say, very stressful...*
>
> *There are some people who haven't been able to sleep. Some people have cut down on their food. It's. I, I think it's had a serious detrimental effect on a lot of people psychologically as well as physically."*
>
> *Interview, 2025, social tenant*

Finally, the two-tier system could undermine Ofgem's ability to be an effective and credible regulator. The bundling of heat and housing charges creates a patchwork of different rules, standards and redress routes, which is difficult to monitor and enforce in practice.[28] Part 4 of the report focuses on these issues of accountability.

None of this will be easy to fix overnight. Over the next 10 years, we expect fewer people to face bundled charges, as individual heat metering and billing becomes more common. This depends on the government pushing through proposals for mandatory technical standards - including metering - for heat networks to ambitious timelines.[29] We've called for targeted funding and other support to help existing networks, especially those with fewer resources, to meet these targets.[30]

In the meantime, government departments, regulators and industry all need to do their part to address serious harms and achieve equitable outcomes for all heat network consumers. Leaving people behind with two-tier protections risks undermining trust in the sector. It's vital to make heat networks work now - not just in the future. Our recommendations - outlined in the final part of the report - combine interventions from the energy and housing regulators, as well as government departments (MHCLG and DESNZ). These measures would give courts greater oversight of eviction and forfeiture processes due to arrears, and close the gap in protections on billing, back-billing, pricing and accountability.

About the research

We've engaged with heat network providers in the social housing sector to discuss bundled charges and test different approaches to solving the issues we've identified. Our findings and recommendations draw on the following sources:

Legal analysis

We instructed Sharpe Pritchard LLP to assess how bundled heating and housing charges operate within the Ofgem regulatory framework, and the legal systems in England and Wales. They analysed Ofgem's new rules in the context of different housing tenures and typical heat network structures. Their report, which we publish alongside this report, outlines how bundled charges create an explicitly two-tier system of protections for bundled consumers in pricing, billing and back-billing. They also identify how bundling could make other rules difficult to put into practice.[31]

Survey and qualitative research insights

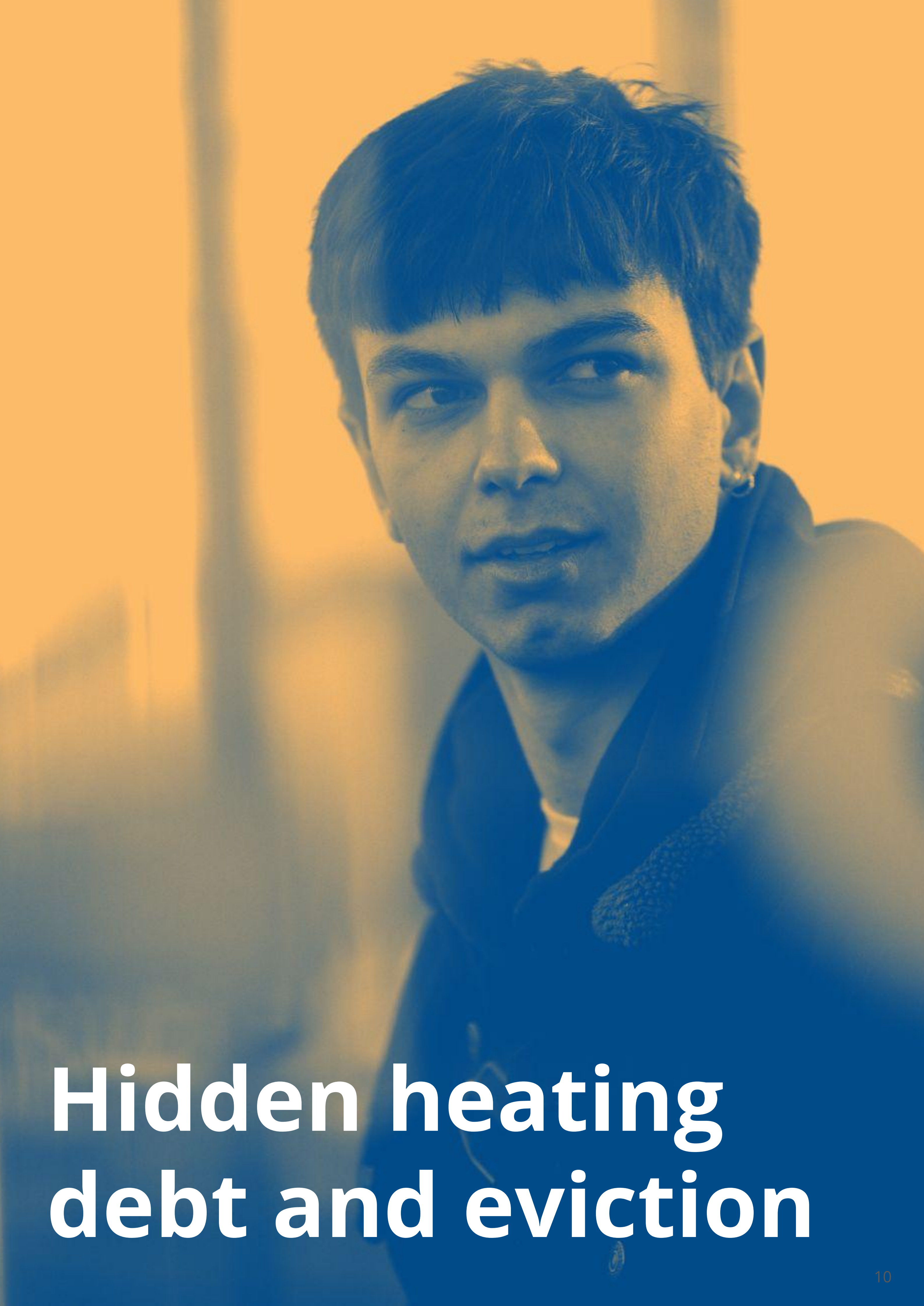
We commissioned a large-scale, nationally representative quantitative survey of over 3,000 heat network consumers about their experiences across a range of issues. This allows us to compare experiences of people who pay via bundled charges and people who pay separately. We also conducted follow-up interviews with 35 survey respondents who said they were in energy debt or at risk of being in energy debt, to understand more about the risk of eviction and other debt enforcement. The findings of this survey and qualitative research will be published separately at a later date. In this report, we incorporate findings most relevant to bundled consumers.

Request for Information to social housing providers

We used our information gathering powers under Section 24 of the Consumers, Estate Agents and Redress Act 2007 to issue a statutory request for information to local authorities and housing associations. This was designed to find out about their use of eviction and forfeiture processes in managing debt and to understand how heat network costs contribute to these processes for bundled consumers.

Internal data and case studies

We reviewed our internal data from our network of local offices and from the new specialist advice service for heat network consumers which launched on 1 April 2025. We've included case studies to show how bundled consumers can experience poorer outcomes because of the way they pay for their heating and hot water. All case studies in this report have been given different names and certain details have been omitted or changed to preserve people's anonymity.



Hidden heating debt and eviction

When heating and hot water costs are "bundled" within rent or service charges, heating debts can be hidden within rent or service charge arrears. This means landlords can treat energy debt as severely as they treat housing arrears, putting people at risk of losing their home. Even if landlords don’t always follow through on threats of eviction, such threats cause serious distress. People with a standalone heating bill under a heat supply contract don’t face the risk of eviction if they fall into energy debt. Neither do other energy consumers. This is deeply unfair and harmful. The government must stop this from happening to level the playing field. Leaving people behind - often people in vulnerable circumstances - undermines trust in new regulations and sector growth.

Over 1 in 4 heat network consumers could be at risk of eviction as a last resort

Renters with bundled charges make up more than a quarter (28%) of heat network consumers.[32] This includes both social renters and private renters. Any heating debt they incur is hidden within rent or service charge arrears. The total number of heat network consumers in debt in England and Wales is relatively low (8%) compared to all UK households in energy debt (15%).[33] But the consequences can be much more severe for those with bundled charges. For people who rent, the debt can be treated as a breach of the tenancy agreement, and landlords can use eviction proceedings as a method of debt enforcement.

It’s possible the numbers of heat network consumers in debt are underreported because people with bundled charges might not be aware they’re behind with heating payments. Bundled consumers get very limited billing information - if they get bills at all, as part 2 of this report shows. This lack of information means some heat network debts could be included in official statistics on rent arrears. In 2024-25, 14% of people in the social rented sector were in arrears, as well as 5% in the private rented sector.[34]

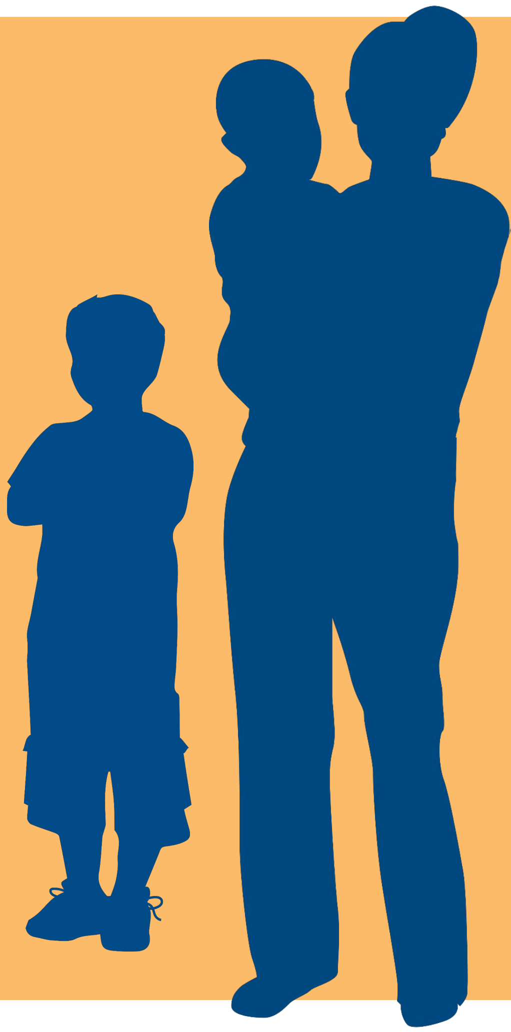
Lucy’s story shows how heat network debt can be the main cause of rent arrears and housing insecurity.

Lucy almost had bailiffs knocking at her door because of hidden heat network debt. As a housing association tenant with small children, she faced an official eviction notice called a ‘warrant of possession’.

Nearly £1,800 in rent arrears built up because her benefits didn’t cover her £150 monthly heating bill. Universal Credit covers most rent, but it doesn’t pay for heating. It treats heat as an ‘ineligible service charge,’ even when it’s bundled into rent.

We supported Lucy to apply for a Debt Relief Order. This cancelled the ‘warrant of possession’ and saved the family from homelessness.

Local Citizens Advice office client, 2025, social tenant



Social landlords have to follow a multi-stage process to evict someone. First, they give you a written notice explaining why you're being asked to leave and when. This is called a 'notice seeking possession'. Then, the landlord applies to the court for a 'possession order' if you haven't left by the date on the notice. Next, they go to a hearing where the court decides whether to issue a 'possession order'. If you haven't left by the date on your possession order, the landlord can apply to the court to get a 'warrant of possession' - this sets out the date bailiffs will come to evict you.[35] Lucy's heating debt was considered rent arrears because of the bundled payment system. This allowed her housing association to go through the full eviction process and get a 'warrant of possession', leaving Lucy and her children on the brink of homelessness.

Leaseholders can be threatened with forfeiture for small debts
A further 4% of heat network consumers are leaseholders whose costs are bundled into service charges.[36] They can face an equally draconian threat of forfeiture as a result of heating debt being hidden within service charge arrears.

Leasehold is a form of home ownership - common for flats - where you own the property for a fixed period - often 99, 125 or 999 years. But you don't own the building it's in or the land it's on. The building owner is called the freeholder and is the leaseholder's landlord. The agreement between the landlord and the leaseholder is called a lease. This sets out the leaseholder's obligations - including payment of service charges.

Forfeiture is a legal process, similar to eviction, when a landlord applies to a court to end the lease and repossess the property. The first step is to confirm a leaseholder has breached some terms of their lease. For service charge arrears, landlords can start this process for debts over £350 or any amount more than 3 years old.[37]

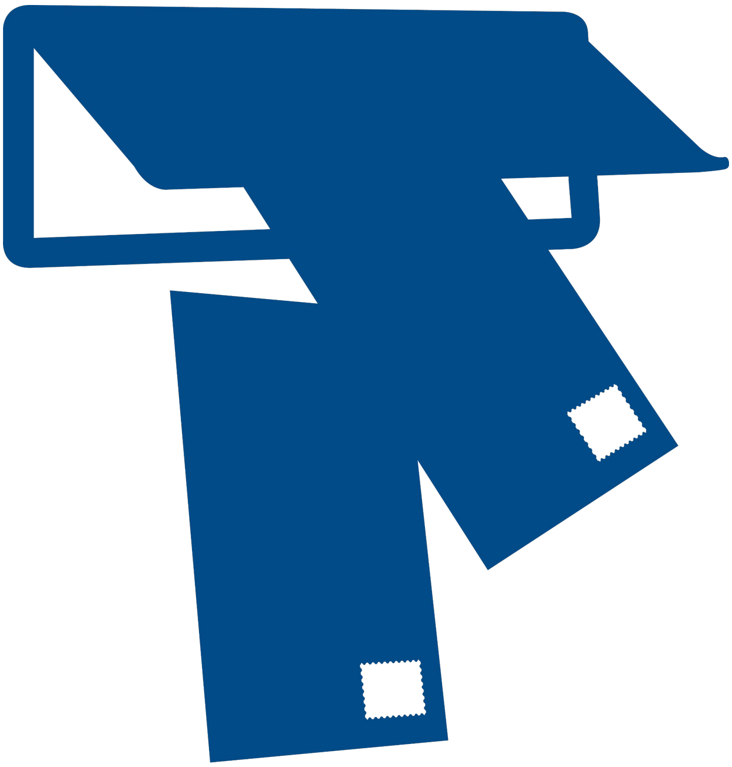
Leaseholder advice bodies say landlords usually only threaten forfeiture to speed up resolution of issues and forfeiture itself is only used for serious or repeated breaches.[38] We don't have reliable data on either the threat or use of forfeiture for heat network debt. But, given how high service charges for heat network costs can be, the current threshold allowing landlords to begin this stressful process is very low, as Steve's story shows.

Steve’s latest service charge statement says his heating and hot water costs will be £3,500 for the year. He’s a leaseholder of a property supplied by a council-run heat network. As his property isn’t metered, the price of heating and hot water is divided by the number of properties in the building. Steve thinks the costs are too high.

Heat network advice service client, 2026, leaseholder

People like Steve, who pay for heat network costs within service charges, face a greater risk of ongoing high prices compared to other consumers. This is because they’re not protected by core parts of Ofgem’s fair pricing framework - part 3 of this report looks at pricing issues in more detail. On top of this, the current leasehold rules mean Steve’s landlord could use forfeiture to repossess his home if Steve failed to pay just 10% of his annual heating bill.

That’s why Citizens Advice fully supports the government’s plan to abolish forfeiture as a means of enforcing a lease from as early as 2028.[39] This will help prevent leaseholders with bundled heat charges face extreme outcomes for heat network debt. However, renters with bundled charges remain dangerously exposed.



Eviction only happens to a small group but causes severe harm to consumers

News stories and local campaigns first flagged the unique risk of eviction facing heat network consumers in the wake of the 2022 energy crisis.[40] Since then, our advice service and qualitative research showed more evidence of landlords threatening people with eviction because of bundled bills.[41]

Our nationally representative survey shows 1 in 20 (5%) renters with a heat network debt have experienced eviction.[42] The consequences for this small minority of people can be devastating. None of the participants in our qualitative research experienced eviction for heating debt but several went through court proceedings to avoid it.

"[Interviewer] You had to go to court a couple of times, and what happened there? What was that like? [Resident]: Yeah very scary, I don't intend to go to court again."

Interview, 2026, social tenant

"But with Citizens Advice I did go to court and I think they sent somebody there with me. I think I just spoke to the judge myself and I told them because normally most people don't even go to court, but I'm actually there showing them I want to keep my property, I am struggling, I am going to make this work. So when I spoke to the judge he thought okay cool this person is actually trying, so he um gave me another chance."

Interview, 2026, social tenant

Cases of eviction and forfeiture caused by hidden heating debt are relatively rare. But one person losing their home as a result of energy debt is one person too many. As we set out in more detail in the recommendations section, strong and urgent action is needed to prevent this from happening. England's Regulator of Social Housing should match the commitment already made by the Welsh government and social housing sector. This promises 'no evictions due to financial hardship' for the next 10 years.[43] To help private tenants, the government should make sure courts are able to consider heat network costs as mitigation in cases of eviction due to arrears.

Threats of eviction are common and can cause serious harm

Some landlords use threats and the early stages of legal processes for eviction and forfeiture as a way to manage heating debt. Our survey found over 1 in 7 (14%) people with a heat network debt experienced extreme forms of debt management, including eviction, threats of eviction, forfeiture orders and other court orders.[44]

Eviction and forfeiture processes remain open to heat network suppliers who are also landlords when heating debt is hidden within housing arrears.[45] This means people with bundled charges face a weaker set of protections than those who pay separately, and remain exposed to serious harms like eviction.

Landlords sometimes say they use early stages of eviction or forfeiture processes to make customers in debt respond to them, but don't intend to follow through on eviction proceedings. Insights from our advice services and qualitative research show such approaches are harmful, exacerbating stress, anxiety and physical health problems.[46]

> *"I continued to get threatening letters, which was very frightening and which had a very bad impact on me because I was just anxious all the time... I didn't understand why they were threatening me despite my efforts to pay something."*
>
> *Interview, 2025, social tenant*

Ofgem's new rules set out fairer and more proportionate means of debt collection, such as setting regular instalments for repaying debt or offering customers a prepayment meter, where this is safe.[47] Using aggressive measures like threats of eviction to try to make people respond can be counterproductive. Research from the wider energy sector shows listening to consumers, with empathy and understanding of their circumstances, makes them more likely to engage.[48] This, in turn, makes a positive outcome more likely. Impersonal letters with legal language raising the possibility of losing your home could have the opposite effect.

> *[So what did you do?] Panic. Kind of go, meh, I don't really want the house anyway. But then I'd be intentionally homeless, so I wouldn't get any support at all. Cried a lot. Panic."*
>
> *Interview, 2026, social tenant*

What eviction means for social housing tenants

Bundled payments are most common for social housing tenants. This means the most extreme forms of debt management are concentrated on people more likely to be in vulnerable circumstances. Almost half (47%) of social renters are in the lowest fifth of incomes in England.[49] And nearly 6 in 10 households in the social rented sector had a household member with a long-term illness or disability.[50]

Deep dive into what eviction means for social housing tenants

Citizens Advice issued a statutory Request for Information (RFI) to find out more about how often social housing tenants experience eviction processes because of heating debt. We contacted 68 local authorities and housing associations who run heat networks with domestic consumers.

We asked these heat network providers about their use of eviction processes when people are in arrears. We couldn't ask directly 'how many eviction notices were served due to heating debt'. This is because in bundled payment systems the heating debt isn't separated out, and the information isn't directly available. So we asked questions allowing us to compare over a 5-year period:

- whether people on heat networks experience eviction processes at disproportionately higher rates than people not on heat networks
- whether the difference is greater for bundled consumers who pay within rent or service charges
- whether the difference matches rising heat charges.

Most organisations don't collect enough data to know if heating drives eviction processes
Many local authorities and housing associations were unable to provide the data needed to track these relationships fully. Less than half (41%) of the organisations we contacted provided data within 6 months. And of those who responded, only a quarter (27%) provided all the information we needed to track whether people on heat networks experience eviction processes at higher rates than people not on heat networks. Many struggled to get information because it was held across multiple departments or by third parties. Others only held information for the current financial year. Given how high the stakes can be when heating debt is hidden within rent arrears, it's worrying social housing providers aren't routinely collecting and monitoring this information.

Some social housing providers say their policy is not to pursue eviction for heating debt. But where heating debt is hidden in bundled charges, the response to our RFI suggests they may not have enough information to prevent this happening.

Toby's story shows the risks of this poor data gathering. His housing provider and heat network supplier - a council - responded to our RFI and told us they didn't run any heat networks with domestic consumers. Toby received a threat of eviction from the same council due to heat network debt.

Toby faced eviction from his council home after failing into £1,000 of debt. The shortfall built up because his Universal Credit didn't cover his heat network charges.

Paying an extra £100 a month for heating left Toby with just £200 to live on. He couldn't work to increase his income due to a long-term health condition, and the constant pressure left him terrified of losing his home.

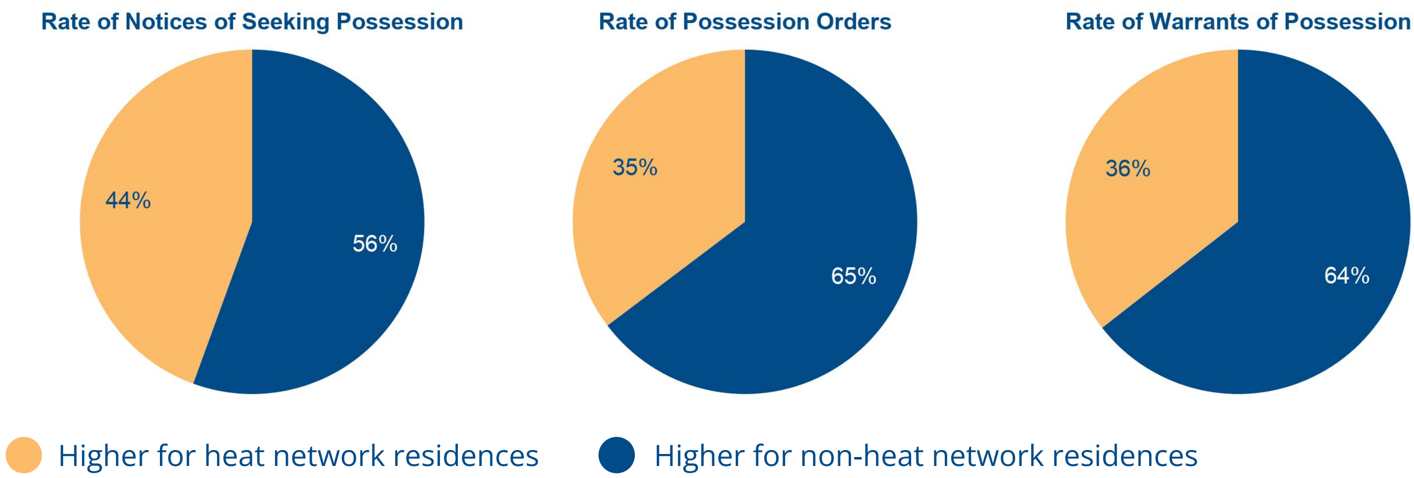
One of our advisors stepped in and secured an affordable repayment plan with the council. This saved Toby's home, but under Ofgem's rules, the council should have offered this protection proactively.

Local Citizens Advice office client, 2026, social tenant

Higher rate of eviction processes for heat network consumers

The picture emerging from those organisations who did provide data is also concerning. Where they gave us complete data in a given year, we compared whether people on heat networks experience eviction processes for arrears at higher rates than people not on heat networks.

Figure 1



The first stage of the eviction process is getting a 'notice seeking possession'. As Figure 1 shows, in a small majority of cases (56%), the rate of receiving a 'notice seeking possession' was higher for heat network consumers compared to residents not on heat networks. The next stages of the eviction process are getting a 'possession order' and then a 'warrant of possession'. In a significant majority of cases, both the possession order rate (65%) and warrant of possession rate (64%) were higher for heat network consumers.

Mixed picture on heating cost increases and eviction processes

Available cost information suggests rising heat charges could have contributed to these higher rates facing heat network consumers. Only 8 organisations provided data over multiple years to track whether eviction-related processes increase when heat network costs rise. In these cases, we did see a correlation.

Overall, the cost data suggests many social housing providers work hard to keep costs low for residents. Despite the 2022 energy crisis, some organisations were able to keep heat network costs for consumers steady over time. Others had fluctuating prices, with people paying a lot more one year but a lot less the next year. We saw a few cost increases of over 300% in a single year and a larger number of 100% cost increases in a single year. For social housing tenants who are more likely to be on low incomes, such large increases can be very challenging, as Sade's story shows.

Sade's heating costs surged by 300% in the last 2 to 3 years. This service charge is bundled with her rent and she struggles to afford it.

Sade rents her home from a housing association in England. She logged a formal complaint about the price spike nearly 1 year ago. But she says the housing association ignored her.

Heat network advice service client, 2025, social tenant

Sade didn't mention whether she'd fallen into arrears as a result of increased costs when she called our advice service. But her complaint about costs should give her heat network supplier 'reason to believe' she could end up in payment difficulties. Ofgem's new rules on debt management require heat network suppliers to take proactive steps to help consumers once they have 'reason to believe' they're struggling to pay.[51] The goal is to prevent people getting into debt and supporting them if they do.[52] Instead, in Sade's case, the supplier ignored her.

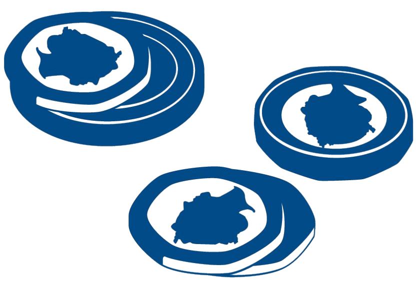
Ofgem's rules might not work for bundled consumers

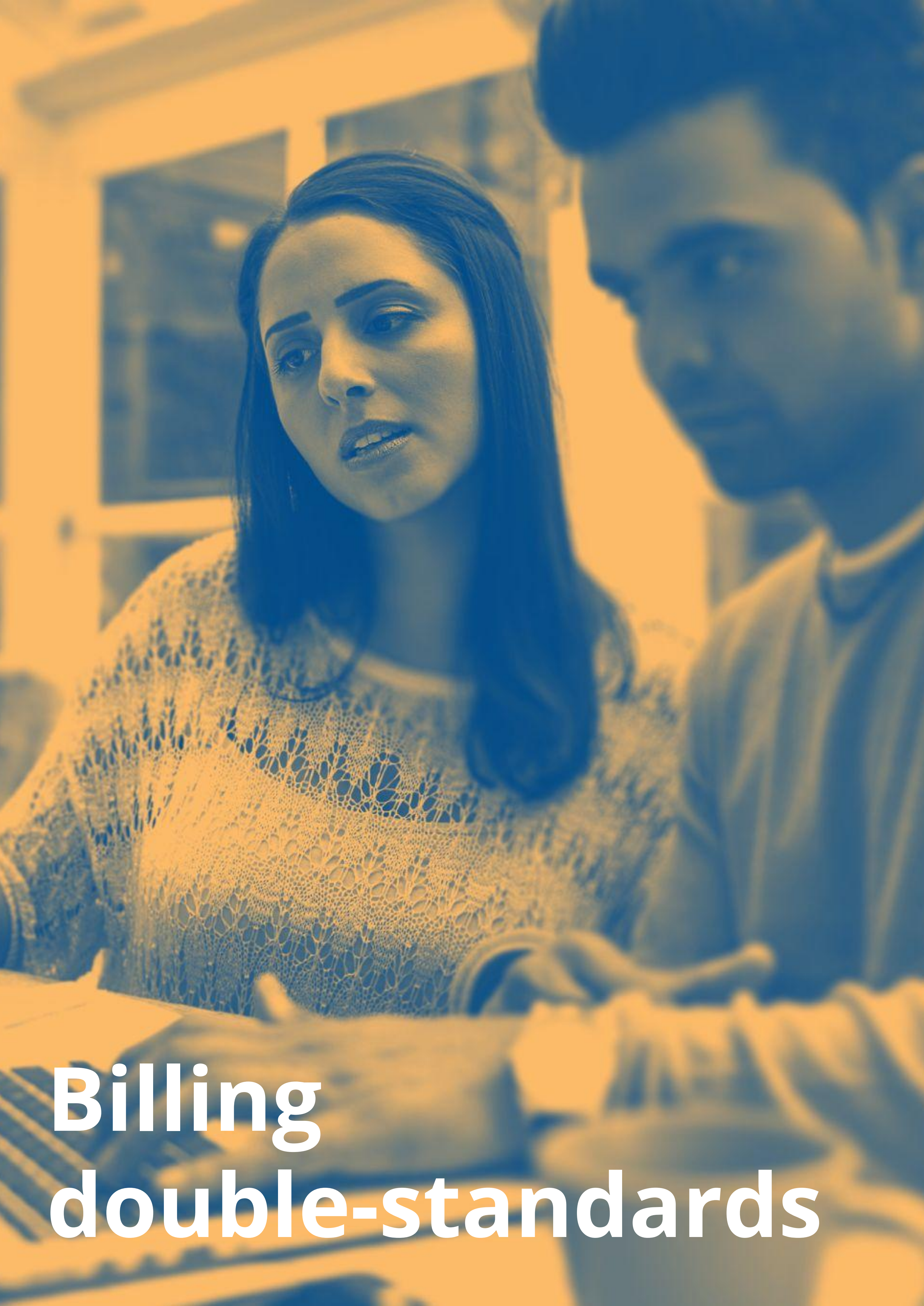
Ofgem's new rules set out how suppliers should support people in payment difficulties. The rules are built on years of experience of how to effectively support energy consumers in debt. Suppliers have to make proactive contact at the earliest opportunity to identify whether someone's in payment difficulty. Contact must be made no later than after 2 consecutively missed monthly payments, 1 missed quarterly payment or if the consumer flags an inability to pay.[53] Suppliers also have to take steps to understand people's ability to pay and take this into account when offering a repayment plan and setting installments. They then have to keep repayment plans under review and change them if the person's circumstances change.[54]

Bundled payment systems undermine these protections in several ways. For example, the early-contact triggers and duty to offer repayment support are dependent on the supplier noticing missed payments of heat charges specifically. Because these aren't separated out in bundled systems, suppliers might not be able to identify missed payments.[55]

This means Ofgem's new protections on debt recovery might not work for people who pay within rent or service charges. Although the number of heat network consumers in debt in England and Wales is relatively low (8%) compared to all UK households in energy debt (15%), this could grow in future.[56] The use of eviction and other aggressive debt collection practices could be part of the reason debt is lower. As Ofgem's new standards bed in, debt levels could increase. Unpredictable prices could also lead to higher debts. Many heat networks are fuelled by gas bought on wholesale markets, where prices have been volatile due to global conflicts.

If debt levels do increase the consequences of debt can be more severe for bundled consumers. This is because landlords can treat debt as housing arrears and start eviction or forfeiture proceedings. Other aspects of the two-tier protection system - double standards in billing, back-billing and pricing - put these consumers at greater risk of debt too.





Billing double-standards

Bundled consumers aren't protected by important new standards for accurate and timely billing. This is a major gap because bundled consumers are nearly 5 times more likely to go without any kind of billing information than people with separate charges. Half (52%) of bundled consumers don't receive a bill, account summary, statement or something else detailing what they pay for heating and hot water. This is compared to 11% of people who pay separately and don't receive a bill.[57]

New rules stop suppliers from charging for heat used more than 12 months ago. The rule is designed to prevent shock bills and encourage suppliers to bill consumers accurately. Suppliers must provide accurate bills and billing information at least once a year, including details about charges, consumption and terms of supply. This has been standard practice in the mains gas and electricity sector for years.[58]

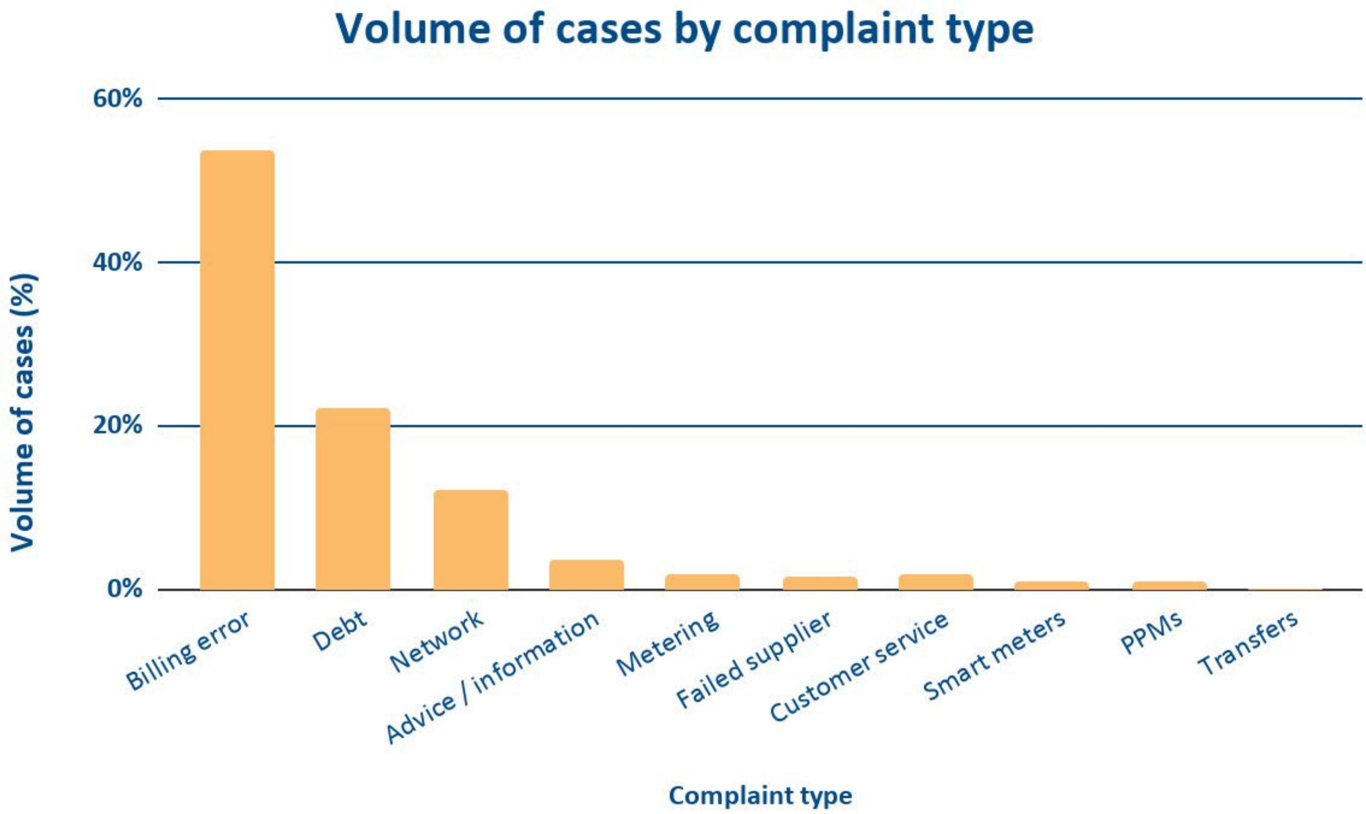
But, those who pay for heating via service charges can be back-billed for 18 months or more - leaving them exposed to precisely the harm the new rules seek to prevent. The rules on billing frequency, billing periods, changes and choice of payment methods don't apply either (Figure 2). This means 15% who pay via service charges are left behind and aren't protected by Ofgem's new rules.[59]

Figure 2

Rule	Direct heat network consumer	Service charge consumer
Back-billing limit	Ofgem rules apply. 12 month limit on back-billing.	Service charge law applies. 18 month limit once landlord is billed or pays supplier.
Billing accuracy	Bills based on actual consumption at least once a year.	Billing based on actual consumption once per service charge period, where technically possible and economically justified.
Notice of changes	Consumers must receive at least 31 days' notice of any changes to planned billing dates.	No minimum notice period. Billing periods determined by lease.
Billing frequency	Billing information must be provided at least twice a year, or quarterly if consumer opts for electronic billing.	No minimum frequency for billing information. Service charge period determined by lease.
Payment methods	Consumers must be offered a choice of payment methods. Suppliers can't refuse or delay switching.	Doesn't apply. Payment method determined by service charge arrangements.

Our data (Figure 3 next page) shows why these rules matter. Billing error is the most common type of problem our advisers help heat network consumers with. Many households receive infrequent, delayed or inaccurate bills often resulting in high, unexpected costs that can cause financial hardship.[60]

Figure 3



Less than half (44%) of bundled consumers get a bill, statement or account summary, compared to 86% of non-bundled consumers.[61] Of those who do get bills, people with bundled charges tend to receive them annually, whereas other heat network users generally get bills monthly.[62] The information in the bills is often less helpful for bundled consumers too. For example, only 11% of people who pay within rent and 18% who pay within service charges get a summary of the amount of heat used. Half (55%) of people who pay separately get this information.[63]

For bundled consumers, billing problems can be harder to resolve. Without access to regular, accurate bills or the choice of how to pay, they can be left exposed to sudden shock bills which are difficult to challenge, as Liam's story shows.

Liam spent 7 months fighting an unexplained 18-month service charge back-bill. 5 different companies manage his heat network, so nobody could tell him who was responsible for the mistake.

Liam complained repeatedly, forcing the billing agent to reduce the bill to 12 months. But he still owed over £1,000.

When Liam kept disputing the remaining charges, his property managing agent threatened to keep the deposit on his private rented flat. Our specialist advisers explained his different options for escalating his complaint through energy and housing dispute resolution bodies.

Heat network advice service client, 2026, private tenant

Consumers with bundled charges often feel frustrated by the lack of clarity and control over heating costs. Because they receive so little information - half (52%) don't get any type of bill - bundled consumers are often in the dark about what they're paying for.[64] 7 in 10 (72%) didn't know the amount of their last heating payment and 6 in 10 (58%) don't know what type of tariff they're on.[65] Lucas's story shows how this makes it difficult to understand and challenge unfair billing practices. Lucas is a leaseholder, who lives in a 1 bedroom flat and pays for his heating via service charge. The cost of his heating is shared across all the residents in his building and charged at the same rate. He described his experience in an interview:

"One [bill] is based on theoretical costings and one is based on actual costings. But whenever the actual costings come through we've been mischarged [and] we've had to interrogate it as residents and found that we've been charged with other building's works or repairs or heating issues."

"It just feels like it's an uphill struggle with the council when it shouldn't do really."

Interview, 2026, Leaseholder

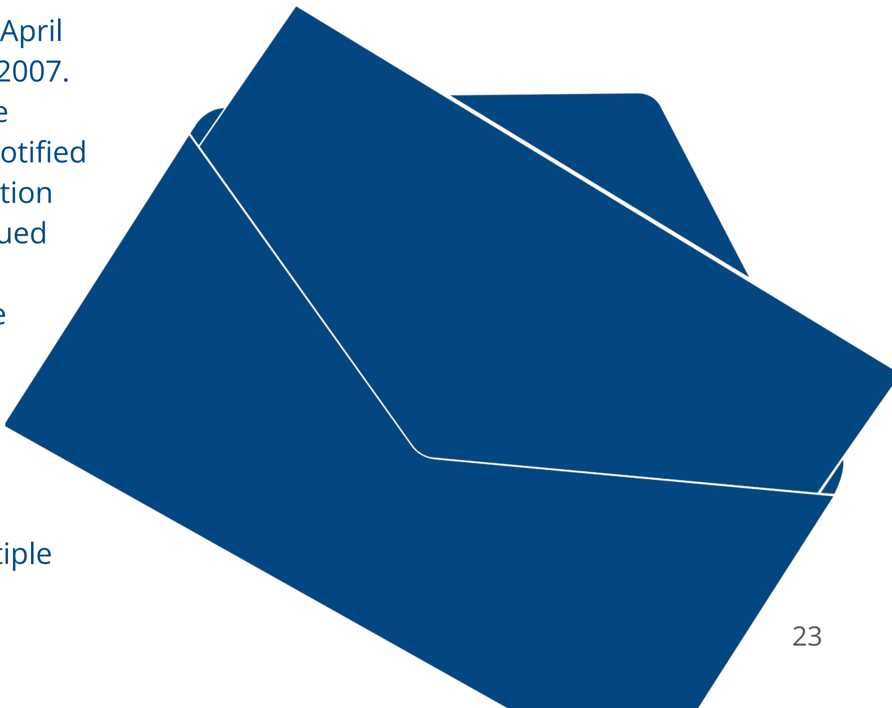
Everyone should receive a clear itemised bill, which they can understand. It's not fair that consumers like Lucas and Liam are left behind.

Service charge law allows back-bills of 18 months or longer

Those who pay for heating and hot water charges through a service charge don't benefit from the 12 month back-billing limit. Under the Landlord and Tenants Act 1985 (LTA) a landlord can pursue charges up to 18 months old - sometimes longer.

The 18 month limit starts when the landlord is billed, or pays their supplier - not when a consumer uses the energy. Under section 20B of the LTA, a landlord has 18 months to *notify* the consumer of service charge costs *being incurred* or to demand payment from the consumer.[66] This ruling was established in the case of OM Property Management Ltd v Burr [2012], where a landlord was billed for gas used between 2001-2007 in November 2007. The landlord notified consumers and asked for payment in April 2008.[67]

Under energy back-billing rules, a bill issued in April 2008 couldn't charge for gas used before April 2007. But, under service charge law, the tenants were liable for 6 years' usage because the landlord notified them within the relevant timeframe. Under section 20B of the LTA, the landlord could've legally issued demand for payment any time up to May 2009. In contrast, if a consumer who pays outside the service charge system was issued a bill in May 2009 for energy used in 2001-2007, it would be against the rules.



Ofgem's guidance recognises consumers could face long back-bills 'where there are multiple landlords involved,[68] as the case study below illustrates.

Rachel received a back-bill in early 2026 for heating used over 4 years ago. She's a leaseholder who rents out her flat. Her tenants already paid for their heating and hot water through their rent. Rachel also paid her regular service charges to the building's managing agent.

But the managing agent didn't review the energy tariff for several years. This created a shortfall and the heat supplier now demands Rachel pays the difference.

Rachel challenged the supplier citing the new back-billing rules. The supplier refused to drop the charge and claims she's still responsible for the 4-year-old debt.

Heat network advice service client, 2026, leaseholder

Back-billing issues are the most common type of billing issue our frontline advisers help clients with. Of the heat network consumers who do receive bills, 1 in 7 (15%) have had a back-bill of longer than 12 months.[69]

These overall rates should start going down because there's a new rule against back-bills longer than 12 months. However, people with bundled charges aren't protected by this rule and could be left behind. Ofgem guidance encourages heat suppliers who charge within service charges to follow the 12 month limit where meters are installed in the property,[70] but 57% of heat network consumers don't have meters installed.[71] More people should get individual meters if the government's plans for improved technical standards go ahead, but the planned timeline for implementing these is long. DESNZ's proposals are for most existing networks to install meters within 5 years of the Heat Network Technical Assurance Scheme (HNTAS) launch.[72] Depending on how long it takes to get HNTAS off the ground, this means many people will be without meter-based billing until 2032 at the earliest. And some people may never get meters.[73]

Social housing landlords told us that longer-term back-billing - and retrospective pricing, discussed in part 3 of the report - are often caused by billing problems further up the supply chain. Many landlords acting as heat network suppliers are themselves non-domestic consumers of energy. They buy energy, often gas, to provide fuel for the heat network on wholesale markets. This counts as 'non-domestic' purchase of energy. While microbusiness consumers are protected by the 12 month limit on back-billing, other non-domestic consumers aren't. This means a landlord can be hit with a bill for over a year's worth of energy even if their supplier hasn't sent them a bill previously or has billed them incorrectly.[74] They then pass these costs onto heat network consumers in revised service charge bills.

It's unfair for consumers billed through service charges to miss out on key protections because of this. As we set out in the recommendations section, we call on Ofgem to use their newly-expanded Standards of Conduct for suppliers of non-domestic consumers to investigate and address this problem.

Harder to get help with back-bills

Consumers who pay for heating separately now have a clear route to challenging unfair back-bills, but bundled consumers don't. Unbundled consumers can challenge charges relating to use older than 12 months. Where the supplier and consumer don't reach a solution or agreement, the complaint can be escalated to the Energy Ombudsman. The Ombudsman then decides whether a supplier has broken a rule and what redress, if any, should be given to the consumer. Repeated rule breaking can lead to Ofgem enforcement action.

A bundled consumer may be able to challenge a high service charge bill via the First-Tier Tribunal. The test is whether the cost is 'reasonable', not whether it's 'fair'. The 'reasonableness' standard is focused on whether the landlord's decision-making could be deemed reasonable and is allowed by lease or tenancy terms. A long backdated service charge bill might seem unfair, but could be considered 'reasonable' under service charge arrangements. Hanna's story shows this.

Hanna and her neighbours received a shocking notice from their landlord demanding a collective £110,000 in service charges in 2025. This applied to the leaseholders in her building.

The massive bill arrived because their property managing agent hadn't charged enough for heating for the past 5 years. Worse still, the paperwork didn't even say how much each individual leaseholder owed. This demand started the 18-month countdown for the landlord to claw back 5 years of costs. Hanna and her neighbours lodged a group complaint with the managing agent. Nearly 1 year later they're still waiting for a response.

Heat network advice service client, 2026, leaseholder

If Hanna and her neighbours decided to take the case to the First-Tier Tribunal, the test would be whether the landlord had followed the right procedures in recovering the £110,000 through service charges. It's not fair for consumers like Hanna to be pursued for long back-dated bills when the managing agent was at fault. But the courts could rule that it's 'reasonable'. Tribunals are also more complex for people to engage with, compared with the Energy Ombudsman. Registering a dispute with the Energy Ombudsman is free for consumers.[75] But to pursue this case at Tribunal, Hanna would have to pay a £114 application fee, fill out a 22-page form and potentially pay a further £227 fee if a hearing is needed to decide the case.[76] She may also be liable for the landlord's court costs, depending on the terms of her lease.[77] This two-tier system is unfair and leaves people like Hanna behind.

The lack of protections on frequency of bills, billing periods and choice of payment methods makes back-bills more likely and the lack of transparency more difficult to challenge. For bundled consumers, whether or not they can dispute charges depends on when the landlord told them about the charges, not when they used heat. How a landlord communicates information about back-bills varies, depending on the terms of the lease. Proposed reforms to service charge law will improve transparency and timing of information.[78] We strongly support these measures, but they should include more tailored support for heat network consumers, as we set out in the recommendations section. Without more tailored measures, bundled consumers could continue to face large back-bills with limited explanation and short time to pay.[79]

People who pay within rent are also at risk

For people who pay heat charges within rent the back-billing rules apply in theory, but offer little meaningful protection. Our legal research outlines that 'In a pure rent-inclusive model there may be no separate heat bill, no separate heat charge, and no clear "charge recovery action" taken in relation to heat as a distinct service'.[80] This means it's harder for consumers to know if they're being back-billed. In the mains gas and electricity sector back-bills can arise when the supplier gets a new meter reading that shows estimated readings have been wrong. The supplier uses the new information to work out what the customer should have paid and issues a new bill - a back-bill - to recover the difference. But the maximum period the back-bill can cover is 1 year back from the date on the new bill.

For heat network consumers whose charges are bundled into rent, they typically pay a fixed rate for heating, set for a period of time linked to their rent cycle. Increased costs in the year ahead could be due to being undercharged in the years before. But because the heat charge isn't connected to their usage, there's no way to tell. Some consumers prefer the simplicity of having a single payment. But it can leave them vulnerable to big fluctuations in costs, as shown by John's and Trevor's stories.

John pays for his heating and hot water through rent to his housing association. His weekly payments suddenly doubled from £40 to £80 in early 2025. That adds up to over £4,000 a year.

John is a pensioner and gets Personal Independence Payment for a health condition. He simply can't afford to pay double his usual charges.

The housing association didn't explain the big price jump. There's a meter, but it's covered up. John can't tell if it works, so he has no idea if cutting down on heating will actually lower his bills. This leaves John vulnerable to debt action from his housing association if he falls behind on the bundled rent and heating payments.

Heat network advice service client, 2025, social tenant

Trevor is retired and relies on his pension and housing benefits to pay his bills. His heating and hot water is bundled into rent. Delays in housing-related benefits meant Trevor regularly falls into rent arrears. He feels frustrated by a lack of control over costs because of the bundled set-up.

"You're not in debt for a short while and then you're straight back in it again. How much is owed I don't have that figure. Whatever the figure is, it is paid, but it just takes a few weeks or months to do it. You're not really in control of the situation as such. I suppose you're in control of your heating, but If I turn my heating off, it wouldn't make any difference as I don't save any money. If it saved me money I would use less heating, but I don't think that's possible."

Interview, 2026, Social tenant

People like John and Trevor don't have enough information about the heat charges included in their rent. This makes it harder to understand what they're paying for and to challenge issues. People who pay via service charge also face longer back-bills, weak billing transparency and different redress rights when something goes wrong. This leaves consumers exposed to the risks of shock bills, financial hardship and debt. These are the poor outcomes regulation is meant to address but this report shows serious gaps remain. A third of heat network consumers (34%) pay via rent or service charges and remain exposed to unfair billing practices.[81] A similar two-tier system affects pricing rules too.

Pricing double-standards

Heat networks are natural monopolies. This means consumers can't switch suppliers or shop around to get a better tariff. Other energy consumers usually have a choice of suppliers and tariffs, and are protected by Ofgem's price cap. This sets the maximum amount energy suppliers can charge on a standard tariff.[82] No equivalent to the price cap exists for heat networks. Instead, Ofgem introduced the fair pricing framework - its central goal is for consumers to pay fair and not disproportionate prices.[83]

Bundled charges could prevent consumers from feeling the benefits of the fair pricing framework. This is because housing law takes precedence over most of the framework's provisions. Rules about when and how suppliers can increase prices don't apply when they charge for heating within service charges. This leaves many bundled consumers at risk of unpredictable and unfair prices indefinitely.

Not protected against retrospective price increases

Rules requiring suppliers to give advance notice of price increases and limiting price increases to once every 6 months don't apply to people who pay within service charges.[84] This exemption affects 15% of current heat network consumers.[85] As the sector expands, this proportion could grow if suppliers continue to recover costs via service charges.

In the service charge system, customers usually receive notice of their estimated service charges for the year ahead. After the end of the year, the supplier calculates the actual cost of providing the services and charges customers for the difference. This is called reconciliation.[86] Heat providers buy energy to supply their networks on wholesale markets. The majority (up to 90%) of heat networks run on gas, and wholesale gas prices have been very volatile in recent years.[87] During the reconciliation process higher than anticipated costs for heat can be passed on to the consumer - effectively, a retrospective price increase. This means the difference between estimated and actual costs for bundled consumers can be very big. In some cases the difference can run into thousands of pounds.[88]

Naomi's estimated service charge bill in 2023-24 was £3,000 but the actual bill ended up at £5,000. The main driver of her inflated bill was a retrospective increase to her heat network's unit prices. The supplier underestimated these and used a retrospective tariff to claw back the costs.

Interview, 2025, leaseholder

The multiple organisations involved in running heat networks - landlords, managing agents, billing agents - can lead to delays and mistakes in the service charge reconciliation process. This can result in bundled consumers paying for things that other energy users would find unacceptable. Our advisors have supported clients like Kevin stuck with unfair service charge demands:

Kevin received a service charge demand for heat network costs dating back to 2016 - even though he only moved into his home in 2023. The demand was issued in late 2025 following an audit of the heat network's accounts. This audit discovered the property managing agent had failed to apply the correct tariffs for 9 years. These tariffs were retrospectively applied and the difference was added on to service charge bills.

Kevin and other leaseholders in the building complained and his heat network provider cancelled the charges from 2016-2020. But he still has an outstanding demand for almost £1,000 for the period 2021 to 2026 - even though this includes more than 2 years when he didn't live in the building.

Heat network advice service client, 2026, leaseholder

MHCLG has proposed improvements to how service charges are communicated to leaseholders and social tenants. The proposals require reconciliation for Year A to take place by 6 months into Year B, accompanied by a full and accredited financial statement of accounts.[89] Cases like Kevin's show just how badly these reforms are needed. However, it will still be possible for landlords to apply retrospective tariffs during the shortened and more robust reconciliation process.

This produces a clear two-tier outcome for bundled consumers. Even with these reforms, people who pay for heating via service charges could find out about price increases 18 months *after* prices have started affecting their bills. In contrast, non-bundled consumers must be notified of price increases at least 1 month *before* their bills are affected.[90] Research participants highlighted how difficult this makes it to budget and how costs feel out of control:

"Every year that we've been here, it's been, oh, we underestimated. You owe us more money. So when I say we're now paying £500 a month, that's a combination of this year's payments and an extra amount to pay off the extra that got added from last year. So it just combines to make you think... this is a ridiculous amount to be paying for our heating."

Interview, 2025, leaseholder

For the almost 1 in 5 (18%) heat network consumers who pay within rent, Ofgem's rules against retrospective price increases technically apply.[91] But they're practically difficult to implement and enforce. Where heat charges are embedded in rent, our legal research found 'it may be difficult to isolate and present the heat price as a discrete figure'.[92] Even if the heat supplier sends advance notice of an increase, it may be unclear to the consumer what is changing and how it compares to previous periods.

Evidence from our statutory RFI suggests some housing providers aren't able to provide advance notice of price increases where costs are bundled. Of the 28 organisations who submitted data, nearly a third (29%) were unable to provide any costs data. This might explain why so many people with bundled charges don't know what they're paying for. 7 in 10 people with bundled charges (72%) don't know the amount of their last heating payment and 6 in 10 (58%) don't know what type of tariff they're on.[93] People who pay for their heating separately are much better informed. Only 2 in 10 (22%) people with separate charges don't know the amount of their last heating payment and 3 in 10 (30%) don't know what type of tariff they're on.[94]

From the organisations who did provide pricing data in response to our RFI, there were some dramatic price increases. For example, in one local authority supplying nearly 3,000 social housing tenants, the average annual cost of heating increased by 350% from 2022-23 to 2023-24. The same year, the average cost of heating for over 20,000 households supplied by a housing association increased by nearly 250%. While such large increases would be difficult to budget for in any circumstance, receiving advance notice can help, giving people time to plan, seek sources of support or make savings in other areas.

We don't yet have access to pricing data across the sector, so these price hikes may not be typical. And in the examples above, costs fell substantially the following year. However, the practice of charging retrospectively via bundled systems leaves consumers vulnerable to volatile prices, as Hassan's story shows:

Hassan's service charges for heat and hot water increased by over 450% in early 2026. Together with his neighbours living in the same apartment block, Hassan complained to the housing association managing the building and heat network. But the complaint wasn't upheld.

Heat network advice service client, 2026, social tenant

Bundled consumers need solutions to lift the floor of poor practice in the sector. Ofgem's new fair pricing framework is designed to identify outliers in terms of high pricing - and to help stamp out the most unfair and disproportionate prices. However, core parts of the fair pricing framework don't apply to bundled consumers.

Reasonable is not the same as fair

Prices set via bundled arrangements remain subject to housing law on 'reasonableness' of charges rather than Ofgem's fair pricing framework.[95] Ofgem's fair pricing guidance says: bundled charges should be 'reasonable' under housing law and follow the fair pricing framework 'as best as possible'.[96] This creates a loophole for suppliers to justify not following the fair pricing principles if it's too hard.

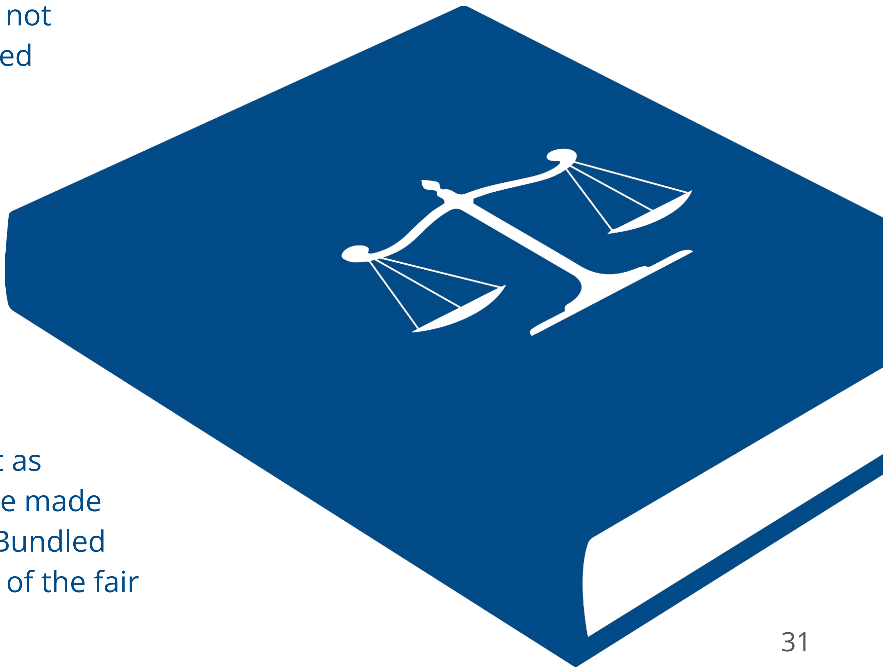
The Landlord and Tenant Act sets out how landlords can only recover certain costs via service charges or rent if those costs were 'reasonably incurred'. The 'reasonableness' standard is focused on whether the landlord's behaviour and decision-making could be deemed reasonable and is allowed by an individual lease or tenancy agreement. It's not about the fairness of the resulting tariff or the price outcome for the consumer.[97] The fair pricing framework, by contrast, has as its central objective: the price paid by the consumer is fair and not disproportionate.[98]

Most people would agree price rises of 450% - cases like Hassan's - are plainly unfair. However, under housing law, such prices might be considered reasonable - if the landlord's decisions were within a range of reasonable measures allowed by the lease or tenancy agreement.

A recent Court of Appeal judgement shows how a landlord 'acting reasonably' under service charge law doesn't mean a fair outcome for the people paying service charges. In a recent case, the landlord of a building charged residential leaseholders over £200,000 for the refurbishment of a commercial gym in their building. Historically, the leaseholders had exclusive rights of use of the gym, so their leases made them liable for maintenance costs. But the gym changed to a commercial business 8 years before the costly refurbishment took place. Neither the landlord nor the gym owner - both of whom profit from the business - paid a penny.[99]

Leaseholders applied to the First Tier Tribunal to challenge the reasonableness of these costs. They argued they shouldn't have to foot the whole bill, when they no longer had exclusive use of the gym. The First Tier Tribunal dismissed their claim. On appeal, the Upper Tribunal sided partly with the leaseholders, agreeing it was unfair they had to pay 100% of the costs. However, the higher court - the Court of Appeal - overturned this and restored the original First Tier Tribunal decision. It emphasised the court's role is to 'review whether the landlord's decision was contractually and procedurally proper, not to substitute their own view of fairness'.[100]

This means the central objective and outcome of Ofgem's fair pricing framework - consumers pay fair and not disproportionate prices - doesn't apply to bundled consumers. Their prices, and their means of challenging prices, fall under service charge law - where fairness of outcome isn't the key consideration. Some of the unfair outcomes we've discussed - Naomi's £2,000 reconciliation bill, Kevin being charged for years of heating he didn't use - took place before Ofgem regulations started. But the loophole for suppliers only to follow fair pricing rules 'as best as possible' makes it unclear if the rules would have made any difference to people like Naomi and Kevin. Bundled consumers also face exclusion from other parts of the fair pricing framework.



Could end up paying for their own compensation - if they get it at all

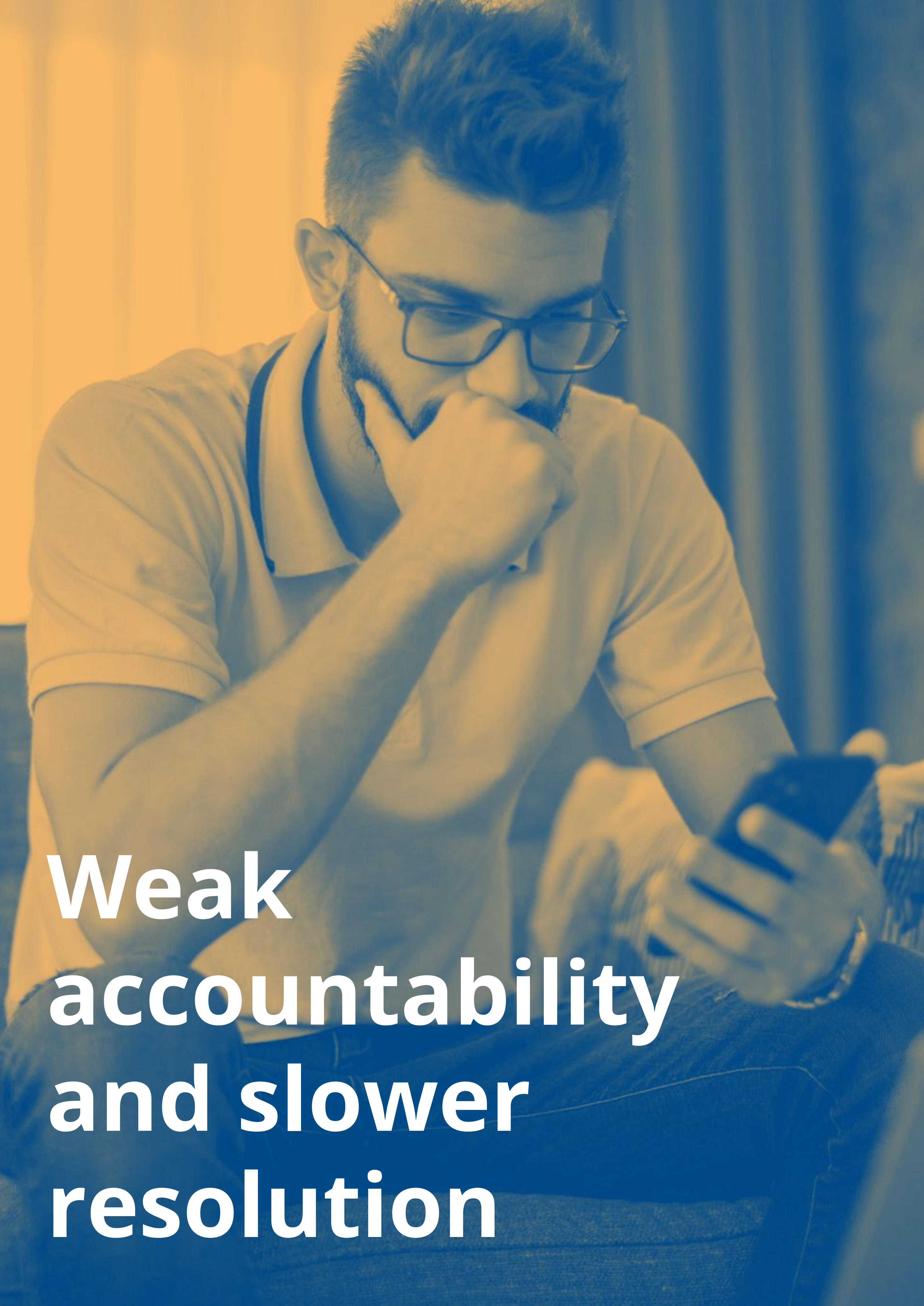
Ofgem plans to introduce Guaranteed Standards of Performance (GSOP) for heat networks from 2027. These set minimum standards for how suppliers deal with service outages. For example, for planned outages suppliers may have to provide customers with a minimum of 2 days' notice. For unplanned outages, suppliers may have to provide alternative heating for customers in vulnerable circumstances within 12 hours.[101] Consumers will automatically receive compensation when heat networks fail to meet these standards.

The fair pricing framework has an important rule that bans heat networks from including the costs of GSOP compensation, or penalties incurred for breaking rules, in customers' prices.[102] This is important for 2 reasons. First, if heat networks factor in such costs when setting their tariffs, consumers ultimately end up paying for their own compensation. Second, the GSOP framework aims to incentivise heat networks to reduce outages and improve support provided to consumers when they do happen.[103] If suppliers can get back costs incurred for poor performance by charging consumers more, the incentive to improve is much reduced.

Data from our advice service shows such improvements are sorely needed. Problems with reliability of supply disproportionately affect heat network consumers. More than 1 in 10 (13%) of the cases our advisers dealt with since April 2025 have involved heat network consumers who are off supply or have unreliable supply. This is more than 10 times higher than the rate we see for mains gas and electricity where only 1% report unreliable energy supply.[104]

Bundled consumers likely won't benefit from this part of the fair pricing framework either, and their suppliers could have less incentive to improve reliability of supply. Ofgem say they may not be able to implement the rule against including the costs of compensation in prices where heat and housing charges are bundled together.[105] This is because bundled charges make it difficult to identify if prohibited costs are included.

Our legal research confirms the main rule in the fair pricing framework 'is hardest to evidence and enforce where consumers are most at risk of opacity'.[106] Partly for this reason, Ofgem has previously proposed exempting some housing providers from the requirement to provide automatic compensation altogether.[107] The GSOP system hasn't been finalised yet, but this means bundled consumers may not be entitled to compensation for outages at all. Or if they are, they could end up paying for it themselves through higher prices.



Weak accountability and slower resolution

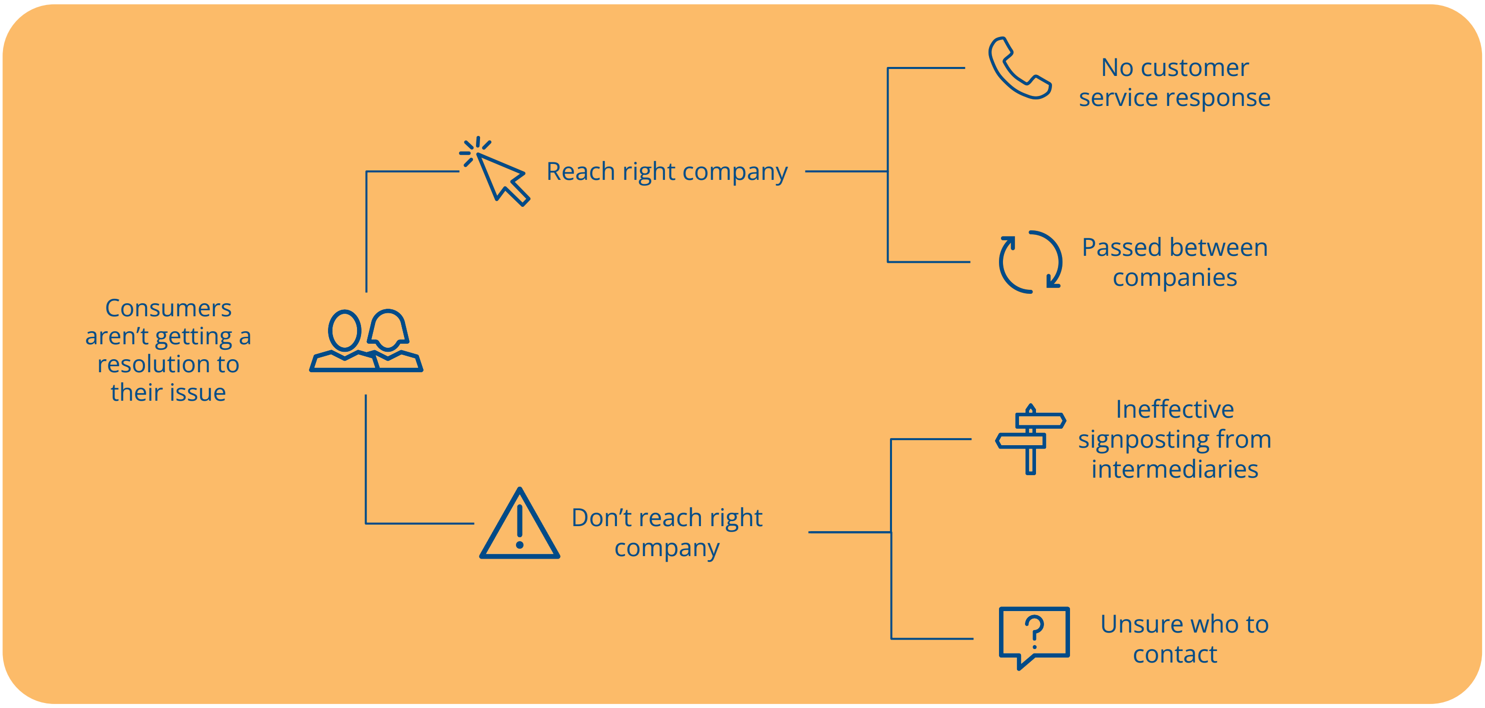
No automatic right to a separate heat supply contract

Supply contracts set out rights and duties. They're an essential tool for challenging suppliers when something goes wrong. Yet, people with bundled charges don't have an automatic right to a separate heat supply contract under the new rules. Instead, a lease, tenancy agreement, service agreement, or deemed contract can count as a supply contract.[108] This is a significant protection gap because bundled consumers are more likely not to receive a contract when they move into their home. Half (50%) said they didn't receive a contract, compared to 3 in 10 (30%) of non-bundled consumers.[109]

Ofgem hasn't set a deadline for updating leases or tenancy agreements to include all the right information. Suppliers only need to act when it's 'reasonably practicable'. This might be when someone moves in, new metering rules start or a new contract begins. Ofgem sets no expectation to change the lease or contract to include missing information if it's 'not reasonable' to do so. Suppliers can give this information in a separate document or when requested by a consumer.[110] The end result is consumers could be waiting years without key details about rights and responsibilities.

Most heat network consumers can now expect to see information about charges, billing, and complaints in one document. Suppliers share this information at the start of supply, when requested by the consumer, or when the contract changes.[111] The rules say heat contracts must be in writing, in plain language and explain all the terms and conditions. These changes are positive, but consumers with bundled charges could be left searching for key information across multiple complex, legal documents.

Our advice service data shows less than half of consumers reached the right company to solve their heat network issue before speaking to Citizens Advice.[112] This shows how not having access to information slows or stops problems from getting solved, and why it's essential for bundled consumers to have access to clear information. Bundled consumers are less likely to have received information about how to make a complaint. Of the people who received bills, only 10% of bundled consumers said this included information on how to complain, compared to 15% of people with separate charges.[113] And bundled consumers are much less likely to get a bill or any information in the first place. Half (52%) of bundled consumers don't receive a bill, account summary or statement, compared to 11% of people who pay separately.[114] Unless details about the heat provider are set out, it's hard for people to get the help they need. The graphics below show how consumers face multiple barriers to getting problems solved.

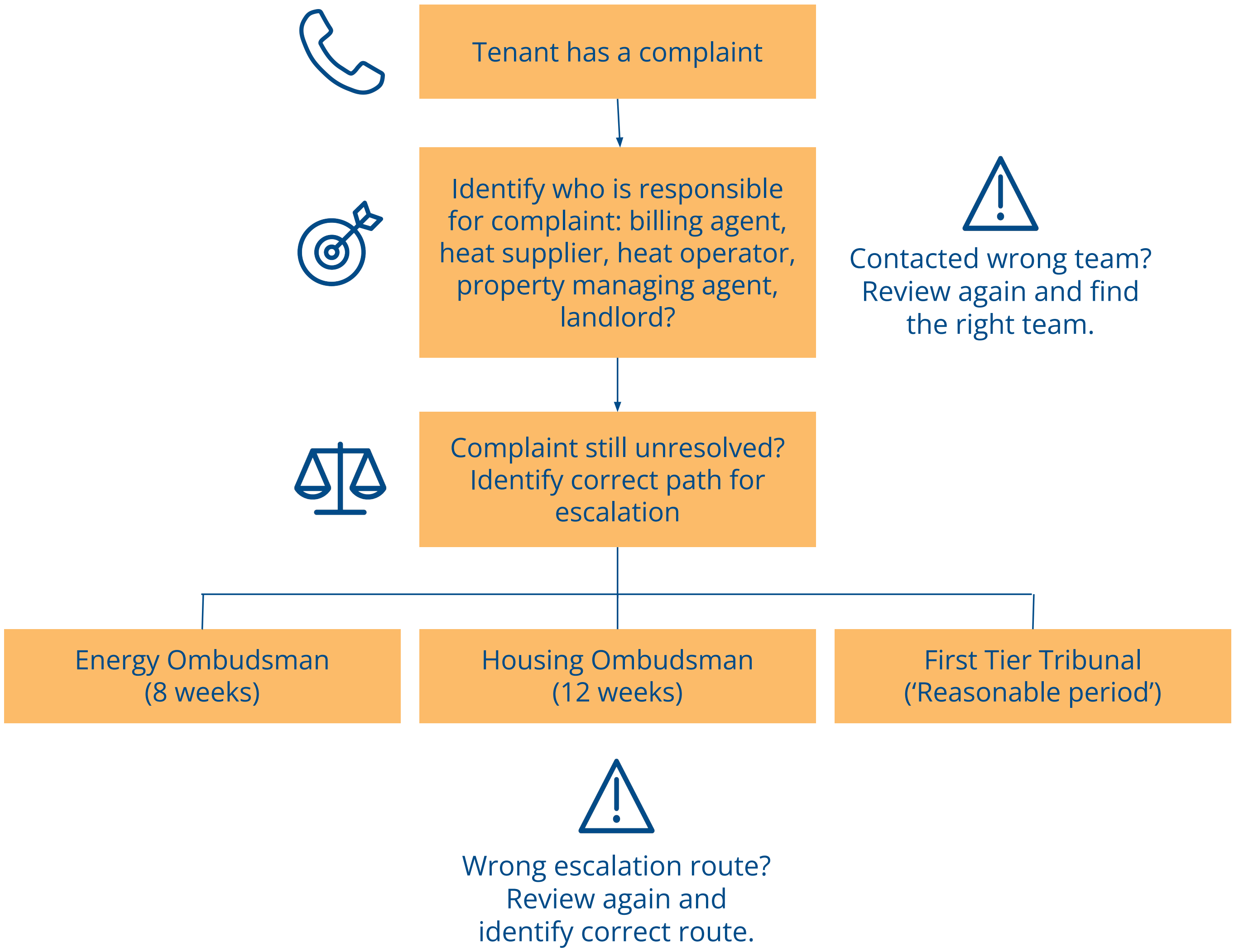


Improved access to information not only supports consumers - it helps Citizens Advice provide better support. Clear details about the supplier, operator and third party roles make it easier to resolve problems. In a regulated market, it's reasonable to expect information and transparency for all consumers - not just some consumers.

Complaints more difficult to navigate

Bundled consumers are more likely to find navigating complaints difficult than consumers with a separate heat supply contract. This is because their heat network provider can have overlapping responsibilities for heating and housing. And, multiple organisations are often involved. The heat contract terms can sit in a lease, tenancy agreement or service-charge arrangement, making it difficult to know who to contact for help.[115] Landlords and managing agents can also disagree about who is responsible and pass the consumer back and forth - causing delays and consumer fatigue.

If a problem isn't resolved, consumers can escalate a complaint to a dispute resolution body. But, because of the overlap between Ofgem's regulations and housing law, bundled consumers first have to work out which organisation to contact. Depending on the issue, it could be the Energy Ombudsman, Housing Ombudsman, or First Tier Tribunal. Each one has its own timescales for referring a complaint. 8 weeks of no resolution for the Energy Ombudsman, 12 weeks for the Housing Ombudsman, and 'reasonable period' for the First Tier Tribunal. If people start down the wrong pathway, it can cause delays and further harm.



The fragmented system puts the burden on the consumer. It's not always easy for people to get the help they need. Our advisors have seen how difficult it is to get an issue resolved where housing and heating charges are bundled. Sam's story shows how the lack of clarity over responsibilities in bundled settings can make problems worse - especially when a person is in vulnerable circumstances. Without clear signposting, people might wait a long time to get the help they need.

Sam was left without heating and hot water when the communal boiler broke down in the middle of winter. Sam is elderly with medical vulnerabilities - he needed urgent help. He pays for heating within his rent to the council, so he called them first. He was pushed back and forth between the council, who are his heat supplier, and the external contractors responsible for repairs. Neither offered temporary heating, or provided a timeline for restoring supply.

Our advisor was also pushed back and forth between the council and the maintenance company when they called on Sam's behalf. Neither body was clear on who should provide communication and support to people in vulnerable circumstances. But after our advisor explained Ofgem's new rules, the council agreed to provide temporary heating while the repairs were carried out. Sam was without heating and hot water for 2 wintry nights.

Heat network advice service client, 2026, social tenant

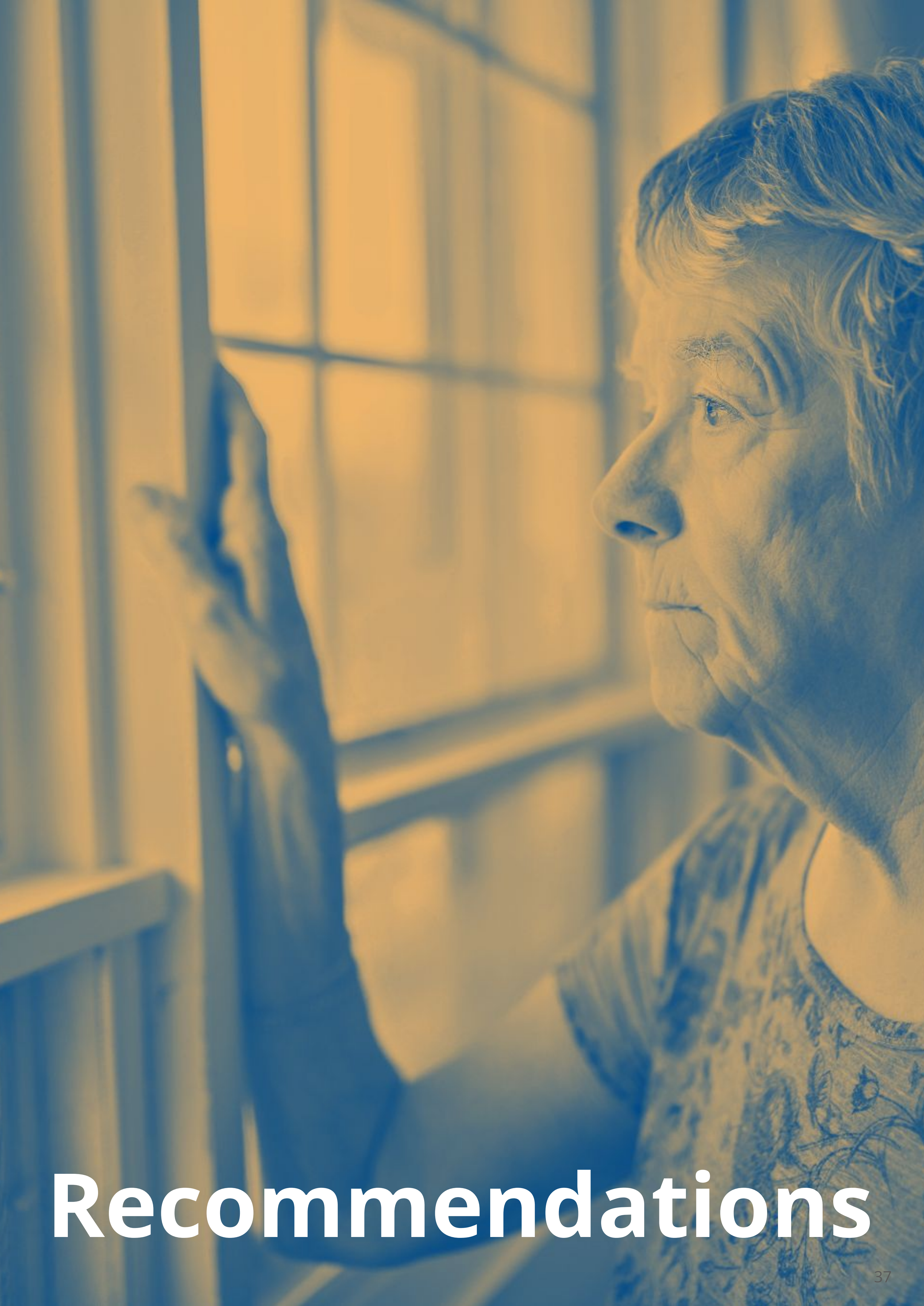
Blurred accountability over disconnection

Ofgem rules about disconnection apply alongside housing rules about disconnection. Heat suppliers who are also landlords must follow both sets of rules. This can make disconnection harder to resolve. Consumers and suppliers have to work out who's responsible for restoring supply, and what rules apply.

Under the Protection from Eviction Act 1977, if a landlord cuts off services like heating and hot water it can amount to harassment of a tenant.[116] Ofgem rules stop suppliers disconnecting during winter anyone under the age of 2, over 75, terminally ill or chronically sick. And, at any time where someone relies on heating or hot water for medical reasons. The new rules make clear that Ofgem disconnection rules don't override housing law. That might seem like 2 sets of protection, but in practice it means navigating 2 sets of rules where people can fall through the gaps of both.

In the mains gas and electricity sector, disconnection for debt has been virtually eliminated due to the health risks it poses. In the heat network sector disconnection is much more common. If the existing housing law was working to protect people, this shouldn't be the case. But our survey found 7% of people with heat network debt have experienced disconnection for debt.[117] In the gas and electricity sector this number has been zero or close to zero for the last 10 years.[118]

Ofgem's new rules should help to reduce this harmful practice. But the rules assume a direct supplier and consumer relationship, where one clear standard applies and disconnection is a last resort. In bundled settings, rights and responsibilities around restoration of supply depend on what's in the lease or tenancy agreement.[119] Bundled consumers have to navigate a more complicated system when faced with disconnection from an essential-to-life service.



Recommendations

Fixing the two-tier system for people with bundled charges

It's unfair for a third of heat network consumers to face a two-tier system of regulation because their heating bills are bundled together with housing charges. All heat network consumers deserve equitable outcomes. The major protection gaps this report highlights - on eviction, back-billing, pricing and accountability - need to close, whatever it takes.

Government departments, regulators and industry all need to do their part. We've carried out extensive engagement with heat network providers in the social housing sector on the problems caused by bundled charges. From this, we've developed common sense, practical recommendations. These measures will help to make sure heat networks work now, not just in the future. Leaving a two-tier system in place could mean bad outcomes for years to come. This, in turn, might undermine trust in a sector that could unlock green growth, warm homes and energy security.

Changing housing law to fully unbundle heat and housing charges may place unworkable burdens on the housing sector. The housing sector is already navigating enormous change with programmes of reform:

- The Leasehold and Freehold Reform Act (2024), Awaab's Law (2025), the Renters Rights Act (2025), the new Decent Homes Standard (2025) and the Commonhold and Leasehold Reform Bill (2026).
- Ofgem's new regulatory framework (2026), the Warm Homes Plan (2026), and the Heat Networks Technical Assurance Scheme (HNTAS) expected from 2027.

Fully unbundling heat network costs from housing charges would require significant changes to the Landlord and Tenants Act. In turn, this requires housing providers to renegotiate leases. This process, and the legal advice underpinning it, would take up the limited resources many providers have, especially in the social housing sector. In some situations, bundled charges can be appropriate or even beneficial for consumers. For example, in care homes and other supported living facilities, residents might find it difficult to manage separate contracts for utilities and prefer charges to be included in their housing payments. As such, making the complete separation of heat and housing charges a legal requirement might not be the right solution.

But doing nothing isn't an option. By working with the social housing sector and their representative bodies, we explored a range of possible solutions and refined our recommendations into feasible, practical steps for the energy and housing regulators, and government, to take. These recommendations prioritise protecting people from the most serious harms, including the risks of eviction and forfeiture, and significantly reduce the harm of two-tier protections in back-billing, billing and pricing.

We recognise the heat network sector is in a transitional period, getting to grips with major new regulations. Eliminating the most serious harms must be a top priority: the wider energy sector shows what's possible. Disconnecting people for energy debt was common practice until the early 2000s, when a combination of regulation and voluntary action by suppliers caused disconnections to plummet.[120] Now, in the mains gas and electricity sector, disconnections for debt are virtually zero.[121] With the right interventions by government and regulators, the heat network sector can stamp out the most serious harms facing consumers and make the rules work for everyone.

Stop eviction and forfeiture for heating debt

Stop eviction and forfeiture for heating debt

To stop eviction and forfeiture for heating debt, social tenants, private tenants and leaseholders need different protections in both the short and medium term, as we outline below. To make sure fewer people face bundled charges in future, DESNZ must progress proposals to roll-out individual metering without delay. And Ofgem must make sure the expectation they've set in guidance - for individual metering to result in separate charging - is met by suppliers.[122]

	Short term	Medium term	Long term
Social tenants	Amend the Pre-Action Protocol for Possession Claims	No eviction due to financial hardship for 10 years, as in Wales	Metering rollout reduces bundled charging
Private tenants	Amend the Pre-Action Protocol for Debt Claims	Amend Renters Rights Act eviction grounds	Metering rollout reduces bundled charging
Leasehold	Abolish forfeiture	New lease enforcement scheme considers high heat network costs	Metering rollout reduces bundled charging

For social tenants - Instruction from Social Housing Regulator: 'no evictions due to financial hardship for 10 years'.

A blueprint for preventing debt-driven evictions already exists in Wales. The Welsh government and social housing sector jointly agreed a 'commitment of no evictions due to financial hardship, where tenants engage with landlords' for the next 10 years.[123] England's Regulator of Social Housing should use the template provided by Wales to level the playing field and prevent evictions for heating debt:

Continue the commitment of no evictions due to financial hardship for the term of the settlement, where tenants engage with landlords, whilst working with partners to deliver on the commitment not to evict into homelessness.

Continue to provide targeted support to those experiencing financial hardship to access support, alongside focused communication to encourage tenants to talk to their landlord if they are experiencing financial difficulties and access support available.

Welsh government rent and service charge standard 2026-2036, page 6.

A 10-year commitment would protect people until the government's plan to install individual heat meters is completed. The government proposes to roll out metering to existing heat networks within 5 years of the Heat Networks Technical Assurance Scheme (HNTAS) launch and these networks to reach full compliance with the standards within 10 years.[124] We support this and we've called for targeted funding to help existing networks, especially those with fewer resources, to meet these targets.[125] In the meantime, a strong commitment to prevent eviction is needed. Social landlords would have the ability to pursue eviction action only if tenants persistently refuse to engage with debt support measures. Tenants could have greater trust and confidence in addressing debts in partnership with landlords if they know their home is secure.

While this commitment is being developed, the Social Housing Regulator should work with the Justice Department to amend the Pre-action Protocol for Possession Claims by Social Landlords.[126] This outlines steps social landlords are expected to take before initiating eviction processes. The Protocol should caution against pursuing possession claims where heat network costs are bundled into rent and incorporate Ofgem's rules on how to support people in payment difficulties.[127]

For private tenants - Amend Renters Rights Act 2025 to make rent arrears a discretionary ground for eviction.

Courts should have greater oversight of private tenants facing eviction for heating debt. The most effective way of doing this is through legislative change. The Ministry for Housing, Communities and Local Government (MHCLG) could amend the Renters Rights Act 2025 to make rent arrears a discretionary ground for eviction instead of a mandatory ground. Alternatively, the Act could be amended to exclude 'rent arrears that include heat charges' from ground 8, the mandatory eviction ground for rent arrears. Citizens Advice has made the case elsewhere that giving courts more leeway to consider eviction for rent arrears on a case by case basis would reduce harm for tenants.[128]

Bundled heat charges can make large contributions to rent arrears. People on Universal Credit are particularly vulnerable, because heating is an 'ineligible service charge' under benefit rules.[129] In part 1 of this report, Lucy's and Toby's stories showed how large debts accrued because the heating element of their rent wasn't covered by Universal Credit payments. Where heating costs are bundled into rent, the threshold for mandatory eviction grounds - 3 months of arrears - can accumulate more quickly. Amending the Renters Rights Act would allow courts to consider heat network costs as mitigation for tenants and scrutinise whether heat network suppliers are properly following the Ofgem rules on debt management before pursuing eviction.

Until such legislative change can be implemented, the government should amend the Pre-Action Protocol for Debt Claims and issue guidance to courts to apply the Protocol to cases of rent arrears. At present, the extent to which this Protocol applies to landlords seeking to recover rent or service charge arrears is uncertain and courts may consider compliance with it when making an order.[130] This Protocol should be applied systematically and amended to caution against pursuing possession claims where heat network costs are bundled into rent. It should also incorporate consideration of whether Ofgem's rules on how to support people in payment difficulties have been followed in heat network cases.[131]

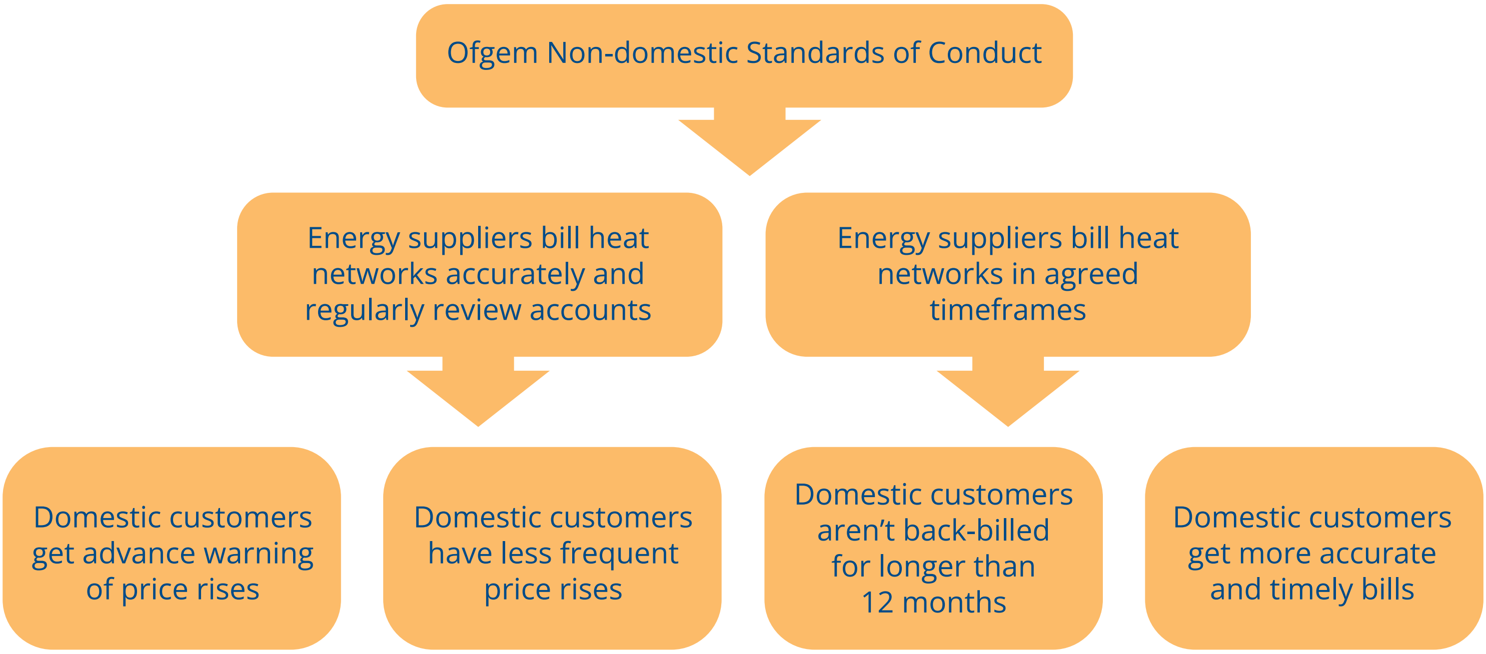
For Leaseholders - Abolish forfeiture and raise the financial threshold in the new enforcement regime.

Other energy suppliers would never have the option to seize a person's home if they failed to pay their energy bill. Leaseholders who are effectively captive consumers of monopoly heat network suppliers shouldn't face this unjust risk. We strongly support MHCLG's proposal to abolish forfeiture as a means of enforcing a lease. This is included in the draft Commonhold and Leasehold Reform Bill.

We agree forfeiture is 'an outdated and disproportionate' means of enforcing a lease, for as little as £350 of arrears. The government says 'the threat of forfeiture is widely used as leverage'.[132] This discourages leaseholders from exercising their rights and challenging poor practice.

We also support plans to replace forfeiture with a new enforcement regime, which will have greater judicial oversight. However, the proposed threshold for starting enforcement proceedings is between £500 and £5,000. We recommend raising the threshold where disputed costs include heat networks maintenance and repairs. Our research with heat network consumers showed leaseholders faced major works costs ranging from £2,000 to £10,000 for their heat network infrastructure. And despite paying large sums for repairs, they often felt works were sub-standard.[133] To implement new government technical standards, some households on gas heat networks could face costs of up to £15,000 per property.[134] Raising the threshold for the new lease enforcement system would help give heat network consumers the confidence to challenge poor practice and unreasonable charges.

Fair pricing and back-billing protections for all



Ofgem to investigate and enforce non-compliance with Standards of Conduct for suppliers of non-domestic consumers

The problems of long-term back-billing and retrospective pricing within the service charge system are often caused by delays or errors in landlords being billed by their suppliers. Many landlords acting as heat network suppliers are themselves non-domestic consumers of energy. They buy energy, often gas, to provide fuel for the heat network on wholesale markets. This counts as 'non-domestic' purchase of energy. While microbusiness consumers are protected by the 12 month limit on back-billing, other non-domestic consumers aren't. This means a landlord can be hit with a bill for over a year's worth of energy even if their supplier hasn't sent them a bill previously or has billed them incorrectly.[135]

This has knock-on effects for heat network consumers with bundled charges. Higher than expected costs of buying fuel or delays in landlords receiving bills are factored into the service charge system. Landlords aren't allowed to profit under this system - just to pass on the costs they've incurred. But because landlords can be hit with late or unexpected costs by their supplier, these then get passed on to heat network consumers even later, causing unfair, shock bills. Social housing landlords told us they'd be able to follow Ofgem's 12 month back-billing limit more often, if they themselves were protected more effectively against delayed or inaccurate bills.[136]

We recommend Ofgem works with registered heat networks to identify and investigate non-compliance with the Non-domestic Standards of Conduct to address this problem. Ofgem extended some Standards of Conduct to all non-domestic consumers for the first time in 2024. These relate to specific 'designated activities', including the accuracy of bills or statements of account, and the timeframes in which non-domestic customers should receive bills and be expected to pay.[137] This is a good opportunity to bring 2 relatively new regulatory frameworks together - the heat network regulations and the newly expanded non-domestic Standards of Conduct - to get better outcomes for domestic consumers. Ofgem should make sure suppliers of non-domestic consumers - including heat networks - uphold these standards, and take enforcement action where they don't. This would help to reduce the harm caused by two-tier protections in pricing and back-billing for heat network consumers with bundled charges.

Improved transparency and accountability

Improved transparency and accountability

Contract and billing information are essential tools for consumers. Knowing exactly who to contact when something goes wrong helps solve problems more quickly. Clear billing information helps people understand what they're paying for and manage their finances. Important work is already underway to improve the information people get from their landlords - proposals we've supported in previous consultation responses. With a few small tweaks, these would work better for heat network consumers.

Regulate managing agents + Improve service charges + Set deadlines for provision of information

Regulation of managing agents

Property managing agents often mediate landlord-tenant relationships and multiple organisations can be involved. This can make the lack of transparency and accountability in billing and pricing decisions worse for consumers with bundled charges.

We strongly support MHCLG's proposals to strengthen regulation of managing agents and to introduce mandatory professional qualifications.[138] Managing agents involved in heat networks have even more complex responsibilities and functions than before.[139] Mandatory qualifications are important to protect consumers from incompetent or negligent managing agents.[140]

Add heat network-specific requirements for the new annual reports and service charge demand forms

We also support MHCLG's proposals to improve transparency in how service charges are set and communicated to leaseholders. Where service charges include individual heating and hot water charges, we recommend tailored amendments to address the gaps in heat network billing and pricing protections.[141]

- The key contacts section of the new annual report for both leaseholders and social tenants should include the heat network supplier details.
- The category of 'utilities' should be broken down in the initial service charge demand form, the annual budget document and reconciliation demand forms. The breakdown should clearly differentiate individual heating and hot water costs, heating of communal areas and any costs towards management and maintenance of their heat network infrastructure.
- The reconciliation demand form should explain the nature of any overspend or underspend in more detail where the difference is due to heat network costs. Suppliers should use Ofgem's rules on transparency of information as a guide for what details to include.[142]

Set deadlines for amending leases and tenancy agreements or providing separate documents

Ofgem should set a clear deadline for suppliers to update documents that are acting as heat supply contracts for bundled consumers. Currently, there's no set time frame for suppliers to update leases or tenancy agreements to include all the right information or to provide any missing information in separate documents. We recommend a deadline of no longer than 12 months after the date suppliers are required to register with Ofgem (January 2027).[143] This provides a transitional period to update leases or tenancy agreements to include information required in a heat supply contract, or to provide a separate document with missing information.

In implementing the Renters Rights Act, the government has set a strong precedent requiring landlords to act fast to fix information gaps for tenants. In January 2026 the government gave landlords notice they had to provide Information Sheets to tenants by 31 May 2026 - in just 4 months. Not doing so can result in a £7,000 fine.[144]

The heat networks sector is complex and a one size fits all template might not work as well. Allowing a longer time frame of 12 months after registration to make the changes is reasonable. But without a firm deadline, suppliers might not be incentivised to act.

Conclusion

To make sure heat networks deliver clean, affordable and reliable power to more people, the two-tier system for bundled consumers must end quickly. Bundled charges put people at risk of losing their home. Bundling creates double standards in billing and back-billing, a serious loophole in fair pricing rules and barriers to getting help when things go wrong.

Government departments, regulators and industry all have a part to play in making heat networks work now, not just in the future. If we don't fix the foundations now before the market expands, consumers could experience bad outcomes for years to come. This, in turn, might undermine trust in a sector that could unlock green growth, warm homes and energy security. Our recommendations in this report would level the playing field for all heat network consumers and end the two-tiered protections once and for all.

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