



christians
against
poverty

CAP

A dark place.

Unaffordable energy
costs and how low income
households cope

Contents

- 4 Foreword from CAP's Chief Executive, Paula Stringer
- 5 Executive summary
- 6 Unaffordable energy
- 8 Introduction

10 Affordability of energy

- 10 Real lives: John, CAP Debt Help client
'It's an awful time when you can't get electric. You can't have light on. Never mind the TV and the radio. It feels black.'
- 12 Worry about energy costs
- 14 Rationing food and energy
- 18 No choice but to disconnect
- 20 Reasons for self-disconnection and rationing

24 Support and engagement

- 26 Real lives: Liam, CAP Debt Help client
'It's the feeling that they don't listen. You feel like they don't believe what you're telling them.'
- 26 Confidence to ask for help
- 28 Existing support
- 30 Customer service and trust
- 31 Dealing with debt

32 Conclusions

34 Recommendations

- 36 Appendix
- 36 Profile of survey respondents
- 38 Profile of focus group participants

About Christians Against Poverty

Christians Against Poverty (CAP) works with over 500 churches across the UK to help people in the grip of poverty. The services provided combine practical and emotional support and are completely free. Through a network of CAP Debt Centres, CAP offers a free face-to-face debt management service, with advice and ongoing support provided from head office. In addition to this, CAP provides face-to-face adult financial education through the CAP Money Course, and tackles the causes of debt and poverty through its group services: CAP Job Clubs, CAP Life Skills and Fresh Start. CAP is committed to its services being available to all individuals regardless of age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

Acknowledgments

We would like to thank everyone who has made this report possible. Members of CAP, British Gas and FairbyDesign teams whose contributions and support is greatly appreciated. And most of all we are incredibly grateful to John, Liam and all who took part in focus groups, who have generously allowed us to feature their experiences in this report.

Foreword



It was back in 2015 that, as CAP, we first raised our voice about the injustice of the poor paying more for energy. We introduced you to Joanne; paralysed from the waist down, she borrowed food from neighbours so that the little money she had would keep the heating on. We heard from Mandy too, whose children were bullied at school and told that they smelt, because she could not afford the hot water for them to have a bath.

Five years later, I'm pleased to say that some things have changed, and pricing structures are no longer the same. I wish I could also tell you that we no longer see people in situations like Mandy's and Joanne's, but I can't. Prepayment customers now pay a fairer price, but not necessarily an affordable one.

Half of CAP clients ration their energy at least occasionally, and a fifth (19%) of prepayment meter (PPM) users have gone without basic energy-dependent activities for more than two months in a row. It's a relentless, dark existence, as you'll hear from John (page 10) who has only been able to afford to use a single lightbulb.

The progress made has seen suppliers reduce non-vend warning timeframes from 90 to 30 days. A price cap has also been placed on both prepayment and standard variable tariffs. Moreover, Ofgem has made proposals that require suppliers to monitor and take action to support customers who self-disconnect or ration.

All these things make a difference, but too many people still cannot live safe, warm and well. It is time we changed that.

This issue of affordability cuts across payment methods and switching. It affects people on all types of meters, all types of tariffs and all types of households. It is heartbreaking to see the lengths people go to, to get by without basic heat, light and cooking facilities. But we are astounded by the utter strength and determination they show to carry on and do their best despite what they face.

It is a tide that keeps on rising. Costs of living continue to rise, incomes are unable to keep pace, and there is an increasingly complex market to try to navigate.

We need to make it easier for low income households to access the best deals. We must question the reliance on prepayment as a debt collection strategy, and increase confidence to ask suppliers for help. We need to help households get back on supply after periods of short-term self-disconnection and, crucially, to ensure everyone can afford to use the energy they need to stop severe rationing and long-term disconnection.

There is a part for all of us to play in this.

Paula Stringer

UK Chief Executive
Christians Against Poverty

Executive summary

The number of people switching energy supplier is higher than ever and the prices paid by 'disengaged' customers have moved towards the cheapest prices on the market. Yet worries about energy costs are still commonplace. Three in five (57%) households supported by CAP actively use less energy to save money. This worry is most acute for low income households, where customers are in vulnerable circumstances, and where a PPM has been installed because of debt (page 12).

Surprisingly, concern about energy costs is actually higher amongst those who have switched supplier or fixed their tariff in the last five years (page 13). This is not a well-functioning market for consumers, nor one that is accessible, inclusive and responsive to their needs.

This research included a survey of 1,008 respondents and five focus groups with CAP clients. The findings leave no doubt that many people are rationing their energy use to an extreme degree. More than half (55%) of CAP clients have gone without heating, lighting, cooking or other energy-dependent activities at least occasionally in the last two years because they could not afford the cost. Three in ten (29%) were doing so weekly (page 14).

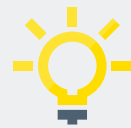
PPM users are driven to self-disconnection in similar proportions. Half (52%) show signs of self-disconnection. Almost a fifth (19%) have been without energy for two months or more, having severely self-disconnected due to being unable to afford at least one energy-dependent household activity (page 18).

In the UK in 2020, it is inconceivable that people would live without any heating or lighting. Yet the people trapped in this situation feel it is inevitable. Low income, expensive energy costs and a lack of practical support available means people simply give up and make do without.

Those who ration their energy mostly either do so occasionally or daily (page 16). This means that a twofold response is required. We need a response that ensures people can get back on supply quickly when money is tighter than normal, but we also need to provide enduring financial assistance for those with long-term affordability needs.

At a market level, people are overwhelmed by complexity and do not trust suppliers. A quarter (23%) of those who had been in arrears in the past five years said their supplier had installed a PPM because of debt, and this equates to one in three (31%) of those with a prepayment meter (page 31). PPM users also strongly dislike standing charges and emergency credit, which makes it harder to get back on supply after periods of disconnection (page 23 and 28).

Currently less than a quarter (23%) of CAP clients feel confident their supplier would help them if they had trouble paying their energy bills. This proportion is even lower for those who have self-disconnected or had a prepayment meter installed because of debt (page 26). This stems partly from having experienced poor customer service in the past and a belief that suppliers do not care about customers' circumstances, but also because the support they need is not accessible or does not currently exist (page 28).



Together, suppliers, Ofgem and government must:

- Make it easier to get back on supply after short-term self-disconnection.
- Ensure people can afford to use the energy they need to stop severe rationing and long-term self-disconnection.
- Increase customers' confidence and ability to ask suppliers for help.
- Overcome barriers that stop low income consumers accessing the best deals.
- Decrease reliance on PPMs to resolve debt issues and ensure ability to pay.

(See page 34 for full recommendations).

Unaffordable energy



1 in 2

PPM users have
self-disconnected.

fordable

by



3 in 10

regularly ration their
energy use at least
once a week.



3 in 10

have gone without
food to pay for energy.



1 in 10

who have self-disconnected
feel confident their supplier
would help.

Introduction

The changing landscape of energy affordability

Across England, Wales and Scotland, more than three million households live in fuel poverty.¹ This means they have higher than typical energy costs and meeting these would push their disposable income below the poverty line or result in an unacceptable standard of living. On average, they have a fuel poverty gap of £326, the amount of additional income they would need each year to avoid being in fuel poverty.²

Low income households also pay a similar amount in extra costs through the poverty premium. In their 2016 *Energy Market Investigation*, the Competition and Markets Authority (CMA) concluded that there was a lack of competition in the retail energy market which had led to a two-tier market with lower prices offered to attract customers who can and do switch supplier.³ Measures have been put in place to mitigate this market failure, but the poverty premium still exists and is estimated to be £308 per annum (for not being on the best tariff or not paying by Direct Debit).⁴

Price protection in place

Since then, two temporary safeguard tariffs have been introduced to mitigate the impacts of this two-tier market on low income households and those who are unable to engage. Four million prepayment customers are covered by a price cap introduced in 2017, and from January 2019 the government also introduced a price cap limiting the prices that eleven million households pay on default tariffs.

Citizens Advice analysis has concluded that consumers are paying lower prices than they would have been without these price caps, but that there are still gains to be found from switching. Despite concerns, evidence has also shown that the default tariff price cap has not reduced competition, with switching rates in the first eight months of 2019 up 11% on 2018 rates.⁵ However, the price cap brings fewer benefits to low usage customers for whom the standing charge is a larger proportion of their bill, and the cumulative discount they receive per unit of energy is lower.⁶

1 | This is 2.5m in England, 155,000 in Scotland and 613,000 in Wales as per each country's statutory definition. Source: BEIS (2018) *Annual Fuel Poverty Statistics Report (2016 data)*, Scottish Government (published 2018) *Scottish House Condition Survey: 2017 key findings*, Welsh Government (2018) *Poverty estimates in Wales*

2 | Department for Business, Energy and Industrial Strategy (BEIS) (2019) *Consultation on the fuel poverty strategy for England*

3 | Competition and Markets Authority (2016) *Energy Market Investigation final report*

4 | Social Market Foundation (2018) *Eliminating the poverty premium in energy*

5 | Citizens Advice (2019) *Blog: How is the price cap changing the energy market?*, Energy UK (2019) *Press release 25 September 2019: Over a million customers switch in August*

6 | Ofgem (2019) *Draft Consumer Vulnerability Strategy 2025*

No one disconnected?

According to official figures, in 2018, no one was disconnected from a gas supply and only six energy customers were disconnected by their suppliers because of debt.⁷ But this hides the true scale of disconnection. CAP's research, as well as Citizens Advice's, has previously estimated that up to half of PPM customers have self-disconnected, experiencing an interruption in their energy supply because they had no credit on their PPM.⁸

In 2018, there were 70,981 PPMs installed under court warrant because of debt.⁹ This is a 15% decrease from 2017 following new safeguards introduced by Ofgem in 2018, but still a substantial number, as PPMs remain a core part of suppliers' collections strategies.

Many consumers also choose prepayment and 82% of PPM customers report being satisfied with their payment method.¹⁰ However, PPM users are more likely to experience challenges affording energy, being more exposed to fuel debt and having homes more difficult to keep warm. This sees them more likely to ration essential non-energy items, such as food, and suffer physical health impacts and stress and anxiety as a result.¹¹

Ofgem estimates that one in ten PPM customers self-disconnected in 2018, which equates to 350,000 electricity and 450,000 gas customers.¹² They have expressed concern about this level of self-disconnection and have made tackling it one of the key priorities for the first year of their Consumer Vulnerability Strategy 2020-2025.

Affordability of energy

The problem remains that many people cannot afford the energy they need. In 2018, the number of customers in debt increased by 4.2% for electricity and 4.8% for gas.¹³ There are currently over a million customers in gas and/or electricity arrears. The affordability of energy is driven by three factors: income, energy prices and energy need (including efficiency).¹⁴ Yet the government's fuel poverty target focuses solely on the energy efficiency of properties.¹⁵ While a cost-effective strategy, it is not encompassing the drivers of fuel poverty or responsive enough to the needs of those living in the cold today.

Ofgem has clearly set out that it views a well-functioning energy market to be accessible, inclusive and responsive to the needs of all consumers, including those in vulnerable situations. It states that energy suppliers have a duty to support consumers in vulnerable situations through licence obligations and other legal requirements, such as the Equality Act 2010.¹⁶

Methodology

This report examines whether in the current market context low income consumers can access the energy they need to stay safe, warm and well. Using quantitative data, the research measures the extent of worry and rationing of energy costs, and seeks to understand who is most at risk of going without. This is complemented with qualitative data to understand the drivers, experiences and complexities of the choice landscape in which this occurs.

The data used within this report is from a survey of 1,008 CAP Debt Help clients in England, Wales and Scotland, conducted by post and online between October and November 2019. Alongside this, thematic analysis of transcripts from focus groups in Southampton, Bolton and Inverness are used. The focus groups were held in November 2019 and attended by a total of 21 CAP Debt Help clients. This has been supplemented with case studies submitted by CAP Debt Coaches and Debt Advisors to CAP's Evidence Bank.

7 | Ofgem (2019) *Vulnerable customers in the energy market*: 2019

8 | Citizens Advice (2016) *Staying connected*, Ofgem (2019) *Proposals to improve outcomes for customers who experience self-disconnection and self-rationing*, CAP (2015) *The poor pay more: prepayment meters and self-disconnection*

9 | Ofgem (2019) *Vulnerable customers in the energy market*: 2019

10 | Citizens Advice (2018) *Switched on: Improving support for prepayment consumers who've self-disconnected*

11 | National Energy Action (NEA) (2015) *Cutting the cost of keeping warm for families: understanding the impact of payment methods on energy rationing practices*

12 | Ofgem (2019) *Proposals to improve outcomes for customers who experience self-disconnection and self-rationing*

13 | Ofgem (2019) *Vulnerable customers in the energy market*: 2019

14 | BEIS (2019) *Annual fuel poverty statistics report*: 2019

15 | A fuel poverty target for England was introduced in legislation in 2014 – to improve as many fuel poor homes as is reasonably practicable to minimum energy efficiency rating B and C by end of 2030.

16 | Ofgem (2019) *Vulnerable customers in the energy market*: 2019

John's story

John was left destitute after his marriage broke down, and depression and addiction set in. He managed to put his life back together and find a new job, but deductions from his wages for an unexpected benefit overpayment meant he struggled to cover his living costs again. He often could not afford to have the lights on in his home and relied on a microwave for all his cooking.

'For eleven years I've been fighting and fighting, trying to survive, fearing enforcement agents at every knock. I am so grateful to CAP. I couldn't have carried on the way I was. I would have done something silly because the pressure was unending.

You think that you are on your own when you're being chased for debts, but there are thousands out there who are suffering. I feel for them. Sometimes you become so despondent and apathy sets in.

I was married with three children. One day I came home and my wife was gone. It was such a shock to me. That's when the trapdoor opened underneath my life and I fell right through. Before long I was homeless.

Over a period of three or four years I put my life back together again. I managed to get a job and advised everyone that I had started working. But I didn't know I had run up debts that they started taking back through my wages.

I was left with £70 or £80 a week to support myself. I had to use two credit cards to allow me to live. I relied on my mum and sisters for food, and had to use the food bank. It was a very miserable existence. I was getting so stressed out I was shaking. I had to return to the doctors and get different tranquillisers and medicines for my mental health.

I've got both gas and electric on a prepayment meter. It's not always easy to top the meters up. The number of shops that have a PayPoint has diminished. It also means you sometimes rob Peter to pay Paul so that you've then got enough gas or enough light.

Usually it's light and electricity that goes short. It's always a question of which I need the most. I don't use the oven – that takes an enormous amount of energy. I try to use the microwave or do one-pot cooking. I try to be frugal with use of the washing machine and try to stick to one light in the evening.

When the meter runs out, you just have to manage. You sit there. It's an awful time when you can't get electric, you can't have the lights on. Never mind the TV and the radio. It feels black, it is black and it feels dark. It's not nice.

You think what's the point of trying to struggle on? When you do get the lights back on, you'll just be able to see all the letters about debts that you can't pay. It's a dark place.'



Affordability of energy

Worry about energy costs

50% cannot use the energy they need without worrying about the cost

65% who had a PPM installed because of debt use less energy than they would like, to cut costs

There has been significant media and political attention paid to the costs of domestic energy bills in recent years. This culminated in the introduction of a safeguard tariff from 1 January 2019, which limits the prices eleven million households pay for a default tariff. However, at an average cost of £1,178 per year, energy expenditure remains a significant burden on most households' budgets.¹⁷

Households place a high priority on paying energy bills and their need for energy compared to other consumables. Across all focus groups, energy and food were viewed as the second most important part of a household budget after rent or mortgage payments. Yet costs were felt to be a significant burden and substantial effort was taken to ensure bills were as low as possible.

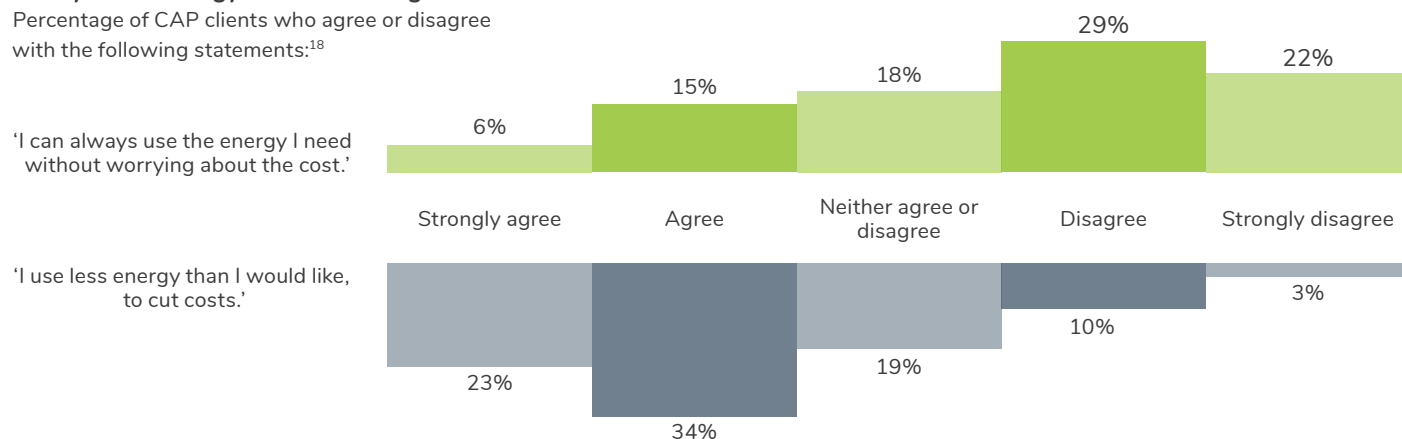
'I don't really feel in control of mine, because like I said, I can be paying it to the penny, down the line. They'll go, "[You] still owe us money".'

Focus group participant, Bolton

Survey data also show that worry about energy costs is commonplace. Only one in five (21%) CAP clients feel that they can use the energy they need without worrying about the cost. This worry is not merely theoretical, the majority of CAP clients (57%) actively use less energy than they would like, to cut costs.

Worry about energy costs and using less

Percentage of CAP clients who agree or disagree with the following statements:¹⁸



'I use less energy than I would like, to cut costs.'

Percentage of CAP clients who agree or strongly agree with the statement and have:



64%

Extra costs due to a health condition or disability



62%

Been in arrears in the last five years



65%

Had a PPM installed because of debt



69%

A terminal illness



61%

Lone parents

¹⁷ | Source: Ofgem infographic: Bills, prices and profits, November 2019 release. Average standard variable tariff based on dual fuel, Direct Debit and available paper tariffs from six large suppliers in November 2019.

¹⁸ | Note: 10% of survey respondents did select an option for statement one and 11% did not for statement two.



Low income households worry most

While income sufficiency and variability is an important factor in the affordability of energy for a household, worry is not purely driven by low income. The proportion of households who worry about energy costs varies little across income brackets. At the lower end of the income distribution, worry is more acute, and greater numbers strongly agree that they have to use less than they would like to.¹⁹ This is consistent with findings from the Centre for Sustainable Energy, who found that, on average, low income families use less gas and electricity than households in the top income quintile.²⁰ Recipients of Universal Credit, Jobseeker's Allowance and Tax Credits all also report being worried about energy costs in greater numbers.²¹



Debt and PPMs cause usage to be cut

Worry and reducing energy use is also more common amongst customers who have recently experienced energy debt. Three fifths (59%) of those who have been in gas or electricity arrears in the last five years feel unable to use the energy they need without worrying about the cost. Having energy debt also increases the proportion who deliberately use less energy to cut costs.²² This is especially true where a PPM has been installed by a supplier because of debt. 65% of CAP clients who have experienced this agree or strongly agree with the statement 'I use less energy than I would like, to cut costs'.

'They were, you know, coming to your door and I didn't want to answer it. The guy was nice though and he said, "It's a good job you're not going to get the other one, because I'm the nice one." He says that they can force your door and change your meter.'

Focus group participant, Inverness



Switching does not give peace of mind

Those seen as being 'engaged' in the energy market, having switched supplier or fixed their tariff in the last three years, are on average more conscious about energy costs. A greater proportion of clients who have switched supplier or fixed their tariff worry about energy costs (55% compared to 51% of all clients).



More use less in vulnerable circumstances

Worry is also greater for lone parents, three in five (60%) of whom worry about the cost of the energy they use. This is also the case for clients with a serious or terminal illness, and those with mental ill-health.²³ Nearly two thirds (64%) of CAP clients who have extra costs because of a health condition or disability say they use less energy in order to cut costs.²⁴ However, the differences across specific vulnerability indicators are less distinct than for worry about costs, with the exception of those with a terminal illness. Of these, seven in ten (69%) say they use less energy than they would like in order to cut costs, with half (52%) strongly agreeing with the statement 'I use less energy than I would like, to cut costs', although it should be noted that the sample size is small.²⁵

'Mine [children] are older now, so it's like, they'll sneak the PlayStation when I'm in bed. What can you do? But they are understanding and will help, but you've got to put heating on. You can't sit there let your children freeze, you know? I'd rather do without myself and give to my children.'

Focus group participant, Bolton

'He gets a lot of colds and is asthmatic and everything, so [I have] got to keep it nice and warm for him all the time.'

Focus group participant, Southampton

19 | 51% in the under £900 and 52% in the £900-£1,349 monthly income bracket disagree or strongly disagree with the statement 'I can always use the energy I need without worrying about the cost', compared to 54% in the £2,250-£2,700 and 55% of the over £2,700 income brackets. However, 28% with income under £900 and 26% with income £900-£1,349 strongly disagree with the statement, whereas only 12% and 16% strongly disagree in the £2,250-£2,700 and over £2,700 income brackets, respectively. 58% in both the under £900 and £900-£1,349 monthly income brackets strongly agree or agree with the statement 'I use less energy to cut costs', compared to 52% in the £2,250-£2,700 and 41% of the over £2,700 income brackets. However, 28% with income under £900 and 25% with income £900-£1,349 strongly agree with the statement, whereas only 14% and 12% strongly agree in the £2,250-£2,700 and over £2,700 income brackets, respectively.

20 | Centre for Sustainable Energy (2014) Beyond average consumption: Development of a framework for assessing impact of policy proposals on different consumer groups - Updated report to Ofgem

21 | Nearly three fifths (58%) of both Tax Credit and JSA recipients, and more than half (55%) of Universal Credit claimants, disagree with the statement 'I can always use the energy I need without worrying about the cost'.

22 | Of those who have been in energy arrears in the last five years, 62% agree or strongly agree with the statement 'I use less energy than I would like, to cut costs'.

23 | 57% of respondents with mental ill-health, 59% with a serious illness and 61% with a terminal illness disagree or strongly disagree with the statement 'I can always use the energy I need without worrying about the cost'.

24 | 60% of CAP clients with higher energy costs due to a disability or health condition say they cannot use the energy they need without worrying about the cost, and only 5% strongly agree with the statement.

25 | Note: only 18 respondents reported having a terminal illness.

Rationing food and energy

29% regularly ration their energy use

19% went without heating on a daily basis

31% went without food to pay energy costs

We all limit our energy use to some extent to save money and reduce waste. The problem arises when energy use is restricted to an unhealthy point so that people cannot stay safe, warm and well. Self-rationing describes a situation in which energy use on basic household activities is limited to keep the costs affordable.

Self-rationing is...

When a consumer reduces their energy use or spending on other essentials, such as food, to save money because otherwise they would not be able to keep their PPM topped-up or afford their energy bills.

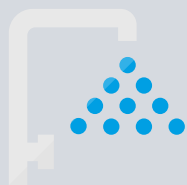
Self-rationing has been measured by how many household activities people had to go without, and how often they could not afford the energy costs, in the last two years. These activities are highlighted below.

Rationing

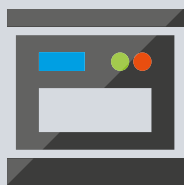
is defined as going without one or more activity at least occasionally:



Heating



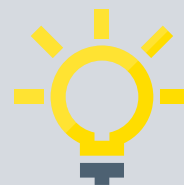
Hot water



Cooking



Kitchen appliances
e.g. fridge



Lighting



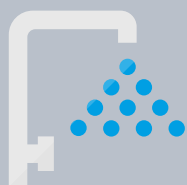
Other electrical
appliances e.g. TV

Regular rationing

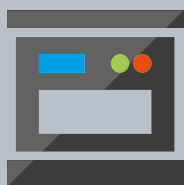
is defined as going without one or more activity at least once a week:



Heating



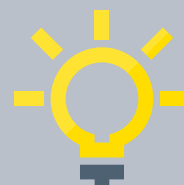
Hot water



Cooking



Kitchen appliances
e.g. a fridge



Lighting



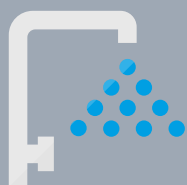
Other electrical
appliances e.g. TV

Severe rationing

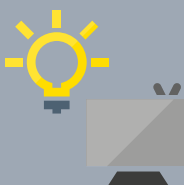
is defined as going without three or more categories at least once a week:



Heating or hot water



Cooking or kitchen
appliances e.g. fridge



Lighting or other
electrical appliances



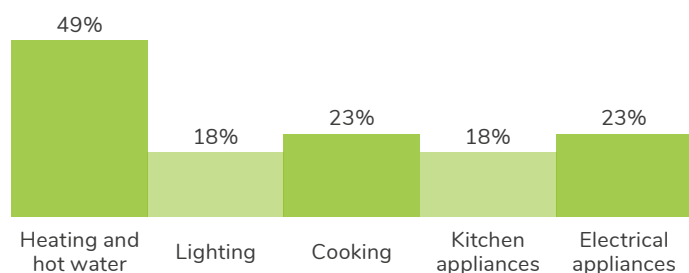
Food

The scale of rationing

More than half (55%) of CAP clients have rationed their energy use at least occasionally in the last two years. Most commonly this has meant going without heating and hot water because they could not afford the costs. However, just under a quarter went without cooking (23%) and other electrical appliances (23%) at least occasionally. In the focus groups, this was driven by a prioritisation of electricity over gas, as well as an awareness of which activities are most energy intensive. As a result, forgoing kitchen appliances and lighting is less common, but just under one in five (18%) respondents still could not afford these activities at least occasionally.

Self-rationing indicators

Percentage of CAP clients who went without each household activity at least occasionally in the past two years because they could not afford the energy costs:



Rationing was described as inevitable, but upsetting, in the focus groups. It was done to cut costs to keep bills manageable and was employed on an ongoing or cyclical basis. Living without heating was near universal and was described as depressing and isolating. Several people never used their cookers. This was manageable because microwaves were used to heat food instead as they use less energy. However, a couple of participants also forwent lighting when things were particularly tight. Sitting in the dark was miserable, but they had few alternatives and one participant used the street lighting outside their window to see at night.

'I have to put on thick jumpers and everything just to keep warm because I can't afford to put the electric on, it's too expensive.'

Focus group participant, Inverness

'You don't put the oven on, you don't put the water on. The kettle is the worst one, you definitely won't be ironing your clothes.'

Focus group participant, Southampton

Rationing food

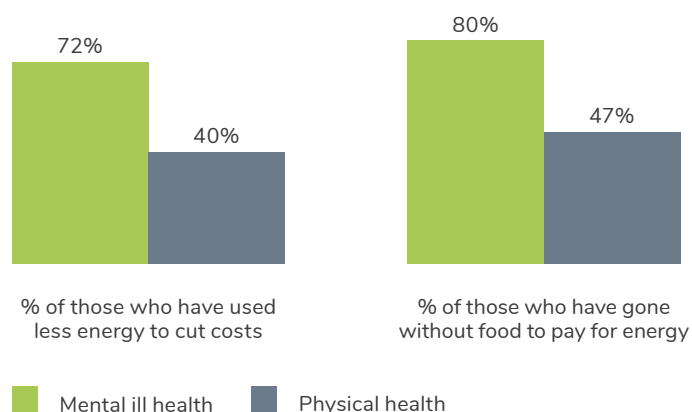
Food is integral to survival and as such, rationing food is a sign that everything else has already been cut to the bone. Chronic low income means people are faced with a constant choice to heat or eat, and around a third (31%) of CAP clients have gone without food to pay for energy. The majority (58%) did so at least weekly, with one in four doing so daily (25%). Cutting food is a common coping strategy when in debt: however, there is an explicit link between sacrificing meals and paying energy bills. Seven in ten (69%) clients who went without meals daily due, to debt, said they went without food to pay for energy.

Severe self-rationing

For some, the rationing has reached such an extent that they use very little energy at all. A smaller group of just over one in ten (12%) CAP clients can be classed as severely self-rationing their energy use and food consumption, despite these being considered essentials. Going without heating and food in this way leads to a deterioration in mental and physical health. This can cause both new health conditions and worsening of pre-existing conditions.²⁶ The toll is greatest on mental health, but still two fifths (40%) of those who use less energy to cut costs see a deterioration in their physical health.

Deterioration in mental and physical health

Percentage of CAP clients who said debt caused their mental or physical health to deteriorate because of debt:



'I live in a one bedroom apartment. [I] switch all the lights off. The only thing I've got running is the telly and computers, and that's hardly ever running. I try not to use the cooker. I use the microwave.'

Focus group participant, Bolton

26 | Of those clients who used less energy to cut costs, when asked if debt affected their health: 45% reported debt caused a new mental health condition, 63% that it made a pre-existing mental health condition worse, 24% reported it caused a new physical health condition and 30% that it made a pre-existing physical health condition worse. Of those clients who went without food to pay for energy, when asked if debt affected their health: 52% reported debt caused a new mental health condition, 72% that it made a pre-existing mental health condition worse, 30% reported it caused a new physical health condition and 35% that it made a pre-existing physical health condition worse.

The frequency of rationing

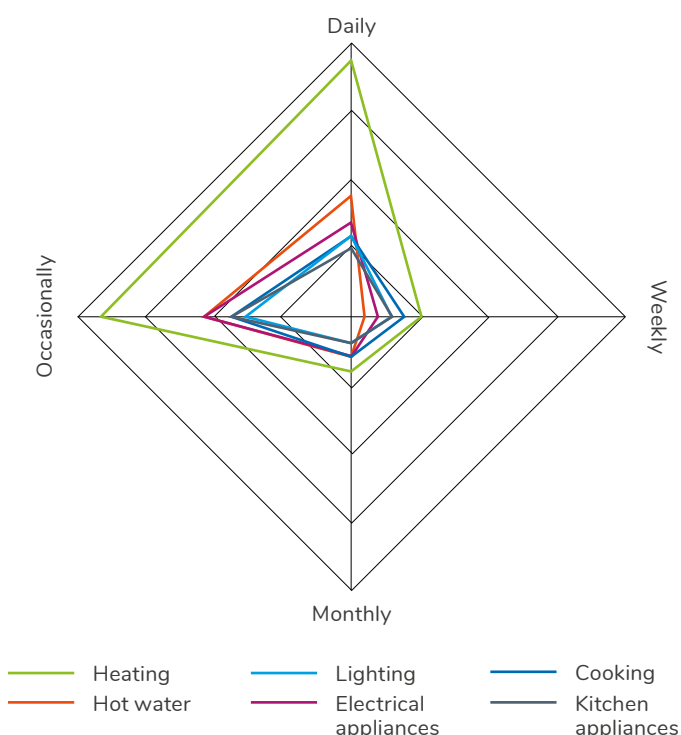
To understand the problem self-rationing presents, it is important to look at the frequency of this. Regular rationing has been categorised as going without one energy-reliant household activity at least weekly. Just under three in ten (29%) CAP clients have had to resort to regular rationing in the last two years. Across all activities, it is most common to either forgo these amenities daily or occasionally. One in five (19%) CAP clients went without heating on a daily basis, and there is also a smaller, but consistent proportion who rationed lighting, cooking and appliances on a daily basis.²⁷ On top of this, seven in ten (69%) of those who rationed their energy use went without meals on at least a monthly basis, and two in five (39%) did so weekly.

'You watch, switch your kettle and watch your energy meter go round. Well I have a water flask, I fill it up when I fill the water thing up, and that lasts all day. I don't keep boiling kettle for brews.'

Focus group participant, Bolton

Self-rationing indicators

The frequency with which clients have gone without amenities in the past two years:



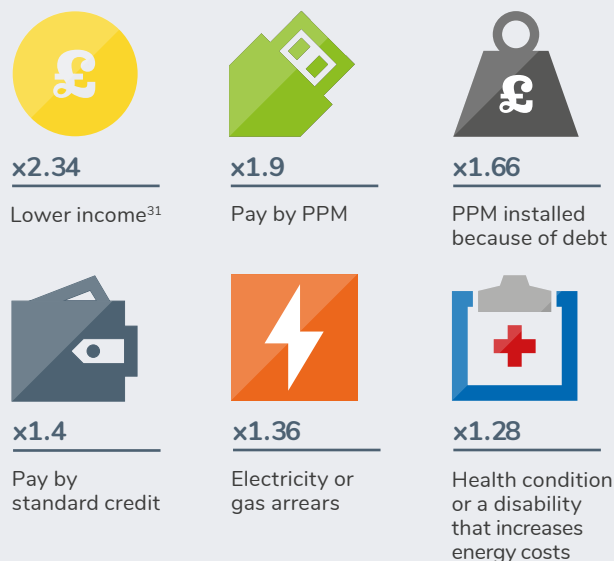
Risk factors

Self-rationing is employed by all types of households and consumers using all payment methods. However, certain factors increase the likelihood that a household is left with no other choice. Ofgem's draft Consumer Vulnerability Strategy 2025 stressed the link between widespread self-rationing on PPMs and the higher fuel poverty gap PPM users face compared to customers on other payment methods.²⁸

Having a PPM installed because of debt had the biggest impact on the level of rationing, followed by payment method (PPM or standard credit) and low income. Nearly twice as many of those who had a PPM installed because of debt both regularly and severely rationed their energy use.²⁹ Switching did not protect against rationing. Similar proportions of respondents had rationed regardless of whether they had switched supplier or fixed their tariff in the past five years, as well as doing so regularly and severely.³⁰

Risk factors

The risk of self-rationing is increased by the following factor if a household:



27 | Percentage of clients which have gone without the following activities on a daily basis in the past two years: lighting (6%), cooking (6%), kitchen appliances (5%), other electrical appliances (7%).

28 | Ofgem (2019) Draft Consumer Vulnerability Strategy 2025

29 | 83% of those who have had a PPM installed because of debt have self-rationed, 49% have regularly rationed and 21% have severely rationed, compared to 50%, 26% and 10% of those who have not had a PPM installed because of debt respectively.

30 | Of those who had switched supplier or fixed tariff in the last three years, 55% had rationed their energy use. 27% had done so regularly and 12% severely.

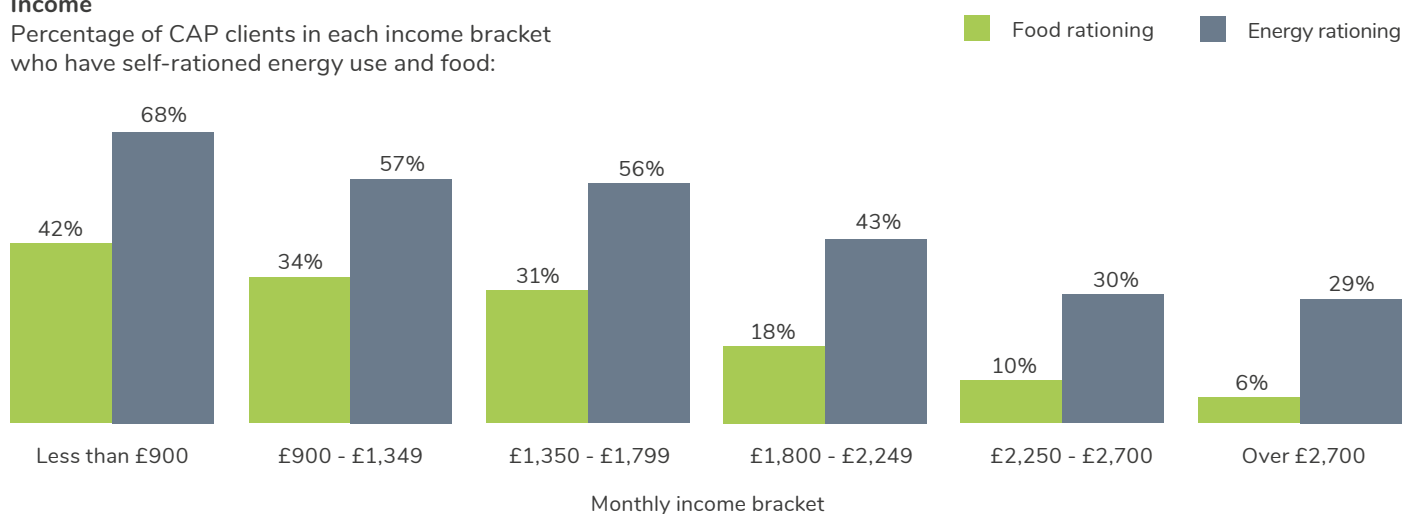
31 | Comparing the lowest to the highest income brackets.

.Having extra costs to pay due to a health condition or disability also increased the risk of rationing. Twice as many respondents with extra costs had to severely ration their energy use.³² Scope has highlighted the disability price tag, which sees disabled adults face extra costs, not catered for by disability benefits, of £538 per month, and £581 per month for families with disabled children. This consists of extra costs from using specialist goods and services, but also greater use or higher costs for non-specialist goods and services, including energy.³³

Focus group participants with significant health problems said they found it very difficult to cut costs because heating and medical equipment were essentials. It was not just energy but also food that could have drastic implications if forgone. One participant talked about experiencing pain in winter when not using the heating, and another was at risk of seizures if they missed meals and was having to stay at a friend's house because he could not afford to heat his property.

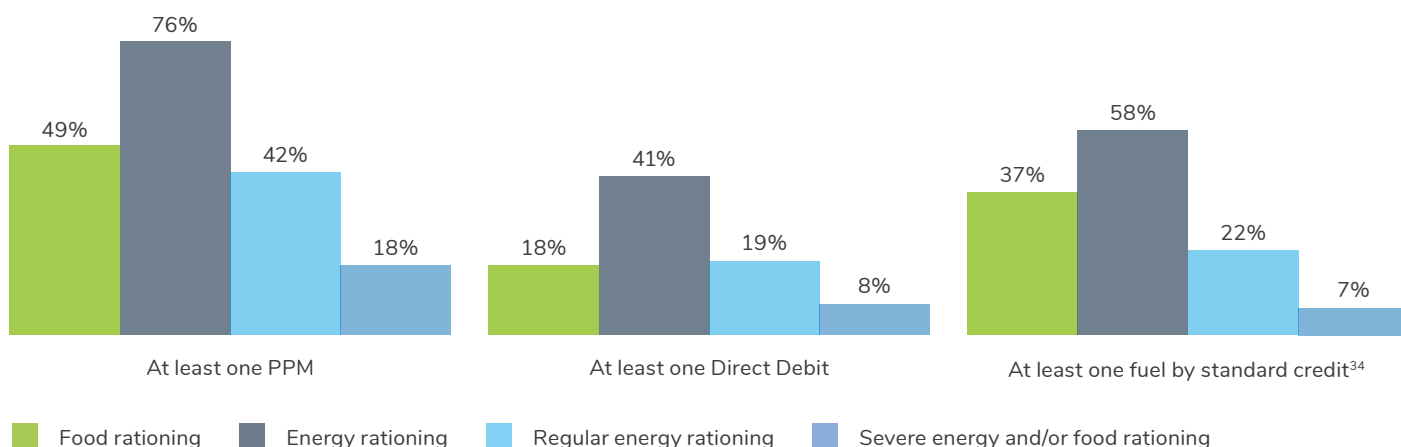
Income

Percentage of CAP clients in each income bracket who have self-rationed energy use and food:



Payment method

Percentage of CAP clients who have self-rationed energy use and food:



32 | 21% of those with extra costs due to a health condition or disability have severely self-rationed, compared to 9% of those who do not have extra costs.

33 | Scope (2019) Disability price tag

34 | Note: the group with 'at least one fuel on standard credit' has a small sample size of 64 respondents.

No choice but to disconnect

52% with a PPM show signs of self-disconnection

19% with a PPM have gone without at least one energy-dependent household activity for two months or more

For a household with a PPM, a financial pinch point can leave them on a cliff edge, with no access to energy when credit on their meter runs out. Ofgem estimates that at least 450,000 people experience self-disconnection each year, and while the majority are only off supply for less than three hours, this disconnection can last for much longer.³⁵

Citizens Advice has found that, for half of the customers who use this payment type, topping up is a major daily concern.³⁶ This was echoed in the focus groups, in which participants shared their fears of running out of credit and being suddenly left without energy. The term self-disconnection is misleading in implying a conscious choice being made by the customer, whereas participants experienced self-disconnection when they had no money to top up the meter or faced a technical issue, therefore having no choice to make.

'At one stage, until I came to CAP, I went through Christmas, right up to January, [with] no electric, no food, nothing. And you do it. It's simple as [that]. That's just the way it goes, do you know what I mean?'

Focus group participant, Bolton

'I'm upstairs and if down below has the heating on you get the heat but if they don't then it's cold. I have to put on thick jumpers and everything just to keep warm.'

Focus group participant, Inverness

'Four days without electric, all my stuff in my freezer ruined, so I mean it, it was horrible.'

Focus group participant, Southampton

Self-disconnection is...

When a consumer using a PPM experiences an interruption to their energy supply due to the credit running out. The use of 'self' is to contrast with instances in which a customer is disconnected by a supplier's actions and should not be viewed as implying the consumer has made an active choice.

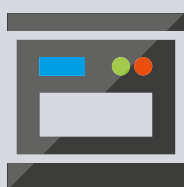
Self-disconnection has been measured by the longest duration people with at least one PPM had to go without energy-dependent household activities because they could not afford the energy costs in the last two years. The activities are highlighted below.

Self-disconnection

is defined as going without one or more activity for a few days or more:



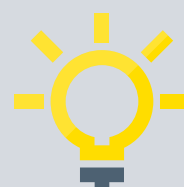
Heating or hot water



Cooking



Kitchen appliances
e.g. fridge



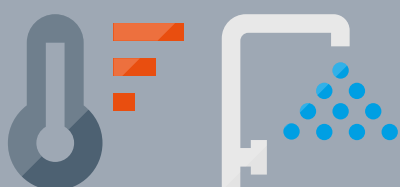
Lighting



Other electrical
appliances e.g. TV

Severe self-disconnection

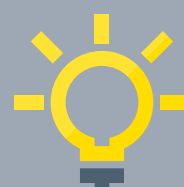
is defined as going without one or more activity for two months or more:



Heating or hot water



Cooking or kitchen
appliances e.g. fridge



Lighting or other
electrical appliances e.g. TV

³⁵ | Ofgem (2019) Proposals to improve outcomes for customers who experience self-disconnection and self-rationing

³⁶ | Citizens Advice (2018) Switched on: Improving support for prepayment consumers who've self-disconnected

The scale of self-disconnection

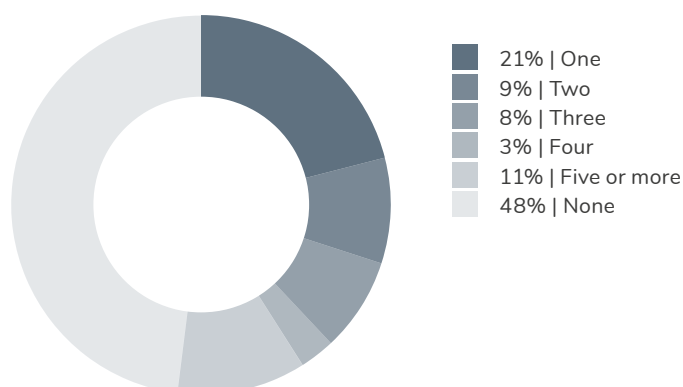
Half (52%) of CAP clients with a PPM show signs of having self-disconnected in the last two years. As households tend to prioritise electricity, most commonly respondents went without heating and hot water, but three in ten (31%) went without two or more energy-dependent household activities. Nearly one in five CAP clients with a PPM went without lighting (18%) and kitchen appliances (17%) for two or more consecutive days in the past two years.³⁷

Energy was also not the only essential these households had to get by without. Four in five (80%) clients who self-disconnected also went without meals at least once a month, with a half (52%) doing so either weekly or daily because of debt.³⁸

Living without basic household amenities was not only disempowering for households but also presented other challenges and additional costs. Around 17% more of those who had self-disconnected were struggling with mental ill-health.³⁹ Focus group participants had had to throw away food that they could not keep refrigerated and found it cost more to heat their home back to an agreeable temperature after a period of disconnection.

Self-disconnection breadth

The number of energy-dependent household activities clients, with at least one PPM, went without for a few days or more in the past two years:

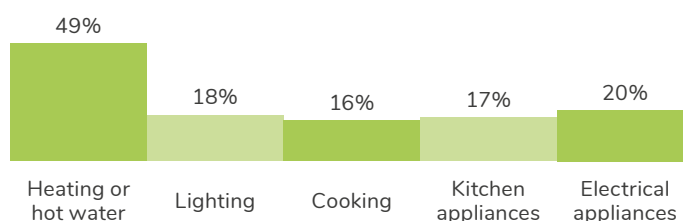


Severe self-disconnection

A smaller number of clients had been disconnected for an extended period of time. One in five (19%) clients with a PPM had severely self-disconnected (having been without at least one household energy-dependent activity for two or more consecutive months). Most commonly this had meant going without heating or hot water for longer than two months (13% of all clients with at least one PPM), but 2% also reported going without cooking and 2% without lighting for more than two months at a time.

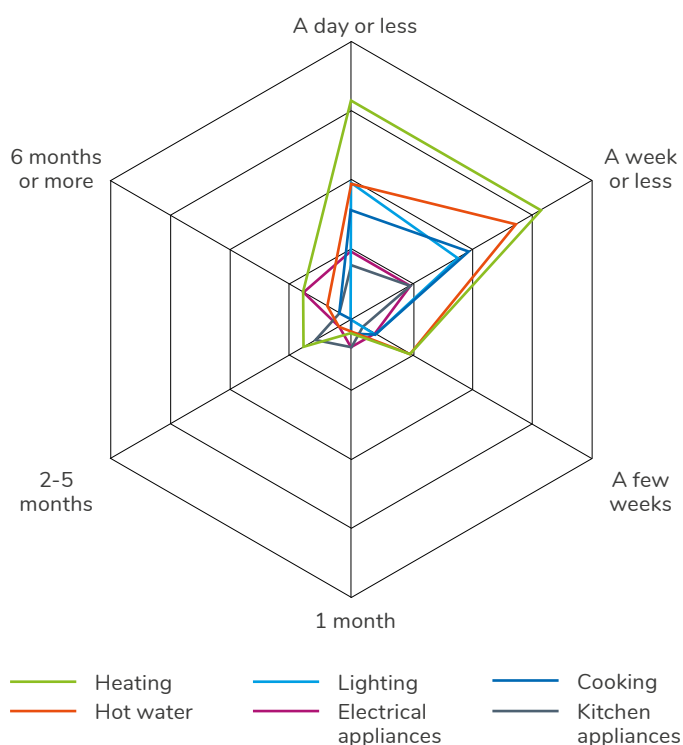
Self-disconnection indicators

The type of energy-dependent household activities clients with at least one PPM went without for a few days or more in the past two years:



Self-rationing indicators

The frequency with which clients have gone without amenities in the past two years:



37 | 46% of those with at least one PPM went without heating and hot water for a few days or more.

38 | 25% of respondents who self-disconnected skipped meals on a weekly basis because of debt, and 27% did so daily.

39 | 68% of clients who had self-disconnected reported mental ill-health, compared to 58% of all clients with a PPM.

Reasons for self-disconnection and rationing

Ofgem has identified five non-mutually exclusive risk factors, or reasons, for self-disconnection.⁴⁰ These are: forgetfulness, accessibility, technical, affordability and (with limited evidence) customer choice. Among focus group participants, affordability rather than forgetfulness was behind most regular and sustained periods of self-disconnection, although participants did discuss some instances in which they were unaware their credit had been running low. The longest periods of self-disconnection had been triggered by technical issues.

There is a variety of reasons for needing to cut back or go without energy completely for a period of time. Participants often said that they 'can't' use certain items at all, implying a lack of choice and a perceived inevitability. These reasons can be categorised into those arising from features of the consumer's home, finances or personal circumstances, or supplier's actions, infrastructure or tariff structure. The time of year and the cost of appliances were also factors in the amount and time frame of rationing undertaken.

Customer drivers

Regular factors



Insufficient income



Cashflow



Higher energy needs



Housing quality

Occasional factors



Unexpected bills



Mental health crisis

Supplier drivers

Regular factors



Standing charges



Cost of energy



Debt repayments

Occasional factors



Technical issues



Difficulty topping up

Customer drivers

REGULAR



Insufficient income

Participants felt that cutting back on heating was inevitable because they lived on a low income. They also cited benefit issues as a reason for having to ration energy use more than usual. Several participants were nervous about the move to Universal Credit, as one referencing the inability to build up a savings buffer while on benefits to smooth periods without income. One participant even felt that this was a deliberate design of the system, in which claimants were required to suffer before proving their entitlement and receiving the money to help.

'If it gets too expensive you've got to cut back on the heating so you've got enough electric to cook something for yourself to eat.' – Focus group participant, Inverness



Cashflow

Some participants talked about regularly being short before each payday because their income did not cover all essential costs. One participant managed by stockpiling food to ensure he had enough when money went short, but noted energy could not be stored up in the same way, and was therefore commonly the expense that was forgone at the end of each month.

'You might go off a couple of days before your payday, and maybe you've only got a quid on the meter so you think, "I've got to eke that out", so you know, I won't use the oven you know? I just make sandwiches or you won't use the kettle.' – Focus group participant, Southampton



Higher energy needs

Participants with children or significant health problems said they found it very difficult to cut costs because heating and medical equipment were essential. There was general sympathy from all participants that these were unavoidable costs, especially because young children could not understand or employ coping strategies in the same way adults could. Having young children in the house also increased energy needs, especially when they regularly visited but the household did not receive financial support for them, as in the case of grandchildren and shared parental responsibility. Ill-health also made rationing more difficult, as it was not just energy but also food that could have drastic implications if forgone.

'It's nearly £180 a month [for electric and gas], and I struggle to find it. But I can't have a prepayment meter because I have medical things in, you know? So I can't have a prepayment, so this is a struggle.' – Focus group participant, Bolton



Housing quality

Social tenants, in particular, complained about increased heating bills because of their housing, for example radiators placed under draughty windows and badly fitted windows causing mould.

'Why do the council put radiators directly under draughty windows? Because you're basically paying for your heating and then it's going out the windows.' – Focus group participant, Southampton

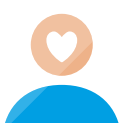
OCCASIONAL



Unexpected bills

Unexpected expenses were viewed as very problematic by participants, and a potential cause of having to use less energy than normal in a given month. Christmas and birthdays could also have the same effect.

'An unexpected bill, or purchase. Something is broken and you might need to buy something.'
Focus group participant, Southampton



Mental health crisis

One participant said they did not top up their PPM when they felt too overwhelmed and referred to debt collection letters as one cause of this.

'I get overwhelmed with it all.' – Focus group participant, Bolton

Supplier drivers

REGULAR



Standing charges

Standing charges or 'meter rents' were mentioned unprompted in all focus groups. There was a strong dislike for them and a sense of injustice, especially when not using energy over summer or during periods of disconnection. One participant likened standing charges to a tax, whereas several others had been surprised or confused when a substantial part of their top-up was swallowed up by accrued charges. Participants described how standing charges intensified their struggle to top up gas meters during colder months or in one case when returning home after a six month stay in a rehabilitation centre.

'At the moment it's not safe for me to be on my own in case something happens [and] I need urgent medical attention. But one thing I have found since I've been staying with a friend ... [my meter is] still taking my standing charge which is 26p a day.' – Focus group participant, Bolton



Cost of energy

While the majority felt the cost of energy was generally high and a burden, there was widespread uncertainty about what the cost of energy should be for their property and household. Participants were also concerned that being on the wrong tariff increased their costs. In several focus groups, participants felt landlords were buying energy at a low price and selling at a higher rate. In one case the participant did not believe he had a supplier, but bought energy directly from his landlord through a PPM. Some participants also complained about paying for centrally controlled heating all year round.

'You go online and they've got energy saving tips on the [supplier's] website, energy saving bulbs and all the rest of it. Now I've done all that. I've had extra insulation put in. I've sorted my central heating so it's only on certain times, cause if you leave it on all day it costs more. And even with that it's still going up.' – Focus Group participant, Bolton



Debt repayments

Periods of disconnection or rationing could also be caused by unresolved debt problems. One participant had cut back their energy use to a minimum to cope with debt deductions from his prepayment meter for a large debt he was disputing.

'[Supplier] then sent me out a letter saying it's £1,280 odd pound [I owe] and how can it be? When I'm on a pay-as-you-go meter? I budget my money carefully so I know roughly how much I use every fortnight but since they've done this, I just don't trust them.' – Focus group participant, Inverness



Technical issues

Periods of self-disconnection could also be caused by technical issues. Several participants felt caught between parties, in particular energy suppliers and council landlords, or PayPoint shops unable to fulfil instructions they had been given by suppliers. A couple of participants also shared experiences of longer term disconnection due to being unable to afford boiler repairs for five years and in another case, the gas being capped due to a gas safety check being unable to take place because they had no credit on the meter. These issues could be particularly hard to resolve when they meant a disconnection from electricity prevented phone charging or when the energy supplier did not assume responsibility.

'They condemned [the gas meter] so even if I wanted to put gas on I couldn't do it and they said I could be prosecuted ... So I phone [supplier] and they said, "It's not our problem it's the council" and I said, "I know that but I'm getting into debt with you."' – Focus group participant, Southampton

OCCASIONAL



Difficulty topping up

In one area, participants said that there were very few shops in which to top up. In the other areas, the situation was less acute but some participants said they had seen the number of PayPoints reducing. A large number of participants said they disliked topping up in shops, and parents said they could find this especially difficult. Topping up online was one of the main draws of a smart meter. However, not all participants could benefit from this due to not having a smartphone, or even a landline telephone.

'Everywhere I go around my area they're saying they haven't got a PayPoint to do my gas card. The electric key I've gotta make sure I get to the Post Office before one o'clock on a Saturday or else they shut.' – Focus group participant, Southampton



Liam's story

Liam and Debbie found themselves in debt when the benefits they received to top up his low wages were overpaid. They struggled to balance all the different payments they needed to make and felt too overwhelmed to open the post. Now debt free, they still live on a low income but careful budgeting means that they are able to manage much better.

'I was working as a support worker on a low income so we applied for Tax Credits and were also given Housing Benefit. We would get letters telling us what we were allowed, but then we ended up being told we owed them money.

It was quite a lot of money and we were struggling to pay. Debts just built up. We were constantly getting letters in the post from different people. We'd write to them telling them how much we could pay, but they said it was too little.

Bit by bit, we got to the stage where we thought there was nothing we could do. We thought there was no way out. And then we didn't deal with any of the letters.

We're not big spenders. We didn't have any credit. Neither of us drank or smoked. We don't go on holidays. We wouldn't be spending money on unnecessary things. It was just a struggle to stay afloat. We'd get behind with electricity and gas. Then we'd have to not pay somebody else to pay them.

Our electricity, gas, internet and telephone was all through the same company. When we were starting to get into trouble, our Direct Debit would be missed and then we'd get fined by the bank. Then they would cut our phone off for a month and threaten to cut off our energy too. We asked them on a number of occasions to move the Direct Debit date to coincide with my payday but they said that they couldn't.

Contacting these people regarding our utilities - it's the feeling that they don't listen. You feel like they don't believe what you're telling them. It might seem silly as people will wonder why we didn't keep the money in our account until later in the month, but it wasn't always that easy. When everything's coming at you, it's very hard to cope. The thing we would cut down would be our food bills.

One day I walked into the local community centre and I saw a leaflet about CAP. My wife was a bit more cautious than me but I had a feeling it was a good thing to do. I rang up, and Val (CAP Debt Coach) and Anne (Befriender) came out to see us. They have both been a tremendous support to us, and with CAP's help, we went through a Debt Relief Order (DRO).

It's being free. We still struggle financially - my income is not great but we don't owe money. That has made a tremendous difference. All our bills get paid. It all goes out on the first of the month when I get paid. What's left goes for food. We might struggle a little bit at the end of the month, but now there's no companies threatening to cut off our electricity.'

Support and engagement

Confidence to ask for help

13%

who have self-disconnected feel confident their energy supplier will help with problems paying bills

Less than a quarter (23%) of CAP clients feel confident that their energy supplier would help them if they had problems paying their energy bills. This figure is even lower amongst those who have a self-disconnection indicator, at just over one in ten (13%).

Income is not a predictor of confidence, but respondents in receipt of certain benefits are more likely to disagree with the statement 'If I have problems paying my energy bills, I feel confident my energy supplier will help me'. Recipients of Jobseeker's Allowance (JSA) and Tax Credits both strongly disagree in greater numbers than the average for all respondents, 21% and 18% compared to 5%, respectively. Similarly, having been in arrears within the last five years does not significantly change levels of confidence to approach suppliers for help.⁴¹ However, having a prepayment meter installed because of debt increases the proportion who disagree with the statement from one in ten (13%) to one in five (21%).

The vast majority (87%) of clients who would not feel confident contacting their supplier for help were also socially isolated, but interestingly respondents with mental health problems feel equally as confident their supplier would help them as the average.⁴² Physical health conditions change views however. Those with serious or terminal illness have lower confidence. This is particularly the case for people with a terminal illness; only 13% of whom feel confident their supplier would help them with problems paying bills. On the other hand, those with a physical disability are more likely to believe their supplier would help them than the average for all respondents. Although a higher proportion still disagree with the statement, 31% of those with a physical disability agree or strongly agree with the statement 'If I had problems paying my energy bills, I feel confident my energy supplier will help me'.

87%

who do not feel confident asking their supplier will for help are socially isolated

'Having the debt, I thought [asking for a better tariff] would be something I had no authority to phone up and say.'

Focus group participant, Bolton

'Energy companies don't seem to be bothered, they don't care as long as they get their profit at the end of the month. They don't care how they get it.'

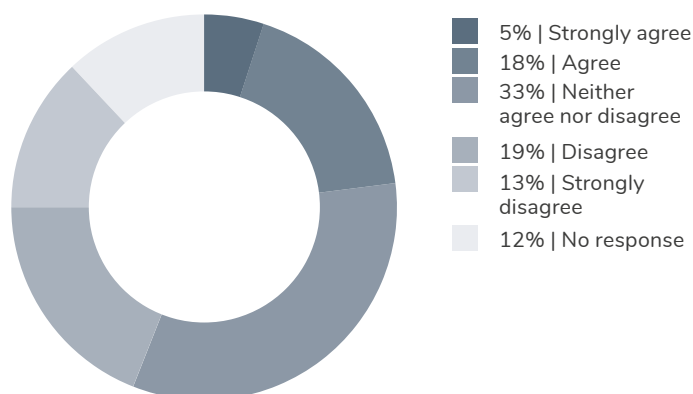
Focus group participant, Inverness

'If it was before all this bother then maybe I would phone them up [for help], but after this, no.'

Focus group participant, Inverness

Help paying bills

Percentage of CAP clients who agree or disagree with the statement 'If I have problems paying my energy bills, I feel confident my energy supplier will help me':

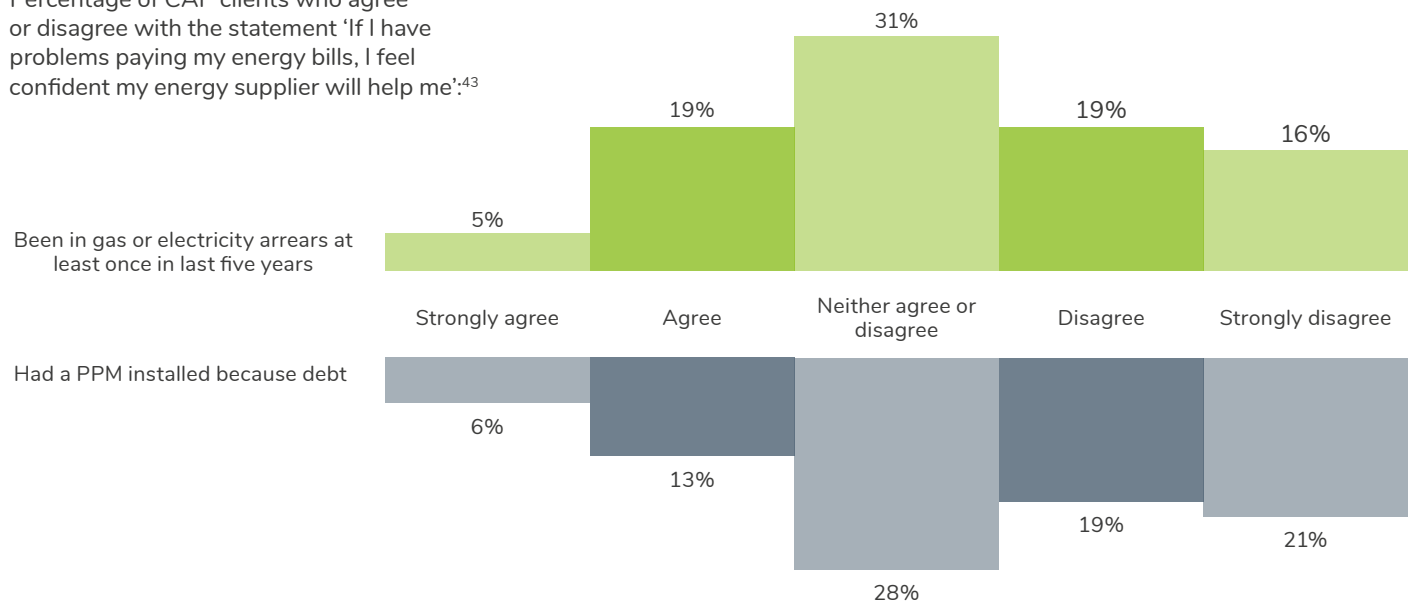


⁴¹ | Of those who have been in arrears in the last five years, 24% feel confident their supplier would help them if they had problems paying their energy bills.

⁴² | 23% of respondents with mental ill-health agree or strongly agree with the statement 'If I have problems paying my energy bills, I feel confident my energy supplier will help me'.

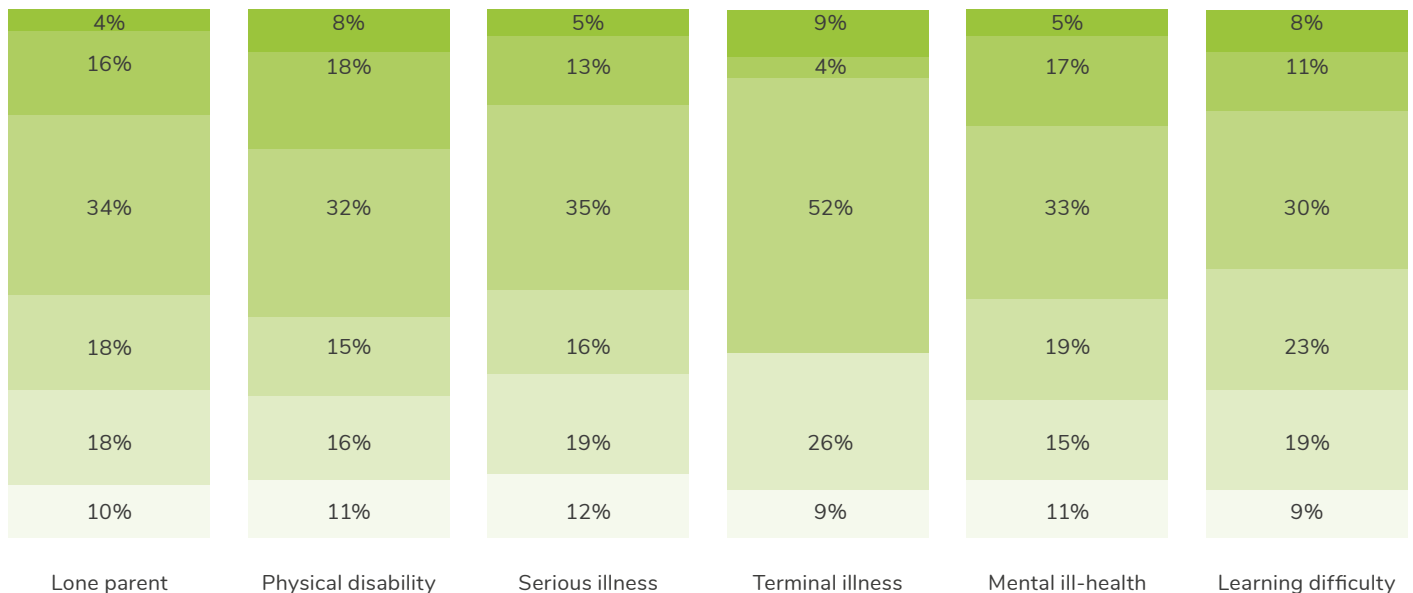
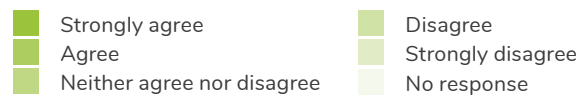
Confidence compared by history of debt

Percentage of CAP clients who agree or disagree with the statement 'If I have problems paying my energy bills, I feel confident my energy supplier will help me':⁴³



Confidence compared to vulnerability indicators

Percentage of CAP clients who agree or disagree with the statement 'If I have problems paying my energy bills, I feel confident my energy supplier will help me':



43 | Note: 10% of survey respondents did select an option for statement one and 13% did not for statement two.

Existing support

The Department for Business, Energy and Industrial Strategy (BEIS) and Ofgem require suppliers to provide certain initiatives and financial assistance to help customers in vulnerable circumstances, and many suppliers provide additional levels of support. The level of awareness about these schemes varied amongst the focus group participants, but many had benefited from them. However, initiatives were not always straightforward to access and did not provide the sustainable support customers needed. As a result, most of the focus group participants had found no fix to their ongoing affordability issues, and would make do as best they could with being off supply. They might wear several jumpers, use street lighting to see at night, or in some cases, turn to addictive substances when they felt helpless.

'Sitting in the freezing cold, using the oven to heat the house (causing damp problems), by hand washing clothes.'

Survey respondent

'Eating cold food all the time, not washing, using electric heaters which is putting the electric bills sky high!'

Survey respondent

'You think to yourself, "Right, I'm not putting the heating on later. I'll keep my jacket on, bring my quilt down." You have to say to the kids, "Right leave the PlayStation for an hour, you can't go on it". You have to make these changes because of how expensive they are.'

Focus group participant, Bolton



Emergency credit

Emergency credit is available to PPM customers through the meter. It is a loan that must be repaid when next topped up, and typically ranges from £5 to £20 depending on the supplier.⁴⁴ Friendly credit is also available during inconvenient times (such as evenings and weekends). However, both types of credit were viewed very negatively in all focus groups. Most participants actively avoided using it. There was a widespread view that customers are charged more while in emergency credit, and having to repay the credit at the next top up made it difficult to get fully back on supply.

'I find it very expensive, even if you put your emergency on which I tend not to do ... I say to the children, "If I'm out, do not put emergency [credit] on." You know, it's hard enough, I'm paying for my gas and electric as it is, I'm not paying for something that I don't need to pay for.'

Focus group participant, Bolton



Discretionary top-ups

Suppliers can provide emergency assistance to get a customer back on supply through discretionary top ups. This can range from £1 to £200 but requires a direct request and is assessed on a case-by-case basis.⁴⁵ Generally, most participants were more likely to turn to friends and family for help than their supplier, especially when the problem was that they did not have enough money. This is consistent with previous research which has found that only one in five (22%) of those who could not afford to top up their PPM contacted someone for help, and only 9% said this was their supplier.⁴⁶ Some participants expressed feeling embarrassed and ashamed as reasons for not wanting to ask for help. However, family members were not always in a position to help, and some participants were concerned about having difficulty paying them back due to ongoing affordability struggles.

'Gone without heating and hot water for twelve weeks until a friend loaned me money. Didn't want more debt.'

Survey respondent



Warm Home Discount (WHD)

Although large numbers of CAP clients have not accessed the financial assistance they would be eligible for, awareness of the Warm Home Discount (WHD) was high amongst focus group participants. On the whole, these payments of £140 had been helpful and viewed as a big help to affording heating over winter. This was more so for those who lived alone or in smaller properties, where £140 had seen them through the winter, whereas families with children had used the credit much more quickly. Participants did, however, cite problems with the current scheme, especially uncertainty about when a payment would be received. One participant had received the payment in January, whereas another participant with a prepayment meter had not received it until March and had already gone without heating over the coldest months of the year. Participants had also experienced WHD payments being allocated to pay arrears and some were confused whether a new application needs to be made each year.

'For the last two years, I get that sort of winter payment from [supplier] and last year, I got it in December and that did me until end of February, beginning of March. I didn't have to top up.'

Focus group participant, Inverness

44 | Ofgem (2019) Proposals to improve outcomes for customers who experience self-disconnection and self-rationing

45 | CAB (2016) Staying connected

46 | Citizens Advice (2018) Switched on: Improving support for prepayment consumers who've self-disconnected



Other financial assistance

Some participants had used Local Authority emergency welfare funds. However, they expressed concerns about the limited number of grants allowed under these schemes, for example three a year. Concern was high due to a fear of exhausting this source of support, when it was needed to cover all forms of emergencies, including lack of food.

'I've actually been selling stuff just to keep electric. I've got crisis grants to get electric. As I say [supplier] aren't bothered, so at the moment I'm stuck between a rock and a hard place.'

Focus group participant, Inverness



Priority Service Register (PSR)

Every supplier operates a PSR, which customers can sign up to receive extra assistance. Mostly these services are of a practical nature, such as moving an inaccessible meter or meter reads. However, the PSR often serves as the main data capture of the vulnerable circumstances customers have. Only half of focus group participants who reported that a disability or health condition meant their household had higher energy costs than most were signed up to their supplier's PSR. Participants with a physical disability were most likely to be signed up to the PSR, but others did not believe their supplier was concerned about their wider circumstances, especially financial difficulty.



Smart meters

Awareness of smart meters was high amongst focus group participants but misconceptions were common. Some participants referenced positive points, such as not needing to give meter readings, and being easier than a traditional PPM to see your balance or top up. However, most were wary about getting one. In all sessions, some participants stated that smart meters caused customers to spend more because they used energy faster, and there was a general belief that they benefit suppliers more than customers. Of those who had a smart meter, greater awareness of usage caused anxiety, as they felt that there was nothing they could do to reduce their use.

'I regret getting the smart meter. I just think it goes up. It hits red at anything, doesn't it?'

Focus group participant, Inverness



Prepayment

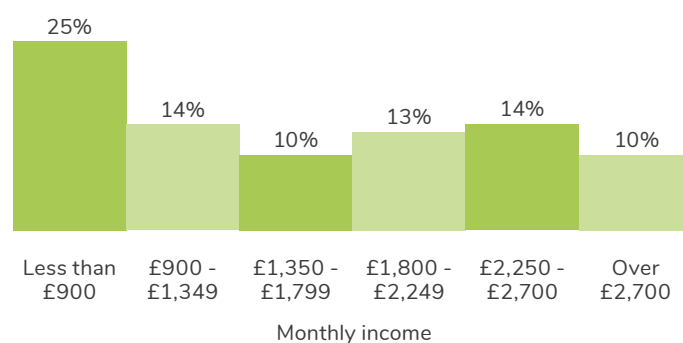
Participants were positive on the whole about PPMs because of the visibility and control it gave them over spending, and the inability to build up debt. 16% of survey respondents had made the choice to have a PPM installed. Choosing prepayment is particularly prevalent amongst lower income families, with a quarter of households with income below £900 a month choosing to have a prepayment meter installed. However, it meant that customers had little contact with their supplier on an ongoing basis and, being off the radar, they were not proactively offered support and assistance from suppliers when they were struggling financially.

'At the end of the day, if you've got your prepayment meter and you're topping up each week or each fortnight, you know what you're paying like. You know, there is nothing, nothing more convenient about having a key meter than that.'

Focus group participant, Southampton

Choice of prepayment compared to income

Percentage of CAP clients in each income bracket who made the choice to have a prepayment meter installed:



Customer service and trust

Good customer service is viewed as very important by consumers. Focus group participants cited this as important to feeling valued and building trust. Key aspects of good customer service included being straightforward, showing care, having support from specialist teams and being helped to resolve problems. Amiability of staff was a key determinant, and one participant even described a force-fitted PPM installation visit as a positive experience because of this.

However, bad experiences were felt to be more prevalent, and most participants had several bad experiences to share. Negative experiences were not neutral; participants referred to them as causes of feeling hopeless and having decreased confidence. The perception that customer service was poor across the board undermined the trust that focus group participants placed in the industry as a whole.

Dissatisfaction with customer service related to five main areas:

1. Suppliers not providing help or following through on promises of help
2. Suppliers not taking ownership when problems are theirs, taking a long time or not resolving technical or billing issues
3. Communicating with suppliers being difficult and time consuming
4. Suppliers assuming computer access and a certain level of understanding
5. Suppliers being unable to advise how to save money on bills

'I've had to phone them up multiple times ... [they say], "We'll get someone to call you". Not heard anything off them, they just keep running me through circles.'
Focus group participant, Bolton

'I used Direct Debit and I pay £35 a month, [but] I'm really fearful of the fact that I know I'm using more electricity and I'm going to end up with a bill, which is why I wanted to find out which the best tariff is.'
Focus group participant, Southampton

Contacting suppliers

While one participant said they had a fear of calling their supplier, most were happy to do so if they had a problem. They found most phone lines to be free of charge, but where a number did cost to call, this was a problem for some. A bigger issue was not knowing what to ask for when they called, and most participants expressed frustration about experiences they had contacting their supplier.

The most common reasons for this were:

- Needing to make multiple calls to get a resolution
- Having to explain a situation multiple times
- Not receiving promised callbacks
- Long wait times on phone lines and not getting through to the right person
- Conversations not feeling genuine and suppliers not showing care or empathy
- Suppliers offering little flexibility or practical help to resolve problems
- Being asked to pay unaffordable amounts for debt repayments, as well as consumption

These experiences caused participants to feel like it was a waste of time to ring their supplier and the majority said this meant they were less likely to do so in the future. Some participants also said ringing their energy supplier was of low priority to them, especially at busy times such as moving house, and there was a general feeling that suppliers are not proactive with outbound contact.

Most participants said they could understand the content of the written correspondence they received. However, a couple of participants could not read bills due to poor eyesight, illiteracy or dyslexia, and this also made computers difficult to use. Participants did not understand how the price they were asked to pay had been calculated. Phone calls to suppliers had not bought further clarity to this.

Participants said they would value face-to-face touchpoints with suppliers and to know what phone calls were about in advance. For these reasons, most preferred text or email correspondence, but felt that suppliers did not use their preferred communication methods and persisted with methods that did not work for them, especially during the debt collection process.

'They send you a little thing written underneath your piece of paper, well I can't read it, it's too small. I can't read that. [The] print wasn't dark enough. The next thing you know, you'll have £300 debt again.'
Focus group participant, Bolton

'You don't get your problem resolved on your first phone call each time. You are having to repeat the whole story and all the detail and it becomes very, very burdensome.'
Focus group participant, Inverness

Dealing with debt

The number of energy customers in debt is increasing. In 2018, the number of customers in gas and electricity arrears increased by more than 4% to over a million customers.⁴⁷ Ofgem has expressed concerns that customers who struggle to afford their bills and get into debt do not receive consistent levels of support and that more than half do not have a repayment plan in place.⁴⁸

Nearly half (48%) of CAP clients have been in gas or electricity arrears at least once in the past five years. On average, CAP clients in electricity arrears owe £726 and those in gas arrears owe £686 when seeking help. The proportion in arrears is fairly consistent across payment types, with the exception of standard credit for which three in five (62%) have been in arrears at least once in the past five years.⁴⁹

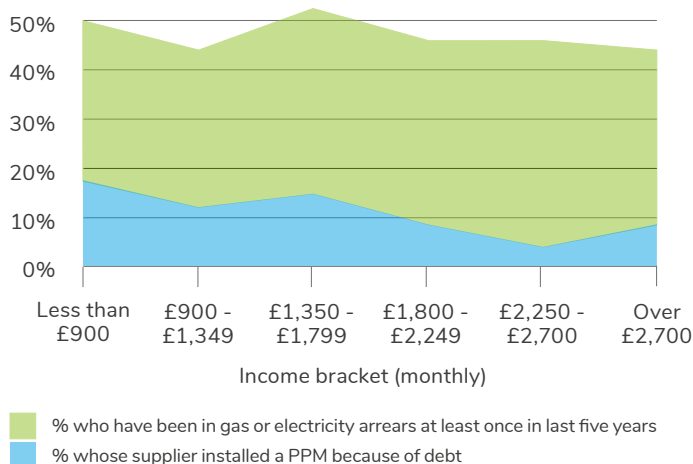
The practice of force-fitting prepayment meters is decreasing. In 2018, there was a 15% decrease in the number of prepayment meters fitted under warrant.⁵⁰ However, over 70,000 prepayment meters were still installed in this way. Ofgem's guidance is clear that the installation of a PPM should be a last resort, and one should only be installed if safe and reasonably practical.

Debt on PPMs

One in three (31%) CAP clients with a prepayment meter said their supplier had installed the PPM because of debt. While debt levels are fairly consistent across income levels, the installation of a PPM because of debt is more common for those on a lower income.⁵¹

Energy arrears compared by income

Percentage of CAP clients who have been in gas or electricity arrears at least once in the past five years



'Sometimes I put 20 quid on and I'm only left with like 13 pounds, because they've taken off a debt and something else, which OK, it's their rules and that but I'm not actually getting that amount of gas.'

Focus group participant, Southampton

'When we were in debt, they came round to swap the meter. I was scared to answer the door but it was actually OK, it was quite straightforward. But [the PPM] was expensive.'

Focus group participant, Inverness

Experiences of suppliers' helpfulness during periods of debt also varied. Several focus group participants had PPMs installed and felt this had made debt repayments more manageable, but a couple had found these had initially been set very high. Some suppliers had reduced these repayments when asked but others said their supplier had not been helpful when they contacted them. In a couple of cases participants talked about finding an existing debt on the PPM when they moved into a property. One had called up and the supplier had reset this, but another had repaid the previous tenant's debt themselves.

'There was debt on the meter when I moved in, but I paid that off. I paid that off and then switched to [supplier].'

Focus group participant, Inverness

Smart meters

In a smart world, remote switching is now a possibility, so a visit to a customer's property is no longer necessary to change the meter type. It is not clear what safeguards are in place to stop remote switches where it is not safe and reasonably practical, and Ofgem has expressed concerns about the rapid rise in the number of remote switches, which more than tripled between 2017 and 2018, hitting just under 70,000.⁵²

Case study: forced switch to smart prepay

A couple and their teenage son woke up one morning in January to find they had no electricity. Subsequently they received a letter advising their smart meter had been remotely transferred from credit to prepay mode due to being £500 in arrears. They were very stressed by this and had not received prior warning. CAP contacted the supplier and they agreed to switch the meter back.

47 | In 2018, the number of customers in debt increased by 4.2% in electricity and 4.8% for gas. There are 1.3m electricity customers in arrears and 1m in gas arrears. Ofgem (2019) *Vulnerable customers in the energy market: 2019*

48 | Ofgem (2019) *Vulnerable customers in the energy market: 2019*, Ofgem and BEIS (2019) *Flexible and responsive energy retail markets: Putting consumers at the centre of a smart, low carbon energy system*

49 | Percentage of respondents who have been in gas or electricity arrears at least once in the past five years by payment type: at least one PPM (48%), at least one Direct Debit (45%), at least one fuel on standard credit (62%).

50 | Ofgem (2019) *Vulnerable customers in the energy market: 2019*

51 | Percentage of CAP clients in each income bracket who have been in arrears in the last five years: 50% (less than £900), 45% (£900-£1,349), 52% (£1,350-£1,799), 46% (£1,800-£2,249), 46% (£2,250-£2,700), 43% (over £2,700). Percentage of CAP clients in each income bracket who said their supplier installed a PPM because of debt: 17% (less than £900), 12% (£900-£1,349), 15% (£1,350-£1,799), 8% (£1,800-£2,249), 4% (£2,250-£2,700), 8% (over £2,700).

52 | Ofgem (2019) *Vulnerable customers in the energy market: 2019*

Conclusions

While most people seek to save money by not wasting energy, the majority of low income households actively ration their energy use through cutting out basic energy-dependent activities. Mostly this is through going without heating and hot water, but in more extreme cases people refrain from using their cooker and even lighting in their house. Rationing patterns can be classified into three categories: doing so occasionally when money is particularly tight, regularly needing to ration at the end of each pay cycle, and doing so on a daily or weekly basis because of chronic affordability issues.

Self-disconnection amongst PPM users follows a similar pattern, with one in three self-disconnecting every week. While recurring, most self-disconnection is relatively short term. Yet there are instances where it is severe and lasts for a period of two months or more. This is mainly triggered by unresolved technical issues and debt build-up on the front of the meter.

While the challenge of how to make use of data to monitor customers' energy usage and identify rationing and self-disconnection is at the forefront of the industry's concerns, the more pressing matter is making sure that the right support is in place to respond. The landscape identified in this research requires two parallel approaches. Firstly, support is needed during short-term financial crunches to help customers get back on supply or avoid severe rationing. Emergency credit cannot be relied on to serve this purpose in its current form because it is largely unused and feared by low income consumers. Secondly, long-term financial assistance is required to ensure low income households can afford a basic level of energy to live safe, warm and well.

We must:

- Make it easier to get back on supply after short-term self-disconnection.
- Ensure people can afford to use the energy they need to stop severe rationing and long-term self-disconnection.



A strong theme from the focus groups was the perceived complexity of the energy market. All but one participant could name their supplier but their awareness of the number of other suppliers was low and similar names caused confusion. There was a general mistrust and participants did not believe suppliers are there to help. Some believed that suppliers intentionally made things confusing to increase profits. In particular, focus group participants felt suppliers did not care about their personal circumstances or their struggles to keep afloat on a low income. These perceptions, combined with experiences of poor customer service, often cause people in financial difficulty to lose trust in their supplier. Less than a quarter (23%) of CAP clients surveyed feel confident that their supplier would help them if they had trouble paying their bills. This was particularly the case when customers experienced a technical problem outside of their suppliers' licence responsibilities, which had gone unresolved and led to long-term self-disconnection.

We must

- Increase customers' confidence and ability to ask suppliers for help.

Focus group participants highly valued simplicity, good customer service and amiability of staff. They wanted person-centred care and, while there were examples of good practice shared, the overwhelming view was that the energy industry did not achieve this. Some participants referred to helpful practices from other sectors, including being able to switch broadband despite having arrears, and social tariffs in the water industry. Social tariffs were valued for reducing costs significantly, particularly where they are a set amount each month. However, they acknowledged that these initiatives might be difficult to directly translate into an energy context.

Switching cannot be relied on to solve the affordability crisis. While engagement with the market was lower amongst low income households, it was fairly high across the board. However, those who had switched were more worried about the cost of the energy they used. Most focus group participants did not believe that they were on a good energy deal and did not know how to decide what the best deal for them was. Being in arrears also prevented customers switching to a better deal, both in terms of being an actual barrier and a perceived one. This was especially the case for PPM users, a large number of whom had had the meter installed by their supplier because of debt.

We must:

- Overcome barriers that stop low income consumers accessing the best deals.
- Decrease reliance on PPMs to resolve debt issues and ensure ability to pay.



Recommendations

Government, Ofgem and suppliers must take action to:



Make it easier to get back on supply after short-term self-disconnection.

- **Suppliers:** introduce an emergency credit guarantee to clearly articulate how emergency credit works and the charges involved, to increase confidence to use it.
- **Suppliers and Ofgem:** stop standing charges accruing, until usage restarts, after a PPM has not been used for a given period of time.
- **Energy UK:** work with gas safety engineers to stop gas supplies being capped if there is no credit on a prepayment meter to conduct the check.



Ensure people can afford to use the energy they need to stop severe rationing and long-term self-disconnection.

- **Government:** introduce a social discount or tariff to improve affordability of energy bills for the lowest income households (for example, a percentage discount on the tariff of choice, time of use add-ons, or replacing WHD with an increased monthly payment).
- **Suppliers:** offer flexible time of use add-ons for people with medical equipment or additional energy costs due to serious or terminal illness.
- **Ofgem:** highlight best practice in using smart meter data to identify customers self-rationing.
- **Government:** review benefit rates to ensure they match the cost of living.



Increase customers' confidence and ability to ask suppliers for help.

- **Suppliers:** do not assume customers have digital access and offer alternative routes to access help.
- **Suppliers:** make better use of outbound communications including two-way text messaging and emails to increase awareness and proactively offer available support.
- **Suppliers:** make it easier to reapply for Warm Home Discount if circumstances have not changed year on year.
- **Suppliers:** print contact details and messaging about the customers' rights on PPMs and cards; for example, the ability to switch supplier in rented properties or ask for a discretionary top-up.
- **Ofgem:** clarify the purpose of the PSR and create an alternative offering for people with affordability issues.



Overcome barriers that stop low income customers accessing the best deals.

- **Suppliers:** improve the number of tariffs and cost savings available to prepayment and standard credit customers.
- **Suppliers:** increase availability of nil standing charge tariffs.
- **Ofgem:** allow suppliers to provide internal tariff recommendations to help customers confidently pick the right tariff for them.
- **Suppliers:** on bills, include a monetary comparison to the average monthly consumption for the customer's household and property type, alongside the cheapest tariff message.



Decrease reliance on PPMs to resolve debt issues and ensure ability to pay.

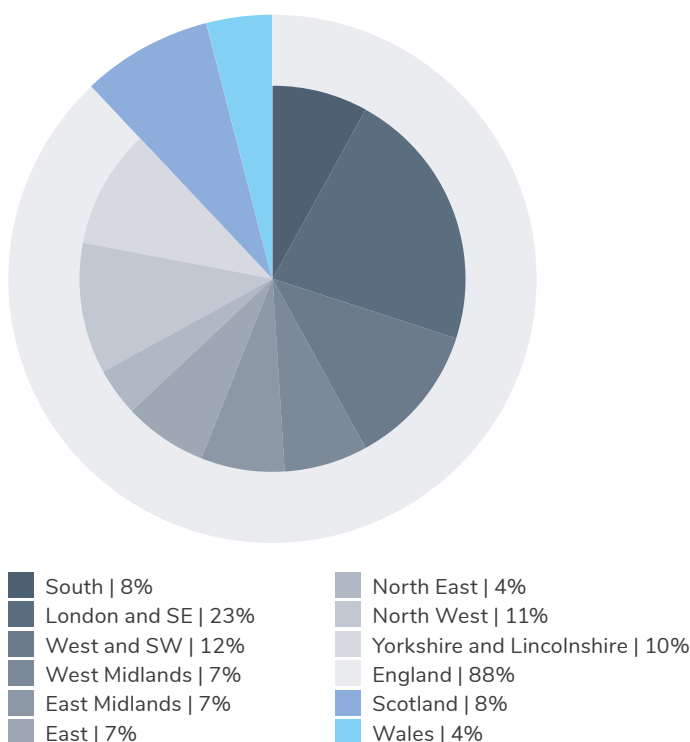
- **Suppliers:** train and empower collections staff to be able to offer a cheaper tariff within a debt collection conversation.
- **Ofgem:** regulate a maximum percentage repayment rate on a PPM and stop missed instalments accruing at the front of the meter.
- **Suppliers:** incorporate additional services into prepayment installation processes, including income maximisation, home visiting and specialist energy efficiency teams to ensure costs are as low as possible.
- **Government:** increase availability of Warm Home Discount initiative funding to support debt resolution for customers, for example through payment matching initiatives.

Appendix

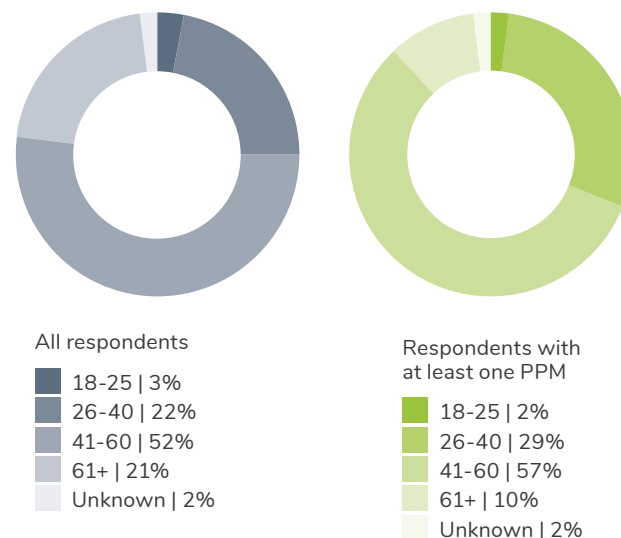
Profile of survey respondents

There were 1,008 respondents to the survey conducted online and by post in October and November 2019. 80% of respondents have both gas and electricity in their property. Less than half (44%) have switched energy provider or fixed their tariff in the last three years. 38% have a smart meter, and this proportion did not vary very much across income brackets.⁵³ 29% have at least one prepayment meter, with 22% paying for two fuels via this method. A higher proportion of respondents with at least one prepayment meter were from a younger age group, as well as those from lower income brackets.

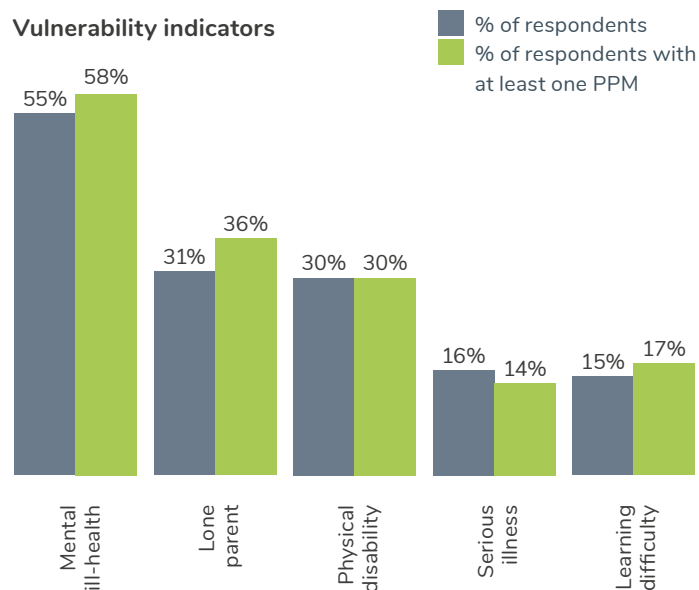
Location



Age



Vulnerability indicators



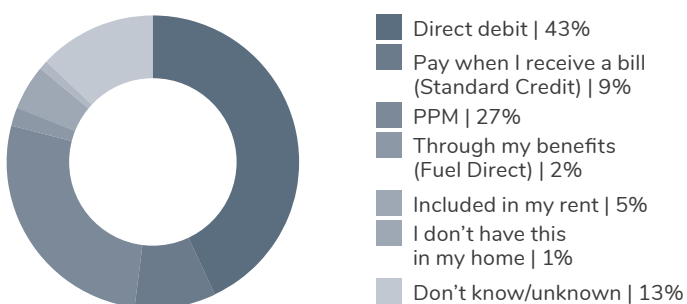
⁵³ | Percentage of respondents with a smart meter by monthly income bracket: under £900 (38%), £900-£1,349 (36%), £1,350-£1,799 (40%), £1,800-£2,249 (38%), £2,250-£2,700 (44%), over £2,700 (41%).

Income

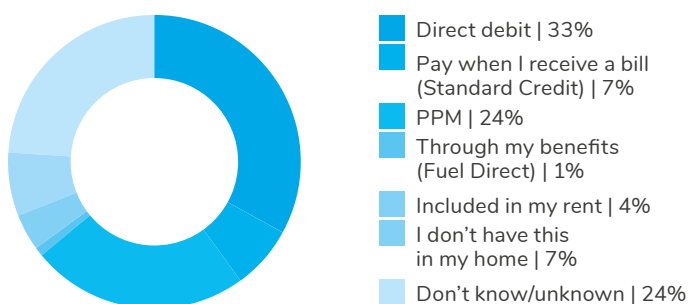
Monthly household income, after tax, including all benefits



Electricity payment types



Gas payment types



Profile of focus group participants

Focus groups were held in three locations: Bolton, Southampton and Inverness. Participants were invited by the local CAP Debt Coach in these areas, and were either currently working with CAP or had recently become debt free. 21 people took part, and 20 of these completed an 'about you' form.

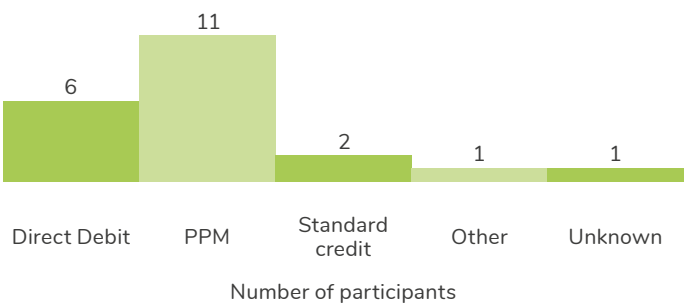
The participants represented customers from a range of suppliers, with roughly a 2:1 ratio of larger to small/medium sized suppliers. Prepayment meter customers were over-represented compared to survey respondents, and a greater proportion of participants were in the lowest income bracket, with a monthly household income below £900. A high proportion (15 out of 20) had received Warm Home Discount.

Three participants had children under 18 living at home, with two having children under five. 13 participants lived alone. Three of the remaining five had adult children living at home, ranging from 19 to 39 years old, and one participant had lodgers.

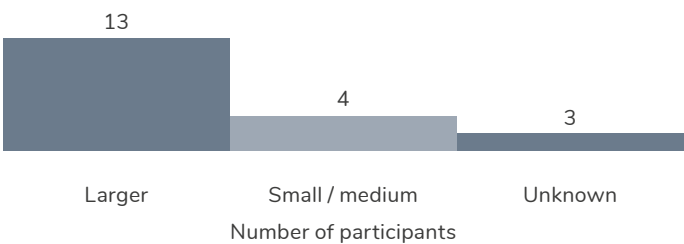
There was a range of housing types represented: eight participants lived in a flat, four in a small house (two bedrooms or less) and seven in larger properties. Most of these were rented through social landlords, but two participants owned the property they lived in and three rented from a private landlord. Regardless of tenure type, most participants felt their home was old and not well insulated.

Average combined electricity and gas costs per month varied across participants from £30 to £180. This was mainly driven by house size, rather than available income. However, some participants in small flats reported paying disproportionately high energy costs.

Payment method

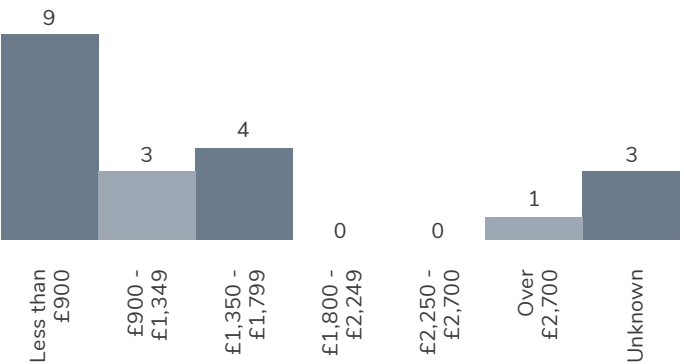


Supplier

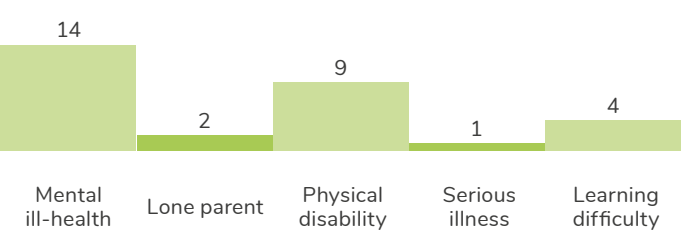


Income

Monthly household income, after tax, including all benefits



Vulnerability indicators





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