

Consultation

Improving debt standards in the domestic retail market

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We are consulting on ways to improve debt standards in the domestic retail market. Specifically, we are seeking views on our immediate priorities and future reforms across the debt pathway from debt prevention through to debt support and debt recovery.

We are seeking views from people with an interest in energy debt, fuel poverty, and vulnerability. We particularly welcome responses from consumers, suppliers, and consumer groups and charities.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at ofgem.gov.uk/consultations. If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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1. Introduction

Aim and scope

- 1.1 The aim of this consultation is to seek views on proposals to improve debt standards in the domestic retail market. We are consulting on policy proposals to develop a consumer debt outcome; standardise ability to pay assessments; and improve working between suppliers and consumer groups and charities. We are also using this consultation as an opportunity to gather evidence on future reforms to improve debt management in the sector.
- 1.2 The scope of this consultation is focussed on the domestic retail market. We cover issues across the whole debt pathway and have segmented this pathway into three stages – debt prevention, debt support, and debt recovery. By debt pathway, we mean the stages suppliers and consumers go through leading up to and following the non-payment of a bill.
- 1.3 We are not covering financial interventions to support customers in debt or arrears (see the consultation on a debt relief scheme), affordability interventions to tackle the cost of energy, or the role of suppliers in funding debt advice, and consumer groups and charities more widely.
- 1.4 This consultation is published alongside our overarching debt strategy, '[Debt Strategy: a 'reset' and 'reform' for customers in debt](#)' and '[Resetting the energy debt landscape: the case for a debt relief scheme](#)' consultation. These collectively aim to reduce the level of domestic debt and arrears and ensure good outcomes for consumers struggling with their bills and experiencing debt problems.

How to respond

- 1.5 We are interested in hearing from all stakeholders, including consumers, suppliers, and consumer groups and charities. We particularly welcome views from people with an interest in, or experience of energy debt, fuel poverty, and vulnerability.
- 1.6 Please send your response to DebtConsultations@ofgem.gov.uk. We have asked questions which can be found at the end of each chapter. We have also provided a summary of the questions in Appendix 1. We will publish non-confidential responses on our website. Please let us know if your response is confidential and we will not publish it. More information on how we will treat your response can be found in Appendix 2.

How to track

- 1.7 You can track the progress of a consultation using the 'notify me' function on the consultation page on our website. Once subscribed, you will receive an email to notify you when it has changed status (for example, from consultation to statutory consultation to decision).

2. A retail market that protects and supports consumers in, or at risk of debt or arrears

- 2.1 Over the last few years, energy consumers have experienced an unprecedented price shock. For some of the most vulnerable households, this has worsened their experience of fuel poverty and hardship.
- 2.2 Since we published our [Call for Input on affordability and debt](#) in March, [debt and arrears](#) have continued to grow, reaching £3.82 billion in September 2024, a 91% (£1.82 billion) increase in two years.
- 2.3 Energy debt is now the single most common type of debt that [Citizens Advice](#) deals with and energy arrears are the most common type of priority debt [StepChange](#) clients face, with 42% of clients who pay an energy bill in arrears. Consumer groups and charities [evidence](#) rising levels of debt and hardship across the country and the strain this puts on people, particularly children.
- 2.4 More positively, affordability pressures are easing for some consumers and satisfaction with aspects of customer service being provided by suppliers is [on the rise](#). We see some [good examples](#) of suppliers directly supporting customers in very vulnerable situations at points across the debt pathway and working in partnership with local and national charities.
- 2.5 We believe there is a shared ambition across the sector to develop enduring measures which can help more consumers achieve good outcomes and solutions to their debt problems.
- 2.6 While we welcome these [positive steps](#) and examples of good practice, we also hear about times when debt standards are not as high as they could be. By improving how customers struggling with their bills are protected and supported, the sector can help reduce the level of debt and arrears, raise standards in how customers in payment difficulties are treated, and improve consumer outcomes. We will continue to work with suppliers to ensure they comply with their obligations and that customers in payment difficulties are treated fairly.

Protecting consumers and preventing unsustainable debt accumulation

- 2.7 As the energy regulator, we need to ensure that suppliers can recover debts they are owed in a sustainable, empathetic way that protects consumers, and which prevents the socialisation of unsustainable debt.
- 2.8 There are also features of the energy market that make it more likely that consumers will build-up debt in comparison to other sectors. The overarching document accompanying this consultation, ([Debt Strategy: a](#)

['reset' and 'reform' for customers in debt](#)) sets out our initial thoughts on these issues and invites views from stakeholders.

Overarching principle across the debt pathway

2.9 Regardless of the supplier they are with and what stage of the debt pathway they are at, we want domestic customers in, or at risk of debt or arrears to receive proactive, tailored, and consistent customer service that meets their needs and helps them sustainably manage their debt or arrears.

Debt prevention

2.10 Suppliers have a key role in helping prevent consumers from getting into significant debt. Last winter we introduced [new rules](#) requiring suppliers to provide more proactive support and early intervention for those struggling to pay. However, [our research](#) still shows that low numbers (18%) of customers who are falling behind on their bills or running out of credit report being proactively contacted by their supplier about support. 53% said that they contacted their supplier and 27% said they did not have any form of contact with their supplier about help with paying their bills.

2.11 Through our [Call for Input on Affordability and Debt](#), we were pleased to hear from suppliers who are investing in modern systems and processes to improve the early identification of customers struggling to pay, as well as better customer service to prevent consumers from building up unsustainable amounts of debt.

2.12 Accurate, timely, and easy to understand bills are essential to help prevent debt from accruing in the first place. Without these, consumers are more likely to receive unexpected ('shock') bills, be at risk of falling into debt, have less understanding of what they owe versus their ongoing consumption, and don't have as much control over their energy use. In support of this, our data from suppliers suggests that some payment methods, for example standard credit customers who are [less likely to pay monthly](#), are more prone to debt build-up. Flexible payments and more regular bills (for example, weekly) [may also help](#) those on low or irregular incomes to manage their bills and reduce the risk of entering into financial difficulties. We provide longer-term policy proposals on these issues in Chapter 4.

2.13 Alongside billing, a key foundation of debt prevention is metering. At the start of the year, we set out [further expectations](#) on the smart meter rollout, particularly to ensure consumers in vulnerable situations receive the benefits of smart metering. Ultimately, a modernised energy market that has functional, widespread smart metering can remove the need for back-bills and help prevent the unnecessary build-up of debt.

2.14 Suppliers can also reduce the likelihood of a customer falling into debt or arrears by helping them lower their bills. This includes assessing their eligibility for free energy efficiency measures and bill discounts alongside referring to specialist support services, including help with debt advice, budgeting, and income maximisation.

Debt support

2.15 Suppliers can't always prevent a customer from falling into debt or arrears, but once they do, the support that a supplier provides is vital to help consumers manage their situation.

2.16 When a customer, or representative acting on their behalf, contacts their supplier for help, they should be able to easily get through to the right team or customer service agent with appropriate training in vulnerability and debt, and be treated fairly when they do. [Our research](#) shows that although the majority (69%) of those falling behind for affordability reasons are satisfied with the support received, some (18%) are dissatisfied.

2.17 For some consumers who are struggling with their bills, engaging with their supplier can be rare and difficult to establish. If the supplier gets it wrong and does not provide appropriate support, or the customer is left feeling they have been treated unfairly or not listened to, it may damage trust and makes finding a resolution to their situation even harder. Consumers and consumer representatives should not have to repeat their situation to multiple customer service agents with incomplete records of previous conversations.

2.18 Consumers do not always turn to their supplier for help and support even though it is available. Ofgem [research](#) found that some consumers lack knowledge of the support available to them and how to contact their supplier. Further Ofgem [research](#) found that consumers who are new to financial vulnerability also expressed feelings that others were more 'deserving' than themselves, which made them hesitant to ask for or accept help from their supplier. For those struggling to pay, some didn't feel like they could speak to their supplier, typically feeling shame and stigma around struggling. Other reasons given included:

- Believing they weren't entitled to support;
- Worrying about how their supplier would react; and
- Fearing their energy supply might be cut off.

2.19 Consumers in vulnerable situations are significantly less likely to be able to engage with their supplier and protect or represent their own interests. Our [research](#) has found that consumers are more likely to trust consumer groups and charities, telling us that they are understanding and non-judgmental about the situations consumers find themselves in. However,

we have heard of barriers to effective partnerships between suppliers and consumer groups and charities, such as consumers being inappropriately referred to debt advice, and suppliers refusing to work with or accept repayment plans recommended by debt advisers.

Debt recovery

- 2.20 Following the unacceptable involuntary prepayment meter (PPM) practices we saw in the winter of 2022/23, we have worked collaboratively with industry, government, and consumer groups to [tighten up rules](#) and raise standards at the end of the debt pathway. We have also worked with other regulators to set out [cross-sector expectations](#) on debt collection.
- 2.21 Involuntary PPMs, disconnection for debt, and the use of court enforcement action (such as enforcement agents) should be used only after suppliers have exhausted all other routes of debt support and recovery. Over recent years safeguards for consumers in vulnerable situations have improved but there is more that can be done to support them.
- 2.22 Identifying and engaging consumers in vulnerable situations remains challenging, especially those who are marginalised or excluded. Improved data sharing and proactive engagement using a range of contact methods, including home visits, can prevent harm due to inappropriate debt recovery practices. As raised in our joint letter with other regulators, the need for proactive contact needs to be balanced with the risk of potential harm if consumers feel bombarded by threatening [debt communications](#), especially if they have multiple creditors.
- 2.23 We welcome suppliers working in partnership with third parties to develop innovative approaches that allow consumers to manage their debts across multiple creditors. Understanding a customer's wider financial circumstances can help suppliers tailor debt recovery actions, improve the likelihood of recovery, and reduce the risk of harm. There is also a growing use of debt collection agencies who specialise in engaging with consumers in vulnerable situations and we support the good outcomes that can be achieved when taking a vulnerability-first approach.

3. Improving debt standards: immediate priorities

- 3.1 Drawing on our ongoing stakeholder engagement, [Call for Input on affordability and debt](#), consumer research (referenced above), and review of the existing rules, we have identified immediate priorities across the debt pathway where we consider standards can be raised and outcomes improved.
- 3.2 We have prioritised the options set out in this chapter for the following reasons:

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1. We want energy consumers to experience the best possible customer service. Alongside designing our broader [consumer outcomes](#), the scale of the debt and arrears challenge facing the sector means one option could be to develop a bespoke consumer debt outcome. This would clearly define the outcome suppliers should achieve and set out what customers in, or at risk of debt or arrears can expect from their supplier.
2. Energy bills are higher than before the gas crisis, there are record levels of debt and arrears, and we are still seeing wider cost of living challenges. It is therefore crucial to ensure ability to pay assessments are fair and robust. We are concerned this is not always happening.
3. Consumer groups and charities play a key role in supporting consumers in vulnerable situations but can find it difficult engaging with suppliers to represent consumers. Changes to our rules discussed in the potential options below could make it easier for suppliers and consumer groups and charities to resolve issues.
4. We consider that some of the more transformative options to improve debt standards, such as those set out in Chapter 4 around billing, require us to complete other work (such as compliance reviews) before proceeding with detailed policy options. Therefore, we have prioritised proposals which do not require other work to be concluded and could have an impact within the next twelve months.

Across the whole debt pathway

Consumer debt outcome

- 3.3 As part of our [Consumer Confidence](#) and [Consumer Vulnerability Strategy](#) work programmes we are working to define the consumer outcomes that we want the sector to deliver. In the coming months we will be engaging with stakeholders to design the broader consumer outcomes in parallel with this consultation.
- 3.4 Our Standards of Conduct (SLC 0 and 0A) require suppliers to treat customers fairly (the 'customer objective'). Suppliers are obligated to take into account the characteristics and circumstances of consumers in vulnerable situations. The supply licence also contains extensive rules on what suppliers must do when customers are in payment difficulty and we have published [good practice guidelines](#).
- 3.5 We would like views from stakeholders on developing a consumer debt outcome, including the advantages and disadvantages; the wording; what suppliers could do to achieve the outcome; and how it could be monitored.
- 3.6 We consider the potential advantages of a consumer debt outcome could be to set clear, defined outcomes and expectations on what good

customer debt journeys look like. It could also help consumers better understand what their rights are, what suppliers should do, and what support is available. There could be a consumer-facing element of the consumer debt outcome framed as a 'Debt Guarantee' which guarantees minimum standards of care and customer service that a consumer in, or at risk of debt or arrears can expect to receive from their supplier. It could set an example of the types of things that suppliers could and should do to continuously improve how they are delivering good outcomes for consumers struggling with their bills. Suppliers could be required to demonstrate and evidence how they are meeting the debt outcome. This approach could raise standards whilst ensuring suppliers are encouraged to develop innovative methods and solutions to achieve the outcome.

3.7 There are also some potential disadvantages. For example, if new guidance is required, how does that differ from our existing supply licence conditions and good practice guidelines and therefore is there a risk of increasing (rather than reducing) regulatory complexity and duplication? How much guidance would be required and deemed proportionate, particularly in areas such as protections for customers in payment difficulties which are already subject to extensive rules due to the potential for consumer harm? To what extent would a consumer debt outcome help strike the right balance between principles and prescription in areas like protections for consumers in payment difficulty? Unless the consumer debt outcome is clearly understood, it may not provide regulatory certainty and clarity for suppliers, particularly those who may be new entrants. Finally, clear rules are important for consumer groups and charities to be able to understand what suppliers can and can't do to ensure they can represent consumers effectively.

3.8 The debt outcome could be:

Domestic customers in, or at risk of debt or arrears receive proactive, tailored, and consistent customer service that meets their needs and helps them sustainably manage their debt or arrears.

3.9 To achieve the consumer debt outcome, and in terms of what good looks like, suppliers could do the following across the whole debt pathway (not an exhaustive list):

- Use inclusive design to centre the needs of customers in products and services;
- Regularly monitor customer accounts to assess the likelihood of entering into debt or arrears both now and in the future;
- Proactively contact customers in or at risk of debt or arrears using a range of communication methods to intervene early and seek to prevent the build-up of unmanageable debt or arrears;

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- Provide customers with clear, accurate, timely, and easy to understand information in relation to the debt or arrears and associated charges on their account;
- Provide customers with appropriate forbearance which considers their needs and circumstances;
- Take into account other debts and the wider financial circumstances of the household;
- Have systems, processes, and training in place for supporting customers in debt and representatives acting on their behalf; and
- Make use of vulnerability-first approaches to debt recovery.

3.10 To monitor how well suppliers and the market are achieving the consumer debt outcome, we consider the following metrics could be used initially:

- *Complaints data* – for example, debt and debt related disconnections for both prepayment and non-prepayment;
- *Consumer insight data* – for example, Ofgem’s Consumer Impacts of Market Conditions Survey, Energy Consumer Satisfaction Survey, and qualitative research;
- *Supplier data* – for example, Social Obligations Reporting (SOR) data on relevant debt and arrears indicators; and
- *Consumer group and charity data* – for example, quantitative data on call wait times for advisers and qualitative data on experiences of working with suppliers to support customers struggling with their bills.

Debt prevention

3.11 Accurate billing is fundamental; it ensures customers can budget effectively, avoids unexpected bills, and builds trust and satisfaction. We want to review supplier billing practices to understand where improvement is needed and whether compliance action is required. This is an important area for policy work on debt standards, but we consider it is best waiting for our billing practices work to conclude before consulting on any policy options. We will keep stakeholders updated on the progress of this work on billing practices, as we know there is interest in us taking forward policy options in these areas. We discuss some proposals in Chapter 4 such as making monthly billing the default and reviewing our back-billing rules.

Debt support

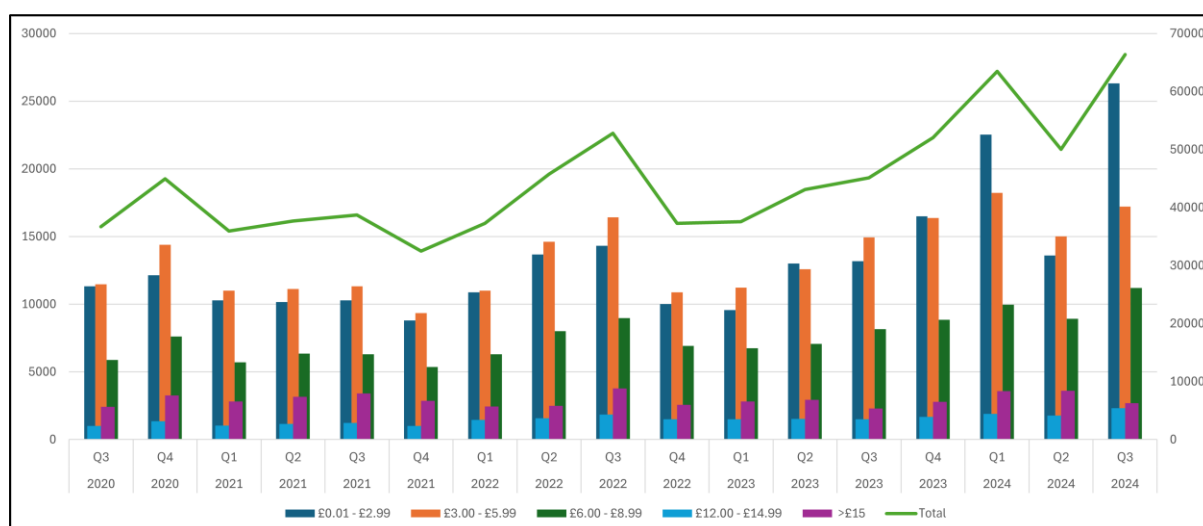
Standardisation of ability to pay assessments

3.12 **Current rules and context:** Suppliers are required to give due consideration to understanding a customer’s ability to pay (SLC 27.8A (c)) and set repayment plans based on ability to pay (SLC 27.8A (d)). Last winter we introduced more stringent rules on assessing ability to pay, including requirements on suppliers to provide [debt repayment holidays](#) where appropriate (SLC 27.8A (d) (iv)) and assess ability to pay when

installing an [Involuntary PPM](#) (SLC 28.7 (c) and SLC 28.9 (a)).

3.13 In Q3 2024, the [value of arrears](#) accounted for 75% of the total value of debt and arrears and 57% of domestic accounts in debt or arrears were not on a repayment plan (in arrears). Ofgem SOR data shows around 66,000 failed electricity debt repayment arrangements in Q3 2024 across all payment methods, the most since we started collecting these data in 2016 (see figure 1). Perhaps most concerning are the number of failed electricity debt repayment arrangements between £0.01 - £2.99 (around 26,000 in Q3 2024, a 100% increase compared to Q3 2023). Our data are unable to tell us how many of these customers re-enter into a repayment plan at a lower rate or no longer have a repayment plan in place and we welcome data others may have.

Figure 1 – total number of failed electricity debt repayment arrangements across all payment methods between Q3 2020 and Q3 2024 (Source: Ofgem Social Obligations Reporting Data)



3.14 Affordability challenges and difficulties identifying and engaging customers in payment difficulty may be key drivers of the number of customers in arrears and failed debt repayment plans. We consider it also suggests that suppliers can do more to ensure repayment plans are affordable and sustainable. Doing so could reduce the number of customers without a repayment plan and slow down the rate of growth in energy arrears.

3.15 Consumer groups and charities have [raised concerns](#) that ability to pay assessments are not always fair, robust, or consistent. Some suppliers can have inconsistent and unstandardised approaches both within their own practice and compared to industry standards. This can result in unaffordable repayment plans, which in turn can lead to consumers harmfully cutting back on other essentials, such as food, to meet their energy repayments. On the other hand, repayment rates that are set too low can result in customers repaying their debt over a longer period than

is necessary.

- 3.16 Alongside ability to pay conversations and income and expenditure forms, suppliers have told us they use credit reference agency and open banking data to supplement their own internal data to monitor customer accounts and establish affordable repayment plans. Some suppliers are working with trusted third parties where consumers input their household income and expenditure which is verified and sent back to their creditors to establish repayment plans. Better understanding of the total financial picture of the household is more likely to result in fair and robust repayment plans.
- 3.17 On setting the appropriate length of debt repayment plans, we recognise that repayment plans need to cover different time periods depending on a customer's circumstances. Some suppliers have no limit on debt repayment lengths which means that repayment plans can be more affordable over time. However, very long (for example, over ten years) repayment plans can raise concerns around whether they are in the interests of customers. On the other hand, repayment plans which cannot exceed a certain period of time can result in plans that some consumers are unable to pay.
- 3.18 **Potential options:** We could introduce new rules that require suppliers to use, where possible, a Standard Financial Statement (SFS), Common Financial Tool, or similar standardised approach when understanding ability to pay and setting repayment rates (for example, by modifying SLC 27.8A (c) and (d)). For example, this could be conducted by suppliers when engaging in an ability to pay conversation with a customer or through a customer completing their own SFS compliant income and expenditure assessment form provided by the supplier (with suppliers verifying the information provided is accurate). If this is not possible, for example where a customer is not engaging with the supplier, suppliers would still be able to set defaults based on the best available information.
- 3.19 **Potential advantages:** We consider that standardising ability to pay assessments could drive better consistency and reduce the number of customers in arrears due to fewer debt repayment plans failing. Higher standards could result in ability to pay assessments being fairer, more robust, and result in good outcomes. Fair and robust ability to pay assessments also have benefits in identifying wider schemes and support a customer may be entitled to. For example, discounts, hardship grants, payment / debt matching, or free energy efficiency measures. Being on an affordable, sustainable repayment plan also reduces the likelihood of self-rationing and self-disconnection, which has associated health and wellbeing benefits. There could also be benefits for suppliers with less debt administration costs and collections activities, resulting in greater

efficiency and productivity in debt management processes.

- 3.20 **Potential disadvantages:** Standardisation could result in less tailored approaches to individual customer needs and circumstances and stifle innovation in developing new ways of assessing ability to pay and setting repayment plans. For customers in a negative budget or have high energy use due to their needs and circumstances, we recognise that standardising and improving the consistency of ability to pay assessments will not solve the issue that an affordable repayment plan will in some instances lead to consumers building up more debt if their payments do not cover their ongoing consumption.

Debt repayment offers from credible third parties

- 3.21 **Current rules and context:** When assessing ability to pay, suppliers should give due consideration to relevant information provided by third parties (SLC 27.8 (a)) and make full use of all available information (for example, information provided by debt advice organisations) (SLC 27.8A (c) (iii)). In relation to the installation of an Involuntary PPM, suppliers must accept any relevant information when considering a customer's ability to pay and conducting financial assessments (SLC 28.9 (a)).
- 3.22 We hear from debt advice agencies that despite conducting a budgeting session and robust income and expenditure assessment with their client, some suppliers are rejecting offers of repayment and refusing to work with them. Refusing to work with consumer representatives and rejecting offers of repayment can cause harm to consumers by prolonging their situation and the potential continuation of debt recovery activities, such as debt communications demanding payment. It creates extra work for debt advisers and creates inefficiencies for suppliers who may have to conduct their own separate income and expenditure assessment. If a debt arrangement cannot be agreed, arrears can continue to build-up, become unmanageable and difficult to resolve.
- 3.23 Looking at other regulated sectors, the Financial Conduct Authority (FCA) has [rules](#) which state firms must not refuse to deal with a third party who is assisting a customer to develop a repayment plan, or a third party who is developing a debt management plan for the customer's debts, unless there is an objectively justifiable reason for not doing so.
- 3.24 **Potential options:** SLC 27.8 could be modified to make it clear that suppliers must accept relevant information from credible third parties (such as a debt repayment offer based on a standardised income and expenditure assessment from an FCA-authorized debt adviser) unless there is exceptional reason not to. This would strengthen our rules as they currently require suppliers to "give due consideration to relevant information by third parties". This would build upon the Involuntary PPM rules requiring suppliers to accept information, including financial

assessments, provided by any person or organisation acting on their behalf (SLC 28.9 (a) and (b)).

- 3.25 **Potential advantages:** Consumers are more likely to receive a good outcome, more quickly, if there are fewer barriers to an FCA-authorised debt adviser representing them to their supplier.
- 3.26 **Potential disadvantages:** A requirement to accept a repayment plan from an FCA-authorised debt adviser could increase demand on already stretched debt advice agencies due to consumers contacting them first instead of their supplier. It could become apparent over time that the agreed repayment plan was not suitable.

Third party authorisation

- 3.27 **Current rules and context:** Under the Standards of Conduct suppliers are required to have complete, thorough, fit for purpose and transparent customer service arrangements in place which also take into account if a customer is in a vulnerable situation (SLC 0 (c) (iii) and SLC 0 (d) (ii)). Suppliers must also have robust systems and processes to efficiently and effectively serve their customers, and identify and mitigate any risks of consumer harm (SLC 4A.1 (a) and (b)). Furthermore, suppliers are required to accept information from someone acting on behalf of a customer when trying to install an Involuntary PPM (SLC 28.9 (b)).
- 3.28 Third party authorisation can cover different situations, including authority to act and power of attorney depending on the circumstances of the individual concerned. Suppliers also have a duty to make reasonable adjustments if a person has a disability under the Equality Act, which can include speaking to someone on their behalf.
- 3.29 Consumer groups and charities have raised concerns around their ability to act on behalf of their clients. Responding to our [Consumer Standards statutory consultation](#) last year, we heard from frontline advisers that there is no formalised process for submitting signed letters of authority. Understanding of the process can vary between members of supplier staff, raising concerns around the quality of training in this area. Some suppliers require verbal consent from the customer who must be present at the time which may be difficult for some consumers in vulnerable situations, others require documentation to be emailed which can take a long time to approve. Therefore, we are concerned that there are inconsistent approaches to third party authorisation and accepting letters of authority by suppliers.
- 3.30 We also understand from suppliers that it can be challenging to accept authorisation from different consumer groups and charities who may not use standardised or centralised communications or processes. Therefore, there are processes and communications between consumer groups and

charities and suppliers that could be improved to reduce friction and improve trust on both sides.

- 3.31 **Potential options:** First, a new rule could be introduced to make it more explicit that suppliers must have appropriate processes in place for dealing with third party representatives. We consider our current rules are implicit in their suggestion that suppliers should have appropriate arrangements in place for consumer representatives to act on behalf of a customer, but it could be drawn out more explicitly in the standard licence conditions or guidance as a clear expectation of suppliers. Second, Ofgem could work with stakeholders to publish good practice guidelines, including a standardised authorisation template or form, to drive consistency and improve the experiences of representatives acting on behalf of customers. If developed, this would need to sit alongside legal documents such as lasting powers of attorney. We want to work alongside industry and consumer groups and charities, drawing on existing best practice within the energy sector and across essential services. There are also similar issues around third party authorisation in the non-domestic market and we are working with stakeholders there. Where possible, we will align this work to avoid duplication.
- 3.32 **Potential advantages:** Consistency in processes could improve efficiencies for suppliers and third party representatives through a standardised arrangement. There may be a reduction in consumer harm due to cases being resolved more quickly and efficiently, in turn enabling consumer groups and charities to support a greater number of households. Standardised, consistent, and robust processes could reduce the risk of fraud and help to remove ambiguity from staff training.
- 3.33 **Potential disadvantages:** It could be resource-intensive and complex to develop a standardised customer service arrangement to enable the authorisation of third parties to act on behalf of the customer across all suppliers. This could incur some operational and staffing costs on behalf of the supplier in delivering staff training, change management, legal advice and updating databases in the short-term. There is also a risk that if a standardised template was developed it might not be suitable for every situation based on individual customer circumstances and needs. It could be too complex to standardise the process across all suppliers and across all consumer circumstances. There is also a risk that standardisation does not result in a more secure and efficient arrangement between suppliers and consumer representatives.

Referrals

- 3.34 **Current rules and context:** Our rules require suppliers to make customers aware about the debt advice services when they raise concerns about their ongoing ability to pay (SLC 27.8A (b) (iv)). Suppliers should

also provide appropriate information on debt prevention and management (SLC 31G.2). The focus of these licence conditions are around helping customers become aware of what additional support is available and how to access it themselves.

- 3.35 Appropriate referrals are important and there are good examples of suppliers signposting to additional support including energy efficiency advice and free, independent debt advice. Consumer needs and circumstances can be complex, and some suppliers have innovative, well developed referral pathways with consumer groups and charities to provide customers in vulnerable situations with more hands-on support, including warm referrals. Effective referrals can benefit consumers who may struggle to navigate a complex support ecosystem to access the help they need.
- 3.36 By referrals, we mean where a supplier directs a customer to a different organisation for information or support. There are different types of referral mechanisms used. Signposting, a type of referral, is where a supplier provides details to a customer about a range of organisations that can help, and the customer is expected to contact the organisation themselves. Warm referrals are where a supplier has more information about a customer's circumstance and refers them directly to another organisation without the customer having to make another call.
- 3.37 Consumer groups and charities have told us they are concerned with inappropriate referrals by suppliers. Examples of this include: frontline staff advising customers (many who are not in debt) that debt advice agencies can support them with access to white goods and bedding; support with topping up a PPM; facilitating debt write-off; distributing grants; and negotiating a bill reduction. A referral to a consumer group and charity for a matter a supplier can resolve themselves can be frustrating and potentially confusing for the customer and puts strain on services in high demand.
- 3.38 We have heard from industry that there can be risks and challenges to building effective referrals. For example, knowing what organisation to refer a customer to can be challenging. Suppliers may not know about charities who are supporting people with specific vulnerabilities and can be understandably cautious about sharing customer information. Referrals require the appropriate data sharing agreements to be in place between organisations so that a customer's data is secure, legally compliant, and the customer is in control of how their data is being shared. Where a supplier may need multiple data-sharing agreements in place, this can act as a barrier. Suppliers also want to be sure that the organisation they are referring to will provide their customer with high quality support and this is where effective feedback loops are key.

- 3.39 **Potential options:** We could develop good practice guidelines for suppliers on effective referrals. We are currently collaborating with the Personal Finance Research Centre at the University of Bristol and StepChange on a research project looking at improving debt advice referral pathways for energy consumers. Building on previous [research](#), it aims to understand the effectiveness of referrals from energy suppliers and where processes can be improved. We will be engaging with stakeholders as the research progresses over the coming months and will help to inform our policy development in this area. Findings will be published in mid-to-late 2025. Additionally, we also want to gather stakeholder views on the possibility of modifying or introducing new licence conditions (for example, in SLC 27.8A or 31G) requiring suppliers to conduct a warm referral to a relevant consumer group and charity, where appropriate and with the customer's consent. For example, conducting a warm referral for a customer in payment difficulty to a debt advice agency. We recognise this is more prescriptive and could impose resource burdens on suppliers and consumer groups and charities.
- 3.40 **Potential advantages:** Improving referral pathways between suppliers and consumer groups can mean that customers get help sooner and it is tailored to their circumstances. It could help improve efficiencies between suppliers and consumer groups and charities resulting in more people receiving help and more time available for those receiving support. In addition to the benefits of more effective referrals across the board, a warm referral takes the onus away from the customer to seek further help which could help those with additional needs. A warm referral to a consumer group or charity may also offer an additional route for customers to access support where a supplier has exhausted all options available to them.
- 3.41 **Potential disadvantages:** For referrals more broadly, suppliers may not know what organisations are best to refer customers on to, with larger advice agencies potentially receiving the bulk of referrals. There is potential for an increase in inappropriate referrals from suppliers to consumer groups and charities and a risk that suppliers do not look to exhaust all of the options available to them before referring to a third party. On warm referrals, there will be operational costs to suppliers and consumer groups and charities in setting up and maintaining systems and processes. This may be a particular challenge for consumer groups and charities, especially smaller ones. If customers are put on hold whilst they are being referred, there is a risk they will drop off the call. While consumer groups and charities may want to support customers, they may not have the capacity or adequate systems and processes in place to receive warm referrals.

Dedicated phonelines for third party representatives

- 3.42 **Current rules and context:** Last winter we introduced new [rules](#) requiring suppliers to prioritise enquiries from consumers and/or representatives of consumers in vulnerable situations (for instance, debt advisers) who may require immediate assistance, guidance, or advice (SLC 31G.3B). We also updated [guidance](#) on our expectations of suppliers when consumers or consumer representatives contact them.
- 3.43 Many consumer groups and charities have seen a significant increase in the number of clients they are supporting, particularly those with energy debt which is now often the [most common type of debt](#) advisers are dealing with. Advisers have a limited window of time in which to support their clients. Waiting for lengthy periods of time for calls to be answered or being put through to frontline staff who are not suitably trained to deal with debt or complex cases means it can take much longer than needed for advisers to resolve their client's issues.
- 3.44 Consumer groups and charities have told us that when suppliers have good processes and policies in place, it reduces the time an adviser spends on individual cases. However, despite the new rules coming into force, they have also told us that there is still a lack of consistency in ways in which their advisers can contact suppliers on behalf of clients who are willing to engage with their supplier. Following these concerns and issues raised by consumer groups and charities, we have worked with Energy UK and consumer groups and charities to try to find ways forward. We welcome the work Energy UK have been doing to ensure consumer groups and charities have access to relevant teams within suppliers to build partnerships and where practicable, dedicated phonelines.
- 3.45 **Potential options:** As we only introduced the prioritised access rules last winter, we need further assessment of the evidence available before we consider introducing new rules mandating suppliers to operate dedicated phonelines for consumer representatives. We could consider assessing how suppliers are complying with the existing rules within the next six months; gathering further evidence from advice organisations and charities on call waiting times and their ability to speak to the appropriate teams to deal with their client's case; and, if required, further set out our expectations on how suppliers should be meeting the rules on priority access through amending our [guidance](#).

Debt recovery

- 3.46 In our Call for Input on Affordability and Debt we raised the potential increase in court enforcement action as a result of rising debt and arrears alongside the moratorium and tightening up of rules on the installation of Involuntary PPMs. Data collected by Ofgem from suppliers earlier in the year shows there has not been a significant growth in the overall number

of customers referred to debt collection agencies or for court enforcement action between 2019 and 2024 despite affordability and debt challenges. We have therefore not prioritised proposals around debt recovery but provide more detail in Chapter 4.

Questions

1. Do you have any feedback on the following:
 - a) Consumer debt outcome;
 - b) Standardisation of ability to pay assessments;
 - c) Debt repayment offers from credible third parties;
 - d) Third party authorisation;
 - e) Referrals; and
 - f) Dedicated phonelines.
2. Do you have any feedback on whether we have prioritised the right issues?
3. What are the benefits and costs to consumers, suppliers, and consumer groups and charities of each policy proposal? If you are able to, please provide evidence/estimates to help quantify these.

Questions you may want to consider when responding

1. Do we need new rules in the areas discussed or can the issues identified be addressed through options short of rule changes?
2. How do we strike the right balance between prescriptive rules and principles-based regulation to raise standards and improve outcomes for consumers struggling with their bills?
3. What are the pros and cons of increasing standardisation to achieve consistency and improved consumer outcomes?
4. What are examples of good practice in the issues discussed?

4. Improving debt standards: future reforms

- 4.1 In this section we set out future reforms that we consider could raise standards and improve outcomes for consumers across the debt pathway. We are interested in stakeholders' views and evidence on these areas and how much of a priority each issue should be moving forward.
- 4.2 Across the debt pathway, improving the **identification of financial and non-financial vulnerabilities** is key to help suppliers support customers in or at risk of debt or arrears. Improved data sharing can help build a more holistic understanding of consumers struggling with their bills and improve outcomes. In our recent Consumer Vulnerability Strategy [consultation](#), we said that we will scope discovery work on whether we need to review the Priority Service Register. We are also working with government and industry on better data sharing within the energy sector, and between other sectors, such as water.
- 4.3 Within debt prevention, our [Consumer Confidence work programme](#) set out that we will consider new rules to **make monthly billing the default** (i.e. SLC 21B.5). By increasing the frequency at which bills are issued, there is greater opportunity for both suppliers and customers to identify affordability issues at an earlier stage, more incentives on suppliers to identify problems with metering and billing, as well as engage more effectively and regularly with customers.
- 4.4 We have also committed to **reviewing our back billing rules** (i.e. SLC 21BA), protecting consumers by ensuring accurate bills based on actual energy consumption and reducing the risk unexpected or 'shock' bills. Reducing the back billing period could incentivise suppliers to ensure bills are accurate and improve metering arrangements as costs could only be recovered from a shorter period where at fault.
- 4.5 In our [Call for Input on Affordability and Debt](#) we also raised the issue around **changes of tenancy** and the impact this can have on debt accumulation. Because most consumers pay for energy after they have used it and can often use energy straight away upon moving into a new property, this can create a tendency towards debt build-up. Outstanding debt on final accounts has a higher likelihood of turning into bad debt, some consumers may try to avoid paying a final bill, and some may suffer detriment due to mistakenly being chased for debts they do not owe. Consumers, particularly those in vulnerable situations, may lack awareness and understanding around how the energy market works and what they need to do when moving in and out of a property. We consider more can be done in this space to improve outcomes and prevent the accumulation of debt and arrears. We are keen to receive proposals from industry, including how to make better use of third party data, to help prevent debt through change of tenancy.

- 4.6 Within debt support, we would like to consider future work on **domestic debt objections and the Debt Assignment Protocol (DAP)**. Except for PPM customers protected by the DAP (PPM customers with less than £500 debt per fuel can switch suppliers), suppliers can prevent consumers who have been in debt for over 28 days from switching supplier (SLC 14.4 – 14.10). We last increased the DAP threshold from £200 per fuel to £500 per fuel in [2015](#) and conducted a review of domestic debt objections in [2016](#). Our Social Obligations Reporting data shows lower levels of objections for indebted PPM customers in 2023 compared to previous years. Citizens Advice [report](#) 10% of their Consumer Advice switching service cases are related to debt objections. With levels of switching still below pre-crisis levels, we are monitoring this and keeping this area under review for future work.
- 4.7 We would also like to explore the possibility of **automatically moving customers in debt or arrears onto a supplier's cheapest tariff**. We recognise that it would still be important for consumers struggling with their bills to reach out to their supplier for help and support, but we also note similar [proposals](#) by the Australian Energy Regulator, which suggest that the benefits of automatically moving customers onto a cheaper tariff are likely to outweigh risks for disengaged consumers. Feedback from Australian suppliers suggested that customers in payment difficulty would most benefit.
- 4.8 When used appropriately, **Fuel Direct** can be an effective payment option for some consumers in debt, especially those who cannot have a PPM for safety reasons. This is particularly the case following tighter rules on the use of Involuntary PPMs and safe and reasonably practicable guidance. In the mid-1990s there were roughly 170,000 gas customers and 50,000 electricity customers on Fuel Direct. In 2023, our SOR data shows 17,000 gas customers and 20,000 electricity customers on Fuel Direct and numbers have continued to decline. We would like to work with the government, suppliers, and consumer groups and charities to consider ways to improve the administration and take up of Fuel Direct.
- 4.9 Within debt recovery, we could consider future guidance, clearer expectations, or new rules on the use of **debt collection agencies** and **court enforcement action**. Consumer groups and charities have raised concerns about the '[debt protection gap](#)' that exists in this area, in particular the potential use of these debt recovery actions against consumers in vulnerable situations and the impact it can have on their mental health. We are aware that some suppliers are using debt collection agencies that are not regulated by the FCA. Any policy work in this area would need to be mindful of the unintended consequences on firms specialising in collecting utility debts and the FCA's regulations. As discussed in paragraph 3.46 above, as we have not seen a significant increase in the use of these debt recovery practices, we have decided not

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to prioritise policy work in this area at this time, but we will continue to work with suppliers on these areas and consider regular data monitoring on the use of debt collection agencies and court enforcement action. We continue to encourage the use of Enforcement Conduct Board accredited agents where possible.

- 4.10 As stated in our **Involuntary PPM** [decision](#), we are keeping these rules under review to ensure consumers in vulnerable situations are protected and levels of debt are stable.

Questions

4. Do you have evidence or views on the following that could help inform next steps:

- a) Identification of financial and non-financial vulnerabilities;
- b) Making monthly billing the default;
- c) Reviewing the back billing rules;
- d) Changes of tenancy;
- e) Domestic debt objections and the Debt Assignment Protocol;
- f) Moving customers in debt or arrears onto the cheapest tariff;
- g) Fuel Direct;
- h) Debt collection agencies; and
- i) Court enforcement action.

5. What issues should be prioritised?

5. Next steps

5.1 We will be engaging with stakeholders on these proposals over the coming weeks. The consultation closes on 6 February 2025. Following this we will carefully consider responses and will update stakeholders in due course.

Appendices

Appendix 1 - Consultation Questions

1. Do you have any feedback on the following:
 - a) Consumer debt outcome;
 - b) Standardisation of ability to pay assessments;
 - c) Offers of repayment from credible third parties;
 - d) Third party authorisation;
 - e) Referrals between suppliers and consumer groups and charities; and
 - f) Dedicated phonelines.
2. Do you have any feedback on whether we have prioritised the right options?
3. What are the benefits and costs to consumers, suppliers, and consumer groups and charities of each policy proposal? If you are able to, please provide evidence/estimates to help quantify these.
4. Do you have evidence or views on any of the following that could help inform next steps:
 - a) Identification of financial and non-financial vulnerabilities;
 - b) Making monthly billing the default;
 - c) Reviewing the back-billing rules;
 - d) Changes of tenancy;
 - e) Domestic debt objections and the Debt Assignment Protocol;
 - f) Moving customers in debt or arrears onto the cheapest tariff;
 - g) Fuel Direct;
 - h) Debt collection agencies; and
 - i) Court enforcement action.
5. What issues should be prioritised?

Appendix 2 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest (for example, a consultation).

4. With whom we will be sharing your personal data

Your personal data will not be shared with an external organisation.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for six months after the consultation has closed.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data

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- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information

For more information on how Ofgem processes your data, click on the link to our "[Ofgem privacy promise](#)".