

Problems with fuel direct



Supplemental information from Citizens Advice Scotland for the Scottish Affairs Select Committee inquiry into Poverty in Scotland.

Fuel direct is the common name for third party deductions from benefits for fuel debt. In 1996, there were 141,000 gas customers and 47,000 electricity customers on fuel direct. In 2006 this had fallen to 27,200 gas customers and 21,589 electricity customers¹.

Fuel direct can be a very useful budgeting tool for some clients – contributing to arrears and ongoing fuel usage at a sustainable level.

An East of Scotland CAB reports of a female client on income support who sought help with arrears of electricity. She has made regular payments of £50 per month and has arrears of £397. The bureau contacted the power company but they refused to negotiate a payment plan and insisted on £150pm. Adviser then spoke to the Third Party Deduction Team to arrange fuel direct payments. It was agreed client will pay £12.50 per week towards arrears until they are repaid. The client is satisfied with this arrangement.

There remain problems with the scheme however, not least the dramatic fall in usage. Bureau also report difficulties in getting clients onto fuel direct. Sometimes, as in the above case, this is due to reluctance on the part of the power company. The DWP, however, also appears reluctant to let clients make use of fuel direct.

An East of Scotland CAB reports of a female client on income support who is in arrears for electricity of around £400. The supplier is only prepared to fit a prepayment meter if they can set it to collect £9 per week for arrears plus current usage. On contacting the DWP to ask for payments by fuel direct, the CAB were told verbally that they will only consider this after client has tried payment by quantum meter.

A West of Scotland CAB reports of a female client on Income support who was very distressed to find she had electricity arrears of £628 due to estimated readings. The bureau contacted the DWP to arrange fuel direct payments and were informed that this was not automatic if the client wasn't in result of severe disability premium or had no children. They said they should have a pre-payment meter installed to repay arrears. The client doesn't want this as this meter means extra cost to the client.

Another problem is that fuel direct is not available for clients in incapacity benefit. This can cause difficulties, particularly for clients who move from income support to Incapacity benefit.

A West of Scotland CAB reports of a female client on incapacity benefit, who was in financial difficulties and received a letter from her electricity supplier threatening disconnection. She had previously been on income support and her electricity was paid by fuel direct. She was unaware this was no longer the case and had built up arrears of

¹ Figures from Ofgem

<http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/COPMonitor/Documents1/COP%20Monitoring%20Annual%202006.pdf> 1996 figures quoted in
http://www.nea.org.uk/downloads/publications/Energising_Fuel_Direct.pdf

£298.77. The supplier stated that as she was not eligible for fuel direct the minimum repayment they would accept was £15 per week, which the client was struggling to pay.

A West of Scotland CAB reports of a male client in receipt of the mobility component of disability living allowance. He had also been in receipt of income support since 1997, when he had to stop work after a severe accident left him with multiple injuries. He has now received a letter from DWP stating that he has been entitled to Incapacity benefit since 1997 of over £29,000. However, as he had been paid Income support of over £28,000 he was sent the difference of about £450 (his incapacity benefit is currently £4.35 a week more than his income support).

This has caused a number of problems for him. His housing benefit and council tax benefit are now stopped. He has to make a fresh claim for these benefits and may be asked to repay any overpayment going back to 1997. He had been making direct payments from his income support for council tax arrears and was also on fuel direct. This is no longer available because he is on incapacity benefit. He has also lost his right to automatic free prescriptions.

Other problems reported by bureau include the DWP stopping fuel direct without notifying the client and also refusing to continue fuel direct after switching supplier.

A West of Scotland CAB reports of a male on jobseekers allowance who has paid his electricity by fuel direct for many years. The DWP stopped making payments when he finished a training scheme in May, although the client remained on benefit. He was not informed of this and as a result has incurred arrears of £172.48. The supplier has obtained a warrant for disconnection unless the client has a prepayment meter installed. The CAB contacted both DWP and the supplier to request a return to fuel direct. The DWP say they are willing, but cannot go ahead without the supplier's approval. The supplier is refusing, saying they will only accept a prepayment meter or disconnection. The first £5 card each week will deduct £4.10 for arrears and costs, which the bureau feels is likely to cause the client further hardship.

A West of Scotland CAB reports of a female client on Income support who pays their gas and electricity by fuel direct. She recently changed her gas supplier to the same company that supply her electricity. She had received account for £14.75 for her gas supply and wondered if it could be included in her fuel direct. The bureau phoned the DWP who stated she could only go onto fuel direct for her gas if she was in arrears of more than £53.

Fuel direct remains a useful budgeting tool for people on the lowest incomes. Its usefulness is limited, however, by the difficulties in getting people onto the scheme. This difficulty is compounded by the complexity of the rules surrounding different benefits as well as variations in the way these are interpreted. This results in unnecessary additional hardship for an already vulnerable group of people.

3rd July 2007

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