

Addressing fuel debt

Summary of conference
held on 13 July 2016



Introduction

Our [latest research](#) shows that over a 12 month period nearly 1 in 10 households (2.9 million households) fall behind with payment on an essential household bill.

Our analysis also suggests that those affected by recent changes to the welfare system have found it increasingly difficult to manage their essential household bills and juggle conflicting priorities. During a period when several reforms were introduced, the number of households falling behind on an essential bill remained largely the same, while the number falling behind **on multiple bills** increased.

Alongside this, stagnating wages, increasing household costs and a rise in insecure work mean that people on low and fluctuating incomes are having to budget extremely carefully.

A particular concern for the energy sector is that around 17% of households pay for their energy through a [prepayment meter](#). These consumers may self-disconnect if they are unable to meet the cost of essential household bills, leaving them without a supply of gas or electricity.¹ Last winter, the Citizens Advice Extra Help Unit helped 220 consumers who could not afford to top up their prepayment meter, but this is only a small proportion of households who self-disconnect.

Many energy companies are adapting well to these challenges and are keen to make further improvements to support consumers who are financially vulnerable. Many recognise the benefits to their business, such as higher debt collection rates, improved staff morale and better customer service for all their customers. At our half-day conference on 'Addressing fuel debt', stakeholders said that they were keen to share good practice and work collaboratively on these issues. The event itself provided a platform for these discussions.

We began the conference with presentations from Citizens Advice on three recent pieces of work:

1. [Welfare reform and essential bills](#): mitigating the impact on people's ability to pay
2. [Staying connected](#): how energy suppliers can help and support prepayment customers who self-disconnect

¹ Unlike, for example, the water sector where consumers are guaranteed a continuous supply even if they cannot pay.

3. On supply, in control: using data to identify and support energy consumers in financial difficulty

We also heard from Islington Council on their Seasonal Health Interventions Network. Shine is a referral scheme with over 120 partner organisations from across the public, private and third sectors. They aim to tackle fuel poverty and other seasonal health inequalities through a range of services, including energy efficiency home visits, energy and water debt support and emergency prepayment meter credit. Since the scheme started in December 2010 they have received 13,500 referrals for vulnerable residents in the borough.

Finally, we opened out to a workshop session discussing the challenges and opportunities around:

1. **Identification** - using data and communication to identify consumers who are financially vulnerable
2. **Engagement** - reaching out to and engaging consumers who are financially vulnerable
3. **Response** - providing an appropriate package of help and support to consumers who are in financial difficulty

Participants included energy companies, water companies, trade bodies, national and local government, regulators and NGOs. The full list of participants can be found in the acknowledgments.

The following summary describes stakeholder responses to our policy recommendations as well as existing good practice identified during the workshop discussions. We hope that this will be useful for both well-established and newer energy suppliers, other utilities providers and creditors in other sectors.

Recommendations

During the workshop, we asked participants for their thoughts on a number of recent recommendations we have made:

DWP should provide regular updates to utility companies on welfare reform

Energy suppliers in particular felt this would be hugely beneficial as it would allow them to prepare for upcoming changes. Regular written communication would be welcomed. Some suppliers felt that they only get fairly high-level information currently. Updates should acknowledge that welfare reform is wider than the Universal Credit rollout.

DWP and utility companies should increase data sharing

Energy suppliers in general thought that more information about their customers' benefit changes would help them to tailor their debt collection processes. As with any sharing of personal data, consumer confidence will depend on there being genuine transparency and control over who is using their data and a guarantee that it will not expose consumers to harmful practices.

The energy industry should establish a clear set of consent requirements for the use of personal data

Participants generally felt that an overall framework would be helpful but were keen to know more details on how it might work. The lack of clarity currently discourages some suppliers from using customer data to identify those in financial difficulty.

Energy suppliers should collaborate to develop industry-wide standards for identifying consumers who are at risk of falling into arrears or self-disconnecting

There was mixed feeling on this recommendation. Some participants agreed about the potential for the use of smart data to identify consumers who are financially vulnerable. Others felt it was too early to know whether such analysis of smart meter data could be both accurate and cost effective.

Good practice

Identification

Defining vulnerability

Participants tended to define vulnerability broadly and to include measures of financial vulnerability. Some participants reported an increased number of consumers in vulnerable situations and with more intractable, difficult to resolve problems. They noted particular challenges around identifying consumers with mental health issues. Good practice included:

- Regular reviews of the definition of vulnerability
- Categorising vulnerabilities by health, life events and financial vulnerability
- Empowering frontline agents to take a broad view of vulnerability

Early identification

- Participants felt it was important to identify vulnerability before problems occur, if possible
- There are opportunities to identify vulnerability when the customer first signs up but significant challenges around doing this through online sales channels
- There was appetite for sharing good practice on using data to identify consumers on the brink of debt, ie pre-arrears

Segmentation

Customer segmentation can help target resources at those who really need help. Examples include:

- Segmentation by reason for debt (eg 'lazy payers' versus those who are struggling to pay)
- Flagging debts as 'in control' or not

The art of conversation

Good quality interactions at every touch point were seen as key to identifying vulnerability. This includes:

- Training staff to ask the right questions (eg 'is there any way we can support or assist you?') and sensitively probe for vulnerability
- Cooperating with the customer, starting from the assumption that they are telling the truth, and aiming to empower them

Other initiatives

- The customer safeguarding working group, hosted by the Energy Networks Association, is working with organisations across the industry to establish a coordinated approach to vulnerability, including a single set of needs codes for the Priority Services Register
- The government's [Better use of data](#) programme should help to improve targeting of schemes to help vulnerable energy consumers. This may include mapping EPC ratings, valuation office datasets and income data from DWP
- Local initiatives such as [Shine](#) use data mapping up to postcode level to target their services

Engagement

Making contact

Consumers have a range of contact preferences, whether letter, email, phone, text message or web-based. Participants generally agreed on the importance of understanding how different groups prefer to engage. Newer suppliers tend to encounter greater challenges around quality of contact details. Good practice includes:

- Trialling new methods of communication such as web chat, personalised text messages and personalised emails
- Enabling face-to-face contact for those who need it. This includes partnership working with local organisations, door-knocking (where consumers have been notified in advance by post) and making best use of smart installation visits

The customer journey

There was broad consensus that the following 4 elements are key to building good relationships with consumers, particularly those who are vulnerable:

1. Well-trained frontline customer service agents at every stage of the customer journey

2. Specialist customer service teams to provide an additional level of support
3. Strong signposting/referral routes to third parties
4. Outreach via a range of third parties, eg charities, housing associations and local authorities

Participants generally felt that consumers who had received help through these channels were more likely to re-engage with them, creating a virtuous cycle.

The right message

- Softening the tone of communications (eg debt letters) is an effective means of engaging consumers who are financially vulnerable. The message should be 'we can help' rather than 'we need you to pay'
- A focus on financial savings can encourage consumers to engage with the help on offer
- It is important to set the right tone from the start of the customer journey so that consumers know they can ask for help if they need it

Future opportunities

The smart meter rollout was generally viewed as an important opportunity to increase consumer engagement. Ideas included:

- Using the in-home display to engage and communicate with consumers
- Using the installation visit to increase consumer awareness of help and support that is available and how they can access it

Response

Working with third parties

This tended to be seen as key to helping the most vulnerable, perhaps recognising the limits of what suppliers can do themselves. Good practice includes signposting or referring consumers to:

- Free-to-client debt and money advice services
- Food banks

Discretionary payments

Prepayment customers who cannot afford to stay on supply may need a discretionary top up. Participants felt that while a discretionary payment is sometimes essential, it should be seen as a short-term measure as there is a risk

that it can lead to more debt. In our view, keeping vulnerable consumers on supply is always the priority and suppliers should consider how else to help consumers manage their energy costs rather than withholding support.

Participants identified some good practice including:

- Considering alternative payment methods such as Fuel Direct
- Referring the consumer for debt or money advice
- Promoting energy efficiency measures
- Helping the consumer to make an energy trust fund application

Flexible payments

Participants recognised that, with the rise of insecure work and fluctuating incomes (eg zero-hour contracts and self-employment), more consumers require flexibility paying for their energy. Good practice includes:

- Training frontline customer service agents and giving them the autonomy to set up flexible and extended debt repayment plans
- Adapting billing systems to be more flexible and help consumers manage with an irregular income
- Trialling the use of tailored debt collection cycles

Trust funds

Participants acknowledged the particular role of trust funds to help consumers who are finding it difficult to repay their energy debt and manage ongoing costs.

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Islington Council
LoCO2 Energy
Octopus Energy
Ofgem
Ombudsman Services: Energy
ScottishPower
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