Fuel Debt

Findings from the Energy Consumers Commission

"There's no such thing as food poverty or fuel poverty or period poverty. People are just poor and have to make choices about where to spend what little amount they have."

Glasgow food bank worker

Who we are

In May 2019, The Scottish Government committed to establishing an independent Energy Consumers Commission (ECC) to enhance the voice of consumers who reside in Scotland within the energy market.

The commission was formed in July 2020 consisting of representatives with a wealth of experience in national consumer advocacy and advice bodies, academia and local groups serving energy consumers in their communities.

Introduction

Eradicating fuel poverty has been a policy priority for the Scottish Government since 2016, and has been a statutory obligation since the passage of the The Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act in 2019.

While fuel poverty has been formally defined since 2019, and a fuel poverty strategy is expected in 2021, fuel debt has not been given the same attention by researchers and policy makers. Fuel debt is undoubtedly linked to fuel poverty and cannot be considered without the context of fuel poverty and energy affordability but differs from fuel poverty in three main ways.

- The definition of fuel poverty focusses on cost to heat the home, fuel debt includes costs for everything that uses energy in the home, including lights and appliances.
- Fuel poverty is a status assigned by meeting qualifications set out in a definition that includes modelled costs, while fuel debt is a concrete condition of being in arrears with a supplier. Fuel poverty is transient; fuel debt is not.
- Fuel poverty has been much more quantified in Scotland than fuel debt. Fuel poverty levels are reported every year in the Scottish House Condition Survey, but no questions are asked about fuel or energy debt. Ofgem collects data about regulated fuel debt, but this is reported at a Great Britain, not Scotland-specific level. No information is collected systematically about unregulated fuel debt, such as oil or LPG gas.

Fuel debt is likely to become more prevalent and more unmanageable this winter as energy prices rise, and financial support such as the £20/week Universal Credit uplift and furlough end.

Key issues

Regional Differences

Rural areas have a different experience than urban areas, due to different energy costs (a higher proportion of rural households use electric heating; electricity is more expensive per kilowatt hour than gas, so electric heating bills tend to be higher), a higher cost of living, and lower average household income. Older, less efficient housing stock is more prevalent in rural areas, which also increases energy bills.

Rural areas have a higher proportion of unregulated fuel users. Unregulated fuel debt often shows up as credit card debt, bank overdraft fees, or electricity debt due to the lack of credit offered by unregulated suppliers.

Barriers to support

Debt is a complex issue, and the barriers to support are equally complex. However, research has identified two main barriers to engagement: social stigma and digital exclusion.

Stakeholders described pride, shame, and social stigma as frequent barricades to engaging with clients. Some stakeholders from rural and island communities felt that social stigma within the community prevented proper engagement, as community trust and local familiarity are essential to proper provision of advice services.

Digital exclusion limits the ability of the debt holder to access advice and financial tools, as well as making it more difficult to apply for benefits, switch tariffs, access fuel vouchers, or take up employment. The COVID-19 pandemic further marginalised those who are digitally excluded, as many advice services moved to exclusively online advice.

Multiple Debt

Energy debt often exists with other debts, as households are likely to prioritise keeping the lights on or heating their homes over other essential, but less immediate costs, such as Council Tax or housing costs. Many of the impacts of the COVID-19 pandemic are being and will be disproportionately felt by low-income households.

Not only has household income been reduced for those who have had limited hours or been placed on furlough, increased time spent at home has seen a corresponding increase in energy bills. Additionally, the strain of being “locked down” negatively impacts mental health and wellbeing, which can make it more difficult for clients to engage with advice services or seek help.

Good Practice in Debt Support

Proactive support offered early is the best practice for energy suppliers, especially when consumers are also signposted to impartial advice and support services. Advice and support services do best when actively engaged in community engagement, partnership working, and in-person help (where possible).

Recommendations

- Prioritise monitoring energy debt by asking explicitly about energy debt in the Scottish Household Survey
- Require regulated energy providers to supply sub-regional debt statistics on an annual basis
- Conduct further research on the nature and extent of unregulated fuel debt, and identify how often it presents as other types of debt (e.g. credit card debt)
- Further research the process of households who have successfully rid themselves of energy debt, and the mitigating strategies they used
- Organisations who support clients with fuel debt emphasise switching to cheaper tariffs in communities traditionally loyal to one supplier
- Support organisations should be encouraged to adopt community engagement, partnership working, and in-person support
- Suppliers should offer proactive support, early, and signpost to advice services

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