

## **Annex 2B**

### **Protecting vulnerable customers from disconnection**

#### **Introduction**

2B.1 Energy companies need to be sure that they will be paid for the energy they supply. The right, as a last resort, to disconnect for non-payment contributes towards that certainty. It also protects the vast majority of customers who pay their bills from bearing the cost of debts incurred by persistent bad debtors. However, the right to disconnect also requires major safeguards for customers, who need to be protected against hurried action by suppliers. The vulnerable should receive as much help as possible in avoiding and managing debt, and in making alternative arrangements.

2B.2 The number of disconnections for debt fell from 17,334 in 2003 to 3,280 in 2004, and again to 2,913 in 2005. This followed the finalisation of a suppliers' code of practice on disconnections, for vulnerable customers, and the instigation of new approaches by many suppliers.

#### **What can the vulnerable do for themselves?**

2B.3 Anyone in debt should contact his supplier as quickly as possible – ignoring the problem will only make matters worse. Suppliers are obliged to offer a wide range of debt repayment options and to take into account the customer's ability to pay. Debt can be repaid through a variety of means, such as weekly, fortnightly or monthly payment plans, installation of a prepayment meter, collection of payments from benefits under the Fuel Direct scheme administered by the Department of Work and Pensions, or direct debit.

#### **What can the industry do?**

2B.4 In September 2004, the supply industry, through the Energy Retail Association (ERA), introduced new guidelines to prevent the disconnection of vulnerable customers (or households containing vulnerable people). These guidelines should ensure that, as far as is practicable, no vulnerable household is disconnected for debt. Under the guidelines, suppliers aim to assist vulnerable households by:

- Attempting to capture information about their customers to identify the level of vulnerability.
- Adopting a universal definition of vulnerability.
- Ensuring that their vulnerable customers' records are flagged to indicate special attention required.
- Working with advice agencies, support services and charities to offer their vulnerable customers the most appropriate help with debt.
- Establishing specialised teams to assist vulnerable customers.
- Offering a range of debt repayment options that best meet the customer's circumstances.

- Contacting customers after payment options have been agreed.

## **Help and Advice**

2B.5 Joint research by Ofgem and energywatch has identified areas of good practice by energy companies, including the provision of debt counselling and trust fund schemes. Many companies also provide access to a benefit health check. Further details are set out in the Ofgem report, Review of Suppliers' Corporate Social Responsibility Schemes.<sup>1</sup>

## **Conclusion**

2B.6 Effective debt prevention and management is in the interests of both companies and their customers. Early identification of customers with difficulties and the provision of appropriate advice should serve to keep the number of people whose energy supplies are disconnected at a low level.

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<sup>1</sup> [http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11774\\_15505b.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11774_15505b.pdf)