



## Money and Mental Health response to Ofgem's Draft Consumer Vulnerability Strategy 2025

### Introduction

The Money and Mental Health Policy Institute is working for a world in which the vicious cycle of money and mental health problems is broken, so that we all have an equal chance of financial security, regardless of our mental health; and everyone's mental health can flourish, regardless of their financial circumstances. We aim to be a world-class centre of expertise on the links between money and mental health problems, developing practical policy and solutions, working in partnership with those providing services, those who shape them, and those using them, to find out what really works. Everything we do is rooted in the lived experience of our Research Community, a group of 5,000 people with personal experience of mental health problems. We are pleased to have the opportunity to respond to this consultation on Ofgem's draft Consumer Vulnerability Strategy 2025.

Over the past 12 months, Money and Mental Health have seen substantial improvements in the guidance around the treatment of people in vulnerable circumstances offered to firms across other regulated essential services markets, particularly telecommunications and financial services. We note that, in contrast to regulatory development in these markets, Ofgem's draft strategy is disappointing. We hope Ofgem will seriously consider the feedback offered below and the weaknesses of this proposed strategy, particularly in the ongoing focus on identification of people in vulnerable circumstances which we believe is likely to significantly impair Ofgem's ability to achieve the headline aims set out in CVS 2025.

### Background

- In any given year, one in four people will experience a mental health problem.<sup>1</sup> However, we do not always know when we are unwell, or receive treatment. Over a third (36%) of people with a common mental disorder have never received a diagnosis, and 62% are not currently receiving treatment.<sup>2</sup>

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<sup>1</sup> McManus S et al. Adult psychiatric morbidity in England, 2007. Results of a household survey. NHS Information Centre for Health and Social Care. 2009.

<sup>2</sup> McManus S et al. Mental health and wellbeing in England: Adult Psychiatric Morbidity Survey 2014. NHS Digital. 2016.



- Common symptoms of mental health problems, like low motivation, unreliable memory, limited concentration and reduced planning and problem-solving abilities, can make it harder for people to be engaged consumers and advocate for themselves.<sup>3</sup>
- Four in ten (37%) people who have experienced mental health problems exhibit significant levels of anxiety when dealing with essential service suppliers like energy companies, indicative of at least a mild phobia of this situation. Symptoms can include breathlessness, sweating or shaking.<sup>4</sup>
- All of this contributes to an increased risk of detriment in energy markets. People with mental health problems are three and a half times as likely to be in problem debt as those without.
- Half (46%) of adults in problem debt also have a mental health problem.<sup>5</sup> Within the energy market specifically, 53% of people in debt on their gas bill have a mental health problem, as do 59% of those in electricity arrears.<sup>6</sup>
- The psychological impact of poor affordability, self-disconnection, service disruption and energy debt can be particularly acute for people who are experiencing mental health problems. The additional pressures of living in a cold home or worrying about the threat of debt collectors can wear away at people's resilience and reduce their chances of recovery.
- Mental health and financial problems can form a devastating, self-reinforcing cycle. Over 420,000 people in problem debt consider taking their own life in England each year, and more than 100,000 people in debt actually attempt suicide.<sup>7</sup>

### Question 1: Do you agree with the five priority themes and the outcomes we will aim for (as set out in chapter 3-7 and annex 2)?

We are pleased to see a clear focus on improving the service that vulnerable customers receive from their energy suppliers, and making the market as a whole more inclusive. However, we are concerned that the draft strategy places too much emphasis on suppliers identifying vulnerable customers and then treating them differently, particularly in priority themes one and three. While it is essential that suppliers deal with disclosures of vulnerability appropriately, and support

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<sup>3</sup> Holkar M. Seeing through the fog: How mental health problems affect financial capability. Money and Mental Health Policy Institute. 2017. Holkar M and Evans K. Levelling the playing field. Money and Mental Health Policy Institute. 2017. Holkar M, Evans K and Langston K. Access essentials. Money and Mental Health Policy Institute. 2018.

<sup>4</sup> Holkar M, Evans K and Langston K. Access essentials. Money and Mental Health Policy Institute. 2018.

<sup>5</sup> Holkar M. Debt and mental health: A statistical update. Money and Mental Health Policy Institute. 2019.

<sup>6</sup> Jenkins R et al. Mental disorder in people with debt in the general population. Public Health Medicine 2009; 6, 3: 88-92.

<sup>7</sup> Bond N and Holkar M. A silent killer: Breaking the link between financial difficulty and suicide. Money and Mental Health Policy Institute. 2018.

customers with particular needs as best they can, this approach would fail to meet the needs of many consumers experiencing mental health problems.

Ofgem's description of vulnerability recognises that it can be transitory and sudden, but the focus within the draft strategy on suppliers identifying vulnerable customers and adjusting the service they receive is better suited to customers whose vulnerability and support needs are stable over time. Mental health problems often fluctuate, so a customer may be well and able to deal with their finances and their energy supplier for long periods of time, before becoming unwell and requiring extra support to avoid difficulty.

Many of Ofgem's proposed Outcomes, including 1A, 1B, 3A, 3B, 3C and 3D, focus on the identification of vulnerable customers. This approach systematically disadvantages those who are less able to advocate for themselves, or who have difficulty communicating with their energy supplier, including many people experiencing mental health problems. We believe this continued focus on identification in Ofgem's proposed strategy is a serious flaw, which should be reconsidered at the earliest opportunity.

### **Barriers to disclosure**

Many people do not feel comfortable disclosing information about their health to their energy supplier. Research with the Money and Mental Health Research Community found that just one in four (24%) respondents had ever told an energy supplier about their mental health problems.<sup>8</sup> With most suppliers requiring disclosure to be made over the telephone, a communication method which is particularly difficult for many people experiencing mental health problems, and the need to repeat disclosures to new suppliers after a switch, the burden this reliance on disclosure places on consumers in vulnerable circumstances is substantial. This burden is likely to be particularly acute for people experiencing mental health problems which, sadly, remain the subject of significant social stigma, meaning disclosure may be both distressing and require serious courage. People who have had a negative experience of disclosure in the past, such as being asked to repeat sensitive personal details on multiple occasions before any action is taken, are often particularly reluctant to disclose again - even if this past experience was in another sector.

This identification-focused approach is most inadequate for the 36% of people with a common mental disorder who have never even received a diagnosis<sup>9</sup> - equivalent to more than three million people in England alone.<sup>10</sup> In many of these cases, when a customer doesn't fully understand what

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<sup>8</sup> Holkar M and Evans K. Levelling the playing field. Money and Mental Health Policy Institute. 2017.

<sup>9</sup> McManus S et al. Mental health and wellbeing in England: Adult Psychiatric Morbidity Survey 2014. NHS Digital. 2016.

<sup>10</sup> Money and Mental Health analysis of Adult Psychiatric Morbidity Survey 2014 and ONS mid-year population estimates 2018.

they're experiencing, it will be impossible for them to tell a supplier. Achieving proposed Outcome 1B ("We want to see evidence that there has been an improvement support customers to self-identify, for example through best practice guides that are easy to access and understand") or Outcome 3A ("We want energy companies to have a corporate culture that focuses their efforts to identify and support consumers in vulnerable situations") in the CVS 2025, for example, would do nothing to help this sizeable group. In our view, this makes it impossible for Ofgem to achieve the headline aim of Theme 3 - "Driving significant improvements in customer service for vulnerable groups" through Outcomes proposed in this area.

We are pleased to see Ofgem emphasise that they expect suppliers to be proactive in identifying vulnerability, and to make better use of data in doing so. This could help to overcome the barriers to disclosure that many customers with mental health problems face, and shift the onus away from vulnerable people having to take action in order to be treated well. However, this ambition seems far from current practice, and proactive identification of vulnerable customers will only address detriment if suppliers have an appropriate range of support options in place, to meet the identified vulnerable customers' needs.

## Universal design

Given the extent of customer vulnerability, and that people's needs can change over time, Money and Mental Health advocate a universal design approach to addressing vulnerability. Rather than encouraging suppliers to identify large numbers of vulnerable customers, and provide them all with additional or tailored services, Ofgem should encourage suppliers to make their mainstream service more accessible and easier to use, even for the most vulnerable customers. By designing with their most vulnerable customers in mind, suppliers can drastically reduce detriment for this group, while also making their service easier to use for other customers. We believe this approach is much more likely to achieve the overall aim of Theme 3, to improve customer service for vulnerable groups.

Universal design interventions could include:

- **Offering communication choices** - Three quarters (75%) of customers who have experienced mental health problems, and half (50%) of those who haven't, have serious difficulties engaging with at least one commonly used communication channel, such as using the telephone, opening mail or emails.<sup>11</sup> By encouraging suppliers to offer customers a range of ways to get in touch, and receive messages, Ofgem can make the sector significantly more accessible.
- **Simplifying complex information** - Many customers with mental health problems struggle to understand complex information on their energy bills and tariffs - which can lead

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<sup>11</sup> Holkar M, Evans K and Langston K. Access essentials. Money and Mental Health Policy Institute. 2018.

to problems paying.<sup>12</sup> Ofgem should work with suppliers, and people with mental health problems, to explore simpler ways of presenting this crucial information.

- **Make it simple and safe to help** - Customers with mental health problems often rely on support from someone else to deal with their energy supplier, and help with other aspects of money management. However, fewer than one in ten (8%) Research Community respondents feel that essential service suppliers make it easy for someone else to provide this help.<sup>13</sup> Many people with mental health problems see formal tools like Power of Attorney as inappropriate for their needs, while awareness and takeup of options like third party billing is low.<sup>14</sup> Ofgem should encourage suppliers to publicise the availability of third party billing, and set up the ability to send other notifications to third parties.

This approach will never eliminate the need for specific support to be offered to people who are acutely unwell or who have more significant needs, but as part of a ‘twin-track’ approach to vulnerability, it could help improve energy market outcomes, and dramatically reduce detriment, for the millions of vulnerable customers, including many with mental health problems, currently underserved by their suppliers.

**Question 2: Do you agree with our approach on affordability? While we recognise this is a concern for many consumers in vulnerable situations, we think addressing wider affordability pressures is mainly a matter for government to address.**

We welcome Ofgem’s continued aim of “improving outcomes for customers who are in debt” and proposed focus on the most vulnerable customers, such as prepayment customers who self-disconnect. We are glad to see Ofgem push suppliers to be more proactive in identifying and supporting customers who may be at risk of financial difficulty. We would also urge Ofgem to task suppliers with minimising psychological harm for customers who are in debt, or struggling with their energy bills.

### **Proactively identifying customers who may be at risk of financial difficulty, and offering support**

People with mental health problems are more likely to be in financial difficulty, and can also find it harder to reach out and ask for help. Stigma and shame, together with thoughts that there is

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<sup>12</sup> Holkar M and Evans K. Levelling the playing field. Money and Mental Health Policy Institute. 2017.

<sup>13</sup> Bond N, Evans K and Holkar M. A little help from my friends. Money and Mental Health Policy Institute. 2019.

<sup>14</sup> The number of customers on PSRs receiving third party billing from their electricity supplier has remained relatively static since 2012. Ofgem. Vulnerable Consumers in the Energy Market: 2018. 2018.

nothing anyone can do to help, can leave people feeling like they are completely stuck and alone.<sup>15</sup> As mental health problems often fluctuate, even those with long-term conditions may be unable to tell in the moment that their condition is worsening in a way which could undermine their ability to manage their finances.

This means that relying on people to self-identify as struggling financially is not sufficient. However, in an increasingly smart energy system, suppliers may be able to spot patterns and changes in behaviour that suggest a customer is cutting back on their energy usage or struggling to keep up with bills. This could be anything from simple trigger based alerts, to more complex predictive analytics. Concise, timely messages and signposting to support could empower people experiencing mental health problems to take control of their finances, or to seek help, and prevent more serious difficulties.

We agree with Ofgem's assertion that being proactive and supportive of consumers in payment difficulty should be a win-win for both customers and their suppliers. However, Ofgem should still take clear action to demonstrate the importance of suppliers being proactive, and to accelerate progress in this area. This could include:

- Monitoring the number of customers in financial difficulty that suppliers proactively contact with support. This could complement existing metrics on downstream impacts, such as the number of customers in debt.
- Collecting and sharing examples of good practice, to help improve the quality of interventions across the industry.

Money and Mental Health are currently engaging in a programme of research examining how consumers feel about the potential for financial services suppliers to use data to identify possible financial vulnerability, and to intervene to offer support. The outcomes of this research may offer some useful insights for the energy sector too. We will be glad to share the outcomes of this research with Ofgem, particularly findings and proposals, co-created with people experiencing mental health problems, around how this type of data analysis can be conducted while maintaining people's autonomy and right to privacy.

### **Minimising psychological harm**

Mental health problems can make it harder for people in problem debt to understand arrears notices, to ask for help, and to locate and access free debt advice. Under existing Ofgem

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<sup>15</sup> Bond N and Holkar M. A silent killer: Breaking the link between financial difficulty and suicide. Money and Mental Health Policy Institute. 2018.



regulations, suppliers should all routinely signpost customers to support services<sup>16</sup>, but these messages, often placed in supplementary material sent with bills or at the end of lengthy statements, often don't get through, leaving those in arrears unaware that help is available. Collections and enforcement activity can lead to serious psychological distress, with frequent phone calls and letters sometimes leaving people feeling trapped and with no way out, even before the stage where a warrant may be issued to fit a prepayment meter.

Given that half of customers in financial difficulty also have a mental health problem, Ofgem must ensure that people who fall behind on their energy bills are treated fairly, and that collections practices do not cause unnecessary psychological distress which can raise the risk of suicide. To achieve this, Ofgem should encourage suppliers to:

- Signpost customers in problem debt to free debt advice more effectively. Information on bills and arrears notifications should be prominent, ideally placed at the top of letters, before details of balances due or sanctions.
- Offer a warm referral (e.g. ability to book an appointment) with free debt advice services
- Use only regulated collections and enforcement firms, or those who comply with similar industry standards.

### **Question 3: What more could be done through energy regulation to assist consumers in vulnerable situations in the longer term? How should any such further measures be funded?**

In the longer term, Ofgem could remove many key drivers of vulnerability in the energy market by encouraging suppliers to adopt universal design principles to improve accessibility for people in vulnerable circumstances, including people experiencing mental health problems, and establishing minimum standards of service, in line with other regulated essential services.

#### **Universal design of innovative products**

In the longer term, Ofgem should consider how the principles of universal design could be applied to innovative tools and new offers ensure that all consumers are able to benefit from competitive prices. At present, those who lose out are usually those who are least able to engage in the market, often for reasons beyond their control like mental health problems, previous financial difficulties or digital exclusion.

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<sup>16</sup> Ofgem. Standard Conditions of electricity supply licence. Condition 31G. Assistance and advice information. Consolidated Conditions 04 July 2019..



New technologies offer the potential to remove the need for consumers to actively search for suppliers. Algorithms fed with complete market information, consumption patterns and customer preferences could undertake a much more robust search than a human, and do so much more frequently and at lower costs. We're already starting to see innovative services that can automate comparison and switching, or optimise energy usage.

Ofgem should carefully consider how to maximise the benefits of this innovation in the energy market, while also guarding against the risks associated with unscrupulous comparison providers or intermediaries. In particular, Ofgem should consider how to encourage inclusive innovation, so that these services improve outcomes for customers who are currently struggling, rather than deepening the divide between savvy consumers and those who are left behind. We are pleased to see this recognised in theme 4 of the draft strategy, and see it as a key task for Ofgem in the longer term.

### **Minimum standards of accessibility**

Mental health problems can have wide-ranging effects on a person's ability to navigate and manage essential services, regardless of the particular supplier, or the regulator sitting above it. Inconsistent approaches across regulated markets can make it harder for people experiencing difficulties to engage with support, as recognised in Outcome 5a. As essential services are increasingly bundled, or accessed through intermediaries across market boundaries, consistency will become all the more important.<sup>17</sup>

Ofgem should continue to collaborate with other regulators through the UK Regulators Network to develop minimum standards of accessibility and support for people with mental health problems, that can be expected across essential services markets. These should be designed to safeguard customers with mental health problems against the most significant accessibility barriers, or practices that would otherwise cause significant harm to this consumer group. While we understand Ofgem's commitment to principles-based regulation, we do not believe this a barrier to achieving a minimum level of service provision. The language of 'minimum standards' provides clarity that consumers should always be able to expect a certain level of service and support, but also provides space for aspiration towards a higher standard and flexibility about how the standards could be met.

Fundamentally, these standards should include a commitment to ensuring that the energy market is accessible to people experiencing mental health problems, whether they disclose their condition or not. Standards we are particularly keen to see in the energy market include:

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<sup>17</sup> Evans K. Minimum standards for mental health. Money and Mental Health Policy Institute. 2019.





- Key functions should be accessible by more than one communication channel
- Customers should be reminded of key information from conversations which take place verbally or online
- Communications to customers should contain clear action points, especially bills and notifications of arrears or extra support services
- Communications should draw the customer's attention to the most important information.

Greater clarity about minimum expectations could also help Ofgem to improve conduct among small suppliers and new entrants, and achieve Outcome 3c.

#### **Question 4: Do you agree with our proposals for the first year of the strategy?**

We are pleased to see Ofgem prioritise customers who self-disconnect from prepayment meters and those who are treated poorly when struggling to pay their energy bills - both are clear instances of acute detriment, that warrant closer attention.

We also welcome the proposed creation of an analytical framework, which could enable Ofgem to be more systematic in addressing a wider set of customer difficulties.

The original archetypes provide a useful segmentation, however the focus on households' energy consumption and their finances missed other important factors. To help Ofgem systematically understand outcomes for vulnerable customers, and work to improve them, the analytical framework should include archetypal consumers with a wider set of characteristics.

Rather than adding another dimension to archetypes based on households' finances and consumption patterns, additional archetypes illustrating particular customer characteristics could sit alongside an updated version of the existing segmentation. Money and Mental Health have worked extensively with other regulators to help them understand the scale and impact of mental health problems better, and to build these into exercises intending to better map vulnerabilities, such as the FCA's Financial Lives survey. We would be happy to assist Ofgem in a similar way if this is of interest.