



Response to Ofgem’s consultation on Future of the Ban on Acquisition-only Tariffs (BAT) after March 2025

6th November 2024

About Fair By Design

Fair By Design is dedicated to reshaping essential services such as energy, credit, insurance and payments so that they don’t cost more if you’re poor – also known as the poverty premium. Fair By Design works with regulators, Government, Parliament and industry to eliminate the poverty premium. Fair By Design is managed by the Barrow Cadbury Trust on behalf of a group of foundations.

In the context of the energy market, we believe that households on low incomes/living in poverty should not incur a poverty premium based on not being a consumer who actively shops around for the best deal or due to the way they pay for their energy.

Please note that we consent to public disclosure of this response.

For more information about this response please contact Maria Booker:
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Response from Fair By Design

We are pleased to respond to Ofgem’s consultation “Future of the Ban on Acquisition-only Tariffs (BAT) after 2025”. Our short response focuses on the positive impact the ban on acquisition tariffs has had on tackling the poverty premium in energy.

The BAT has played a vital role since its introduction in 2022. It has delivered fairer outcomes for customers by ensuring all loyal and new customers are able to get the best deals. It also ensures that millions of customers in debt, who may not be able to switch to a new supplier for months or even years, are able to access a better deal with their current energy provider. We firmly believe that it’s only fair that loyal customers are able to access the same deals from their supplier as new customers.

When Fair By Design was established in 2018, the loyalty premium was the biggest part of the poverty premium. The Personal Finance Research Centre at University of Bristol found that nearly

half of the average poverty premium faced by low-income households (£233) at that time came from not being on the best fuel tariff¹.

There is ongoing assumption by policy makers that people will exercise choice in markets, and this in turn drives competition and better outcomes for all. However, the evidence suggests that relatively few people actively engage in complex markets. The Competition and Market Authority's report into the GB Energy Market found that a third (34%) of respondents said they had never considered switching supplier. Over half (56%) said they had never switched supplier, did not know if it was possible or did not know if they had done so². This is even more true of people on low incomes and those that are digitally excluded. The research by the Personal Finance Research Centre (2016) found that three-quarters (73%) of low-income households had not switched fuel supplier in the last two years, and 83 per cent of those that were digitally excluded had not switched in the last two years. Loyalty penalties penalise the poorest, the oldest and the most vulnerable therefore the BAT needs to stay.

Finally, we know trust in energy suppliers is currently low. Yet moving forwards, customers need to have greater trust in their energy supplier, to help them provide the right solutions for upgrading their home with green technologies. That will require deeper and longer-term relationships with customers. Incentivising switching penalises those who cannot take advantage of it and will do nothing to increase trust in energy suppliers.

We therefore strongly urge Ofgem to extend the BAT until at least 31st March 2026.

¹ University of Bristol, (2016). *Paying to be Poor: Uncovering the scale and nature of the poverty premium* [pdf] Fair By Design. Available at: <https://fairbydesign.com/wp-content/uploads/2019/08/University-of-Bristol-Paying-to-be-poor.pdf>

² Competition and Markets Authority, (2016). *Modernising the Energy Market*. Available at: [CMA publishes final energy market reforms - GOV.UK](#)