

Andy Burgess  
Head of Enforcement & Competition Policy  
Ofgem  
9 Millbank  
London  
SW1P 3GE

**Campaigns**

Direct Tel: +44 (0)20 7770 7897  
Direct Fax: +44 (0)20 7770 7666  
Email: Fiona.cochrane@which.co.uk

30 October 2009

Dear Andy

**Re: Direct Debit Arrangements- Decision Document**

Which? welcomes Ofgem's decision to address energy suppliers' Direct Debit practices through the introduction of new license conditions.

**Which? Research**

Research we published earlier this year found that 80% of our members pay for their energy by direct debit, and that of these 69% and 64% had credit balances on their gas and electricity accounts respectively <sup>1</sup>.

Further to this, in a recent survey of our members we found that 30% have been contacted by their gas or electricity supplier to advise that they have been underpaying for the energy they have used<sup>2</sup>. As the quotes below highlight, the sums requested can be large and can cause financial hardship to those affected.

*"They have just written to me to say that I owe over £400 for gas and over £300 for electricity. If I don't pay it straight away, they are going to quadruple my direct debits - which will be far too high. I can't afford either."*

*"I was sent a bill for an outstanding revised bill for £400...I am still paying £100 per month until the balance is clear which cripples me."*

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<sup>1</sup> 'Beware overpaying your energy bills' News, Which?Money, April 2009

<sup>2</sup> In September 2009, we asked 2,571 Which? online panel members about their gas and electricity bills.

*“Complete reliance on estimated bills led to an unexpected bill for nearly £1000. We now send in regular readings.”*

#### Quotes from Which? members

We believe that, in some cases, suppliers may have breached Consumer Protection Regulations (CPRs) in clawing back outstanding balances from their customers. For example, when consumers have been billed on the basis of estimated readings, even though up to date meter readings have been available, or where the underpayments have been allowed to build up over a number of years. We have written to Alistair Buchanan separately on this matter.

Clearly, the current standard of account management is poor and we welcome moves that will ensure that payment levels are set more accurately.

#### **New license conditions**

We welcome the introduction of specific license conditions to address current practices by energy suppliers. It is vital that Ofgem publishes clear guidance to accompany the introduction of these license conditions detailing how suppliers are expected to meet them. Below we have highlighted two areas that require particular clarification.

The proposed wording of license condition 27.15, to be included in the Standard Gas and Electricity Supply Licenses, is that *‘the licensee must take all reasonable steps to ensure that the fixed amount of the regular direct debit payment is based on the best and most current information available (or which reasonably ought to be available) to the licensee,’*. The accompanying guidance should, for example, state how suppliers would undertake the *‘reasonable steps’* to meet this license condition. We would recommend that this includes regular reviewing of the customers account twice a year, and that all meter readings provided by either the customer or by a metering agent be used to update the account.

The proposed wording of license condition 27.16 to be included in the Standard Gas and Electricity Supply Licenses includes the provision that *‘where the licensee considers that it is fair and reasonable in all the circumstances for it not to refund any Credit which has accumulated under a Domestic Supply Contract in accordance with this provision, it must inform the relevant Domestic Customer of its view and of the reasons for holding that view’*. Ofgem must provide strict guidelines as to

the circumstances when it would be '*fair*' for a supplier to refuse to refund the credit.

### **Implementation**

Ofgem's initial evaluation of the direct debit practices was undertaken as part of the probe and in March 2009 it published a report looking solely at direct debit practices. It is disappointing that consumers who pay for their energy by direct debit will have to wait until January 2010 to see the full benefit of the modified arrangements.

If you require clarification on any of our comments please feel free to contact me.

Yours sincerely

Dr Fiona Cochrane  
Senior Policy Adviser