

Response to Ofgem's technical working paper on the Debt Relief Scheme

Citizens Advice response



August 2025

About us

We can all face problems that seem complicated or intimidating. At Citizens Advice we believe no one should have to face these problems without good quality, independent advice. We give people the knowledge and the confidence they need to find their way forward - whoever they are, and whatever their problem.

We provide support in approximately 2,500 locations across England and Wales with over 18,000 volunteers and 8,650 staff.

Through our advocacy work we aim to improve the policies and practices that affect people's lives. No one else sees so many people with so many different kinds of problems, and that gives us a unique insight into the challenges people are facing today.

As the statutory consumer watchdog for the energy and post industries we have an important role to play in shining a spotlight on the problems consumers encounter, providing solutions to these problems and ensuring their voices are heard when important decisions are made about the future of these essential markets.

Executive summary

Citizens Advice welcomes the opportunity to respond to Ofgem's working paper on the proposed Debt Relief Scheme (DRS). The scheme has the potential to deliver significant benefits for both consumers and suppliers by reducing debt in the energy market, supporting vulnerable households, and improving relationships and trust between consumers and their suppliers.

We broadly support the new objectives outlined by Ofgem in the working paper and recognise that some of our recommendations have been taken into consideration, such as a phased approach to implementation to reach those in need as soon as possible. While the scheme is moving in the right direction, we are still concerned that there are a number of unanswered questions and believe we need greater clarity on eligibility and engagement to determine consumers who will qualify for the scheme.

We are also concerned about the lack of information on the second phase of the scheme. We understand that it will be more complex, and that is why we urge Ofgem to begin consulting on this phase as soon as possible, to engage with stakeholders and suppliers to start working through complications and prevent any further delays. We are currently mobilising our new energy debt advice service which over time will significantly increase access to FCA-accredited debt advice. We are keen to ensure that wherever possible this service can support good consumer outcomes from the Debt Relief Scheme.

The energy crisis is not over for millions of people. Energy prices are still volatile and higher than before the energy crisis. Our most recent survey found that 38% are worried about paying their energy bills this winter, and 6% are in debt.¹ Any delay in introducing the scheme increases the risk of negative consequences for consumers, such as debt enforcement, prepayment meter disconnection, energy rationing, and deepening debt. These outcomes could harm people's physical and mental health and further damage household finances.

¹ Polling data is based on an online, nationally-representative poll of 4,270 GB energy bill paying adults conducted by Yonder Data Solutions for Citizens Advice. Fieldwork was conducted between the 31st July and 6th August 2025.

To ensure that the DRS is a one-off intervention that delivers meaningful debt relief, the Government needs to tackle the problem of energy affordability. In our view, this means that the debt relief scheme should be accompanied by long-term targeted bill support and further action to improve the energy efficiency of homes.².

1. Whether we should cap available support at a statutory consultation date?

We understand Ofgem needs to balance the scheme between providing support for vulnerable consumers and limiting the costs to all households. With this in mind, we agree with Ofgem's proposal to cap available support at statutory consultation date and believe that this approach will help to promote customer engagement in repayment plans while also ensuring value for money.

Furthermore, as the debt relief scheme is intended to be a one-off, time-limited intervention, we think it is reasonable to set a clear starting point and cut off date. In our previous consultation response, we agreed that Q2 2022 was the correct starting point and Q1 2024 was the correct cut off point. We are therefore pleased to see Ofgem define the "energy crisis period" for eligible debt as the period of 1st April 2022 to 31st March 2024.

2. Are there any alternative pathways that customers could choose to demonstrate a commitment to resolving debt sustainability?

Citizens Advice strongly supports Ofgem's proposal to introduce flexible requirements for consumer engagement within the DRS framework as by doing so will help the scheme to achieve its objectives. Simple requirements will ensure that consumers can more easily qualify to have their eligible debt written off, therefore helping to reduce the levels of domestic energy debt in the system - which helps both consumers and suppliers - while also helping to improve

² Citizens Advice, [Frozen in Place: Why the government needs to move quicker to address energy affordability](#), Feb 2025

engagement. We recommend that third party engagement and advocacy, such as casework or referrals from energy advice agencies, debt advice or wider trusted parties, should also be considered as an alternative route for engagement. This should include where a trusted party contacts the supplier on the consumer's behalf.

3. Do you agree with the conditions proposed for both engaged and currently disengaged customers, or do you believe that the threshold for accessing DRS should be lower or higher (and if so, please clarify how)

While we agree conditionality should be built into the DRS, it should not create unnecessary barriers for vulnerable consumers. Equally, conditionality shouldn't introduce significant complexity and slow down the delivery of the scheme. We want to see the DRS implement flexible engagement requirements to maximise take-up and ensure people with eligible debt can receive the support they need.

It is positive that Ofgem are including paying towards ongoing usage as a condition of engagement to qualify for automatic debt write-off. We also support the condition that consumers will only need to have made one payment towards their bill in the last year to qualify. We know, however, that there is currently wide variation across suppliers in how they approach minimum payments towards debt and current usage. Some suppliers will accept any contribution while others will insist on full payments which leaves some consumers unable to pay anything towards their latest bill. While suppliers should already be incentivised to enable access to debt relief, to ensure consistency and fairness and maximise take up, Ofgem should require suppliers to accept any contribution towards their bill or debt to help qualify consumers for the scheme.

It is vital that all engagement should be led by consumers with flexible pathways that reflect their current circumstances. We are concerned about the discrepancy in the working paper as the wording on page three talks about consumers requiring to agree repayment plans or installation of a smart meter, however on page six it says consumers will need to discuss these options. Without more clarity, consumers could feel pressured into repayment plans they can't afford, or accept a smart meter against their wishes. We recommend

Ofgem resolve the discrepancy in the working paper and remove the word 'agreeing' to these actions and instead use 'discuss', while making it clear no immediate outcome is needed to qualify consumers for the scheme. This will create the space for helpful conversations on sustainable solutions, while recognising that engagement is a journey rather than a single step, and give space for people to engage at their pace.

We also want to see allowances included in the working document for consumers who are unable to engage. For example, people who are in a Mental Health Crisis Moratorium who are provided debt protection as long as their mental health crisis lasts and therefore don't have to engage with their creditor because they are unable to. Or for people in 'Breathing Space' who can't be contacted about debts and so could risk missing out on the scheme. The DRS should count being in such programmes as valid engagement and ensure consumers are automatically eligible for debt write off. If, for some consumers, it's not feasible to build such exemptions into the scheme, we suggest Ofgem look to produce some form of guidance on voluntary debt write-off for exceptional cases outside of the scheme.

4. Are there any improvements that could be made to existing processes or rules to make the scheme more effective - e.g. to the Fuel Direct scheme

To be successful, the scheme needs to have a clear and well-structured communication strategy, with a dedicated working group with consumer groups and charities (CGCs) to help coordinate delivery. We understand Ofgem are concerned that making the scheme more public at this stage could increase the number of 'scam' communications, but this underlines the need to implement a robust communication strategy.

Once the statutory consultation is published Ofgem should be communicating how the scheme will run, who will be eligible, and how to qualify. To ward off scam communications, they should reiterate how consumers will be contacted and reinforce that consumers should never give any personal information to an untrusted source. A well-structured communication strategy is needed to help ensure people contact advice (and particularly debt advice) services at the right time, and so that those services can provide clear advice.

Additionally, all communication to suppliers from Ofgem should emphasise that the scheme is intended to strengthen trust and improve relationships with consumers. This scheme will help suppliers as well as consumers, and therefore suppliers must not compel consumers into engagement and instead should focus on fostering sustainable engagement.

As the scheme is looking to improve engagement with consumers, it should be seen as an opportunity to support consumers with the benefits of cheaper tariffs where available, and the advantages of smart meters if they choose. This should also include prompts to consider switching to other suppliers for consumers who are able to do so, in line with existing licence conditions.³ If pre-payment meter consumers have had their debt wiped off or reduced, they should also be given the opportunity to explore alternative payment methods.

Our previous research on Fuel Direct looked into the issues that people on Universal Credit have with the scheme, and set out recommendations to help keep people out of debt.⁴ From working with people using the deductions scheme to pay for energy, we learnt there are three key issues: firstly, people feel worse about deductions if they don't provide consent; secondly, people find it difficult to keep track of the payments and they aren't sure who to go to if they are struggling to manage; and lastly, when people pay off their debt there is a lack of support to help them stay out of debt. To improve the process and ensure people can stay out of debt, we recommend that the Fuel Direct Scheme calculates repayments that are based on a person's ability to pay, has clearer guidance so people understand the scheme, and includes more support to help people get back on track after they finish paying their debt. We're also aware there have previously been administrative challenges for suppliers and consumers in using the scheme, which may need to be addressed through collaborative working with DWP.

To prevent energy debt reaching unsustainable levels again in the future, more should be done to improve debt prevention or collection. We know some consumers end up in debt due to issues with their billing, smart-meter issuers or due to unfair back billing periods. We are engaging with Ofgem on their Debt Standards work, but we believe greater clarity is needed on what 'regular and

³ SLC 31F. Encouraging and enabling engagement

⁴ Citizens Advice, [Taking too much? The experience of benefit deductions to pay for energy and other debts](#), Nov 2021

accurate' billing means, and have recognised the benefits of monthly billing. To prevent shock bills we also want to see a reduction in the amount of time suppliers can backbill customers with smart meters for energy used in the past, from 12 months to 6 months.⁵

We are also concerned that people on heat networks are also likely to need support with debt. While the extent of debt build-up in the heat network sector is unknown there is good reason to believe that debt is as endemic as in the energy retail market, if not more. During the energy crisis heat network customers got more limited government support with energy bills. Our recent research shows that people struggling with debt and affordability in the sector face a range of unfair practices due to a lack of regulation, including back-billing and retrospective price increases which are prevented for gas and electricity consumers.⁶ This means that heat network consumers may have been pulled further into debt during that period.

We recognise that heat networks cannot be included in the DRS, due to the complexity of the sector means it would be administratively complex, lacks a clear route to recover scheme costs and would not align with the timeframe for heat network regulation. Some of the root causes of high prices for some heat networks - including high input costs, poor heat network efficiency - can't be fixed quickly. Further, Ofgem aren't considering "more complex" regulatory activities and unfair pricing investigations in the heat network sector until 2027 when all heat networks are registered.

With many heat network consumers facing an affordability crisis, it's vital that heat network consumers benefit from the new protections from January to access affordable payment plans, and that the Government and Ofgem work together on solutions for how the cost of debt can be managed across the sector.

Cases from our consumer service also show that many heat network consumers are unaware they are on a heat network. This means there is significant risk of misunderstanding around their eligibility for the Debt Relief Scheme. Ofgem should produce targeted communications for the heat network customers,

⁵ Citizens Advice, [Footling the bill: How the energy bill protection gap is putting strain on households](#), Nov 2024

⁶ Citizens Advice, System Critical: No margin for error in new heat network rules, July 2025.

clearly explaining other support options, including the new debt protections and how to access debt advice.

On customer contributions and debt displacements

5. Which of the three options is preferred?

Ofgem should implement a model that is simple and can be enacted quickly, and have some concerns that options involving consumer contributions are more complex. There will be eligible consumers who are likely to have little to no capacity to contribute - however, we recognise that suppliers also benefit from the scheme write-offs by receiving payments for debt that they wouldn't have otherwise recovered. We therefore recommend that suppliers should shoulder this cost where feasible. If any contribution is kept, it should be limited to non-automatic applicants as stated in option two, rather than applying it universally.

6. Whether 5% is reasonable value for customer contributions (including debt displacement) or do you have an alternative methodology for this value?

We need more detail on the methodology and how Ofgem arrived at this figure. At present, we are unable to comment on whether this is a reasonable value and it seems unlikely that the percentage figure would be the same for all customers in option one, and customers eligible through the non-automatic route in option two. We agree that there does need to be some customer contribution to ensure that suppliers are not over-compensated, however we do not have enough information to recommend a value.

7. What data does Ofgem need to inform this decision

We continue to be concerned that data availability and sharing could slow down the rollout of the DRS and hinder its success. To be able to accurately understand the value for customer contributions in the energy market, Ofgem should acquire:

- Historic and current repayment performance on debt by payment type within the energy crisis period, as well as the age of debt and engagement status.
- Supplier provisioning assumptions compared to realised recovered for similar cohorts
- Evidence of Fuel Direct deductions continuity and PPM self-disconnection patterns (to measure displacement)
- Impact of outreach, for example: contact attempts; engagement; sustained repayment

Reimbursement rate

8. Preferred methodology for calculating reimbursement rate?

We believe this to be one of the most complex and contentious aspects of the scheme which could have the potential to delay or hinder the process if suppliers are not supportive of the approach taken by Ofgem. In our previous consultation response, we stressed the importance of avoiding complexity and ensuring transparency and fairness, particularly to prevent inconsistent outcomes across suppliers. We continue to believe these principles should be fundamental to the approach Ofgem takes. The hybrid methodology is likely to produce the best outcomes as it will provide value for money and take into account supplier's own commercial valuation while maintaining fairness by capping the reimbursement rates to avoid outliers.

9. Whether under a hybrid or supplier model we should set a single rate for each supplier, or a rate for each supplier by payment type

It is unclear from the working paper what the impacts are for the different payment methods. The paper says suppliers with non-standard mixes of payment methods could be advantaged or disadvantaged under a single rate, but is not clear about which type of supplier, or how the consumers using them

might be affected. We need greater clarity from Ofgem to properly understand which option will be most beneficial for consumers.

Funding and supplier cost to recovery process

10. Is pay-when-paid Third Party Assignment Rights the appropriate methodology for reimbursing suppliers?

We do not agree pay-when-paid is an appropriate methodology for reimbursing suppliers. Whilst we agree with suppliers submitting claims to the network companies, we do not agree that network companies need to have collected the money before paying claims.

Earlier this year we published analysis identifying that the design of network price controls means higher inflation in recent years has led to financial outperformance worth around £4 billion.⁷ We note these windfalls are still increasing as inflation stays above long-term expectations. There is a strong moral case for energy networks to use at least part of their windfall to support people to escape energy debt.

As set out in our initial response, we again call on the network companies to use their windfall gains to pay for the scheme, rather than leaving the bill to fall to consumers. At a minimum, energy networks should recover the money over a longer period to reduce the impact on bills and cover the extra financing costs using their windfall gains. Financeability is not a relevant concern when considering the distribution of a windfall as network companies have already been assessed as financeable in the absence of the windfall.

⁷ Citizens Advice [Debt to Society](#)

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We provide free, confidential and independent advice to help people overcome their problems. We are a voice for our clients and consumers on the issues that matter to them.

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