

# Citizens Advice Scotland

Scottish Association of Citizens Advice Bureaux



## Tackling fuel poverty- the CAB contribution

By David McNeish, Parliamentary and Policy Officer

Citizens Advice Scotland and its 71 CAB offices form Scotland's largest independent advice network. CAB advice services are delivered through 208 service points throughout Scotland, from the islands to city centres.

The CAB service aims:

to ensure that individuals do not suffer through lack of knowledge of their rights and responsibilities, or of the services available to them, or through an inability to express their need effectively

and equally

to exercise a responsible influence on the development of social policies and services, both locally and nationally.

The CAB service is independent and provides free, confidential and impartial advice to everybody regardless of race, sex, disability or sexuality.

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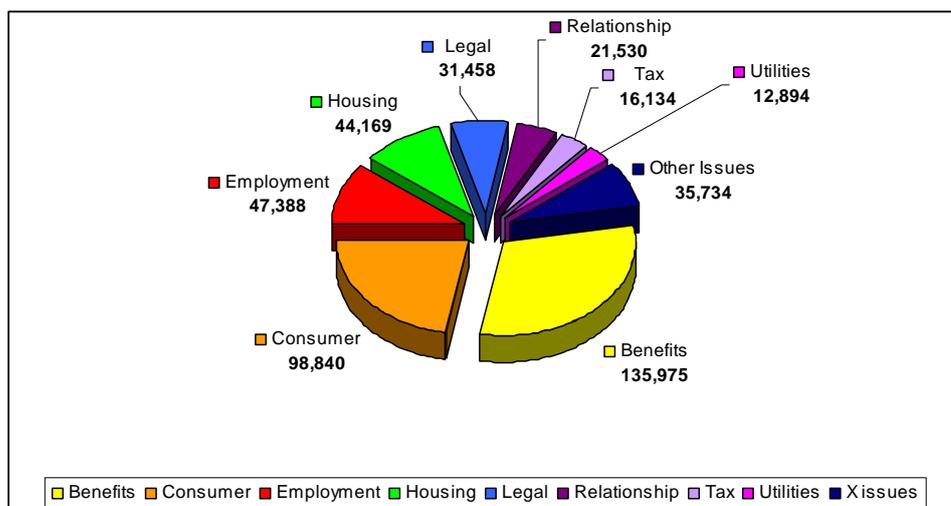
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# Tackling fuel poverty – the CAB contribution

1. Citizens Advice Scotland (CAS) is the umbrella organisation for Scotland's network of 71 Citizens Advice Bureau (CAB) offices. These bureaux deliver frontline advice services throughout nearly 200 service points across the country, from the city centres of Glasgow and Edinburgh to the Highlands, Islands and rural Borders communities.
2. This submission to the Scottish Government's Fuel Poverty Forum is a summary of the relevant parts of our response to the consultation on tackling poverty<sup>1</sup>. It considers some relevant statistics and research findings from the CAB service as well as some information on:
  - Fuel price
  - Form filling
  - Income maximisation
  - Advice in health care settings
  - Local projects
  - Energy efficiency
3. Scotland's network of Citizens Advice Bureaux dealt with 444,122 new issues in 2006/2007, a 9% increase on the year before. Analysis of these issues reveals:
  - The largest area of enquiry regards state benefits (31%), followed by consumer (including debt) (22%), employment (11%) and housing (10%)
  - The single biggest issue is consumer debt (14%)<sup>2</sup>
  - The second biggest issue is disability benefits (6%), which has risen to second place from fourth in just three years

**Figure 1: Issues raised by CAB clients 2006/2007**



<sup>1</sup> Tackling poverty – the CAB contribution, Citizens Advice Scotland, June 2009

<sup>2</sup> Debt as an issue is recorded across all categories (benefits debt, employment debt, housing debt etc) – this consumer debt figure does not include any of these other types of debt.

4. Enquiries are therefore dominated by issues which arise from, or contribute to poverty. Whilst people can use their local CAB regardless of means, in general, bureau clients are<sup>3</sup>:
  - More likely to live in council housing (32.8% compared with 20.6% of the population) or other rented accommodation (21% compared with 10.1%)<sup>4</sup>.
  - Less likely to be in full time employment (20.7% compared with 45.5% of the population)
  - Significantly more likely to be unemployed (21.2% compared with 4.5%).
5. The advice and assistance offered by the CAB service is rated very highly by those who have used it. A recent MORI survey of CAB clients found that 98% felt able to trust the confidential service, 94% were satisfied with the CAB service overall, 92% were likely to use it again and 94% would be 'certain to' or 'very likely to' recommend the CAB to a friend or relative.<sup>5</sup>
6. The CAB service is therefore a trusted intermediary with direct experience of advising and assisting those citizens who are in poverty. Clients rarely present to the bureaux saying that their problem is poverty – but often the problem is as a consequence of poverty, insidious or otherwise.
7. With regard to fuel poverty in particular, the main contribution of the CAB service is in advice on related areas, for example:
  - welfare benefits
  - housing
  - debt
  - utilities
8. Specific advice on fuel poverty is also available from bureaux. AdviserNet, the information system used by all bureaux, contains over 14,000 pages of information and is updated regularly (weekly for the online version, monthly for the CD-rom version). It includes specific information on:
  - How to pay less for your energy
  - Gas and electricity supply
  - Warm Deal and Central Heating Programme
  - Other useful organisations (eg Energy Savings Trust, Energy Action Scotland, energywatch)

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<sup>3</sup> Social profile of CAB clients, May 2005

<sup>4</sup> Housing association (10.4% compared with 4.7%), plus private rented sector (10.6% compared with 5.4%)

<sup>5</sup> MORI 2006 briefing sheet, Citizens Advice Scotland 2006

## Research findings

9. In 2003 we conducted a major study of CAB debt clients, “On the cards”<sup>6</sup>. Amongst its key findings were:
  - The average debt owed was £13,380, a 64% increase in two years
  - For every £1 of monthly income, an average of £22 of debt is owed
  - Half of the clients surveyed had a monthly income of £800 or less
  - 14% of clients 5 or more credit card debts
  - 25% have been harassed or pressurised for repayment
10. Follow up analysis looking particularly at low income debt clients<sup>7</sup> found that:
  - The lowest incomes are most prevalent amongst debt clients of the youngest age group (16-24 years) and single adults
  - Two in five CAB debt clients mention low income as being a reason for their debt problems
  - Debt clients with lower incomes are more likely than other CAB debt clients to have done nothing about dealing with their debts
11. CAB clients’ debts vary by income group. The clients in the lowest income third had an average monthly income of just £291. Clients in this group are more likely to have:
  - Utility debts and social fund debts
  - Rent arrears, related to the fact that a higher proportion of this group are tenants
  - Hire purchase agreements, which is indicative of restricted access to credit
12. We are repeating this research in the Autumn of 2008.
13. Research carried out by CAS in 2006<sup>8</sup> looked in depth at the problems facing CAB clients who had an illness or disability. The research found that: -
  - This client group was facing severe financial hardship. More than two thirds had a monthly household income of less than £800
  - Many clients had little chance of improving their financial circumstances – more than three quarters said their health was fluctuating or getting worse
  - Clients were five times more likely than the general population to report financial difficulties
  - More than half had outstanding debts or arrears
14. All respondents in the disability and illness research, not just those in debt, were asked if they had ever reduced their heating, lighting or cooking in their

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<sup>6</sup> On the cards, Citizens Advice Scotland, 2003

<sup>7</sup> Low income debt clients briefing sheet, Citizens Advice Scotland, 2004

<sup>8</sup> Paying the Price: the Real Costs of Illness and Disability July 2006

home because of difficulty paying for fuel. A large proportion, nearly half (48%), said that they had reduced their heating, lighting or cooking because of difficulty paying for fuel. Some examples of how people manage fuel use are given below, via quotes from the respondents.

“Use card meter for gas & electricity. It is the best way to budget for me and my family. I will often not use the heating or limit its use”

“Often use emergency gas and electricity cards/keycard. May have to borrow from other family members to keep heating on”

“Cost of outside care, cost at day centre, lunches, outings etc, cost of electricity/gas - we use card meters, would have to self-disconnect if it was not for help from my child's granny”.

“Powercard meter therefore have to budget accordingly”.

“Reduction in benefits - DLA has been stopped. Great difficulty in managing with current finances. Worried about paying next electricity bill, house is all electric. Currently keeping the heating off whenever possible.”

15. Case evidence from bureaux also demonstrates the problems that ill and disabled clients face in relation to fuel consumption and fuel poverty.

An East of Scotland CAB reports of a client with a disability in receipt of DLA. The client, his partner and children had moved into a housing association property two years previously and noticed immediately that the electricity costs seemed very high. Both the utility company and the housing association checked the meter and indicated that there were no problems. The client had recently received a letter from his utility company stating that he owes £700, and they installed a meter to recoup £35 a week — a level of repayment he cannot afford. The client has turned off all the heaters except one in the living room, and the flat is very cold. This is particularly problematic as the client is in very poor health — he has had two strokes and two major heart attacks and currently has uncontrolled angina.

A West of Scotland CAB reports of a client who had been awarded IB following a serious heart operation. However, due to delays in processing his claim, he had not yet received any payments. Instead, he had been given emergency payments of £40 per week. The client lived in an electrically heated home with a pre-payment meter costing at least £15 per week — or over a third of his benefit. The bureau reports that the client was in severe financial hardship and feeling suicidal.

## Fuel price

16. In the energy market, rising costs hit those on the lowest incomes the hardest and are frequently attributed to rising world energy prices. The Fuel Poverty Advisory Group in England has expressed concern that as much as 30% of the price increases between 2003 and 2006 – a total of over £2.5bn – is not attributable to higher fuel costs or other increases. They say “at a time when many customers are suffering real hardship as a result of the higher prices it does not seem reasonable that one third of the price increases should be taken in increased margins.”<sup>9</sup>
17. Rising costs have not been associated with rising standards of customer service. A recent CAS briefing on gas and electricity providers (appendix 1) found that power companies continue to cause misery for CAB clients through inaccurate billing, punitive debt recovery and inadequate complaints handling.<sup>10</sup> In the last year (2006/2007), we dealt with nearly 13,000 new utility enquiries, a 37.6% rise on the year before. The changes to energy complaints handling which will be introduced from October 2008 assume considerable improvements in company complaint procedures. We are concerned that these changes will lead to a further rise in the number of people who have to come to the CAB service for assistance with resolving utility enquiries.

A West of Scotland CAB reports of a lone parent on income support who had not received an electricity bill for three years. She then received a bill for £3000 and it was agreed this would be paid by deductions from her income support. The rate was set at £43 per week, leaving the client in extreme hardship.

18. In an era of rising fuel costs, VAT receipts from gas and electricity costs are also rising. VAT on fuel is charged at the lowest rate permitted by EU membership - 5%. Increases in fuel costs are estimated to yield an additional £175m in VAT receipts for Treasury<sup>11</sup>. Unit costs for prepayment meters are highest - therefore attracting more VAT than other payment methods. Citizens Advice Scotland is therefore supportive of Energy Action Scotland's campaign to ensure that all revenue from VAT on fuel is invested

<sup>9</sup> Fuel Poverty Advisory Group in England, Sixth Annual Report, page 8

<sup>10</sup> Gas and electricity problems, Citizens Advice Scotland, January 2008

<sup>11</sup> Energy Action Scotland news release 30<sup>th</sup> January 2008

in securing warm homes for everyone across the UK. This is something we have called for since 1993.<sup>12</sup>

## Form filling

19. The benefits of the CAB service for those who are most vulnerable is perhaps seen most clearly in one of the most routine tasks undertaken by bureau – assistance with filling in forms. According to the latest survey of adult literacy:
  - 22% of Scots have the lowest level of document literacy.
  - 25% of people in Scotland sometimes needed help with filling out forms
  - 20% required help with reading information from government departments, businesses and other institutions.<sup>13</sup>
20. The survey also found “there was a clear difference in performance between people in the higher income band (gross income of £10,401 or more per annum) and the other three quintile groups. One tenth of people in the higher income band were at Level 1 on document literacy compared with around 30% of people in lower income bands.”<sup>14</sup>
21. Assistance with understanding and responding to government information is a major role of the CAB service. Support for bureaux in this work is crucial in helping citizens engage effectively with the state and other institutions. The strong relationship between poverty and poor literacy means that without CAB assistance, disadvantage is preserved rather than overcome.

## Income maximization

22. Maximising income, primarily through benefits take up and tribunal appeals, directly benefits clients. In 2006/2007, the CAB service helped gain £48.3m for clients in confirmed financial gain. A further £27m was negotiated in reduced debt payments. Research by the Fraser of Allander Institute in 2005 shows that the majority of the £5.48m of client financial gain from Glasgow bureaux is spent on goods and services in the local area. It therefore directly led to the creation of 98 jobs in Glasgow and a further 22 across Scotland<sup>15</sup>, and these jobs tend to be created in the local community. This is one way to ensure sustainable economic growth and tackle poverty at the same time.
23. The amount of unclaimed benefit, across the UK, is presented in the following table<sup>16</sup>.

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<sup>12</sup> Memorandum of comments to the Social Security Committee on VAT on domestic fuel and power, Citizens Advice Scotland, 1993

<sup>13</sup> Adult literacy in Scotland: analysis of data from the 1996 Adult Literacy Survey, page 6

<sup>14</sup> Adult literacy in Scotland: analysis of data from the 1996 Adult Literacy Survey, page 4

<sup>15</sup> The Effect of Citizens Advice Bureaux on the Glasgow economy, Fraser of Allander Institute, March 2005

<sup>16</sup> Income Related Benefits Estimates of Take-Up in 2005-06, September 2007

**Table 1: Amount of unclaimed benefit across the UK in 2005-06**

<b>Benefit</b>	<b>Min. unclaimed (£m)</b>	<b>Max. unclaimed (£m)</b>
Housing Benefit	1130	1890
Council Tax Benefit	1430	1960
Income Support	650	1530
Jobseekers Allowance (income based)	970	1480
Pension Credit	1620	2510
Child Tax Credit	1440	2350
Working Tax Credit	1850	2660
<b>Total</b>	<b>9090</b>	<b>14380</b>

24. This is a total increase of between £930m and £1,560m on the previous year (excluding child and working tax credit – insert ref). This is money that, if claimed, would directly benefit Scots in poverty as well as their local economy. It is also money that is drawn from HM Treasury into Scotland. Funding from Scottish Government to improve benefits take up therefore has a multiplying effect – the amount of money secured, and the concomitant benefits, far outweighs the cost of any take up campaign.
25. The CAB service is ideally placed to assist Scottish Government in this area, having a telephone based advice service that can provide initial assessment and support along with a network of face to face advisors across the country that can provide in depth assistance where required.

### **Advice in health care settings**

26. In 2006 bureaux across Scotland started to deliver the Independent Advice and Support Service (IASS). The two primary aims of IASS are:
- To provide information, advice and support for people wishing to raise a query, concern or complaint about NHS services
  - The provision of general information and advice to patients and carers on appropriate services to mitigate the effects of ill health and disability.
27. The CAB service in Scotland already operates a wide variety of outreach and home visiting services using tried policies and procedures. NHS Lothian, for example, has funded bureau advice services in a range of GP surgeries in more disadvantaged areas where clients are less aware of, or able to access mainstream services.<sup>17</sup>
28. A review of the literature on the value of welfare rights advice<sup>18</sup> noted that providing CAB advice in GP surgeries makes the service more accessible and acceptable to a range of client groups - in particular the elderly or those with a disability.

<sup>17</sup> NHS Lothian Antonia Ineson Citizen's Advice Bureau and NHS Lothian Good Advice = Better Health Project, citizen's advice in Primary Care Dec 2005

<sup>18</sup> The value of welfare rights advice: a review of the literature. Jay Wiggan & Colin Talbot April 2006

29. In addition, NHS staff have generally been very positive about the impact these advice services have on the health and well being of their patients, stating that the services have a positive impact on patients' health and wellbeing of patients - with particular regard to anxiety and depression.
30. We are keen to ensure that the positive benefits of advice in healthcare settings are supported and encouraged across all NHS boards in Scotland. The development of IASS has been a significant step forward in this regard, and we are committed to developing long term partnerships with boards and other organisations to ensure that such services are accessible in all communities.
31. This work has clear relevance to tackling fuel poverty – it provides a means of identifying and advising vulnerable client groups, as well as improving awareness amongst healthcare professionals.

## **Local projects**

32. There are a number of local projects run by bureaux that are aimed specifically at assisting people who are having difficulty paying their fuel bills. For example:

Dumfries and Galloway Citizens Advice Service (DAGCAS) run a fuel, advice and benefits team, funded for two years by Scottish Power Energy People Trust. The aims of the project are to assist people in Dumfries and Galloway to cut their fuel costs with a range of available grants and benefits. A full benefit check/income maximization check is offered to all clients to ascertain eligibility to welfare benefits or pension/tax credits. Advice and help on fuel debt is also given to clients who are struggling to pay their fuel costs. Negotiation with fuel companies and other agencies is made on behalf of the clients and for multiple debt cases, referrals to CAS Money Advice workers are made. Clinics have been arranged for the team to visit clients within the Bureau in Dumfries and Galloway as well as home visits being arranged for the elderly and infirm that cannot travel into the Bureau.

Since January 2007, the project has assisted 405 clients, resulting in over £1.6m in confirmed client financial gain.

Drumchapel CAB run a fuel poverty and debt project funded for two years by the Scottish Gas Energy Trust until June 2009. In the last year the project worker provided money advice for CAB clients, handling over £1.5m in debt in the last year, gave energy efficiency advice and assisted with over 80 individual applications to the Trust. Over £29,000 in fuel arrears have already been cleared with a further £20,000 pending decision. The project also ran 17 seminars for other agencies and made contact with 224 organisations to highlight awareness of the project and the Trust.

33. There are also local projects run by other community organisations that establish referral links with the local CAB. For example:

Caithness Energy Advice Project, funded by Scottish Power, provides energy efficiency advice to local householders. It works closely with a number of local organisations including Pentland Housing Association, HomeAid Caithness and Caithness CAB.

## Energy efficiency

34. In Scotland the main focus of efforts has been on energy efficiency – through the Warm Deal and Central Heating Programme. The installation of over 94,000 central heating systems over the past six years has been significant. However, with 419,000 households still in fuel poverty, and at most 41% of installations<sup>19</sup> going into fuel poor households, the rate of installations would need to multiply rapidly over the next nine years to make significant inroads. In addition, this is based on the assumption that central heating will always be the answer to the question of fuel poverty – in fact, 15% of all households with full gas central heating remain in fuel poverty<sup>20</sup>.
35. The need to invest rising VAT receipts from fuel in securing warm homes has already been discussed (para 18). This would generate welcome additional revenue for tackling fuel poverty. The budget in Scotland for the Central Heating Programme and Warm Deal has been frozen whilst in England and Wales the Warm Front budget has been cut by 25% for 2008-2011. In addition the change in company programmes from Energy Efficiency Commitment Two (EEC2) to Carbon Emissions Reduction Target (CERT) means that those on low incomes will be receiving less in benefits than they are paying in price increases to fund CERT. The Fuel Poverty Advisory Group in England views this move as ‘highly regressive’.<sup>21</sup> The Scottish Government has already expressed concern that Scotland has not seen a

<sup>19</sup> Impact of the Central Heating Programme on Tackling Fuel Poverty: The First Three Years, 2001 – 2004, Bill Sheldrick & David Hepburn

<sup>20</sup> SHCS Key Findings for 2004/2005 page 20

<sup>21</sup> Fuel poverty advisory group in England, sixth annual report page 16

proportionate share of EEC measures in the past and “is keen to remedy this with CERT”<sup>22</sup>.

36. It is clear, therefore, that further action and investment is required if the target of eradication of fuel poverty by 2016 is to be achieved. Closer links with UK Government departments are also needed on reserved issues such as welfare benefits and regulation of gas and electricity. It is worth noting that the Association for the Conservation of Energy has already raised the possibility of legal action in England over the UK Government’s likely failure to meet the 2016 target<sup>23</sup>.
37. The Scottish Government’s review of fuel poverty recognises “there is much to do to get back on track and that the existing fuel poverty programmes...whilst well intentioned have lost their way and urgently need reform.”<sup>24</sup>
38. There is an urgent requirement to refocus existing expenditure on those households in greatest need, as well as ensuring that further funding is made available in future years.

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<sup>22</sup> Review of fuel poverty in Scotland, Scottish Government May 2008, page 38

<sup>23</sup> <http://news.independent.co.uk/business/news/article2790902.ece>

<sup>24</sup> Review of fuel poverty in Scotland, Scottish Government May 2008, page 2

# Gas and electricity problems

Utilities are the fastest growing area of enquiry for Scotland's Citizens Advice Bureau (CAB) service. Last year, we dealt with nearly 13,000 new utility enquiries, a 37.6% rise on the year before.

Power companies continue to cause misery for CAB clients through inaccurate billing, punitive debt recovery and inadequate complaints handling.

Problems experienced by CAB clients include:

- Inaccurate, confusing and contradictory bills
- Debt recovery that is mistaken, inappropriate, harsh or excessive
- Delays in fixing or recalibrating pre-payment meters
- Lengthy delays and frustration in contacting companies to resolve complaints

## Billing errors

Billing errors continue to cause unnecessary hardship. Clients report receipt of multiple contradictory bills which are difficult to understand. Bills based on estimated readings can result in sizeable debts accruing, causing further problems for clients. On contacting their supplier, clients are often told to ignore letters threatening disconnection as they are the result of 'computer error'.

## Debt recovery

When clients are in arrears, the repayment level is frequently excessive, both in relation to the debt owed and the client's income. Direct debits are altered without informing clients and it can be very difficult to get payment levels changed. Clients are often billed for the wrong amounts, due to errors or maladministration. Clients have also been pursued, even to disconnection, for the arrears of previous owners or tenants.

**||** *A West of Scotland CAB reports of a client with two children whose partner had left them. The power company sent a bill for £4,551. They threatened disconnection but would not speak to her on the phone as the account was in her ex-partners' name.*

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## Pre-payment meters

Pre-payment meters are often installed to repay fuel debt and are more common in low income households yet they are the most expensive payment method. In 2007 people paying by pre-payment meter paid an average £137 more than those paying by direct debit and £214 more than those paying online. Despite paying more, clients frequently encounter problems with faulty meters and delays in getting them fixed. Three companies also continue the practice of back-charging after a price rise. This can cause budgeting problems, particularly for those managing on low incomes, even though the onus is on the company to recalibrate the meter timeously.

'Smart meters' gauge energy usage and cost more accurately, and can be recalibrated or switched from credit to pre-payment remotely. They may therefore offer a long term solution to many of the problems currently experienced with pre-payment meters, but the UK Government and industry need to coordinate roll out at minimal cost to the consumer.

## Complaints handling

Both clients and advisers can be exasperated by the length of time it takes to get through to companies, to find the right department and to resolve problems. Direct telephone lines for CAB advisers have helped but are of variable quality and not universal.

The changes to energy complaints handling from October 2008 assume considerable improvements in company complaint procedures. Energywatch, the gas and electricity watchdog, will cease to operate. Instead, basic assistance will be available from Consumer Direct and unresolved problems can be taken to an ombudsman after eight weeks. Vulnerable customers - a term yet to be defined - will be given assistance through the newly expanded Consumer Council.

We anticipate these changes will result in confusion and a further rise in the number of people coming to the CAB service for assistance.

## CAS calls on power companies to:

- Significantly reduce their billing errors and improve their complaint handling
- Provide direct telephone numbers for CAB offices to speed up resolution of complaints
- End back-charging for token pre-payment meters and reduce the price difference between pre-payment meter customers and direct debit customers

## CAS calls on the UK government to:

- Fulfil the Prime Minister's commitment to encourage roll out of smart meters to all households within ten years
- Ensure that all CAB clients are considered vulnerable and so can easily access effective complaints resolution through the new Consumer Council
- Increase pressure on the industry to improve complaints handling and intervene if there is no improvement

## Case evidence

**||** *An East of Scotland CAB reports of a couple who moved into a house, giving meter readings on entry. The previous owner had died and mail for them was sent on to their family. The clients returned from work one day to find that the house had been entered and the electricity supply disconnected. The power company said this was due to arrears of the previous owner. The clients lost a day's wages and a freezer full of food before the supply was reconnected.*

**||** *A South of Scotland CAB reports of a client whose pre-payment meter key kept malfunctioning. She was told an engineer would be with her in four hours, but it took two days and she lost the contents of her freezer.*

**||** *A West of Scotland CAB reports of a lone parent on income support who had not received an electricity bill for three years. She then received a bill for £3000 and it was agreed this would be paid by deductions from her income support. The rate was set at £43 per week, leaving the client in extreme hardship.*