

Response from Feeding Britain to Ofgem's final proposal on Prepayment Meters installed under warrant (November 2016)

Feeding Britain welcomes the final proposals set out by Ofgem, who should be congratulated for their commendable efforts to address the challenges faced by people facing fuel and food poverty.

In response to the final proposals, Feeding Britain puts forward the following comments and suggestions below. We would be happy to discuss further if at all helpful.

Q1: Do you agree with the outcomes intended as a result of our policy detailed in paragraph 2.4?

Yes, we feel the goal of this policy is commendable and Ofgem should be congratulated on taking action in this way to protect the most vulnerable consumers. To support this policy, we suggest suppliers should be required to report in a transparent manner on the number of installations under warrant they carry out, and the steps that were taken through the process to avoid this option of last resort. As part of this process, they should be required to report specifically on installations under warrant for vulnerable groups, to ensure that this prohibition is being respected, and on the number of appeals against exclusion from the probation received.

Q2: Do you agree with our preferred option as detailed in paragraphs 2.8 to 2.10?

Cap on warrant costs

We welcome the introduction of a cap on warrant costs that suppliers can charge for the installation of Prepayment Meters (PPMs). We recommend that the lower proposed cap of £100 would be preferable, to reduce the burden placed on those individuals and families least able to afford it. Evidence presented to the APPG on Hunger clearly indicates that even relatively small amounts of unexpected expenditure can be enough to push vulnerable people into crisis.

Considering that the installation of a PPM under warrant is likely to be the culmination of a long period of financial hardship, we would encourage Ofgem to consider whether an automatic emergency fuel payment voucher could be offered to people facing warrant charges, as well as an option for a 'breathing space' before debt recovery begins.

Prohibition on warrant costs for the most vulnerable consumers

We welcome the proposed prohibition on suppliers charging any warrant costs for the most vulnerable consumers, or in certain circumstances from installing PPMs at all.

In determining the criteria for those consumers eligible for exclusion from warrant costs or installation, we note the variation in definitions of vulnerable consumers across suppliers (ranging from 1 in 4 to 1 in 20). With this in mind, while we agree that having standardised criteria can lead to a tick box approach by suppliers, it would be important to have a mechanism to track how suppliers are treating consumers with vulnerability features outlined in Ofgem's Consumer Vulnerability Strategy. As suggested above, we recommend requiring suppliers to report against the numbers of installations under warrant for consumers in these groups, the steps taken to ensure the action was appropriate action and genuinely an action of last resort, and the measures taken to protect the wellbeing of these consumers and their families following the installation of a PPM.

In addition to setting out broad principles, we would suggest that there is a mechanism for frontline service providers (such as food banks and the agencies who refer people to them, debt advisory services etc) to refer individuals for consideration even if they may fall outside the standard criteria. We recognise that there is a huge range of factors that can push people into fuel and food poverty,

and it would be important for there to be flexibility to ensure that people do not fall through the cracks.

We also recommend having a simple, free and clearly publicised appeal mechanism for people who feel they have wrongly been excluded from the prohibition. For those whose situation risks preventing them from engaging with the process, third party appeals should be accepted. Suppliers should be prevented from installation of a PPM under warrant while an appeal is in process. We would recommend that suppliers be required to report on the number of appeals received, and the number of appeal cases which result in subsequent installation under warrant, or application of charges.

Q3: Do you have views on any further unintended consequences which could be realised in addition to the risks outline in paragraphs 2.47 to 2.50?

We note the risk of incentives for suppliers to charge up to the cap, especially considering the current lower end of warrant charges is below £100. We feel the benefit of a cap will overall outweigh the risk of this. However, one solution could be to require suppliers to publish the warrant costs charged, which would allow a transparent comparison with pre-cap charges.

Q4: Do you agree that the cap should be applied when the warrant process is not completed and that no further detail is necessary (paragraph 2.54)?

Yes, although we would encourage Ofgem to consider how the incentive for suppliers to charge up to the cap in these circumstances could be avoided, particularly where the actual costs may be considerably lower.

Q5: Do you agree with the proposal for a new debt proportionality principle (as detailed in paragraphs 2.59 to 2.66), in that this would not be limited to warrant activities and would require costs and actions relating to ALL debt recovery activities (including transfer objections) to be proportionate? Do you have any views on unintended consequences of this broad scope?

Yes, it is appropriate that the principle applies to all debt recovery activities.

We would suggest that a time limitation on the repayment of debts is considered as part this principle, with outstanding debts written off after an agreed period of time, to avoid people being drawn into an ongoing cycle of debt which risks creating pressures on other aspects of household spending. We would also suggest that a 'breathing space' be offered as standard before debt recovery begins, in recognition of the fact that households finding themselves with energy debts are likely to be facing significant other financial hardships.

We would also consider Ofgem to consider encouraging suppliers to offer rebates to customers caught out by the standing charges on their meter over the summer months. We welcome the derogation Ofgem granted British Gas to waive the Standing Charges that had accumulated on vulnerable households' prepayment meters during the summer months, and would recommend that Ofgem should invite each of the other 'Big Six' suppliers to apply for a similar derogation and act as British Gas has done.

We would also welcome a recommendation from Ofgem that suppliers offer a 2 week credit token for PPMs to households experiencing severe financial difficulty, including those relying on emergency food parcels and those placed in a situation of having to have a PPM installed under warrant. Npower has pioneered this approach through fuel bank pilots, and encouraging other suppliers to follow suit would be a significant step forward.