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## **CAS response to Prepayment self-disconnection and self-rationing call for evidence**

Citizens Advice Scotland (CAS) uses research and evidence to put consumers at the heart of policy and regulation in the energy, post and water sectors in Scotland. We work with government, regulators and business to put consumers first, designing policy and practice around their needs and aspirations.

We welcome Ofgem's investigation into self-disconnection and self-rationing. Our evidence suggests that self-disconnection and fuel-rationing is happening with relatively common frequency across Scotland and we strongly believe that further investigation is warranted.

Through the Citizens Advice Network in Scotland, CAS has access to a large dataset of issues advised on through local Citizens Advice Bureaux (CAB)<sup>1</sup>, the Citizens Advice Consumer Service (CACS)<sup>2</sup> and the Extra Help Unit (EHU)<sup>3</sup>.

In this response we predominantly provide anecdotal evidence on the types of issues faced by clients in Scotland who are self-disconnecting or self-rationing. The majority of cases that we highlight here refer to clients who have self-disconnected or are self-rationing due to affordability issues.

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<sup>1</sup> Advice can be accessed at Citizens Advice Bureau (CAB) in almost 290 locations across Scotland. The bureaux network helps more than 270,000 people each year with practical advice and support in negotiating on behalf of clients.

<sup>2</sup> The Citizens Advice Consumer Service is a public advice service which has been run jointly by CAS and Citizens Advice (England & Wales) since 2012 to complement the face-to-face advice offered by the CAB network.

<sup>3</sup> The Extra Help Unit is a specialist team of caseworkers investigating energy and post complaints on behalf of vulnerable consumers. The service is delivered by CAS and covers the whole of Great Britain helping domestic and micro-business consumers.



As can be seen in the cases, issues clients present with are often complex and multifaceted. Clients may be self-disconnecting due to issues with the social security system, having multiple debts and generally low incomes.

Self-disconnection is often triggered by a temporary financial crisis that leaves the consumer without enough money to top up their PPM. A [Citizens Advice report](#) found that in 2017/18 around 140,000 households with PPM's (16%) self-disconnected from their energy supply because they couldn't afford to top up their prepayment meter – the same percentage as the same survey in 2014. 87% of these households were on benefits, and 88% of these households contained a child or someone with long term health issues. The survey found that of those PPM users who self-disconnected: 72% are vulnerable to cold homes (households with children or people with health issues); 34% were in full time work and 63% were under the age of 34. Only 9% of these households had contacted their supplier for help.

Anecdotaly we know that there is a correlation between the rising use of food banks in areas where Universal Credit has been rolled-out in Scotland due to the hiatus in people receiving their benefits payment.

A client's financial ability to top up a prepayment meter can be affected by poor mental and physical health. If the client is forced to self-disconnect and live in a cold home this can lead to even greater negative health impacts –forming a self enhancing circle which can lead to extreme detriment.

We believe that people should be able to access emergency fuel credit quickly and easily when they don't have enough money to top up their PPM. Our views on emergency fuel credit and current work in this area in detailed in our response to question 5 below.

### **Evidence of Self-disconnection cases in Scotland**

In June 2018 CAS published Advice in Detail: Issues brought to Citizens Advice network in Scotland 2016-17<sup>4</sup>. The publication provides a quantitative and qualitative analysis of all energy related issues that Citizens Advice Bureaux (CAB), Citizens Advice Consumer Service (CACS) and the Extra Help Unit (EHU) have given advice on in Scotland. As can be seen in Table 1, which summarises issues advised on by CAB, a number of categories are of relevance to this consultation.

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<sup>4</sup> [https://www.cas.org.uk/system/files/publications/advice\\_in\\_detail\\_energy\\_2016\\_17.pdf](https://www.cas.org.uk/system/files/publications/advice_in_detail_energy_2016_17.pdf)

In Scotland advisors gave advice on 1,276 'energy assistance applications' and 250 that related to 'disconnection of supply'. Issues related to 'pre payment meter emergency credit' was a new category in 2016-17 and advisors helped clients with 695 issues in Scotland under this category.

*Table 1 Number of regulated fuel issues advised on by Scottish CAB in 2016-17 compared to 2015-16*

CAB Advice Code	2015-16	2016-17	% change between 2015-16 and 2016-17
Billing / meter reading	3,293	3,162	↓ 4%
Warm Home Discount	2,177	2,549	↑ 17%
Other	2,076	1,805	↓ 13%
Switching supplier (including unwanted)	1,500	1,803	↑ 20%
Charges	1,553	1,562	↑ 1%
Complaints & redress	1,663	1,475	↓ 11%
Pre-payment meter	/	1,442	
Energy assistance applications	1,391	1,276	↓ 8%
Change of tariff (with existing supplier)	865	1,194	↑ 38%
Methods of payment (not pre-payment meter)	1,480	715	↓ 52%
Pre-payment meter (emergency credit)	/	695	
Priority Services Register (added to)	262	455	↑ 74%
Contract terms and conditions	542	431	↓ 20%
Green Deal / Energy Company Obligation	472	287	↓ 39%
Smart meters	224	257	↑ 15%
Disconnection of supply	341	250	↓ 27%
Cancellation & withdrawal	220	193	↓ 12%
Dangerous & unsafe goods/services	113	84	↓ 26%
Delays in supply / delivery	129	79	↓ 39%
Selling methods & techniques	76	65	↓ 14%
<b>Total</b>	<b>18,377</b>	<b>19,779</b>	<b>↑ 8%</b>

Evidence from the EHU shows that there is large variation in the number of self-disconnection cases that different suppliers generate – with some suppliers generating few cases and some generating many. This may be caused by the variation in assistance being provided by frontline staff - with for example some companies referring self-disconnection cases to specialist support teams and others not.

**Q1: Are there any categories that we have not captured in Table 1? We welcome views and evidence on the main causes of self-disconnection and groups of customers who are more likely to self-disconnect and experience detriment.**

We believe that the categories in the table are appropriate.

Our anecdotal evidence from issues faced by clients receiving advice at CAB across Scotland suggests that the following groups are at particular risk of self-disconnection and self-rationing.

- Clients reliant on the social security system
- Clients who are reliant on electric heating

**Q2: We seek views and evidence on how self-disconnection and self-rationing is being monitored for customers on traditional PPMs. We welcome views on how effective current practices are.**

We have nothing to add to this question.

**Q3: We seek evidence of examples where PPM customers were at risk of self disconnection or who self-disconnected for affordability and/or operational and/or forgetfulness reasons, the impact on these customers, and how the situation was resolved.**

Below a number of case studies are presented as recorded by Citizens Advice Bureaux advisors. The majority of cases presented represent issues where clients self-disconnect due to affordability issues.

### **Affordability**

#### **Case study 1 - Gas self-disconnection due to benefits issue**

*Client had his Employment Support Allowance stopped as a result of failing to attend a medical assessment. Client had already submitted Mandatory Reconsideration and says Job Centre helped him with this and he also received a phone call from DWP. Client had been told by Job centre he would have to claim Universal Credit. Client wants to appeal decision. Due to client's presentation I asked if he was in receipt of DLA or PIP. He informed he has previously applied on more than one occasion and been turned down. He would like to make a new application. States condition is due to Perthes disease in childhood.*

*Client says he has no food, and is low on pre-pay electricity credit. He previously had gas but says this was shut off as he could not afford to use it. Client says he has convector heaters which are heavy on electricity. Client says he has no money to get home and no money for food for himself or his cat. He says he has only 60 pence left. Client says he has been living on £300 he borrowed from social fund to buy a cooker.*

#### **CAB Case study – Gas self disconnection due to debt and benefits sanction**

*A client in Scottish CAB was referred to the CABs energy clinic through a foodbank. The client self disconnected himself from using his gas over a year ago, when his gas supply was inspected the council capped it because he wasn't using it. The client has a debt of £190 on his gas which he says is from the previous tenant, he has told his supplier this before but hasn't had any help with this situation.*

*The client was unwell last year due to a lack of heating in his home. The client has 60p emergency credit left of electricity. The client has been claiming Universal Credit for the last 2 years but has been sanctioned for missing a phone call even though the client says he called the job centre straight back, the client hasn't had a payment since September. The client's work coach has reported that the client is fit and healthy and there is no reason why he shouldn't be working. The client's doctors have said that he isn't fit for work at the moment as the client suffers from anxiety and depression.*

*The advisor made an application for crisis grant with client. Client was to return on another occasion to discuss gas supply and affordability of electric heating. Client was provided eligibility conditions and phone number for PIP application.*

### **CAB Case study 3 – Client self-disconnected due to lack of funds and debt**

*Client has several priority creditors' debts and continued creditor contact which client 'can't handle'. Client has been in and out of work due to addiction and mental health issues, relationship breakdown and low income which has accumulated in debts. Client has CT and parking tickets at CfP state, rent arrears, and Housing Benefit overpayment which may lead to high deducts from ongoing Universal Credit. Client has no gas or money to top up so no hot water.*

### **CAB Case Study- Supplier reluctance to issue emergency credits**

*Client is in severe financial hardship due to illness and he has no money to put in his electric PPM meter. Benefit claims pending. Request for assistance submitted to his supplier, requesting an emergency payment to assist in getting him through this crisis. He only has £2 emergency credit in his meter. Request was declined on the basis that no application for assistance would be accepted until the credit in the meter is completely depleted. Client lives in a rural area, 13 miles away from nearest CAB and he has no credit in his phone and is almost out of fuel, to access to assistance is inhibited.*

*Was also advised that it is not their policy to assist people in going in to debt, whereas the other providers don't mind doing this, hence their willingness to issue emergency credits. The supplier was recommended to client as a provider because of their supposed ability to assist clients on a low income. Their policy of not providing assistance to their customers until their credit is completely depleted seems to fly in the face of this.*

### **CAB Case Study – Self-disconnection due to expense of electric heat**

A CAB advisor reported the following:

*Electric heating is causing a real problems in parts of Scotland, we have higher charges than other parts of the UK due to higher network distribution charges, we have many properties/communities dispersed over a large geographical area, off the mains gas grid, with electricity prices at least 3 times the cost of gas and if heating is used on the 'day rate' cost can be 6 times that of mains gas. Most of the off gas grid social housing stock has electrical heating, most properties on the rental market*

*have electrical heating. This means those who can least afford pay the highest cost for heating. The benefits system does not account for the high cost of heating, for example JSA includes an element for energy cost, but does not take into account the high cost of electrical heating.*

*We are seeing increasing numbers of people with electrical heating, either 'self disconnecting', if they are on prepayment meters, or getting into debt with their energy providers if on a credit meter. The cases we see are likely to be the tip of the iceberg. Energy Trust Funds who have helped vulnerable people who could not afford their energy debts, are increasingly refusing applications due to lack of funds. Of the energy companies only one recognises the 'unaffordability of electric heating' and has set aside some funds to help their customers clear electricity debts (electric heating fund), but this fund does not help those on prepayment meters.*

### **EHU Case Study – Self-rationing due to expense of electric heat**

*The consumer was 82 years old and on a low income receiving state pension. He had lung and kidney problems and had been in and out of hospital during the winter months.*

*He had been concerned over his electricity costs for approx. 3 years as they appeared very high given that he lived in a small one bedroom flat. He was paying £140 per month and had received correspondence from his supplier stating he owed £220. The property had two storage heaters and an electric fire, which he was afraid to use due to the costs.*

*A family member had taken meter reads for the supplier to investigate and it had been suggested the day and night meter readings were transposed but no further progress had been made.*

*After the EHU investigated the supplier confirmed the day and night reads had been billed the wrong way round since October 2014 following a meter exchange. This had caused an increase in his payments because the night usage had been billed on the higher day rate when it should have been billed on the lower night rate*

*The billing was corrected creating a credit balance of £1277. A refund was arranged and the ongoing usage payments were reduced to £77pcm with the safeguard tariff already applied to the account. An apology and goodwill gesture of £30 was also provided.*

### **Operational**

#### **CAB Case study – Standing Charges**

*A consumer service client has complex medical problems and is currently off supply due to standing charges. The charges had built up when the caller was away from home for care. The supplier has tried removing the standing charges, but whenever*

*the supplier has given the caller instructions to try to remove the standing charges it doesn't work. The caller has looked in to changing the PPM for a credit meter but has not had a response from his supplier about this yet. The case was referred to the EHU as the client is vulnerable and currently off supply*

### **CAB Case study – Standing Charges**

*A client who visited a Scottish CAB self disconnected gas supply for over two years as he couldn't afford the 70% debt recovery set on his pre-payment meter, and as a result accrued a debt arising from standing daily charge. He wasn't aware of the Ofgem Open Letter to waiver daily standing charge when not in use saving circa £200.*

### **EHU Case Study – Issue with payment devices**

*The consumer had diabetes and a 5 year old child living in the household. He had recently switched supplier but had not received payment devices. He had been unable to get through to the supplier by phone and was off supply for both gas and electricity.*

*He had been referred to the EHU on 28 December. The gas had gone off the day before and the electricity had gone off that morning.*

*The supplier contacted the consumer and added credit to the meters. New payment cards were requested and a link was emailed to the consumer to enable him to top up online however, the supplier's records later showed he had not accessed these. Bar codes from the cards were also provided to allow him to top up at a pay point outlet until the cards were received.*

*The supplier could not explain why the payment cards had not been received however, it later transpired the company they ordered payment cards from was closed over the Christmas and New Year period therefore requests for new cards were not being actioned.*

**Q4: We seek views on what great support service looks like for customers at risk of self-disconnection or who self-disconnect. We welcome examples of supplier good practice in dealing with self-disconnection and self-rationing.**

Below is an example of good supplier practice noted by the Extra Help Unit (EHU).

*The consumer had depression and anxiety. He received job seekers allowance and was in financial difficulty, being behind on household priorities including council tax. He had already used a food bank on 2 occasions.*

*He had self disconnected from his electricity prepayment meter and had been off supply for 3 days before being referred to the EHU. He was not due any income for a further week. Note there was no debt being recovered from the meter.*

*The supplier had previously provided discretionary credit of £10 and had advised they would not provide any more.*

*After EHU contact the supplier contacted the consumer, reset the meter and arranged a discretionary credit of £20. This was a goodwill gesture and did not need repaid. The supplier also looked into their own fuel voucher scheme and managed to arrange a voucher of £45 for the consumer.*

*A follow up phone call was arranged with the consumer to go through an application for Warm Home Discount.*

**Q5: We welcome views from all stakeholders on the emergency, friendly, and discretionary credit functions. How well do you think these features work?**

In April 2013, responsibility for delivering discretionary emergency welfare was transferred to local authorities in England, and the devolved governments in Scotland and Wales. Not all schemes provide support with fuel costs and application processes can be difficult. A variety of privately-funded schemes have emerged, like the nPower Fuel Bank™ and British Gas Energy Trust, which provide emergency fuel vouchers to PPM users who are in crisis. This has created a patchwork of support, which can be difficult to access and is not widely promoted. Schemes often operate under restrictive criteria, meaning consumers may have to contact multiple organisations to access help and assistance.

Despite these shortfalls we think that discretionary credit functions can work well provided that they are administered well, and they provide real 'life-line' benefits for clients. However we see big variation across the industry. Some suppliers offer discretionary credit, but don't check debt recovery rate or signpost to debt/financial advice which is crucial. Some newer suppliers entering the pre-payment market are often not expecting to have to offer this support<sup>5</sup>.

We would welcome further engagement with Ofgem on this topic.

Considering emergency fuel credit schemes in particular, we believe that are a means of providing emergency support for people in a state of crisis, who are struggling to pay for essentials, and who cannot afford to use their electricity or gas.

We are very supportive of suppliers offering emergency fuel credit and we actively encourage suppliers to increase their offering. CAS has been working in close collaboration with Minister Christina McKelvie (in her capacity as an MSP) to further her work trialling an emergency fuel credit scheme. CAS is due to partner with Scottish Power to roll out an emergency 'hardship fund scheme' with all Citizens Advice Bureaux (CABs). This is about to be trialled by around 10 CABs as the first step.

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<sup>5</sup> This evidence is offered by staff at the Extra Help Unit.



In addition, in November this year we co-organised an event in the Scottish Parliament with Christina McKelvie's constituency office which was attended by all of the 'Big 6' suppliers (21/11/18). This event was designed to focus minds' on the importance of emergency fuel credit, together with the provision of holistic advice and support in the round. Fuel credit is an effective 'sticking plaster' for those in crisis situations, but more must be done to address the underlining causes of fuel poverty to mitigate against such crisis trigger points for people. It is crucial to ensure that they are able to stay on supply, keep the heating on, and ultimately improve their financial health.

Getting access to holistic support allows those who are struggling not just to deal with the crisis that they are experiencing, but also to address wider issues that may have contributed to it.

[Research](#) that we carried out this year has suggested that many of those who face difficulties with affording their energy will have a range of inter-linked issues that need to be addressed. For example, we've seen instances of people getting financial support with their energy costs, or even upgrades to their heating systems, but not knowing how to use their heating system properly. For some, this results in them still paying more than they have to heat their homes. Comprehensive, holistic support that is ongoing can help to understand and address the range of problems that people face. Much of that support already exists. Our network provides crucial support to households across Scotland to resolve problems with their energy supply, increase their incomes and avoid getting into debt.

**Q6: We welcome examples of any recent good practice examples on steps taken to provide sustainable support to PPM customers who self-disconnect and/or self ration.**

We have nothing to add to this question.

**Q7: We welcome views on how you perceive the collaboration between stakeholders should operate and what type of organisations you believe will play a central role in this process.**

We would welcome further engagement with Ofgem on this topic.