

Ofgem Debt Relief Scheme Phase 1

Response from Citizens Advice Scotland

Key Points and Introduction

- Citizens Advice Scotland has long called for an energy Debt Relief Scheme (DRS), but the current proposals are inadequate to meet the scale of the crisis in Scotland
- Any scheme designed to deliver positive outcomes for people and alleviate the crushing pressure of living with energy debt should be comprehensive and easily accessible; where eligibility is contingent on meeting onerous conditions, this is experienced as barriers to desperately needed support
- The conditionality proposed here will exclude many people in vulnerable situations. Phase 1 of the DRS should be available to anyone on means-tested benefits (MTB) with energy debt
- The effects of unaffordable energy costs cannot be neatly contained to a period of two years; the crisis isn't over, and the impact of high costs and the resultant burden of debt is still being deeply felt across communities in Scotland
- Comprehensive, compassionate and enduring debt relief is desperately needed – this problem cannot be solved with limited, one-off support
- The solution to the crisis of energy debt long-term lies in affordability and we reiterate our long-standing call for a social tariff for people on low incomes and those with unavoidable high energy use, such as disabled people

Energy Debt is out of control, harming people across Scotland after years of high costs.

Data from our network shows:

- In 2024/2025, average energy debt brought to Citizens Advice Bureaux (CABs) was £2,500, rising to £3,180 in rural areas
- The number of people seeking our advice with energy debt has jumped 65% since 2019/20 and the overall quantum of debt people face is up by 130%
- Circumstances in Scotland, particularly in rural and island communities, such as reliance on electricity for heating, colder, darker winters, and a higher proportion of energy inefficient housing stock, means that energy costs are higher than elsewhere in the UK, pushing people into debt

We note Ofgem's statement in the consultation that the DRS cannot address issues such as affordability of energy and indebtedness of people in other sectors, and that the DRS sits alongside other initiatives such as the Warm Home Discount (WHD). However, we are concerned that these initiatives do not go far enough. As detailed in our response to the recent Department for Energy Security and Net Zero

consultation¹ the level of support provided by the WHD does little to alleviate the pressures of high energy costs for thousands of people in Scotland.

This is now the second winter that Ofgem has consulted on proposals for the DRS. This means we are yet again facing the coldest and darkest months without desperately needed energy debt relief, where people will be forced to make unimaginably difficult choices as a result. This cycle of consultation, contemplation and prevarication over details of the scheme has had, and continues to have, damaging consequences for the people seeking help from our network, as well as for advice services themselves that are already stretched by unprecedented demand and insecure funding cycles.

Bolder, long-term measures are needed from Ofgem and the UK government to address the issue of energy affordability; without it, debts will continue to accrue when the DRS is finished. Equally, there must be an understanding that energy debt issues rarely exist in isolation – our most recent evidence shows that 41% of people who sought help with energy debt from our network in Q2 of this year also had additional debts. This must be factored into the design of the DRS if it is to support people who are balancing multiple, complex issues, affecting their ability to engage.

Eligibility and Engagement

CAS recognises that eligibility and engagement pathways have been expanded and diversified since the last statutory consultation, and changes have been made further since the August working paper. We support current proposals that people with prepayment meters are deemed as having made a payment in the last billing period, whether they are on or off supply, and therefore are eligible for the scheme through meeting the engagement condition automatically.

CAS also supports the removal of smart meter installation as a route to meeting the engagement condition. Issues with smart meters are a driver of demand for support from our network. In Q2 of this year, 1,200 people sought assistance with smart meters. We also saw a 25% increase in the number of people seeking support with smart meter faults compared with the previous three months. Engagement criteria based on smart meter installation would have been problematic because of the large volume of smart meter issues. Such an approach would have served to foment distrust and subsequent disengagement with suppliers, rather than incentivise better engagement in line with the scheme's stated aims.

However, we continue to have significant concerns about the eligibility criteria. While we recognise that these have been designed to facilitate alternative routes to accessing support for those unable to make a payment in the most recent billing period, in practice, the eligibility criteria could be prohibitive and unworkable for many people.

Engagement Condition 1: The customer agrees to pursue a repayment plan with their supplier. In this instance, the customer will be eligible for support when the supplier receives the first payment on the repayment plan.

In the Delivery Guidance published by Ofgem, it is stated that '*The repayment plan offered must be fair and reasonable for each Phase 1 Customer's individual circumstances.*' Evidence from our network shows that suppliers often offer unsuitable repayment plans which are unmanageable for people, resulting in either disengagement or detrimental effects where people have cut back on essential expenses like adequate food, clothing or ongoing energy usage in order to make the repayments.

¹ [CAS Response to Continuing the Warm Home Discount Scheme - November 2025.pdf](#)

In 2025 so far, our specialist team of caseworkers at the Extra Help Unit (EHU) have dealt with 1,186 complex cases across Great Britain involving unsuitable repayment plans or debt recovery practices. Across the network of Scottish Citizens Advice Bureaux, advisers have supported 854 people with these issues so far this year. Sean's experience outlined below is just one example of the harm caused by unsuitable repayment plans.

Sean's experience: Sean was referred to the Extra Help Unit as he was struggling with energy debts and could not afford his ongoing usage. His wife is diabetic, and he has autism, alongside mental health conditions. The cost of high energy bills and the financial pressure of debt was taking a significant toll; Sean told his EHU caseworker he and his wife often only eat once a day. Sean had agreed to a repayment plan of £50 per month with his supplier which was put in place. However, the supplier then issued a new bill a few months later as the debt had grown to over £1,000. This debt was passed to a debt collection agency and Sean was told he had to pay £115 per month. This was completely unaffordable for Sean, and he told his caseworker he felt harassed. The EHU spoke with the supplier about repayment options; a 50% reduction to the balance was offered, but this was dependent on Sean being able to pay for his ongoing consumption, which was not possible. Sean became increasingly disengaged due to feeling hopeless.

While engaging in a repayment plan may be a viable option for some, in practice, it is unworkable for many of the people that we see across our network.

Engagement Condition 2: The customer agrees to pay their energy bills using the Fuel Direct scheme. In this instance, the customer will be eligible for support when the supplier receives the first payment through the scheme.

Fuel Direct deductions as a means of paying for energy debt and ongoing consumption are based on an energy supplier's calculation of the payment amounts needed to reasonably cover energy costs, with protections in place to ensure the payments do not exceed 25% of the standard allowance and child element. For people who cannot afford the payment amounts requested by the supplier, participation in the Debt Relief Scheme is not a viable option; people who are unable to engage with a repayment plan directly with the supplier would also be unlikely to be able to engage with Fuel Direct.

Additionally, our evidence shows that there have been administrative issues associated with Fuel Direct, which could present a further barrier for people who may opt for this engagement condition. One supplier recently told an EHU caseworker that, "We have been notified that the DWP has a delay which may cause concerns with some of our customers' complaints. We will not be able to keep complaints open for 6+ month so will need to work with you and our customers on reasonable alternative payment arrangements whilst the Fuel Direct process continues."

Our evidence further shows instances where suppliers have incorrect records for people on Fuel Direct, as demonstrated in Craig's experience, which raises further concerns about the viability of its use as a pathway for demonstrating engagement.

Craig's experience: Craig had agreed to set up Fuel Direct as a deduction from his Universal Credit payments to pay for his ongoing energy usage and towards his arrears. Despite two

payments having been deducted, he received a visit from a debt collection agency with notice of intent to apply for a warrant to force-fit a pre-payment meter. When he came to his local CAB, the adviser supporting Craig contacted his supplier, who informed them that although the two Fuel Direct payments were visible on the account, the payment method had not been updated, meaning payment demands were still being generated. Craig felt that the system was working against him and has been psychologically harmed by the situation.

As with repayment plans directly with suppliers, people on limited or negative budgets will not be able to engage with Fuel Direct. The administrative complications of the scheme also present an obstacle and would risk significant delays to accessing support through the scheme if it is used as a pathway to demonstrate engagement.

Engagement Condition 3: "The customer agrees to pursue a referral to a debt advice charity. In this instance, the customer will be eligible for the DRS support when the referral is made"

In our response to the previous statutory consultation on DRS, CAS expressed our concerns that a model in which people would have to apply for support would risk putting extra pressure on advice services, if additional resources were not provided. We recognise that proposals for the scheme to be delivered in two phases is designed to address this, with Phase 1 ostensibly designed to be delivered at pace, predominantly through data matching.

However, there is a lack of clarity regarding what a 'warm referral to a debt advice charity' would entail; if this requires evidence of engagement with a debt adviser (for example, in the form of a financial statement or Income and Expenditure form) there would be significant impact on advice services and a pressing need for additional resource to meet this demand.

In Q2 of this year, of all people that were advised on debt at a CAB, 18% had energy debt. The average number of people being helped by specialist debt advisers at CABs each quarter is already around 1,400. Advice services cannot be used as a mechanism to compensate for the shortcomings of regulators and governments. The reality of working as an adviser in our network, particularly over the winter, is a mounting caseload, relentlessly busy phonelines, and daily conversations with people at their most vulnerable, in states of extreme distress. Our advisers deliver life-changing outcomes for people every day, despite the challenging context in which they work; for people who have been repeatedly failed by broken systems, their local CAB or the EHU is the only place to which they can turn, and this means demand is extremely high.

Requiring proof of engagement with a debt charity as a condition for accessing the scheme, for those who cannot afford a repayment plan, will see this demand increase. Without proper resourcing, this risks delays in getting debt relief support to people who desperately need it. We reiterate our call for adequate, secure and sustainable funding for the advice sector, particularly when their services are required specifically for the delivery of schemes such as DRS.

Further to this, evidence from across our network demonstrates issues with suppliers accepting the findings and recommendations of accredited debt advisers once someone has been successfully referred, with processes varying depending on the supplier. The Extra Help Unit (EHU) supports people in Scotland, England and Wales; Holly's experience is indicative of so many cases faced by people across Great Britain.

Holly's experience: *Holly was referred to the EHU for support with energy debts she was struggling to pay. She has pulmonary disease and epilepsy, is in receipt of Employment Support Allowance and Personal Independent Payment, and is reliant on a nebuliser and mobility scooter. The EHU caseworker referred Holly to an accredited debt adviser at a CAB for an Income and Expenditure Form so that a payment plan could be arranged. When presented with the form, the supplier rejected it, stating that Holly should cut back further on essentials like broadband and stop making savings for the upcoming expense of Christmas. An already difficult situation was made worse for Holly; she felt the situation was hopeless and this was taking a significant toll on her mental and physical health.*

Issues with engagement condition 3 are compounded by the fact there is a difference between methods used by debt advisers in different parts of the UK to assess someone's financial situation. This presents a potential issue for people in Scotland who would pursue this eligibility route, if a financial statement is required as proof of engagement.

In Scotland, money advisers use the Common Financial Statement (CFS) while advisers in England and Wales use the Standard Financial Statement (SFS). Scottish money advice agencies systems are built around CFS and money advisers in Scotland are not trained on SFS, so they cannot and will not be able to provide one. Where CFS is not accepted by energy suppliers, people in Scotland could face greater risk of missing out on the DRS, if a financial statement from a debt adviser is required as proof of meeting this engagement condition.

Minimum Level of Debt

In our response to the previous DRS statutory consultation, we stated that setting a minimum level of indebtedness to access the scheme risked excluding people who would benefit. It is disappointing to see a floor of £100 is still being proposed here. While debts lower than £100 may not seem significant, for people on low incomes, it can represent a serious financial burden. This is compounded by the fact that energy debt is unlikely to exist in isolation; in Q2 of this year, 41% of people who sought help from the CAB network with energy debt had additional debts. For people in these difficult circumstances, the alleviation of one source of pressure can be meaningful both financially and psychologically.

Furthermore, excluding people with energy debt of less than £100 could affect their access to bankruptcy processes in Scotland. Minimum Asset Process (MAP) bankruptcy is specifically designed to help people on low incomes with an expedited bankruptcy process of six months. MAP has strict criteria including a maximum debt level of £25,000; if people have debts of just 1p above this, they will not be eligible for the process. There are therefore circumstances in which the write-off of someone's energy debt of £100 or less could unlock access to MAP, providing wide-reaching, cross-sector debt relief.

Conditionality

In the consultation document, Ofgem states, "*We consider engagement between suppliers and customers, in and at risk of accruing debt, is key to preventing negative outcomes and that the DRS could have secondary benefits by incentivising indebted customers to engage with their suppliers, identifying which customers would benefit from additional support from a debt advisor, and encouraging customers to take more control over their energy usage.*"

While better engagement between people and their energy suppliers is undoubtedly needed to ensure positive outcomes for people in the long term, we are concerned that the current proposals for the scheme will do little to foster this. Where measures designed to incentivise people to engage are

experienced as barriers to accessing support, they become drivers of disengagement. Any scheme designed to deliver genuine relief to people struggling with the burden of energy debt needs to be easily accessible, with consideration to the real-world experience of living with debt and the reasons for lack of engagement.

Our evidence shows that a significant barrier to engaging with organisations like energy suppliers is the psychological harm experienced by people in debt. Our latest data shows that over two thirds (68%) of people who came to a CAB for energy debt support had specific worries over their ability to make repayments, and 70% were living with a long-term health condition or disability. Staff at the Extra Help Unit assist people in some of the most vulnerable circumstances with energy issues and are trained to deal with conversations in which people express thoughts of suicide or self-harm. In Q2 of this year alone, the EHU received 94 calls of this nature, with many of them related to long-term debt issues. Advisers across the Scottish network of CABs also support people in incredibly vulnerable situations, whose circumstances are overwhelmingly difficult and complex, such as John.

John's experience: *An energy adviser at a CAB has been supporting John, who said that the £10,000 energy debt he had was "not the worst thing going on in my life." His partner Gail had severe PTSD from a previous abusive relationship, and she needed to attend frequent medical appointments to deal with the physical and psychological effects. Their children were unable to attend school due to the trauma they had experienced, and the family were dealing with several other large debts, accrued by Gail's abusive ex-partner. John had received visits from their energy supplier's debt collection team, which was traumatic for his family, but said that he "didn't have the head space to deal with it." The energy supplier referred to the debt collector's visits as a 'welfare check'; the CAB adviser feels that John is being blamed by the supplier for not engaging.*

Our Routes Out Of Crisis Project supports people experiencing food poverty to address the underlying issues that have caused their financial crises. This is a quote from Elena, who was assisted through the project told us:

"I'm owing my electricity, which is £500. I'm owing rent, which is over £1,500. I've been borrowing money from people I know, friends, I'm owing them £20 and I'm owing some people £50. This is six months, I don't have any income. How are you going to live? No money. I will cry every day... I will be going out, standing asking people for money. Please, I need help. Please, I need food."

For people like Elena, whose circumstances mean they're living with overlapping, complex difficulties, the requirement for energy debt relief being contingent on the ability to meet the engagement conditions set out in this consultation would serve to alienate people further and likely cause additional harm.

There are parallels here with the social security system in which payments are contingent on attendance at job centre appointments. Analysis released earlier this year by the DWP² showed that over 90% of all adverse sanction decisions resulted from people failing to attend or participate in mandatory interviews. This punitive approach of making access to much-needed support dependent on administrative compliance, without taking into account factors that affect someone's ability to engage, such as

² [Benefit Sanctions statistics to May 2025 - GOV.UK](https://www.gov.uk/government/statistics/benefit-sanctions-statistics-to-may-2025)

domestic abuse, addiction, caring commitments, mental health issues, or communication and language barriers, leads to negative, damaging outcomes.

We have long called for an approach to social security that shifts the focus from administrative compliance to support based on trust and compassion; we reiterate that position here in the context of energy debt policy. Any debt relief scheme truly designed to reduce harm and alleviate the pressure of living with debt should be comprehensive, accessible and focused on writing off debt.

In this vein, **eligibility for the scheme at Phase 1 should be contingent only on being in energy debt and in receipt of means-tested benefits**; there should be no further conditions that require proof of engagement. Suppliers should contact people eligible for the scheme once identified through data matching to notify them, and offer further support with managing debt and energy costs, including signposting and referrals to debt charities where appropriate, but it should be clear that access to debt write off through the DRS is not contingent on their engagement. It is also essential that this contact from suppliers is made in an accessible way, with consideration to given to people who are digitally excluded, disabled or have language barriers.

This positive approach from suppliers, providing accessible, unconditional relief, would not only serve as an opportunity to rebuild people's trust in their energy suppliers, but would help the scheme to be rolled out as quickly as possible, given the reduced administrative burden involved. An automatic debt write-off for eligible customers would deliver support quickly, reducing harm, and could serve as a springboard to re-engagement.

Period of Debt Accumulation

In our previous consultation response, we were firm in our view that limiting eligibility to the period April 2022 to March 2024 was myopic and an insufficient mechanism to meet the demand for relief and therefore reduce harm. This remains our position, informed by clear evidence from our network. From 1 April to 31 December 2024, the CAB network in Scotland helped over 3,500 people with energy debt advice. In just Q2 of this year, almost 1,200 people sought help from their local CAB with energy debt. The total energy debt brought to CABs has risen from around £1.1 million in Q2 of 22/23 to £1.9 million in Q2 of 25/26 - a rise of 77%. The detriments linked to energy debt clearly did not stop in early 2024 – this is demonstrated by Aria's experience below:

Aria's experience: *Aria is a victim survivor of domestic abuse and due to the immense psychological trauma, she had struggled to pay for her energy and had found herself with debt of over £3000. After speaking to her supplier about making repayments, they told her she would need to pay £295 to cover ongoing usage and arrears. Aria had been paying this consistently for about a year but had got in touch with her local CAB after finding the repayment plan completely unmanageable; she is unable to work due to illness, and Enhanced Adult Disability Payment and Universal Credit (UC) is her sole income. Having cut back on essential energy usage, which worsened her health further, Aria is unlikely to receive support through the DRS due to the time period in which the debt accrued.*

Ofgem's reasoning for limiting eligibility to debt accumulated during these two years, 'that it is appropriate to limit support to debt accrued over the crisis period', is misguided. The 'crisis' is far from over and people across Scotland are still suffering the devastating effects of living with years of unaffordable energy costs. The consultation document states that, 'we therefore do not consider it would be appropriate for Ofgem to intervene to clear debt accrued during periods of relative price stability'. Yet while prices may be stable in comparison to the period outlined here as 'the crisis', they

remain high, with the average domestic energy bills up £600 per year³ compared with 'pre-crisis' levels. Energy costs are also higher in Scotland due to reliance on electricity for heating, colder and darker winters, and energy inefficient housing stock. This is particularly pertinent to rural and island communities in the north of Scotland.

Instead, a debt relief scheme should be introduced that is far-reaching and takes into account the vast scale of the issue of energy debt. This one-time intervention does not go far enough; further action must be taken by the UK Government and Ofgem to write off debts that people cannot pay. Setting a specific timeframe for an ongoing issue is problematic, as until affordability is addressed, debt will continue to build. The prevention of energy debt accumulation in the long-term lies in permanent action on high prices, through the mechanism of a social tariff, rather than limiting people's access to credit.

Data Matching and Awareness Raising

The proposals for the data matching to identify eligible clients appear reasonable, in the interests of rolling out Phase 1 as quickly as possible. However, consideration must be given to the fact that the Warm Home Discount Core Group is far narrower in Scotland than in England and Wales, meaning fewer people with eligible debt will be captured in the first step of the process. It is therefore imperative that once the first batch of eligible people is identified, suppliers are swift in working with the DWP to identify the secondary list of those not in receipt of WHD through the Core Group. People in Scotland should be afforded the same opportunity for debt relief as people in the rest of the UK, particularly given that energy costs are generally higher due to colder weather and reliance on electricity, driving higher levels of debt.

It is also essential that the data sharing arrangement between suppliers and the DWP considers cases where there are joint claimants of means-tested benefits, but only one claimant is named on the energy account. The data matching process must be robust enough so that all eligible people are captured; no one should miss out on support due to administrative technicalities.

Additionally, an awareness-raising campaign for the scheme should be rolled out as soon as possible. Many people who will be eligible for the scheme experience significant anxiety around communication from their energy supplier, with one adviser stating, *"There's people I support who are so anxious that they just put letters from their supplier down the back of the sofa."*

The scheme should be advertised extensively in the media, with clear explanations of what people can expect so that people can detect any potential scams, and communications from suppliers should be clearly marked as relating to the debt relief scheme, such as specifying it on envelopes and in email subject lines. A toolkit for advice services to explain the scheme to the people they support would also be beneficial.

The crisis of energy debt can only be met with compassionate, ambitious action

Any scheme with the aim of delivering genuine and impactful debt relief for people should be far-reaching, enduring, and easily accessible. As an adviser in our network said, *"There's a lack of understanding of what that experience is actually like for people – these are people that are doing their best and just trying to get by. They're at the mercy of different organisations and their staff and processes, and it's one barrier after another."*

³ [Splitting-the-bill.pdf](#)

Our evidence presented here provides an insight into the impact of debt on people's physical and mental wellbeing; this in turn puts additional pressure on the NHS and affects people's capacity to participate in the labour market. A scheme that genuinely contributes to reducing the harm caused by energy debt would have widespread benefits that go beyond the scope of the energy sector alone.

Energy debt relief must be delivered alongside urgent action on affordability through measures such as a social tariff. The scale of this crisis is significant, and resolution lies in ambitious, lasting measures from Ofgem and the UK Government.

About Citizens Advice Scotland

The Citizens Advice network in Scotland is Scotland's largest independent advice provider. Advisers across all corners of the country work in Citizens Advice Bureaux (CAB) to provide free, impartial and confidential advice. Our Extra Help Unit (EHU), based in Glasgow, helps people resolve complex and time-sensitive energy problems. Each year our network supports hundreds of thousands of people, unlocking millions of pounds worth of financial gains. By looking at a person's complete circumstances, CAS gains an unparalleled insight into the scale and complexity of what's happening in communities throughout Scotland.

For further information, please contact Senior Policy Officer Molly Shevlin at molly.shevlin@cas.org.uk