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22 December 2008

OFGEM FINES NPOWER FOR MISSELLING OF ENERGY

Energy regulator Ofgem is to fine Npower £1.8 million after the supplier failed to take sufficient action to prevent misselling of energy contracts to customers.

Ofgem found that Npower breached a supply licence condition by failing to take adequate steps following complaints from customers about visits by the company's doorstep salespeople.

While Npower had procedures in place to follow up complaints, Ofgem judged that company managers had not been proactive enough in applying and improving them. This allowed incidents of mis-selling to proceed unchecked. As a result Ofgem concluded that Npower had failed in its duty to ensure that it had taken all reasonable steps to remedy the matter.

Sarah Harrison, Ofgem's Managing Director of Corporate Affairs, said: "This decision sends a clear message to energy suppliers that failing customers and falling short of the licence standards will lead to Ofgem action, as well as associated reputational damage.

"Misselling undermines consumer confidence, but getting it right on the doorstep can help customers make effective choices in the energy market. This is why Ofgem's energy supply market probe committed to strengthening the doorstep selling rules."

The level of penalty reflects the nature of the licence breach and the prompt action taken by Npower. In other circumstances, it could have been much higher. Ofgem will put forward tougher rules governing doorstep sales next year which will help tackle misselling. As a result of the energy supply market probe, Ofgem found that the rules governing suppliers' sales and marketing activities need be strengthened to help customers make well-informed decisions in response to direct sales. This could include, for example, an obligation for sales people to provide written quotations comparing their offering with a customer's current energy bills.

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Notes to Editors

1. Ofgem opened its investigation into Npower following a referral by former energy watchdog energywatch and coverage in the Sunday Times newspaper of incidents of misselling in April 2008. The investigation found that the company had breached a supply licence condition requiring suppliers to have certain procedures in place to prevent misselling.

2. Ofgem has powers under the Gas and Electricity Acts to take action if there is a breach of a licence obligation. Penalties have to be paid to The Treasury via the consolidated fund.

3. Any representations on the penalty may be made by 21 January 2009.

4. The Gas and Electricity Markets Authority is the regulator of the gas and electricity industries in Great Britain. It is supported by Ofgem, which is the Office of the Gas and

Electricity Markets. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies.

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