

Consumer Focus Board

Paper 8.1

Title: Vulnerable Disconnections

Purpose: For information

Date of meeting: 7 May 2009

Responsible officer: Ed Mayo

Prepared by: Ed Mayo, Audrey Gallacher

Attachments: 0

1 Overview

1.1 Vulnerable disconnections are a key issue emerging from the current work programme that I would like to bring to the attention of the Board.

2 Action for the Board

2.1 NOTE the decision of Ofgem to conduct, jointly with Consumer Focus, a rapid review of vulnerable consumer disconnections following our representations and AGREE to receive a report on the findings of this at the end of June 2009.

3 The key issues

Vulnerable Disconnections

- 3.1 The Board received a presentation on the work of the Extra Help Unit from Trisha McAuley and Natasha Murray at its last meeting. The Board recorded its concern that vulnerable consumers were being disconnected, putting their health and welfare at risk. It endorsed us taking action, including a supercomplaint if necessary, to resolve this.
- 3.2 Despite the protections in place to prevent vulnerable consumer disconnections, which include licence conditions and a self regulation initiative, we have recorded 49 cases of over the winter. In each case, our action was successful in resolving the situation for the consumer, but not before they had suffered significant detriment from the action of companies concerned. It is worth stressing that the energy sector has a fair overall record in relation to disconnection at present, seeing it as something to avoid if at all possible. However, the disconnection of vulnerable consumers over winter is something that we feel passionately is unacceptable and every possible step should be taken to prevent this happening. The cases seen also call into question the effectiveness of the existing protection mechanisms.

- 3.3 Our work on this is an example in my view of world-class advocacy, right from the contact of our staff in Glasgow with people facing disconnection through to the information systems and contact with companies and then lobbying with the regulator to get them to take action. We have moved fast and decisively as a result. We have not submitted a supercomplaint, though we had prepared all the ground to do this and the decision on this was one that we needed to take as part of a rapidly evolving lobbying strategy.
- 3.4 Following our intervention, Ofgem has agreed to carry out a fast track review of vulnerable disconnections, to be completed by June 2009. We are working with Ofgem and using our statutory powers under Section 24 of the Consumers, Estate Agents and Redress Act 2007 to request energy suppliers to provide key information on their vulnerable consumer debt and disconnection processes by May 1st 2009.
- 3.5 Alongside this, we are working with Ofgem on a wider study of debt and disconnection, due to be made public in September 2009. Millions of customers are in debt to their energy company and this number is growing fast. We are concerned that as the level of energy debt increases, suppliers are becoming more aggressive in their recovery of debt. Consumers are being asked to repay debt at rates they cannot afford and our fear is that suppliers are starting to charge unfair debt-related fees which can plunge consumers who might be temporarily in debt into permanent financial difficulties.

4 Proposal

- 4.1 NOTE the decision of Ofgem to conduct a rapid review of vulnerable consumer disconnections following our representations and AGREE to receive a report on the findings of this at the end of June 2009.

5 Resources

- 5.1 Resources for these initiatives will be available if the Board agree to make changes to the Forward Work Programme.

6 Next steps

- 6.1 Audrey Gallacher leads the work on vulnerable disconnections.