

Website: fuelbankfoundation.org

Fuel Bank Foundation

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13 May 2024

Dear Affordability & Debt CFI team,

At Fuel Bank Foundation, we help people who prepay for energy to avoid losing access to heat, light, and power for essential appliances at home. We do this by

- providing emergency financial support to switch their prepayment meter back on when they don't have enough money to top it up themselves.
- empowering people with financial and energy education to help prevent it from happening again, and
- campaigning for insight-based, practical solutions to the root causes of the problems, such as better consumer protections, support and regulations for prepayment customers.

To date, we have supported over **1.5 million** people.

This is our response to the Debt & Affordability Call for Input. As this Call for Input is part of Ofgem's wider package of work on Standing Charges and Price Cap evolution, we'd be grateful if you would take note of our comments in those contexts too.

Whilst it is clearly essential that, for a properly functioning energy sector, suppliers need to be paid for energy that has been consumed, the key issue here is that there are too many people in this country for whom energy is now unaffordable.

The issues as we see them.

- Although it is welcome that the Price Cap continues to fall, across the UK many households are still struggling to pay for their energy and are forced to turn to us for support instead. Last winter, a total of **331,042** people were helped by Fuel Bank Foundation - a record number since the charity was set up in 2015 and 34% higher than the previous winter's total.
- We are also helping more people who are in emergency credit when they receive a voucher: our latest research shows that this was 52% of clients, compared to 42% the previous year.
- 26% were already disconnected from their energy supply when they received a voucher and 80% had young children at home.
- We also know that 54% of people we supported used some or all of the voucher value to repay debt.
- So, evidence from our client group shows us that debt is increasing and affordability is decreasing.
- 43% of the people we support have a critical need for energy. So, if debt is increasing and affordability is decreasing across our client group, is it even safe for these households to have a prepayment meter?

- While direct debit (dd) customers can "smooth" their energy costs across the year by splitting them into equal, monthly payments, prepayment meter (ppm) customers can't. Our modelling shows that it costs the typical ppm customer an extra £313 to keep warm across the four winter months, compared to their dd neighbour. When you're on a very low, fixed income (as our clients are), it is very difficult, if not impossible, to save up this extra money and so they are more likely to self-disconnect at a time when they most need access to energy.
- In the past 12 months, 51% of our clients had contacted their supplier about support with paying bills. Of those, 54% found them to be very or fairly helpful. Worryingly, though, 36% reported that they were not very helpful, whilst 10% said that they were not at all helpful.
- We don't have any empirical evidence to share with you on this, but we're hearing anecdotal evidence that some suppliers are sending prepayment customers "catch-up" bills. This is usually quite unexpected and puts the customer in a debt position, without any warning or even awareness that this could be a possibility.

The changes we would like to see.

- The first thing we'd like to see to help with affordability is a Government-funded national energy efficiency programme to reduce the amount of energy needed to keep homes warm across the UK. This means the Government in Westminster must ensure that appropriate funding is made available to the devolved administrations and accountable government departments, with priority given to those properties that are hardest to heat. We also think that the UK Government should learn from the Scottish Home Energy Scotland model which is a centrally and adequately funded service to provide impartial advice about Energy Efficiency measures, funding and grants to increase consumer confidence. We would like to see Ofgem applying more pressure on the Government to deliver in these areas.
- We also think that there should be targeted, proportionate, properly funded (by Government) price support for people in the homes that cost most to keep warm. We agree with suppliers when they say that they shouldn't be viewed as an additional arm

of social services. We know that our clients can't afford energy for a myriad of reasons and not all (or, even, most) of these reasons can or should be solved by suppliers. The picture is very much more complex than that. We, therefore, think that Ofgem should be seen to be putting more pressure on the Government to financially support people who live in poorly insulated homes, who can't increase their income to pay for higher energy prices or reduce their consumption because, for example, they are disabled. We think it's completely wrong that government help is being withdrawn at a time when that support is still so badly needed by a section of the population that charities like ours need to step in.

- We would like suppliers to be more innovative in their use of data to proactively support customers who are struggling to maintain access to energy. For example, if a customer is regularly self-disconnecting or using emergency credit, their supplier should be required by Ofgem to reach out and offer support, rather than waiting for the customer to contact them.
- Ofgem should also place an obligation on suppliers to regularly (say, annually) check in with their ppm customers to assure themselves that the payment method is still "safe and reasonably practical" for them. People get old and they get ill, so a ppm may no longer be suitable (even if it was when it was installed). Suppliers need to check that it is not causing their customers harm if they are not able to keep the meter topped up.
- We would also like to see Ofgem encouraging suppliers to think more innovatively about how they can "smooth" payments across the year for ppm customers. For example, could they recover debt and Standing Charges only in the summer months so that, over winter, every pound that is applied to the meter goes towards keeping the household warm?
- Given our findings that a significant minority (46%) of our clients said that their supplier was not very, or not at all, helpful when they contacted them about support, we'd like to see Ofgem continue to monitor suppliers' performance in this area. We also recommend that all suppliers provide their customer service staff with empathy training. This will help them to prioritise the wellbeing of struggling and vulnerable customers and to treat them with care, respect and dignity. This, in turn, may have a positive commercial impact as customers will be more likely to engage with their supplier around repayment of debt.

- Prepayment should mean prepayment, so we think that Ofgem should ban suppliers from recouping charges at a later date if prices on the meter were not set correctly.
- We would like suppliers to think about alternative methods for recovering standing charges accrued, and debt repayments not made, when the customer was self-disconnected. Clawing them back as soon as credit is applied to the meter can, in many cases exacerbate the debt position for that household.

Every day, we hear stories from our clients whose physical and mental health is impacted from living in a cold home, where they're unable to afford to cook a warm meal for their children, shower / bath regularly and wash their clothes and bedding as often as they need to.

I would like to close by sharing one with you.

This is Anita's story.

She lives with her two children, aged ten and eight. She is employed and receives a Universal Credit top-up. Since the cost-of-living crisis began, she has been rationing the energy her family uses. They regularly use all the emergency credit on their prepayment meters and often have no money to top them up at all.

She reached out to her supplier and Local Authority but had exhausted any help available to her via those channels. Then she went to Citizens Advice and told them how much she was struggling.

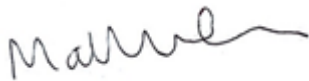
They referred her to a food bank and into Fuel Bank Foundation for fuel voucher support.

Anita said of the £30 voucher "That voucher means so much. It means so much more than £30, if that makes sense?"

We also helped her to access other forms of support so she could be sure she is receiving everything she's entitled to and to get help with her debts.

Please do get in touch if you'd like to discuss any of the points raised in this response.

Your sincerely,

A handwritten signature in black ink, appearing to read "Matthew Cole". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Matthew Cole

Head of Fuel Bank Foundation.