**Prepayment meter rules and protections for domestic consumers: a call for evidence**

**Citizens Advice Scotland response**

Citizens Advice Scotland (CAS), our 59-member Citizen Advice Bureaux (CAB) and the Extra Help Unit, form Scotland’s largest independent advice network. Scotland’s Citizens Advice Network is an essential community service that empowers people through our local bureaux and national services by providing free, confidential and independent advice. We use people’s real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help and we change lives for the better.

During 2020-21, the entire Citizens Advice network provided advice and assistance to over 171,000 individuals; this equates to one in every 26 adults living in Scotland. The network put almost £147 million back into people’s pockets during this time, with every £1 invested in core advice funding returning £14 in gains for people. Our extensive footprint is important in helping us understand how issues impact locally and nationally across the country and the different impacts that policies can have in different areas.

**Our data**

* Prepayment meter (PPM) advice over time has both increased as a proportion of Regulated Fuel advice, as well as advice overall.
* In December 2022 and January 2023, demand for energy advice across the Citizens Advice network overtook advice for Universal Credit and other benefits for the first time ever. A significant proportion of this advice relates to PPMs.
* PPM advice in Q3 2021/2022 made up 11% of all Utilities and communications advice compared to 8% in Q3 2020/21 and 6% in Q3 2019/20.
* Nearly half of PPM clients (48%) received Benefits advice.
* 20% sought advice on Universal Credit.
* 15% sought advice on the Scottish Welfare Fund[[1]](#footnote-2).
* 11% sought advice on Personal Independence Payment.
* At least a quarter of PPM clients received Food Bank advice: 28% of PPM clients are primarily getting referrals to food banks and an entitlement check.
* From a demographic point of view, clients visiting bureaux for advice on prepayment meters across 2022/23:
* mostly live in SIMD categories 1, 2 and 3 (most deprived): in 2022/23 48.5% of clients seeking general advice on prepayment meters were in SIMD category 1, 26% in category 2 and 15% in category 3.
* are mostly of working age: 70.5% of clients seeking prepayment meter advice were aged between 25-59. Q3 2022/23 showed a 20% increase in pieces of advice given to adult families (non-pensioner, no dependents) compared to Q3 2021/22 and an increase in pieces of advice given to single pensioners of 71%.
* the proportion of people working 30 or more hours per week receiving advice on PPMs was 5%, while 31% of clients were unable to work due to ill health/disability[[2]](#footnote-3).
* On our public advice pages, UPVs (unique page views) for *get-help-paying-your-bills/you-cant-afford-to-top-up-your-prepayment-meter/* were viewed 2,339 times in 2019/20, 3,781 times in 2020/21 and 2,880 times in 2021/22. UPVs for this page for 2022/23 so far are 4,322 – more than the previous three years combined.
* UPVs for *get-help-paying-your-bills/stop-your-energy-supplier-installing-a-prepayment-meter/* increased over the last three years from in 169 in 2019/20 to 372 in 2021/22. UPVs for this page in 2022/23 so far have surpassed the previous three years combined – 650 UPVs.

Throughout our response are examples of clients who have experienced detriment or financial hardship as a result of prepayment meters. These have come from Social Policy Feedback, where advisers identify cases they see that are of particular concern or highlight a consistent problem.

**Key points**

* Vulnerability is created by circumstances and the move to a prepayment meter can create vulnerability.
* Definitions of vulnerability do not consider the outcomes of being made vulnerable i.e. the ability to adequately heat and power a home.
* Disconnection protections are inadequate for people who may be in vulnerable circumstances.
* The suspension of forced installation of PPMs should be retained permanently.
* Forced switching to PPM through a smart meter should stop.
* Existing protections need to be better enforced and more consistently applied across the sector.
* Consumers must have improved and timely communication in order to get independent advice, make an informed choice and negotiate their position.
* Suppliers who install a PPM in a breach of these rules should be required to reverse the installation and recompense consumers for any loss.

**Introduction**

Citizens Advice Scotland (CAS) welcomes the opportunity to respond to this consultation. Our data clearly shows that current practice around PPMs is causing detriment to consumers, in many cases putting people lives at risk. It also demonstrates that existing guidance and rules are not being adhered to. Our position is that the definition of vulnerability needs to be reframed to more clearly be a measurement of the circumstances that people are in, often as a result of suppliers’ actions, rather than the client’s identity being the focus.

We would also highlight that the issues identified by our research are not new. They do not arise out of the cost of living and energy crises. While they may have been exacerbated by them, the problems have existed for many years. Our recent research report [Frontline perspectives: clients’ journeys with prepayment meters](https://www.cas.org.uk/system/files/publications/ppm_report_13.02.23.pdf) raises many of the issues we highlight in this response but uses data from between July 2020 – January 2022.

**Question 1: Does Ofgem have the right balance between principles-based regulation (Standards of Conduct and Vulnerability Principle) and prescriptive rules (SLCs, guidance) to guide suppliers when installing or remote switching to PPMs? Please explain.**

CAS’s view is that installing or switching to PPMs can have a significant negative impact on consumers and that supplier application of current rules is inconsistently applied. Increased prescription is necessary to prevent harm to consumers as principles can lead to interpretation and inconsistent outcomes. Being put on a PPM can have life changing impacts, with significant safeguarding issues, and as such should not be left open to interpretation.

PPMs are not always installed as a last resort, the Priority Services Register does not always result in appropriate support and consumers who want to pay more of their debt may be unable to due to the supplier’s refusal to accept a proposal.

The following case exemplifies the need for greater prescription in relation to PPMs to better protect consumers. It demonstrates that “safe and reasonably practicable” is not always applied correctly.

**Citizen’s Alert:** An east of Scotland CAB reports of a client who has dual energy debt which started four years ago when the client was in a coma. Their smart meters were switched from credit to prepayment. The client is currently making payments towards this via deductions on their meter at £10 per fuel per week. The client enquired as to whether they could set up a direct debit to contribute towards the debt. The client is in receipt of Personal Independence Payment and Employment Support Allowance. The client requires gas and electricity in order to manage their condition and uses a ventilator (respiratory and heart failure) and is very concerned about being disconnected and the impact that this would have upon their health. The client is on the priority services register for chronic illness. The supplier refused the request to set up a direct debit for the debt but offered to reduce the debt repayments for each account. The client can only afford £5 a week to each, which is why they wanted to arrange a direct debit. Since this was not an option they asked if they could arrange payment cards for the accounts, so the repayments were not coming off their top-ups. The client was told they could not be switched back to credit mode due to the debt on their account.

**Question 2: Should there be prescriptive processes and questions suppliers must seek to answer before progressing to PPM in the debt journey? Should this be set by Ofgem?**

CABx see clients who are experiencing detriment because the existing conditions and rules are not being followed correctly or consistently. A more prescriptive approach is necessary to ensure consumers are adequately protected.

A single, centralised approach, set by Ofgem, would ensure consistency across the sector. Suppliers should be required to demonstrate that they have followed a defined process before moving anyone onto a PPM. An example of this exists in the pre-action requirements in place in the mortgage and private rented sectors. This process should require a reason for rejecting any consumer or adviser proposal for a repayment plan and include mandatory review points and continuous evaluation of a consumer’s circumstances.

**Citizen’s Alert:** An east of Scotland CAB reports of a client who is a single parent and is off work, receiving Statutory Sick Pay (SSP). They are being supported by a Mental Health and Wellbeing Senior Support Worker. They have several debts, including Council Tax, for which there is an arrestment order which has also been applied (wrongly) to their SSP. This has also resulted in fuel debt. The client attempted to put a repayment plan in place but was told by the supplier that they would need to make an upfront payment of several hundred pounds before an instalment plan could be agreed. The client could not afford this and so the debt continued unaddressed. Following intervention from an adviser an arrangement has now been set but the client was required to pay £170 upfront. The client is frustrated that the current arrangement was not discussed sooner, as the overall situation has impacted their wellbeing.

**Question 3: SLCs 27 and 28 require suppliers to only install PPM if safe and reasonably practicable and Ofgem published updated guidance on it in 2016. In your view is the term “safe and reasonably practicable” still sufficient or should this be changed?**

Current guidance on installation is not being followed consistently and is therefore ineffective in driving appropriate behaviour by suppliers. The CAB network in Scotland sees many cases where consumers are made vulnerable by the installation of PPMs, or where installation disproportionately increases a consumer’s costs.

**Citizen’s Alert:** An east of Scotland CAB reports of a client, who was issued with a bill pertaining to the previous tenant of his property. The client was unable, due to serious ill health and a language barrier, to handle the situation. His supplier forced entry and installed a prepayment meter in the client's absence. The client is now unable to meet his energy needs.

**Citizen’s Alert:** An east of Scotland CAB reports of a lone parent of a disabled child, herself struggling with health conditions and only able to work part-time, being threatened with the installation of prepayment meters and unable to contact her energy provider to negotiate a repayment plan.

In addition to ensuring existing rules are adhered to, there must be greater consideration of the impact on consumers post-installation, rather than a sole focus on pre-installation. Ofgem guidance talks about vulnerable situations rather than vulnerable consumers[[3]](#footnote-4) but goes on to define a vulnerable situation in terms of a consumer’s personal circumstances and characteristics[[4]](#footnote-5). Vulnerability should be seen as circumstantial and situational, externally applied, similar to the Social Model of Disability[[5]](#footnote-6). For example, a disabled person is not by definition vulnerable, however, the negative impact on them of their circumstances might be greater than for a non-disabled person.

Suppliers should also assess the move to a PPM itself on a consumer’s vulnerable circumstances. The move to a PPM can exacerbate, or bring on, a health condition. The impact on consumers should be kept under review.

**Citizen’s Alert:** A west of Scotland CAB Reports of a client, a single young person reliant upon ill health related benefit with serious mental health difficulties, who contacted the Bureau for assistance with £760.16 of debt on their electricity meter. Their supplier had fitted a smart meter and subsequently remotely switched this meter to a prepayment meter without the client's knowledge. The client reported spending up to £400/month on fuel costs and that the situation has had a significant negative impact on their mental health.

Suppliers who install a PPM in a breach of these rules should be required to reverse the installation and recompense consumers for any loss[[6]](#footnote-7).

**Question 4: Should we expand the list of vulnerable characteristics for which consumers should never have PPM force-fitted or (if on a smart meter) forced-remote switched? If so, what additional characteristics should we include in our guidance, and why?**

No one should have a PPM force fitted or force switched, as for many, both result in increased vulnerability. Greater consideration should be given to external factors causing vulnerability that could result in increased detriment to consumers with certain characteristics. As outlined, current application of the rules needs better enforcement and should be backed up by a risk assessment, review and evaluation. Suppliers must be pro-active in assessing a consumer’s vulnerability.

Good practice in defining vulnerability exists in other spheres, for example, FCA (Financial Conduct Authority) guidance recognises that a supplier’s actions can cause vulnerability. It states that it views “*vulnerability is as a spectrum of risk. All consumers are at risk of becoming vulnerable, but this risk is increased by having characteristics of vulnerability.*”[[7]](#footnote-8)

The current definitions do not explicitly refer to the outcome from circumstances leading to installation of a PPM – adequately being able to heat and power a home. In Scotland in 2019, 24.6% of households were in fuel poverty, while 12.4% were in extreme fuel poverty[[8]](#footnote-9). The Scottish Government has a Fuel Poverty Strategy[[9]](#footnote-10) with targets and definitions of fuel poverty[[10]](#footnote-11). While this only applies to heating a home, rather than providing for aids and equipment, for example, it demonstrates a clear outcome by identity. A model that considers whether a consumer can adequately heat a home and run essential appliances would by extension define vulnerability.

**Question 5: Should we require suppliers to assess financial vulnerability when assessing whether a PPM is safe and reasonably practicable? Please explain.**

CAS’s position is that all consumers who are being assessed for a PPM by a supplier (not through choice) should automatically be recognised as being financially vulnerable at that point in time. Guidance states PPMs should only be installed as a last resort; to recover debt and after consideration of a repayment plan has failed – these circumstances indicate financial vulnerability.

A prescriptive process that recognises that these consumers are already financially vulnerable is better informed to assess whether installing or switching to a PPM may exacerbate that vulnerability.

Suppliers appear reluctant to re-instate direct debit meters once the debt has been paid off, leaving clients at a financial disadvantage. This means that the consumer can be penalised long after the debt is repaid, potentially increasing financial vulnerability in the long term. CAS’s position is that reinstalling a credit meter should be as easy as installing a PPM. The case below, while not in relation to a previous debt, demonstrates that suppliers are reluctant to switch consumers back.

**Citizen’s Alert:** A west of Scotland CAB reports of a client who is a lone parent to two children who live with her. Client has prepayment meters for both gas and electricity and pays £240 per month. Client has asked the supplier to change over to credit meters, however they have stated they will only install a smart prepayment meter first and then consider a change to a credit meter. Client was looking for advice and information on making energy savings and home energy efficiency.

**Question 6: Should the licence or guidance clearly state that installation of PPM under warrant is a ‘last resort’?**

Installation of PPMs under warrant as a practice must stop. The suspension of forced installation of PPMs should be retained permanently. An assessment of the current moratorium should be carried out to assess the impact and outcomes of it on consumers and their debt management.

Again, ensuring existing conditions are adhered to must be better embedded. The “last resort” condition includes a requirement for a repayment plan to have failed. The Citizens Advice network in Scotland is seeing cases where clients have tried to negotiate repayment plans, but these have been refused by the supplier or where a client cannot get through to talk to a supplier. A client who is seeking to resolve the issue and is proposing an offer that is reasonable for their circumstances should not be penalised.

**Citizen’s Alert:** A west of Scotland CAB reports of a client who has received a letter from their supplier advising they are making an application to court to be able to fit a prepayment meter in her home. Client is on Universal Credit and Personal Independence Payment and needs to keep the house warm to help manage their health conditions. The client made a payment proposal of £20 p/m on top of usage, but the offer was refused, and they cannot afford to pay more than this. This offer was made on the basis that the client was paying £80 p/m for usage but when they spoke to the supplier, they advised monthly payments for usage were being increased to £150 p/m. The client cannot make any additional payment on top of this.

**Question 7: Our disconnection rules stress specific characteristics to be considered ahead of disconnection. Are these characteristics sufficient to account for the vulnerable circumstances being seen today?**

The ongoing energy and cost of living crises have highlighted the vast range and diversity of consumers who have struggled to pay for energy and who have gone into debt as a result. The current list of characteristics is narrow in scope and covers limited circumstances. People who need to run essential medical equipment, store medicines, etc. are currently not covered. These costs run all year round so only protecting consumers during the winter months addresses a heating need, but not a daily, independent living need.

**Question 8: Do you consider that the rules for legacy and smart prepayment are appropriately aligned to ensure sufficient and equivalent protection, no matter the meter type? If not, what changes should be made?**

While protections are there to prevent harm to people with existing significant mental health conditions in relation to forced entry it should be recognised that a forced entry into a person’s home is traumatic for everyone who experiences it. It could exacerbate existing mental health conditions not currently covered or exacerbate physical health conditions.

It should be better recognised that remote switching, although not physically invasive, can be traumatic and consumers are left confused and distressed by the process. Both methods result in consumers being put in a situation where they can no longer spread payments over time and pay in advance. The outcomes are the same; greater financial difficulty, and the risk that consumers may no longer be able to heat and power their homes.

**Citizen’s Alert:** A south of Scotland CAB reports of a client, a pensioner, being switched to a prepayment meter without warning or consultation. The client reported that when he first moved into his current accommodation, he was receiving electricity bills for another address and he did not receive a bill for the correct account for some time, despite raising the issue with the supplier. A large debt had consequently accrued, to clear the debt he now pays £160/£170 every fortnight which leaves him little from his benefits to live on.

The process for informing consumers under either scenario is inadequate. For consumers with legacy meters, switching to prepayment requires a warrant for entry to the property which goes through the Sheriff Court. That process fails to provide adequate safeguards for consumers who can be notified that a warrant has been applied for but are often not informed where or when that is taking place. For consumers with smart meters, however, suppliers can switch to prepay mode without the need for a court warrant.

As stated, our position is that all activity on forced installation or switching of prepayment meters should be stopped, but we are concerned that there are even fewer safeguards in place for smart meter consumers, leaving potentially vulnerable households exposed.

The process should allow adequate time for consumers to access independent advice and advocacy if necessary and time to lodge a dispute. Letters must be clear and concise on what is being proposed, the process and the consumer’s rights. The onus should be on the supplier to ensure the consumer is informed of their situation and communications should be in a prescribed format, with a timeline, to ensure consistency.

**Citizen’s Alert:** A north of Scotland CAB reports of a client who had fallen into significant arrears with her supplier. Further action was being threatened by the supplier; the client contacted them and agreed to accept a prepayment meter to prevent further action against her. No alternative options were offered, and the client was not signposted to an advice agency. The client offered to repay the debt via her prepayment meter at a rate of £15 per week. The client is a lone parent in receipt of a low income from Universal Credit and part-time employment. The client has mental health difficulties and is struggling to manage her account, in particular the debt recovery.

**Question 9: Suppliers are responsible for the acts of their contractors and their compliance with relevant licence conditions, but should we consider specific guidance for suppliers on how they manage third parties involved in the installation of PPMs?**

The recent Times investigation highlights the risk to consumers of third parties not adhering to the guidance the supplier is expected to comply with. It exposes a clear gap in understanding of the service being delivered and underlines the need for additional guidance and training.

CAS’s position is that Ofgem needs to be proactive in ensuring that all parties involved in installation practices are subject to the guidance. Ofgem should also be able to take action against both the supplier and third-party contractors for any failure to meet licence conditions.

Stephanie Millar

Social Justice Policy Manager

stephanie.millar@cas.org.uk

1. The Scottish Welfare Fund supports people in crisis and on low incomes and people who need help to live independently in the community. [Scottish Welfare Fund - overview - Citizens Advice Scotland](https://www.citizensadvice.org.uk/scotland/benefits/help-if-on-a-low-income/scottish-welfare-fund-s/scottish-welfare-fund-overview-s/) [↑](#footnote-ref-2)
2. A client’s ill health or disability status is only recorded if they disclose this and it’s relevant to the advice. This means the number of people recorded as being disabled will be lower than those who identify as such. [↑](#footnote-ref-3)
3. Standard conditions of electricity supply licence Condition 0.1, 0.3d [↑](#footnote-ref-4)
4. Standard conditions of electricity supply licence Condition 0.9 [↑](#footnote-ref-5)
5. [The Social Model of Disability - Inclusion Scotland](https://inclusionscotland.org/get-informed/social-model) [↑](#footnote-ref-6)
6. An extension of the call recently made by Ofgem [Energy regulator outlines next steps on forced Prepayment Meter (PPM) installations | Ofgem](https://www.ofgem.gov.uk/publications/energy-regulator-outlines-next-steps-forced-prepayment-meter-ppm-installations#:~:text=Ofgem%20CEO%2C%20Jonathan%20Brearley%2C%20has%20also%20called%20on,where%20the%20strict%20rules%20have%20not%20been%20followed.) [↑](#footnote-ref-7)
7. [Guidance for firms on the fair treatment of vulnerable consumers | FCA](https://www.fca.org.uk/publications/finalised-guidance/guidance-firms-fair-treatment-vulnerable-customers)  [↑](#footnote-ref-8)
8. [Scottish House Condition Survey: 2019 Key Findings (www.gov.scot)](https://www.gov.scot/binaries/content/documents/govscot/publications/statistics/2020/12/scottish-house-condition-survey-2019-key-findings/documents/scottish-house-condition-survey-2019-key-findings/scottish-house-condition-survey-2019-key-findings/govscot%3Adocument/scottish-house-condition-survey-2019-key-findings.pdf) p5 [↑](#footnote-ref-9)
9. [Tackling fuel poverty in Scotland: a strategic approach - gov.scot (www.gov.scot)](https://www.gov.scot/publications/tackling-fuel-poverty-scotland-strategic-approach/pages/2/) [↑](#footnote-ref-10)
10. [Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019 (legislation.gov.uk)](https://www.legislation.gov.uk/asp/2019/10/section/3/enacted)    [↑](#footnote-ref-11)