

Money and Mental Health's submission to Ofgem's Call for Evidence on PPM rules and protections

Introduction

The Money and Mental Health Policy Institute is a research charity established by Martin Lewis to break the vicious cycle of money and mental health problems. We aim to be a world-class centre of expertise developing practical policy 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 thousands of people with personal experience of mental health problems.

This written submission has been informed by the experiences of our Research Community, as well as our wider body of research. Unless otherwise specified, all quotes in this response are drawn directly from the Research Community.

Background

- In any given year, one in four people will experience a mental health problem which can affect their cognitive and psychological functioning.¹ Over a lifetime, this proportion rises to nearly half the population.² 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.³
- Common symptoms of mental health problems, like low motivation, unreliable memory, limited concentration and reduced planning and problem-solving abilities, can make managing money significantly harder.⁴ As a result, it is estimated that people with mental health problems pay up to £1,550 more per year for essential services than people without mental health problems.⁵
- People with mental health problems are three and a half times more likely to be in problem debt than those without, and half (46%) of adults in problem debt also have a mental health problem.⁶

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

² Mental Health Foundation. Fundamental facts about mental health. 2016.

³ McManus S et al. Mental health and wellbeing in England: Adult Psychiatric Morbidity Survey 2014. NHS Digital. 2016.

⁴ Holkar M. Seeing through the fog. Money and Mental Health Policy Institute. 2017.

⁵ Rogers C, Poll H and Isaksen M. The mental health premium. Citizens Advice. 2019.

⁶ Holkar M. Debt and mental health: a statistical update. Money and Mental Health Policy Institute. 2019.

- 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.⁷

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.

We believe that principles-based regulation is, in general, an effective approach for Ofgem to take, provided it can ensure proper supervision and offer clear guidance. In some areas of delivery, including in relation to installing and switching to PPMs, the risk of more acute harm means that prescriptive rules and requirements are needed.

A principles-based approach can enable regulation to respond to different approaches from firms, as well as to wider consumer or economic changes and emerging harms. It also relies on firms to interpret the principles, which can lead to a diversity in approach. This can be good in certain circumstances, for example where different approaches can lead to the same levels of good customer service, but less so where there is a higher risk of harm if something goes wrong. This approach also requires proper monitoring and enforcement to ensure the desired outcomes are being achieved. Otherwise, bad practice will only be identified and acted upon when it is raised by consumer organisations or covered through stories in the media.

Unfortunately, this seems to have been the case with PPMs given the action taken by the government, Ofgem and firms after the recent *Times* investigation. The experiences highlighted by the media, as well as those of some of our Research Community, suggest that energy firms have not been doing enough to identify vulnerability and have been falling short of existing prescriptive requirements. The energy industry has suggested responsibility lies with Ofgem to enforce the rules.⁸ So there is a need for closer ongoing monitoring of firms on PPM installation and strong enforcement from Ofgem of any breaches of the rules. The recent public attention and action from Ofgem on PPMs has also highlighted that the prescriptive rules and guidance on PPM installation are spread out in different places, making it difficult for organisations such as ourselves to ascertain what is required by firms.

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

⁸ Lawson A. Ofgem considers subsidy to level energy costs for prepayment and direct debit customers. The Guardian. 2023.
<https://www.theguardian.com/business/2023/jan/31/ofgem-considers-subsidy-level-energy-costs-prepayment-direct-debit>

In the case of PPM installation, it would be ideal for there to be a long-term ban on the forced-fitting of PPMs by warrant and the forced remote switching of smart meters. We understand that this is not currently in the powers of Ofgem, but we would like to see Ofgem ask the government for this to be introduced. Beyond this, there is a need for more guidance to support some of the wider principles that are applicable. For example, we believe Ofgem should follow in the footsteps of the FCA and introduce more guidance on how energy firms should be following their requirement to identify and respond to the needs of customers in vulnerable circumstances. It's clear that firms have failed to identify customers who are vulnerable and shouldn't have a PPM installed. This identification is essential in this specific situation, but if firms were better at identifying customers at other points, they would have better data to know their customers before they are in this high-risk situation.

However, there is a significant scope for harm for people being put onto PPMs, in particular the risks that can come from self-disconnection. This can range from being unable to use the internet due to having no electricity, which can be a lifeline for many people with mental health problems,⁹ to being unable to cook meals. Furthermore, being unable to heat a home can impact people's mental and physical health, and even put people's lives at risk. Therefore, there should be more prescriptive requirements. For example, we believe there needs to be a requirement for firms to provide in-depth training on identifying vulnerability, including mental health problems, for anyone involved in the debt collection process. Additionally, as we outline in our answer to Question 2, we believe that firms should be required to assume customers in debt are in a vulnerable circumstance and that they should have a checklist to follow to prove that a customer is not in a vulnerable situation before fitting a PPM.

"I've had bailiffs coming to the door, I've had locksmiths taking my locks off to get in to change my gas and electricity meters. It's just constant worry and stress making me feel even lower."
Expert by experience

"The thought of bailiffs banging on my door makes me feel sick and quite frankly awakens my self harm urge."
Expert by experience

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?

We believe Ofgem needs to tell suppliers to assume customers in debt are vulnerable and to prove otherwise before putting a PPM in place. From our research we know that half of people

⁹ Holkar M and Lees C. Convenience at a cost. Money and Mental Health Policy Institute. 2020.

in problem debt will have a mental health problem,¹⁰ and that people with mental health problems are nearly four times more likely than people without to be behind on energy bills.¹¹ Mental health problems can affect us in lots of different ways, but for many it can be difficult to leave the house to visit top-up points due to social anxiety, agoraphobia, low motivation and low energy.¹² We also know that there are low levels of disclosure of mental health problems to energy firms, just 12% of people with mental health problems have disclosed to their energy provider,¹³ and there can be lots of barriers to doing so. Additionally, many people with mental health problems and in debt will struggle to answer and respond to debt collection communications.¹⁴ Our recent research has highlighted how many people are feeling bombarded during the current cost of living crisis with all the communications they are receiving chasing their various debts.¹⁵

This is important because the current rules rely too much, firstly, on staff at firms asking the right questions about someone's circumstances and secondly, on individuals to know their rights and to advocate for themselves that they shouldn't be moved on to a PPM. We therefore believe that Ofgem needs to bring in requirements for firms to have a rigorous checklist they and their agents have to follow to ensure someone isn't vulnerable and at risk of harm. If a firm cannot be satisfied that the customer is not vulnerable, a PPM should not be installed. Ofgem should also require firms to have MI and controls in place to monitor this and there should be more requirements for this information to be regularly submitted to Ofgem.

"Acute agoraphobia means I'm completely house bound and therefore unable to get any work. This also means I have to pay carers to do shopping, get gas and electric on keys, and any other tasks that involve going out."

Expert by experience

"[My energy provider] are constantly sending emails and have passed it through to a debt collection agency already who are also sending very scary letters. Their staff on the phones are also very rude and don't listen to what I have to say before trying to impose their solution rather than working with me to resolve the issue."

Expert by experience

¹⁰ Holkar M. Debt and mental health: a statistical update. Money and Mental Health Policy Institute. 2019.

¹¹ Bond N and D'Arcy C. The state we're in: money and mental health in a time of crisis. Money and Mental Health Policy Institute. November 2021.

¹² Holkar M. Money and Mental Health response to Ofgem's Consultation on Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing. 2019.

¹³ Bond N and D'Arcy C. The state we're in: money and mental health in a time of crisis. Money and Mental Health Policy Institute. November 2021.

¹⁴ Bond N and Holkar M. A silent killer. Money and Mental Health Policy Institute. 2018.

¹⁵ D'Arcy C. Bombarded: reducing the psychological harm caused by the cost of living crisis. Money and Mental Health Policy Institute. 2022.

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?

We believe that “safe and reasonably practicable” is too vague and opens the door to interpretation. While the guidance adds more on what this means, we think Ofgem should provide more information on what vulnerable circumstances a customer could be in for a PPM to not be installed. In particular, Ofgem should set out the needs of the group who would be affected and what harms they are at risk of. We think there should be a presumption of vulnerability by firms for those in debt. An alternative term could focus firms’ attention more on a customer being unable to use a PPM and being at risk of harm due to self-disconnection. We believe that Ofgem should require firms to evidence that each individual installation has been assessed as unlikely to cause harm. Ofgem could then use this information to check that requirements are being followed.

Question 4: Should we expand the list of vulnerable characteristics for which customers 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?

Ultimately, we believe that firms should not be able to force-fit a PPM, but given that this is outside the powers of Ofgem at the moment, there should be a default presumption that someone in debt is in a vulnerable circumstance. We think that financial vulnerability should be included in this definition as someone in this situation is very likely to be unable to afford to top up their PPM and therefore self-disconnect.

In terms of the situations someone shouldn’t have a PPM force-fitted through a warrant, protecting people who would find it severely traumatic due to an existing vulnerability related to mental capacity or psychological state is vital. But we feel that this should be expanded so it covers anyone who would find it traumatic *due to their circumstances* which could include a mental health condition but also other circumstances like a bereavement. Again, firms should assume that this is the case unless they can prove otherwise.

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

We support suppliers having to assess financial vulnerability, but this should be in reverse so that firms have to prove that someone isn’t in a financially vulnerable circumstance. There is a significant overlap between non-financial vulnerability, for whom the rules currently say

shouldn't have a PPM installed, and financial vulnerability. For example, half of people in problem debt have a mental health problem.¹⁶ Ultimately, during the current cost of living crisis, there is a significant risk of self-disconnection if someone in a financially vulnerable situation is switched on to a PPM. While disconnection is quite rare, installing a PPM for a financially vulnerable customer is disconnection by proxy - a firm will likely know that someone won't be able to afford to top up. Firms are currently required to then monitor customers with PPMs to see if they're disconnecting and then find out why, so a new requirement to assess financial vulnerability before installing would then save firms time and effort. Again this call for evidence process highlights the need for clear information on what people's rights are. This [page](#) from Citizens Advice suggested that someone who can't afford to top-up shouldn't be put onto a PPM.

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

There should be a complete ban for this practice, but until then it should be explicit that it is a last resort. Again there should be a checklist for firms to be confident that the customer is not vulnerable and will not experience harm as a result of the installation. Firms should be required to record these decisions and share them with Ofgem if requested.

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?

There has been a lot of development in recent years across essential services sectors on what could be considered a vulnerable circumstance. The key element to this is the harm that someone is vulnerable to. In the case of disconnection, the harm can include impacts on someone's mental and physical health, and in some cases, unfortunately, death. Ofgem should prevent disconnection for anyone who would experience these harms and this should be extended to all year, as people rely on their electricity all year round. This change would be particularly needed if any of the changes we have called for were implemented as we would not want to see an unintended consequence of more disconnections rather than installations of PPMs.

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?

¹⁶ Holkar M. Debt and mental health: a statistical update. Money and Mental Health Policy Institute. 2019.

We believe that any rule that applies for legacy PPMs should also apply to smart prepayments. Firms should not be remotely stitching anyone to a PPM if they will experience harm as a result. Crucially, the customer should have shown a clear understanding that they are to be remotely switched. As a minimum, firms should not be able to forcefully remote switch someone if it would be traumatic for them, as is the case currently with legacy PPMs. While it can be very distressing to have someone forcefully enter your home, finding out your smart meter is now in prepayment mode, as some recent examples have found,¹⁷ can also be traumatic. Firms should be required to share information with Ofgem on the steps they have taken to ensure they are not risking harm through remote switching.

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?

We would support there being more guidance and, if possible, prescription on how suppliers manage third parties. Firstly, firms should only work with third parties involved with debt collection activities that are licensed by the FCA as they will have requirements to follow on the treatment of customers. It would be essential for energy companies to only work with third parties that have strong policies on vulnerable customers and to follow the same process of assuming a customer is vulnerable until proven otherwise. Suppliers should tell their third parties to stop any action if they find evidence that a customer is vulnerable.

Question 10: Are there any other proposals you have that would support PPM customers? Please explain the proposal and provide evidence if available.

- There needs to be a more wide-ranging review of PPMs to assess the fairness of the current system. This should include looking at standing charges. As we answer in response to Question 13, Ofgem should work to eliminate the gap between PPM and direct debit tariffs. The review would have to consider how firms deal with bad debt in a way that does not unfairly penalise low-income customers. Ofgem should also consider how PPM tariffs would function as energy prices returned to earlier levels and new deals became available. Additionally, it should look at how smart PPMs could be used more effectively to support customers with budgeting and controlling energy usage. Finally, the review should examine the powers Ofgem has around changing rules, supervising compliance and taking enforcement action.

¹⁷ Batchelor-Hunt N. 'Switch by stealth': Alarming rise in homes with smart meters being cut off remotely. Yahoo News. 2022.



- Firms should have to reassess everyone who has been put onto a PPM in the last twelve months to check whether they are in a vulnerable circumstance and if the PPM should be uninstalled.
- Ofgem should make it easier for customers to be able to switch back to a normal meter after they have paid off their debt and should require firms to check-in with customers once a debt has been paid off.
- Ofgem should introduce more guidance on supporting vulnerable customers. This could include how firms could build up an understanding of vulnerability and potential harms, how staff can be given the right skills and capabilities, how to best respond to the needs of vulnerable customers, how to best communicate and how to monitor outcomes.
- Ofgem should work with other regulators to help facilitate more data sharing between energy firms and other utility companies to identify customers in vulnerable circumstances.
- Ofgem should lead work between the debt collection sector, magistrates and energy firms to ensure that vulnerability is being identified at all stages of the current PPM process.

Question 13: Should Ofgem try to reduce / eliminate the gap between PPM and direct debit tariffs, recognising that this is likely to result in non-PPM tariffs rising slightly? What would be the best way to achieve this, whilst ensuring that suppliers can recover their costs of serving PPM customers?

We believe that the current gap between PPM and direct debit tariffs is unfair to those using PPMs. While people can prefer to use PPMs for the control it gives, PPM customers are likely to be in more financially precarious situations as they are unable to get a direct debit tariff or were put on a PPM due to debt.¹⁸ The higher rate for PPMs adds on an additional financial penalty for these customers. We believe that this gap should be eliminated through the cross-subsidisation of costs.

¹⁸ Ogwuru C et al. Impact of increased cost of living on adults across Great Britain: June to September 2022. ONS. 2022.